CONSOLIDATED FINANCIAL STATEMENTS

Coralisle Group Ltd.
Year Ended December 31, 2022
With Independent Auditor’s Report

Coralisle Group Ltd.

Audited Financial Statements

Year Ended December 31, 2022

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Building a better
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Independent Auditor's Report

The Shareholder
Coralisle Group Ltd.

Report on the Audit of the Consolidated Financial Statements

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated 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* consolidated *financial statements* section of our report. We are independent of the Group 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 consolidated 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 Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

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
May 12, 2023

Coralisle Group Ltd.
Consolidated Statement of Financial Position
(In Thousands of Bermuda Dollars)

	December 31	
	2022	**2021**
	$	**$**
Assets		
Cash and cash equivalents (Note 3)	**130,676**	116,139
Restricted cash and cash equivalents (Note 3)	**25,478**	5,623
Financial assets (Notes 4)	**352,983**	297,919
Accounts receivable and accrued interest	**17,175**	6,822
Amounts due from related companies (Note 11)	**16,606**	16,621
Insurance balances receivable	**90,795**	33,736
Reinsurance balances receivable	**11,002**	9,751
Losses recoverable from reinsurers (Note 5)	**34,830**	15,046
Prepaid reinsurance premiums	**107,647**	36,075
Deferred acquisition costs	**17,683**	5,891
Property, plant and equipment (Note 8)	**44,911**	39,654
Goodwill and intangible assets (Note 7)	**24,096**	8,958
Other assets (Note 6)	**20,210**	26,989
Total general fund assets	**894,092**	619,224
Segregated fund assets (Note 13)	**752,796**	872,824
Total assets	**1,646,888**	1,492,048
Liabilities		
Bank overdraft (Note 3)	**478**	4,886
Lease liabilities (Note 12)	**24,527**	29,636
Amounts due to related companies (Note 11)	**—**	89
Reinsurance balances payable – Non-life	**62,297**	24,474
Outstanding losses and loss expenses (Note 5)	**140,992**	57,782
Reinsurance balances payable – Life (Note 5)	**7,209**	8,131
Unearned premiums	**166,223**	63,196
Deferred commission income	**22,198**	9,256
Other liabilities (Note 17)	**50,427**	23,065
Interest-bearing loan (Note 18)	**36,156**	—
Total general fund liabilities	**510,507**	220,515
Segregated fund liabilities (Note 13)	**752,796**	872,824
Total liabilities	**1,263,303**	1,093,339

Coralisle Group Ltd.
Consolidated Statement of Financial Position (continued)

(In Thousands of Bermuda Dollars)

	December 31 2022	2021
	$	**$**
Shareholder's equity		
Share capital *(Note 10)*	**1,512**	1,512
Share premium *(Note 10)*	**2,500**	2,500
Contributed surplus *(Note 10)*	**9,804**	9,804
Retained earnings	**352,691**	369,490
Other comprehensive loss	**(342)**	(417)
Total equity attributable to the equity holder of the group	**366,165**	382,889
Non-controlling interest *(Note 10)*	**17,420**	15,820
Total equity	**383,585**	398,709
Total liabilities and equity	**1,646,888**	1,492,048

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Director Date: 12 May 2023

James O'Shaughnessy
Director Date: 12 May 2023

Coralisle Group Ltd.
Consolidated Statement of Comprehensive (Loss) Income

(In Thousands of Bermuda Dollars)

	Year Ended December 31	
	2022	**2021**
	$	**$**
Revenues		
Gross premiums written	**690,598**	476,753
Reinsurance premiums ceded	**(261,591)**	(133,182)
Net premiums written	**429,007**	343,571
Net change in unearned premium	**4,087**	(956)
Net premiums earned	**433,094**	342,615
Investment (loss) income (Note 4)	**(24,641)**	12,860
Commission, service fee and other income	**63,543**	40,547
Total revenues	**471,996**	396,022
Expenses		
Net claims incurred	**(310,693)**	(251,277)
Commission and acquisition cost expense	**(47,998)**	(23,166)
Operating expenses (Note 14)	**(119,924)**	(95,373)
Total expenses	**(478,615)**	(369,816)
Net (loss) income before income tax	**(6,619)**	26,206
Income Tax	**(2,580)**	—
Net (loss) income	**(9,199)**	**26,206**
Other comprehensive (loss) income		
Unrealized income (loss) on financial assets held at fair value through other comprehensive income (FVOCI)	**75**	(157)
Other comprehensive income (loss)	**75**	(157)
Total comprehensive (loss) income for the year	**(9,124)**	26,049
Attributable to:		
Owners of the Group	**(10,724)**	23,681
Non-controlling interests	**1,600**	2,368
	(9,124)	26,049

See accompanying notes to consolidated financial statements.

