Audited Financial Statements

Coralisle Insurance Company Ltd.
Year Ended December 31, 2022
With Independent Auditor's Report

Ernst & Young Ltd.

Building a better working world

Coralisle Insurance Company Ltd.

Audited Financial Statements

Year Ended December 31, 2022

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working world

Ernst & Young Ltd.
3 Bermudiana Road
Hamilton HM 08
P.O. Box HM 463
Hamilton HM BX
BERMUDA

Tel: +1 441 295 7000
Fax: +1 441 295 5193
ey.com

Independent Auditor's Report

To the Shareholder of
Coralisle Insurance Company Ltd.

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management and the Board of Directors for the Financial Statements

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

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.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

- 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 the Board of Directors 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.

Ernst & Young Ltd.

Hamilton, Bermuda
April 21, 2023

Coralisle Insurance Company Ltd.

Statement of Financial Position

(Expressed in thousands Bermuda Dollars)

	December 31	
	2022	**2021**
Assets		
Cash and cash equivalents *(Notes 3, 9 and 11)*	**$ 2,214**	$ 20,919
Financial assets *(Notes 4, 9 and 11)*	**39,866**	24,898
Accounts receivable and accrued interest *(Note 9)*	**–**	9
Amounts due from related companies *(Notes 9 and 11)*	**5,109**	4,580
Insurance balances receivable *(Notes 5 and 9)*	**6,744**	6,147
Reinsurance balances receivable *(Note 9)*	**1,260**	1,094
Losses recoverable from reinsurers *(Notes 6 and 9)*	**3,049**	839
Prepaid reinsurance premium	**7,402**	6,325
Prepaid expenses	**179**	668
Deferred acquisition costs	**862**	748
Property, plant and equipment *(Note 7)*	**162**	364
Intangible assets *(Note 8)*	**42**	124
Total assets	**$ 66,889**	$ 66,715
Liabilities		
Amounts due to related companies *(Notes 9 and 11)*	**$ 158**	$ 4,790
Reinsurance balances payable *(Note 9)*	**2,576**	2,101
Outstanding losses and loss expenses *(Notes 6 and 9)*	**8,936**	5,844
Accounts payable and other liabilities *(Note 9)*	**1,618**	1,112
Unearned premiums	**19,327**	18,111
Deferred commission income	**2,160**	1,902
Total liabilities	**$ 34,775**	$ 33,860
Shareholder's equity		
Share capital *(Note 10)*	**$ 4,000**	$ 4,000
Contributed surplus *(Note 10)*	**10,500**	10,500
Retained earnings	**17,614**	18,355
Total equity attributable to the equity holder of the Company	**$ 32,114**	$ 32,855
Total liabilities and shareholder's equity	**$ 66,889**	$ 66,715

See accompanying notes.

On behalf of the Board:

Director Date: April 21, 2023

Director Date: April 21, 2023

Coralisle Insurance Company Ltd.

Statement of Comprehensive (Loss) Income

(Expressed in thousands Bermuda Dollars)

	Year Ended December 31 2022	2021
Premiums written *(Note 11)*	**$ 37,921**	$ 36,086
Change in unearned premiums written	**(1,216)**	(610)
Total premiums earned	**36,705**	35,476
Reinsurance premiums ceded *(Note 11)*	**(20,587)**	(19,131)
Change in prepaid reinsurance premiums	**1,078**	257
Premiums ceded	**(19,509)**	(18,874)
Net premiums earned	**17,196**	16,602
Claims paid *(Note 6)*	**(7,761)**	(9,287)
Change in outstanding loss provisions *(Note 6)*	**(3,092)**	2,862
Claims recovered and recoverable from reinsurers *(Notes 6 and 9)*	**3,240**	(79)
Net claims incurred	**(7,613)**	(6,504)
Commission earned on reinsurance	**5,009**	4,865
Commission expense	**(1,760)**	(1,536)
Other underwriting expenses	**(388)**	(397)
Net underwriting income	**12,444**	13,030
Investment (loss) income *(Notes 4 and 11)*	**(2,899)**	691
General and administrative expenses *(Notes 11 and 12)*	**(10,286)**	(10,200)
Net (loss) income and comprehensive (loss) income for the year	**$ (741)**	$ 3,521

See accompanying notes.

Coralisle Insurance Company Ltd.

Statement of Changes in Shareholder's Equity
(Expressed in thousands Bermuda Dollars)

	Share Capital	Contributed Surplus	Retained Earnings	Total Equity Attributable to the Equity Holder of the Company
Balance at December 31, 2020	$ 4,000	$ 10,500	$ 14,834	$ 29,334
Net income for the year	–	–	3,521	3,521
Balance at December 31, 2021	$ 4,000	$ 10,500	$ 18,355	$ 32,855
Net loss for the year	**–**	**–**	**(741)**	**(741)**
Balance at December 31, 2022	**$ 4,000**	**$ 10,500**	**$ 17,614**	**$ 32,114**

See accompanying notes.

Coralisle Insurance Company Ltd.

Statement of Cash Flows

(Expressed in thousands Bermuda Dollars)

	Year Ended December 31	
	2022	**2021**
Operating activities		
Net (loss) income for the year	**$ (741)**	$ 3,521
Adjustments for:		
Depreciation and amortization *(Notes 7 and 8)*	**328**	491
Dividend and interest income *(Note 4)*	**(54)**	(192)
Realized loss on other investments *(Note 4)*	**101**	–
Net change in unrealized losses on investments *(Note 4)*	**1,535**	4,303
Realized losses (gains) on financial assets *(Note 4)*	**1,347**	(5,059)
Bond amortization *(Note 4)*	**–**	10
Operating cash flow before changes in operating working capital	**2,516**	3,074
Change in operating working capital *(Note 13)*	**1,780**	(1,289)
Cash flows provided by operating activities	**4,296**	1,785
Investing activities		
Proceeds on sale of investments	**3,117**	35,994
Purchase of investments	**(3,971)**	(31,935)
Interest and dividends received *(Note 4)*	**54**	192
Purchase of property, plant and equipment *(Note 7)*	**(44)**	(7)
Purchase of intangible assets *(Note 8)*	**–**	(3)
Repayments from related parties	**(22,157)**	871
Cash flows (used in) provided by investing activities	**(23,001)**	5,112
(Decrease) increase in cash and cash equivalents	**(18,705)**	6,897
Cash and cash equivalents at beginning of year	**20,919**	14,022
Cash and cash equivalents at end of year	**$ 2,214**	$ 20,919

See accompanying notes.

1. General

Coralisle Insurance Company Ltd. (the Company) was incorporated in Bermuda on May 26, 1958, and carries on business as an insurance company. The Company holds a Class 3A license under the Insurance Act 1978 of Bermuda and related regulations (the Insurance Act).

The Company operates in Bermuda and the British Virgin Islands underwriting property and casualty insurance. The registered office and principle place of business of the Company is Jardine House, 33-35 Reid Street, Hamilton, Bermuda. The Company is a wholly owned subsidiary of Coralisle Group Ltd. (CG). CG is fully owned by Edmund Gibbons Limited, (EGL) an entity domiciled in Bermuda.

2. Summary of Significant Accounting Policies

Basis of Preparation and of Compliance

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

The financial statements, including all notes, were authorized for issue by the Board of Directors on April 21, 2023.

Basis of Measurement

The financial statements have been compiled on the going concern basis and prepared on the historical cost basis, except for the financial assets at fair value through profit or loss, which are stated at fair value, and financial assets which are held at amortized cost. The statement of financial position is presented in order of liquidity.

Functional and Presentation Currency

The financial statements are presented in Bermuda dollars, the Company’s functional currency. Currency figures are expressed in thousands.

2. Summary of Significant Accounting Policies (continued)

Foreign Currency Translation

Transactions involving currencies other than the Bermuda dollar are translated at exchange rates ruling at the time of those transactions. All monetary assets and liabilities originating in such currencies are translated at the rates ruling at the statement of financial position date. Any profits or losses on exchange are included in the statement of comprehensive (loss) income.

Use of Estimates and Judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies, reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of income and expenses during the year. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, and the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

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

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in the Notes 4, 6 and 9.

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurement

Fair value is determined based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value is measured using the assumptions that market participants would use when pricing an asset or liability. The Company determines fair value by using quoted prices in active markets for identical or similar assets or liabilities. When quoted prices in active markets are not available, fair value is determined using valuation techniques that maximize the use of observable inputs. When observable valuation inputs are not available, significant judgment is required to determine fair value by assessing the valuation techniques and valuation inputs. The use of alternative valuation techniques or valuation inputs may result in a different fair value. A description of the fair value methodologies and assumptions by type of asset is included in Note 4.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Company considers all cash on hand, time deposits with an original maturity of three months or less and money market funds which can be redeemed without penalty as equivalent to cash.

Financial Assets

The Company has financial assets at fair value through profit or loss. Management determines the classification at initial recognition and is dependent on the nature of the assets and the purpose for which the assets were acquired. Financial assets are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at fair value through other comprehensive income (OCI) and fair value through profit or loss.

2. Summary of Significant Accounting Policies (continued)

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)

- Financial assets at fair value through profit or loss

2. Summary of Significant Accounting Policies (continued)

Financial Assets at Fair Value Through OCI (Debt Instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon de-recognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

Financial Assets at Fair Value Through OCI (Equity Instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of comprehensive (loss) income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company has not designated any financial assets under this classification.

2. Summary of Significant Accounting Policies (continued)

Financial Assets at Fair Value Through Profit or Loss

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the statement of profit or loss when the right of payment has been established.

2. Summary of Significant Accounting Policies (continued)

De-recognition

A financial asset is de-recognized when the Company's rights to contractual cash flows expires, when the Company transfers substantially all its risks and rewards of ownership or when the Company no longer retains control.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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.

Impairment of Financial Assets

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2. Summary of Significant Accounting Policies (continued)

The Company's expected credit loss ("ECL") calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments 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 ECL ("LTECL") 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.

Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, Exposure at Default ("EAD") and Loss Given Defaults ("LGD").

Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Under the general approach expected credit losses are categorized into one of three stages. Under stage 1 of the general approach, each financial asset or financial asset grouping will be measured for expected credit losses that result from default events that are possible within the 12 months subsequent to the current fiscal period (12-month ECL). Under stage 2 and 3 of the general approach, the financial asset or financial asset group must recognize an expected credit loss allowance for possible default events that may take place over the remaining life of the instrument (lifetime ECL). The categorization of an individual asset or asset group into stage 1, stage 2 or stage 3 is determined by whether there was a significant increase in credit risk since the initial recognition to the reporting date, with the exception that of an asset that is categorized as low credit risk.

The stage 1 ECL classification is used for low credit risk assets or assets that have shown significant improvement in credit quality and is reclassified from stage 2 or has had no significant change in credit risk since initial recognition.

2. Summary of Significant Accounting Policies (continued)

The stage 2 ECL classification is used for assets for which there has been a significant decrease in credit quality since initial recognition, or stage 3 assets that have shown significant improvement in credit quality. The stage 3 ECL is reserved for assets considered to be credit impaired.

The Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. Further, the Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of Non-Financial Assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Company bases its impairment calculation on detailed budgets and forecast calculations.

2. Summary of Significant Accounting Policies (continued)

Impairment losses are recognized in the statement of comprehensive (loss) income. Impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Insurance and Investment Contracts

Insurance contracts are those contracts where the Company has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Contracts under which the Company does not accept significant insurance risk are classified as either investment contracts or considered service contracts and are accounted for in accordance with IFRS 9, *Financial Instruments: Recognition and Measurement* or IFRS 15, *Revenue*, respectively.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its term, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can be reclassified as insurance contracts if insurance risk subsequently becomes significant.

Premiums

The Company's insurance premiums are earned pro rata over the term of the applicable risk period specified in the insurance policy. The Company's insurance policies cover losses occurring or claims made during the term of the policy. Generally, the Company receives a fixed premium which is identified in the policy and is recorded on the inception date of the contract and earned evenly over the policy term. Net premiums represent gross premiums, net of the share ceded to reinsurers for insuring part of the risk. Unearned premiums represent the portion of premiums written applicable to the unexpired terms of policies in force.

Receivable and Payable Related to Insurance Contracts

Receivables and payables related to insurance contracts are recognized when due. These include amounts due to and from insurance contract holders, brokers and agents. Premiums receivable are recorded at amounts due less any allowance for estimated uncollectible premiums receivable.

2. Summary of Significant Accounting Policies (continued)

Deferred Acquisition Costs

Deferred acquisition costs represent the cost of acquiring new business, consisting of commission expenses, policy issuance and other costs, which are directly related to the production of new business. Acquisition costs on insurance business are deferred and amortized to income over the period in which the premiums are earned.

Reinsurance Contracts Held

The Company uses reinsurance in the normal course of business to manage its risk exposure. Insurance ceded to a reinsurer does not relieve the Company from its obligations to policyholders. The Company remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet its obligations for reinsurance ceded to it under the reinsurance agreements.

Reinsurance assets represent the benefit derived from reinsurance agreements in force at the reporting date, taking into account the financial condition of the reinsurer. Amounts recoverable from reinsurers are estimated in accordance with the terms of the relevant reinsurance contract.

Premiums ceded and claims reimbursed are presented on a gross basis in the statements of comprehensive (loss) income. Reinsurance assets are not offset against the related insurance contract liabilities and are presented separately in the statements of financial position.

Reinsurance profit commission is calculated based on past underwriting results and in accordance with the terms of the reinsurance contracts, and is received from the reinsurers. The reinsurance profit commission is recorded on the accrual basis.

2. Summary of Significant Accounting Policies (continued)

Outstanding Losses and Loss Expenses

Unpaid losses and loss expenses in the statement of financial position include (i) reserves for reported unpaid losses and loss expenses (ii) and for losses incurred but not reported (referred to as "IBNR" reserves).

Reserves for Reported Unpaid Losses

The reserve for reported unpaid losses and loss expenses is established for losses that have been reported, but not yet paid. The reserve for reported unpaid losses and loss expenses is estimated based on claims reported from insureds or amounts reported from ceding companies and represent the estimated ultimate cost of events or conditions that have been reported to or specifically identified by the Company.

IBNR Reserves

IBNR reserves represent a provision for claims that have been incurred but not yet reported to the Company as well as future loss development on losses already reported in excess of the reserve for reported unpaid losses and loss expenses. The Company appointed actuary is responsible for determining the amount of the IBNR reserves. The Company's actuary employs a variety of generally accepted methodologies to determine estimated ultimate loss reserves, including the "Bornhuetter-Ferguson incurred loss method" and frequency and severity approaches.

The Company's outstanding loss and loss expense reserves are reviewed regularly and adjustments, if any, are reflected in earnings in the period in which they become known. The establishment of new loss and loss expense reserves or the adjustment of previously recorded loss and loss expense reserves could result in significant positive or negative changes to the Company's financial condition for any particular period. While management believes the Company's estimate of loss and loss expense reserves is reasonable, the ultimate loss experience may not be reliably predicted and it is possible losses and loss expenses may be materially different than the total reserve for losses and loss expenses recorded by the Company.

2. Summary of Significant Accounting Policies (continued)

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses. The cost of replacing a component of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized as incurred in general and administrative expenses on the statement of comprehensive (loss) income.

Depreciation is charged to general and administrative expenses in the statement of comprehensive (loss) income on a straight-line basis over the estimated useful life of the asset. The estimated useful lives are as follows:

Computer hardware	5 years
Furniture and office equipment	5 – 10 years
Leasehold improvements	10 years

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Identifiable Intangible Assets

Finite-life intangible assets are amortized on a straight-line basis over their useful life. The Company has classified software costs as intangible assets if they are not an integral part of the computer equipment. Finite-life intangible assets are recorded at cost less accumulated amortization. Amortization is provided for on a straight-line basis over the following estimated useful lives.

Computer software	5 years

2. Summary of Significant Accounting Policies (continued)

Commission Income

Commission income represents reinsurance commission income and is recorded on an accrual basis when services are rendered.

Investment Income

Interest on cash and debt securities is recorded on an accrual basis. Dividend income is recognized when the right to receive it is established. For loans and receivables reported at amortized cost, interest income is calculated using the effective interest rate method and is reported in the statement of comprehensive (loss) income.

Leases

The company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company, as lessees, applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. As of December 31, 2022, the company has not entered into any lease contracts.

Defined Contribution Plan

Contributions to the defined contribution plan are recognized as an expense in net income or loss in the statement of comprehensive (loss) income as incurred. A defined contribution plan is a pension plan under which the Company pays fixed contributions to a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient funds to pay all employees the benefits relating to employee service in current and prior periods.

Taxation

Under the laws of Bermuda there is presently no income, withholding or capital gains tax payable by the Company.

2. Summary of Significant Accounting Policies (continued)

Retirement Benefit Plan

Coralisle Insurance Company Ltd. employees are part of the Edmund Gibbons Limited Retirees Pension and Health Insurance benefits (EGL Plan) whereby, the retirees will be reimbursed by the Company for a portion of the Basic Medical Plan premium from 25% – 100% depending on the number of years of service. There is no contractual agreement or stated policy with EGL for charging the company its share of net defined benefit cost and therefore, the portion of premium paid for the eligible retiree is included in expenses.

IFRS 17, Insurance Contracts

IFRS 17, Insurance Contracts, issued in May 2017, specifies the financial reporting for insurance contracts. The new standard replaces IFRS 4, Insurance Contracts, and is effective for annual accounting periods beginning on or after January 1, 2023 and will significantly change the accounting for, valuation of, and presentation of insurance contracts. Contracts that transfer significant insurance risk at the inception of the contract are accounted for as insurance contracts. Contracts that do not transfer significant insurance risk are accounted for as investment contracts under IFRS 9. The adoption of IFRS 17 will not change the classification of the Company's insurance contracts. Before recognizing an insurance contract based on the guidance in IFRS 17, management analyses whether the contract contains components that must be separated. IFRS 17 distinguishes three categories of components that must be accounted for separately:

- Cash flows relating to embedded derivatives that are required to be separated.
- Cash flows relating to distinct investment components.
- Promises to transfer distinct goods or distinct non-insurance services.

The Company applies IFRS 17 to all remaining components of the contract. Where contracts contain multiple insurance components that meet the requirements for separation, these are separated and accounted for as standalone contracts.

2. Summary of Significant Accounting Policies (continued)

Level of Aggregation

The Company manages insurance contracts issued by class of business within an operating segment. Classes of business are then aggregated into portfolios of contracts that are subject to similar risks and managed together. Each portfolio is further disaggregated into groups of contracts that are issued within a financial year (annual cohorts) and are (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts.

These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered. The Company assumes there are no contracts in the portfolio that are onerous at initial recognition, unless there are facts and circumstances which may indicate otherwise. Management considers the following to determine whether there are facts and circumstances that mean a group of contracts are onerous:

- Pricing information.
- Results of similar contracts it has recognised.
- External factors, e.g., a change in market experience or regulations.

Measurement Model

Under IFRS 17, the Company’s insurance contracts issued and reinsurance contracts held are substantially all eligible to be measured by applying the Premium Allocation Approach (“PAA”). The PAA simplifies the measurement of insurance contracts in comparison with the General Measurement Model under IFRS 17.

2. Summary of Significant Accounting Policies (continued)

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

- The liability for remaining coverage reflects premiums received less deferred acquisition expenses less amounts recognised in revenue for insurance services provided.

- If contracts are assessed as being onerous, a loss component is recognised.

- The recognition of insurance acquisition cash flows includes an allocation of acquisition-related operating expenses incurred in the period. All acquisition related cash flows are deferred and amortised over the coverage period of the group of contracts.

- Measurement of the liability for incurred claims (previously losses and loss adjustment expenses) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk.

Significant Judgements and Estimates

The Company will estimate the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. They reflect current estimates from the perspective of the entity and include an explicit adjustment for non-financial risk (the risk adjustment). The liability for incurred claims is discounted using market-based yield curves promulgated by the BMA. The Company will determine yield curves by leveraging the bottom-up approach of applying a liquidity premium to a risk-free yield curve to reflect the differences between the liquidity characteristics of the risk-free rate and the liquidity characteristics of the insurance liabilities. This liquidity premium is also calculated by the BMA, under its “Standard Approach” yield curve. The Company intends to use the cost of capital approach to calculate the risk adjustment.

2. Summary of Significant Accounting Policies (continued)

Presentation and Disclosure

Presentation and disclosure will change significantly. The balance sheet will continue to contain related assets and liabilities for insurance business, but in a different, more condensed form. The most significant change will be in the presentation of the statement of comprehensive (loss) income where premiums and claims related line items will be replaced by insurance revenue and insurance service expenses. Certain commissions on insurance contracts issued which were previously presented as acquisition expenses will now be presented as a deduction to revenue under IFRS 17. Commissions on insurance contracts that are dependent on claims will be treated as claims cash flows and presented as part of insurance service expenses. All insurance contract assets and liabilities will be monetary items with any revaluation adjustments being recognised in the statement of comprehensive (loss) income.

Under IFRS 17, changes in the carrying amounts of groups of contracts arising from the effects of the time value of money are presented as insurance finance income or expenses. The Company has elected not to disaggregate insurance finance income or expenses and will present the total amount in the statement of comprehensive (loss) income.

Transition and Estimated Impact of the Adoption of IFRS 17

The Company will adopt the full retrospective approach for all changes in accounting policies due to the implementation of IFRS 17. Management is still performing assessments of the initial application of IFRS 17 impact on its financial statements.

3. Cash and Cash Equivalents

Cash and cash equivalents represent current account and demand deposit balances, with 51% (2021 – 25%) held by Clarien Bank Limited (Note 11), 37% (2021 – 2%) held with unrelated Bermuda banks and 12% (2021 – 73%) held with a non-Bermuda based bank.

(Expressed in thousands Bermuda Dollars)

4. Financial Assets

At Fair Value Through Profit or Loss (FVTPL)

	2022		2021	
	Fair Value	**Cost**	**Fair Value**	**Cost**
Managed funds	**$ 39,866**	**$ 42,435**	$ 24,892	$ 25,289
Common equity securities	**–**	**–**	6	643
	$ 39,866	**$ 42,435**	$ 24,898	$ 25,932

For all securities, regardless of classification, the Company's largest concentration in any one investee, or group of investees, is 96.92% (2021 – 92.51%). The investee is PIMCO.

In July 2021, the Company transitioned its primary US dollar investment portfolios to a new third-party investment manager. The fundamental investment strategy and strategic asset allocation of the Company's investments remains unchanged but the investment vehicles and underlying securities held within the new investment structures are different. This change has provided the Company with increased diversification, enhanced market access, greater liquidity and a more efficient cost structure. Accordingly, all fixed income investments held at Amortized Cost were sold. Proceeds were invested in managed funds and are now held At Fair Value Through Profit and Loss.

The managed funds owned by the Company invest in a number of different types of investments which include: large cap, small cap and emerging market equity, sovereign bonds, investment grade corporate bonds, high yield bonds, asset backed securities, and alternative investments which can include private equity and real estate.

These investments are subject to the conditions and restrictions as further defined in the terms of the offering of each fund, which are usually contained in a formal offering memorandum. Such offering memorandum generally define the nature and types of investments in which a managed fund can invest and provide for specified procedures regarding further investment in and redemption from the particular fund.

The investment portfolio is monitored by the Investment Committee and is subject to investment guidelines approved by the Board of Directors.

4. Financial Assets (continued)

Fair Value Hierarchy

The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical instruments.

Level 2 – Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates, credit risks, etc.) and inputs that are derived from or corroborated by observable market data.

Level 3 – Model derived valuations in which one or more significant inputs or significant value drivers are unobservable. These measurements include circumstances in which there is little, if any, market activity for the asset or liability. In making the assessment, the Company considers factors specific to the asset or liability and such an assessment will involve significant management judgment. Because of the inherent uncertainty in the valuation of these Level 3 investments, fair values of such investments may differ from the values that would have been used had a ready market for these investments existed, and the differences could be material.

The following table presents the Company's fair value hierarchy for those assets or liabilities measured at fair value and for which fair values are disclosed as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Financial assets measured at FVTPL				
Managed funds	$ 36,949	$ –	$ 2,917	$ 39,866
Total	$ 36,949	$ –	$ 2,917	$ 39,866

(Expressed in thousands Bermuda Dollars)

4. Financial Assets (continued)

The following table presents the Company's fair value hierarchy for those assets or liabilities measured at fair value and for which fair values are disclosed as of December 31, 2021:

	Level 1	Level 2	Level 3	Total
Financial assets measured at FVTPL				
Managed funds	$ 21,836	$ –	$ 3,056	$ 24,892
Common equity securities	–	–	6	6
Total	$ 21,836	$ –	$ 3,062	$ 24,898

There were no reclassifications of investments between Level 1, Level 2, or Level 3 during the year ended December 31, 2022 and December 31, 2021.

Financial Assets in Level 1
The fair value of investments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These investments are included in Level 1. Investments included in Level 1 comprise primarily domestic and foreign quoted equity shares and managed funds.

Financial Assets in Level 2 and Level 3
The fair value of investments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Specific valuation techniques include market standard valuation methodologies, which include discounted cash flow analysis, consensus pricing from various broker dealers that are typically the market makers, or other similar techniques. The assumptions and valuation inputs in applying these market standard valuation methodologies are determined primarily using observable market inputs, which include, but are not limited to, benchmark yields, reported trades of identical or similar instruments, broker-dealer quotes, issuer spreads, bid prices and reference data including market research publications. In limited circumstances, non-binding broker quotes are used. If all significant inputs required to fair value an investment are observable, the investment is included in Level 2.

(Expressed in thousands Bermuda Dollars)

4. Financial Assets (continued)

Fair values of the Company’s interests in unquoted managed fund investments are based upon the Net Asset Values of the underlying investment funds as reported by the investment managers or their independent administrators. The Company’s ability to redeem its managed fund investments at the reported net asset value per share (or its equivalent) determines whether the managed fund investment is categorized within Level 2 or Level 3 of the fair value hierarchy. If the managed fund can be redeemed within a time period of 3 months with no gates or other redemption restrictions it is classified within Level 2. Otherwise, the managed fund is classified within Level 3.

The following table provides a summary of the changes in fair value of the Company’s Level 3 financial assets (and liabilities) for the year ended December 31, 2022:

	Managed Funds	Common Equity	Total
Beginning balance at January 1, 2022	$ 3,056	$ 6	$ 3,062
Movement in unrealized (losses)/gains	(139)	637	498
Movement in realized losses	–	(643)	(643)
Purchases/(sales)	–	–	–
Ending balance at December 31, 2022	$ 2,917	$ –	$ 2,917
Total losses for the year included in income on Level 3 assets (recognized in investment income)	$ (139)	$ (6)	$ (145)

(Expressed in thousands Bermuda Dollars)

4. Financial Assets (continued)

The following table provides a summary of the changes in fair value of the Company's Level 3 financial assets (and liabilities) for the year ended December 31, 2021:

	Managed Funds	Common Equity	Total
Beginning balance at January 1, 2021	$ 287	$ 64	$ 351
Movement in unrealized gains/(losses)	14	(58)	(44)
Movement in realized gains	44	–	44
Purchases/(sales)	2,711	–	2,711
Ending balance at December 31, 2021	$ 3,056	$ 6	$ 3,062
Total gains/(losses) for the year included in income on Level 3 assets (recognized in investment income)	$ 58	$ (58)	$ –

A review of the fair value hierarchy classifications is conducted on an ongoing basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets and liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in/out of the Level 3 category as of the beginning of the period in which the reclassifications occur.

The Level 3 financial assets are primarily composed of funds valued on a Net Asset Value (NAV) basis. The most significant input in the valuation is the NAV of the underlying fund. Generally, an increase in the NAV of each underlying fund will have an equal increase in the fair value of the financial assets.

(Expressed in thousands Bermuda Dollars)

4. Financial Assets (continued)

Investment (Loss) Income

Investment (loss) income comprises the following:

	December 31	
	2022	**2021**
Dividend and interest income	**$ 54**	$ 192
Intercompany and related party interest	**40**	(163)
Net realized loss on other investments	**(101)**	
Net realized (losses) gains on sale of investments	**(1,347)**	5,059
Net change in unrealized losses on investments	**(1,535)**	(4,303)
Bond amortization	**–**	(10)
Management fees	**(10)**	(84)
	$ (2,899)	$ 691

5. Insurance Balances Receivable

Insurance balances receivable is presented net of an allowance for doubtful accounts of $677 (2021 – $654).

(Expressed in thousands Bermuda Dollars)

6. Outstanding Losses and Loss Expenses and Reinsurance Assets

Outstanding losses and loss expenses are reported gross of reinsurance ceded and the ceded liabilities are reported separately as a reinsurance asset. Outstanding losses and loss expenses include reserves for reported unpaid losses and loss expense incurred but not reported. Movements in insurance liabilities and reinsurance assets are as follows:

		2022			2021	
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Loss reserves						
Notified claims	**$ 3,945**	**$ (839)**	**$ 3,106**	$ 6,706	$ (2,524)	4,182
Incurred but not reported	**1,899**	**–**	**1,899**	2,000	–	2,000
Total at beginning of year	**5,844**	**(839)**	**5,005**	8,706	(2,524)	6,182
Movements during the year						
Claims incurred – current year	**9,056**	**(2,469)**	**6,587**	4,937	(190)	4,747
Claims incurred – prior year	**1,797**	**(771)**	**1,026**	1,488	269	1,757
Total claims incurred	**10,853**	**(3,240)**	**7,613**	6,425	79	6,504
Claims settled – current year	**(4,852)**	**449**	**(4,403)**	(3,771)	117	(3,654)
Claims settled – prior year	**(2,909)**	**581**	**(2,328)**	(5,516)	1,489	(4,027)
	(7,761)	**1,030**	**(6,731)**	(9,287)	1,606	(7,681)
Total at end of year	**$ 8,936**	**$ (3,049)**	**$ 5,887**	$ 5,844	$ (839)	$ 5,005
Notified claims	**6,924**	**(2,737)**	**4,187**	3,945	(839)	3,106
Incurred but not reported	**2,012**	**(312)**	**1,700**	1,899	–	1,899
Total at end of year	**$ 8,936**	**$ (3,049)**	**$ 5,887**	$ 5,844	$ (839)	$ 5,005

(Expressed in thousands Bermuda Dollars)

6. Outstanding Losses and Loss Expenses and Reinsurance Assets (continued)

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The top half of the table below illustrates how the Company's estimate of net retained total claims outstanding for each accident year has changed at successive year ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the statement of financial position.

Reporting Year	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
Estimate of ultimate claims costs:													
At end of reporting year/period	$ 4,733	$ 4,576	$ 4,586	$ 7,528	$ 5,680	$ 6,229	$ 5,587	$ 6,411	$ 6,751	$ 4,222	$ 4,749	$ 6,369	$ 67,421
One year later	5,320	5,604	5,533	8,010	6,459	7,107	6,407	7,099	8,124	4,920	5,455		
Two years later	5,520	5,666	5,388	8,050	6,850	6,979	6,667	7,089	8,183	5,150			
Three years later	5,775	5,704	5,344	8,459	7,110	7,003	6,671	7,317	8,301				
Four years later	5,821	5,660	5,554	8,459	7,247	7,367	6,681	7,335					
Five years later	5,823	5,585	5,581	8,664	7,354	7,348	6,683						
Six years later	5,844	5,486	5,603	8,640	7,320	7,081							
Seven years later	5,844	5,456	5,603	8,610	7,297								
Eight years later	5,843	5,456	5,603	8,610									
Nine years later	5,843	5,456	5,603										
Ten years later	5,843	5,486											
Eleven years later	5,870												
Current estimate of cumulative claims	5,870	5,486	5,603	8,610	7,297	7,081	6,683	7,335	8,301	5,150	5,455	6,369	79,240
Cumulative payments to date	5,741	5,486	5,603	8,557	7,297	7,076	6,464	7,251	8,075	4,695	5,047	4,185	75,477

(Expressed in thousands Bermuda Dollars)

6. Outstanding Losses and Loss Expenses and Reinsurance Assets (continued)

Reporting Year/Period Ended	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
Net reserves related to direct business	$ 129	$ –	$ –	$ 53	$ –	$ 5	$ 219	$ 84	$ 226	$ 455	$ 408	$ 2,184	$ 3,763
Reserves on BVI business	–	–	–	–	–	–	–	–	–	–	–	–	424
Total net reserve at December 31,	–	–	–	–	–	–	–	–	–	–	–	–	4,187
Add: applicable reinsurance	–	–	–	–	–	–	–	–	–	–	–	–	2,737
Total gross outstanding case reserves at	–	–	–	–	–	–	–	–	–	–	–	–	6,924
Add: Incurred but not reported	–	–	–	–	–	–	–	–	–	–	–	–	2,012
Total gross outstanding claims at	–	–	–	–	–	–	–	–	–	–	–	–	8,936

(Expressed in thousands Bermuda Dollars)

7. Property, Plant and Equipment

Property, plant and equipment as at December 31, 2022, are detailed below:

	2021	Additions	Disposals	2022
Cost				
Leasehold improvements	$ 3,758	$ –	$ –	**$ 3,758**
Computer hardware	1,574	43	–	**1,617**
Furniture and office equipment	1,907	1	–	**1,908**
	$ 7,239	$ 44	$ –	**$ 7,283**

	2021	Depreciation Expense	Disposals	2022
Accumulated depreciation				
Leasehold improvements	$ 3,627	$ 125	$ –	**$ 3,752**
Computer hardware	1,429	74	–	**1,503**
Furniture and office equipment	1,819	47	–	**1,866**
	$ 6,875	$ 246	$ –	**$ 7,121**
Net book value	$ 364			**$ 162**

(Expressed in thousands Bermuda Dollars)

7. Property, Plant and Equipment (continued)

Property, plant and equipment as at December 31, 2021, are detailed below:

	2020	Additions	Disposals	2021
Cost				
Leasehold improvements	$ 3,758	$ –	$ –	**$ 3,758**
Computer hardware	1,569	5	–	**1,574**
Furniture and office equipment	1,905	2	–	**1,907**
	$ 7,232	$ 7	$ –	**$ 7,239**

	2020	Depreciation Expense	Disposals	2021
Accumulated depreciation				
Leasehold improvements	$ 3,380	$ 247	$ –	**$ 3,627**
Computer hardware	1,328	101	–	**1,429**
Furniture and office equipment	1,773	46	–	**1,819**
	$ 6,481	$ 394	$ –	**$ 6,875**
Net book value	$ 751			**$ 364**

8. Intangible Assets

Intangible assets comprising computer software as at December 31, 2022, are detailed below:

	2021	Additions	Disposals	2022
Cost				
Computer software	$ 639	$ –	$ –	$ 639
	$ 639	$ –	$ –	$ 639

(Expressed in thousands Bermuda Dollars)

8. Intangible Assets (continued)

	2021	Amortization Expense	Disposals	2022
Accumulated amortization				
Computer software	$ 515	$ 82	$ –	**$ 597**
	$ 515	$ 82	$ –	**$ 597**
Net book value	$ 124			**$ 42**

Intangible assets comprising computer software as at December 31, 2021, are detailed below:

	2020	Additions	Disposals	2021
Cost				
Computer software	$ 636	$ 3	$ –	$ 639
	$ 636	$ 3	$ –	639

	2020	Amortization Expense	Disposals	2021
Accumulated amortization				
Computer software	$ 418	$ 97	$ –	$ 515
	$ 418	$ 97	$ –	$ 515
Net book value	$ 218			$ 124

9. Risk Management and Financial Instruments

The activities of the Company involve the use of insurance contracts and financial instruments. As such, the Company is exposed to insurance risks and financial risks. This note presents information about the Company's exposure to each of the above risks, the objectives, policies, and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company is also guided by the risk management framework of its ultimate parent. The Board and the Company's parent have established an Investment Committee, Audit Committee and Risk Oversight Committee which along with the President and CEO of the Company are responsible for developing and monitoring the Company's risk management policies. The Committees and President report regularly to the Board of Directors on their activities.

The risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks, and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee and Risk Oversight Committee of the Parent company are standing committees of the Board of Directors and assist the Board in fulfilling its oversight responsibilities relating to the financial reporting process, internal accounting and financial controls, audit and risk review process, risk assessment and risk management and compliance with legal and regulatory requirements. The Audit Committee, Risk Oversight Committee and Investment Committee meet at least three times per annum and report to the Board on their performance with respect to their respective terms of reference.

9. Risk Management and Financial Instruments (continued)

The principals used by the Company in managing its risks are set out below:

Insurance Risk

The Company writes motor vehicle, motor cycle, property, marine, engineering and general liability risks in Bermuda with the following per risk treaty limits:

		Per Risk
Property	$	12,500
Engineering	$	11,200
Motor liability	$	5,000
General liability	$	5,000
Marine hull liability	$	1,000

The majority of the insurance risk to which the Company is exposed is of a short-tail nature. Policies generally cover a 12-month period. The duration of claims liability varies as presented below:

	2022	2021
Net short-term insurance liabilities – property risk	**8 months to 9 months**	8 months to 1 year
Net short-term insurance liabilities – casualty risk	**1 year, 5 months**	1 year, 5 months

Insurance contract risk is the risk that a loss arises from the following reasons:

- fluctuation in the timing, frequency and severity of claims relative to expectations;
- inadequate reinsurance protection; and
- large unexpected losses arising from a single event such as a catastrophe.

9. Risk Management and Financial Instruments (continued)

Insured events can occur at any time during the coverage period and can generate losses of variable amounts. An objective of the Company is to ensure that sufficient claims liabilities are established to cover future insurance claim payments related to past insured events. The Company's success depends upon its ability to accurately assess the risk associated with the insurance contracts underwritten by the Company. The Company establishes claims liabilities to cover the estimated liability for the payment of all losses, including loss adjustment expenses incurred with respect to insurance contracts underwritten by the Company. Claims liabilities do not represent an exact calculation of the liability. Rather, claims liabilities are the Company's best estimates of its expected ultimate cost of resolution and administration of claims.

The composition of the Company's insurance risk, as well as the methods employed to mitigate risks, are described below.

Risk Related to the Timing, Frequency and Severity of Claims

The occurrence of claims being unforeseeable, the Company is exposed to the risk that the number and the severity of claims would exceed the estimates.

Strict claim review policies are in place to assess all new and ongoing claims. Regular detailed reviews of claims handling procedures and frequent investigations of possible fraudulent claims reduce the Company's risk exposure. Further, the Company enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that could negatively impact the business.

Insurance Balances Receivable

The Company's exposure to credit risk is influenced by the financial stability of entities and individuals purchasing insurance products. This credit risk is controlled by monitoring the aging of all amounts outstanding on an ongoing basis and monitoring the customers' financial health by reference to the media and discussions with the customers. A provision is made for non-recovery if considered necessary.

9. Risk Management and Financial Instruments (continued)

As at December 31, 2022, there were no material balances due from any one customer.

Collateral is not held against any of the outstanding balances, however the Company has the right to cancel the policy for non-payment. Cancellation or extension of the terms of credit is instituted on a case by case basis.

Reinsurance Protection

In the normal course of business, the Company limits the amount of loss on any one policy by reinsuring certain levels of risk with other insurers. Reinsurance ceded does not discharge the Company's liability as the primary insurer. In the event that the reinsurers are unable to meet their obligations under the reinsurance agreements, the Company would also be liable for the reinsured amount.

The Company reinsures its property risks under a property surplus treaty whereby the maximum per occurrence retention is $500 and the minimum retention is $30. The surplus treaty limit on a per risk basis is 20 times the maximum retention and therefore provides maximum reinsurance protection of $12,500. In 2022, the Company also reinsures its net property risks, after the surplus treaty, under a 15% Quota Share treaty. For larger individual property risks the Company provides coverage by way of prearranged facilities and facultative reinsurance. The Company also purchases property catastrophe reinsurance for per occurrence exposures in excess of $2,000 up to a maximum of $170,000.

The Company has a combination of self-insurance and purchases excess of loss reinsurance protection for the motor and general liability program. The combination of purchased reinsurance and self-insurance limits losses to $500 per occurrence. The Company purchases reinsurance for marine risks under a risk and excess of loss treaty which limits marine losses to $125.

9. Risk Management and Financial Instruments (continued)

Catastrophe Risk

Catastrophe risk is the risk of occurrence of a catastrophe defined as any one claim, or group of claims related to a single event such as large fires, hurricanes or wind storms. Catastrophes can have a significant impact on the underwriting income of an insurer.

The Company has limited its exposure to catastrophe risk by imposing maximum claim amounts on certain contracts, as well as by using reinsurance arrangements. The placement of ceded reinsurance is almost exclusively on an excess-of-loss basis (per event or per risk). Retention limits for the excess-of-loss reinsurance vary by product line.

Exposure to Insurance Risk

The principal assumption underlying the unpaid claim estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

Judgement is further used to assess the extent to which external factors such as judicial decisions, government legislation affect the estimates and the possibility of exposure to hurricane activity. Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

The non-life insurance claim liabilities are sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

(Expressed in thousands Bermuda Dollars)

9. Risk Management and Financial Instruments (continued)

Sensitivity Factor	Description of Sensitivity Factor Applied
Average number of claims (frequency)	The impact of a change in number of claims by 10%
Average claim costs (severity)	The impact of a change in average claim cost by 10%

	Number of Claims +10%	Number of Claims – 10%	Claim Costs +10%	Claim Costs 10%
	Increase (Decrease)			
At December 31, 2022				
Impact on gross liabilities	**$ 894**	**$ (894)**	**$ 894**	**$ (894)**
Impact on profit*	**(589)**	**589**	**(589)**	**589**
Impact on shareholder equity*	**$ (589)**	**$ 589**	**$ (589)**	**$ 589**
At December 31, 2021				
Impact on gross liabilities	$ 654	$ (654)	$ 654	$ (654)
Impact on profit*	(500)	500	(500)	500
Impact on shareholder equity*	$ (500)	$ 500	$ (500)	$ 500

*Net of reinsurance

The Company predominantly funds its net insurance liabilities, net of reinsurance recoveries, through its cash in the normal course of its operations. In the event of a catastrophe, the net insurance liabilities may require to be funded through the disposal of the Company's portfolio of investments.

Financial Risk

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

9. Risk Management and Financial Instruments (continued)

The nature and extent of the financial instruments outstanding at the balance sheet date and the risk management policies of the Company are discussed below:

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Company's maximum credit risk exposure is the carrying value of assets less any provisions for irrecoverable amounts. The Company is exposed to credit risk in the following areas:

Cash and Investments

Investment asset allocation is determined by the Company's investment manager who manages the distribution of the assets to achieve the Company's investment objectives. Divergence from target asset allocations and the composition of the portfolio is monitored by the Company's Board of Directors and the Parent's Investment Committee. Details of concentrations of cash and cash equivalents and investments are disclosed in Notes 3 and 4.

Insurance Balances Receivable

The Company's exposure to credit risk is influenced by the financial stability of entities and individuals purchasing insurance products. This credit risk is controlled by monitoring the aging of all amounts outstanding on an ongoing basis and monitoring the customers' financial health by reference to the media and discussions with the customers. A provision is made for non-recovery if considered necessary.

Collateral is not held against any of the outstanding balances, however the Company has the right to cancel the policy for non-payment. Cancellation or extension of the terms of credit is instituted on a case by case basis.

9. Risk Management and Financial Instruments (continued)

Reinsurance Balances Receivable

Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company; consequently, allowances are established for amounts deemed uncollectible. The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of its reinsurers to minimize the exposure to significant losses from reinsurer insolvencies.

With the exception of Coralisle Re Ltd., a related company, the Company reviews the creditworthiness of reinsurers on an annual basis and generally enters and maintains contracts with reinsurers that (1) have been rated as A- or higher by the AM Best credit rating agency and (2) have in excess of $500 million in capital and surplus. Current financial statements for the reinsurers are reviewed annually. Based on the individual reinsurance agreements, the Company may have the right to offset amounts due to reinsurers against any amounts due from reinsurers.

Related-Party and Other Receivables

Amounts due from related parties and other receivables are assessed and monitored on a monthly basis for any indication of impairment. As at December 31, 2022, $1,378 (2021 – $1,339) of advances to related parties were due from Coralisle Group Ltd., representing 27% (2021 – 29%) of total amounts due from related parties. As at December 31, 2022, all amounts are considered to be collectible.

(Expressed in thousands Bermuda Dollars)

9. Risk Management and Financial Instruments (continued)

The following table analyses the aging of the Company's receivables as at December 31, 2022:

	Accounts Receivable and Accrued Interest	Insurance Balances Receivable	Reinsurance Balances Receivable	Losses Recoverable From Reinsurers	Amounts due From Related Parties	Total
Amounts not currently due or up to 30 days	**$ –**	**$ 4,989**	**$ 1,260**	**$ 3,049**	**$ 5,109**	**$ 14,407**
31 – 60 days	**–**	**727**	**–**	**–**	**–**	**727**
61 – 90 days	**–**	**400**	**–**	**–**	**–**	**400**
Over 90 days	**–**	**628**	**–**	**–**	**–**	**628**
Total	**$ –**	**$ 6,744**	**$ 1,260**	**$ 3,049**	**$ 5,109**	**$ 16,162**

The following table analyses the aging of the Company's receivables as at December 31, 2021:

	Accounts Receivable and Accrued Interest	Insurance Balances Receivable	Reinsurance Balances Receivable	Losses Recoverable From Reinsurers	Amounts due From Related Parties	Total
Amounts not currently due or up to 30 days	$ 9	$ 4,837	$ 1,094	$ 839	$ 4,580	$ 11,359
31 – 60 days	–	484	–	–	–	484
61 – 90 days	–	254	–	–	–	254
Over 90 days	–	572	–	–	—	572
Total	$ 9	$ 6,147	$ 1,094	$ 839	$ 4,580	$ 12,669

Included in insurance balances receivable are amounts past due of $1,755 (2021 – $1,310) that are not considered to be impaired.

(Expressed in thousands Bermuda Dollars)

9. Risk Management and Financial Instruments (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company is exposed to daily calls on its available cash resources for the payment of claims and operating expenses. In order to manage liquidity, management seeks to maintain levels of cash and short-term deposits sufficient to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

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

	2022			2021		
	Current	**Non-Current**	**Total**	**Current**	**Non-Current**	**Total**
Financial assets						
Cash and cash equivalents	**$ 2,214**	**$ –**	**$ 2,214**	$ 20,919	$ –	$ 20,919
Financial assets	**39,866**	**–**	**39,866**	24,898	–	24,898
Accounts receivable and accrued interest	**–**	**–**	**–**	9	–	9
Insurance balances receivable	**6,744**	**–**	**6,744**	6,147	–	6,147
Reinsurance balances receivable	**1,260**	**–**	**1,260**	1,094	–	1,094
Losses recoverable from reinsurers	**3,049**	**–**	**3,049**	839	–	839
Amounts due from related companies	**5,109**	**–**	**5,109**	4,580	–	4,580
Total	**$ 58,242**	**$ –**	**$ 58,242**	$ 58,486	$ –	$ 58,486

(Expressed in thousands Bermuda Dollars)

9. Risk Management and Financial Instruments (continued)

	2022			2021		
	Current	**Non-Current**	**Total**	**Current**	**Non-Current**	**Total**
Financial liabilities						
Outstanding losses and loss expenses	**$ 8,936**	**$ –**	**$ 8,936**	$ 5,844	$ –	$ 5,844
Reinsurance balances payable	**2,576**	**–**	**2,576**	2,101	–	2,101
Amounts due to related companies	**158**	**–**	**158**	4,790	–	4,790
Accounts payable and other liabilities	**1,618**	**–**	**1,618**	1,112	–	1,112
Total	**$ 13,288**	**$ –**	**$ 13,288**	$ 13,847	$ –	$ 13,847
Liquidity margin	**$ 44,954**	**$ –**	**$ 44,954**	$ 44,639	$ –	$ 44,639

Market Risk

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

Interest-Rate Risk

The Company invests in managed funds, the fair values of which are affected by changes in interest rates. Details of interest rate risk on related party balances are disclosed in Note 11.

Currency Risk

The majority of the Company's financial assets and liabilities are denominated in Bermuda dollars therefore the Company is not normally exposed to significant currency risk.

9. Risk Management and Financial Instruments (continued)

Equity Price Risk

The Company is subject to equity price risk due to daily changes in the market value of securities in its fund and equity portfolios. Equity price risk is actively managed in order to mitigate anticipated unfavorable market movements where this lies outside the risk appetite of the parent company's Investment Committee. Diversified portfolios of assets are held in order to reduce exposure to individual equities. At the statement of financial position date, management estimates that a 10% increase in prices for fund and equity securities held, with all other variables held constant, would increase net income by approximately $236 (2021 – $395). A 10% decrease in equity prices would have a corresponding decrease in net income.

Limitations of Sensitivity Analysis

The sensitivity information included in this note demonstrates the estimated impact of a change in a major input assumption while other assumptions remain unchanged. In reality, there are normally significant levels of correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results. Furthermore, estimates of sensitivity may become less reliable in unusual market conditions such as instances when risk free interest rates fall towards zero.

10. Capital Management and Statutory Requirements

Capital Management

The Company's capital base is structured to exceed regulatory and internal capital targets while maintaining an effective capital structure. The Board of Directors is responsible for devising the Company's capital plan with management responsible for the implementation of the plan. The policy is designed to ensure that adequate capital is maintained to provide the flexibility necessary to take advantage of growth opportunities, to support the risks associated with the business and to provide returns to shareholders. The policy is also designed to provide an appropriate level of risk management over capital adequacy risk, which is defined as the risk that capital is not or will not be sufficient to withstand adverse economic conditions, to maintain financial strength or to allow the Company to take advantage of opportunities for expansion.

(Expressed in thousands Bermuda Dollars)

10. Capital Management and Statutory Requirements (continued)

The Company's capital base consists of common shares, contributed surplus and retained earnings.

Common Shares

	2022	2021
Authorized share capital of par value BD$1 each: 4,950,000 (2021 – 4,950,000) ordinary shares	**$ 4,950**	$ 4,950
Issued and fully paid: 4,000,000 (2021 – 4,000,000) ordinary shares	**$ 4,000**	$ 4,000

Contributed Surplus

Contributed surplus represents amounts paid to the Company by the shareholder in addition to its subscription to the share capital.

Statutory Requirements

The Company must at all times maintain a solvency margin and an enhanced capital requirement in accordance with the provisions of the Insurance Act, 1978 of Bermuda.

Each year the Company is required to file with the Bermuda Monetary Authority (the Authority) a capital and solvency return within four months of its relevant financial year end (unless specifically extended).

The prescribed form of capital and solvency return comprises the insurer's Bermuda Solvency Capital Requirement (BSCR) model, a schedule of fixed income investments by rating category, a schedule of net loss and loss expense provision by line of business, a schedule of premiums written by line of business, a schedule of risk management, and a schedule of fixed income securities.

10. Capital Management and Statutory Requirements (continued)

As a Class 3A insurer, the Company is required to maintain available statutory capital and surplus in an amount that is equal to or exceeds the target capital levels based on enhanced capital requirements (ECR) calculated using the BSCR model. The BSCR model is a risk-based capital model introduced by the Authority that measures risk and determines ECR and a target capital level (defined as 120% of the ECR) based on the Company's statutory financial statements. In circumstances where the Authority concludes that the Company's risk profile deviates significantly from the assumptions underlying the ECR or the Company's assessment of its management policies and practices, it may issue an order requiring that the Company adjust its ECR.

During the year ended and as of December 31, 2022, the Company met the target capital level required under the BSCR.

The Insurance Act mandates certain actions and filings with the Authority if the Company fails to meet and maintain its ECR or solvency margin, including the filing of a written report detailing the circumstances giving rise to the failure and the manner and time within which the insurer intends to rectify the failure. The Company is prohibited from declaring or paying a dividend if its statutory capital and surplus is less than its ECR, or if it is in breach of its solvency margin or minimum liquidity ratio, or if the declaration or payment of such dividend would cause such breach.

At December 31, 2022, the Company's ECR was $21,447 (2021 – $18,867).

The Company is required by its license to maintain capital and surplus greater than a minimum statutory amount determined as the greater of a percentage of outstanding losses (net of reinsurance recoverable) or a given fraction of net written premiums. At December 31, 2022, the Company is required to maintain a minimum margin of solvency of $5,362 (2021 – $4,717). Actual statutory capital and surplus is $31,731 calculated as follows:

(Expressed in thousands Bermuda Dollars)

10. Capital Management and Statutory Requirements (continued)

Statutory capital and surplus comprises:

	2022	2021
Shareholder's equity	**$ 32,114**	$ 32,855
Less non-admitted assets:		
Property, plant and equipment	**(162)**	(364)
Intangible assets	**(42)**	(124)
Prepaid expenses	**(179)**	(668)
Statutory capital and surplus	**$ 31,731**	$ 31,699

The Company is also required to maintain a minimum liquidity ratio whereby the value of its relevant assets is not less than 75% of the amount of its relevant liabilities. Relevant assets include cash and cash equivalents, investments, accounts receivable and accrued interest, funds withheld and insurance and reinsurance balances receivable. Certain categories of assets do not qualify as relevant assets under the statute. The relevant liabilities are total general business insurance reserves (net of reinsurance recoverable) and total other liabilities.

At December 31, 2022, the Company was required to maintain relevant assets of at least $18,242 (2021 – $20,022). At that date, relevant assets were $47,165 (2021 – $50,005) and the minimum liquidity ratio was therefore met.

(Expressed in thousands Bermuda Dollars)

11. Related-Party Transactions

The following transactions were carried out with related parties:

Income and Expenses

	2022 Income (Expense)	2021 Income (Expense)
Premiums written[1]	$ 4,458	$ 4,443
Reinsurance premiums ceded[2]	(850)	(842)
Claims incurred[1]	(633)	(621)
Commission expense[1]	(968)	(952)
Payroll administrative costs	(49)	(42)
Rent	(756)	(880)
Reimbursement of rent and other expenses	2,534	2,497
Investment advisory fee	–	(84)

[1] The Company provides an 80% quota share reinsurance treaty covering property and a 100% quota share on motor and marine of an affiliate based on in the British Virgin Island, and also insurers property and casualty risks of several other related companies and individuals. These risks are written at standard commercial rates and are subject to the normal reinsurance protections of the Company.[1]

[2] The Company purchases property catastrophe reinsurance program from a company related through common control.

(Expressed in thousands Bermuda Dollars)

11. Related-Party Transactions (continued)

Year-end Balances

	2022	2021
Due from related parties		
Gibbons Management Services Limited	**$ 1,992**	$ –
Coralisle Life Assurance Company Ltd.	**7**	44
Coralisle Insurance Brokers Ltd.	**74**	152
Coralisle Medical Insurance Company Ltd.	**295**	1,245
Coralisle Group Ltd.	**1,378**	1,339
British Caymanian Insurance Company Limited	**–**	225
British Caymanian Insurance Agencies Limited	**594**	–
Coralisle Insurance (BVI) Ltd.	**496**	94
CG Health Ltd.	**18**	–
Coralisle Pension Services Ltd.	**–**	154
CG Atlantic General Insurance Ltd.	**35**	376
CG Atlantic Medical & Life Ltd.	**220**	951
	$ 5,109	$ 4,580

	2022	2021
Due to related parties		
Gibbons Management Services Limited	**$ –**	$ 3,448
CG Property Holdings (Bda) Ltd.	**1**	1
British Caymanian Insurance Agencies Limited	**–**	342
Coralisle Re Ltd.	**115**	999
Coralisle Pension Services Ltd.	**42**	–
	$ 158	$ 4,790

The amounts due to and from companies related through common control are due on demand. No provisions are held against amounts due from related parties (2021 – $Nil). The balance due from Gibbons Management Services Limited bears interest at 5% per annum. Balances with all other related parties bear interest at 3%.

(Expressed in thousands Bermuda Dollars)

11. Related-Party Transactions (continued)

Included in insurance balances receivable are premiums of $531 (2021 – $170) due from related companies. The balances receivable are unsecured in nature and bear no interest. No provisions are held against receivables from related parties (2021 – $Nil).

Investments

During the year, the Company used Clarien Bank Limited and its wholly owned subsidiaries (Clarien) for certain banking, investment custodian, and investment management services. At December 31, 2022, the Company had 1 (2021 – 1) position with an aggregate carrying value of $Nil (2021 – $5,790) in investment funds managed by Clarien Bank Limited.

At December 31, 2022, the Company had funds on deposit with Clarien Bank Limited of $1,124 (2021 – $5,209). The transactions with Clarien Bank Limited occur on standard commercial terms. Included in net investment income for the year are investment advisory fee expenses of $Nil (2021 – $84).

Compensation to key management employees deemed to be related parties under IAS 24 was as follows:

	2022	2021
Short term employee benefits	**$ 2,271**	$ 2,489
Defined contribution pension and medical insurance expenses	**172**	255
	$ 2,443	$ 2,744

(Expressed in thousands Bermuda Dollars)

12. General and Administrative Expenses

		2022		2021
Staff costs *(refer below)*	**$**	**6,155**	$	5,851
Property		**1,107**		1,074
Depreciation and amortization		**328**		491
Marketing		**438**		566
Computer		**744**		819
Professional		**344**		278
Office		**160**		160
Travel		**195**		56
Provision for bad and doubtful debts		**121**		179
Memberships and subscriptions		**8**		8
Corporate fees		**74**		56
Donations		**6**		44
Communications		**38**		90
Other expenses including finance charges		**568**		528
Total general and administration expenses	**$**	**10,286**	$	10,200

Staff Related Expenses

The Company maintains a defined contribution pension plan for all full-time employees. The monthly contributions by the employees and the Company are based on 5% of the employees' salaries. The Company's portion of the contribution's vest after one year. The Company paid contributions for the year amounting to $152 (2021 – $137) which are included in staff costs in the general and administrative expenses in the statement of comprehensive (loss) income.

(Expressed in thousands Bermuda Dollars)

13. Change in Non-Cash Operating Working Capital

	2022	2021
(Increase) decrease in:		
Insurance and reinsurance balances receivable	**$ (763)**	$ (794)
Accounts receivable and accrued interest	**9**	31
Prepaid reinsurance premiums	**(1,077)**	(257)
Losses recoverable from reinsurers	**(2,210)**	1,685
Deferred acquisition costs	**(114)**	10
Prepaid expenses	**388**	(196)
Increase (decrease) in:		
Outstanding losses and loss expenses	**3,092**	(2,863)
Unearned premiums	**1,216**	609
Deferred commission income	**258**	53
Reinsurance balances payable	**475**	207
Accounts payable and other liabilities	**506**	226
	$ 1,780	$ (1,289)

14. Subsequent Events

The Company has completed its subsequent events evaluation for the period subsequent to the statement of financial position through April 21, 2023, the date the financial statements were available to be issued.

There were no subsequent events requiring disclosure or recognition in the audited financial statements.

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