Coralisle Group Ltd.
Consolidated Statement of Changes in Shareholder's Equity

(In Thousands of Bermuda Dollars)

	Attributable to the Equity Holder of the Group							
	Share Capital	**Share Premium**	**Contributed Surplus**	**Retained Earnings**	**Other Comprehensive Income/(Loss)**	**Total**	**Non-Controlling Interest**	**Total Equity**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Balance at December 31, 2020	1,512	2,500	9,804	354,652	(260)	368,208	16,806	385,014
Dividends (Note 16)	—	—	—	(9,000)	—	(9,000)	(3,354)	(12,354)
Net income/(loss)	—	—	—	23,838	(157)	23,681	2,368	26,049
Balance at December 31, 2021	**1,512**	**2,500**	**9,804**	**369,490**	**(417)**	**382,889**	**15,820**	**398,709**
Dividends (Note 16)				**(6,000)**		**(6,000)**		**(6,000)**
Net income/(loss)				**(10,799)**	**75**	**(10,724)**	**1,600**	**(9,124)**
Balance at December 31, 2022	**1,512**	**2,500**	**9,804**	**352,691**	**(342)**	**366,165**	**17,420**	**383,585**

See accompanying notes to consolidated financial statements.

Coralisle Group Ltd.
Consolidated Statement of Cash Flows

(In Thousands of Bermuda Dollars)

	Year Ended December 31	
	2022	**2021**
	$	**$**
Operating activities		
Total Comprehensive (loss) income	**(9,124)**	26,049
Adjustments for:		
Depreciation and amortization	**5,466**	5,943
Finance Costs	**656**	—
Interest on lease liabilities	**1,267**	1,430
Net unrealized loss on financial assets held at fair value through profit and loss	**20,566**	21,151
Net unrealized (gains) losses on financial assets at FVOCI	**(75)**	157
Share of (gains) losses in associated company	**(1,059)**	1,363
Realized losses (gains) on sale of financial assets	**7,500**	(28,552)
Bond amortization	**1,311**	477
Operating cash flow before changes in operating working capital	**26,508**	28,018
Change in operating working capital (Note 15)	**4,878**	4,425
Cash flows from operating activities	**31,386**	32,443
Investing activities		
Proceeds from sale of financial assets	**44,622**	301,554
Purchase of financial assets	**(37,581)**	(274,805)
Purchase of intangible assets (Note 7)	**1,437**	(357)
Purchase of property, plant and equipment (Note 8)	**(7,343)**	(6,136)
Proceeds from sale of property, plant and equipment	**7,196**	—
Repayments from related companies	**(74)**	2,012
Investment Deposit	**9,050**	(9,050)
Acquisition of a subsidiary, net of cash	**(33,017)**	—
Cash from (used in) investing activities	**(15,710)**	13,218

Coralisle Group Ltd.
Consolidated Statement of Cash Flows (continued)

(In Thousands of Bermuda Dollars)

Financing activities		
Payments on principal portion of lease liabilities (Note 12)	**(2,796)**	1,664
Reduction in lease liabilities	**(3,580)**	—
Proceeds from borrowings	**35,500**	—
Dividends paid to owners (Note 16)	**(6,000)**	(9,000)
Dividends paid to non-controlling interest	**—**	(3,354)
Cash (used in) from financing activities	**23,124**	(10,690)
Net increase in cash and cash equivalents	**38,800**	34,971
Cash and cash equivalents at beginning of year	**116,876**	81,905
Cash and cash equivalents at end of year	**155,676**	116,876

See accompanying notes to consolidated financial statements.

(In Thousands of Bermuda Dollars)

1. General

Coralisle Group Ltd., (the "Company") was incorporated in Bermuda as a holding company and has its head office at the Jardine House, 33-35 Reid Street, Hamilton HM 12, Bermuda. The Company is a wholly-owned subsidiary of Edmund Gibbons Limited (the "Parent Company").

The Company and its subsidiaries (together forming the "Group") conduct business in Bermuda, Guyana, Belize and several jurisdictions across the Caribbean islands, underwriting primarily health and property and casualty insurance. The Group also underwrites certain life products, operates a pharmacy and issues a diversified portfolio of investment contracts to provide its customers with asset management solutions for their savings and retirement assets.

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

The consolidated financial statements, including all notes, were authorized for issue by the Board of Directors on May 10, 2023.

The consolidated financial statements of the Group include:

Company	Domicile	Principal Activities	Ownership Percentage
Coralisle Insurance Company Ltd. (CIC)	Bermuda	Property and casualty insurance: motor, home and commercial property, marine, general liability.	100%
Coralisle Medical Insurance Company Ltd. (CMI)	Bermuda	Group and individual medical and group life insurance.	100%
Coralisle Life Assurance Company Ltd. (CLAC)	Bermuda	Individual life and annuities, accidental death. CLAC also writes unit linked investment policies and personal pension plans	100%
Coralisle Pension Services Ltd. (CPS)	Bermuda	Pension plans administration and investment business	100%
Coralisle Re Ltd. (CRe)	Bermuda	Property catastrophe reinsurance	100%
Coralisle Health Ltd. (CGH) [2]	Bermuda	Operates a pharmacy	100%
CGI Property Holding (Bermuda) Limited	Bermuda	Property holding company	100%
Coralisle Insurance Brokers (TCI) Ltd.(CIB)	Turks & Caicos Islands	Insurance agent for CGAG and CMI	100%

(In Thousands of Bermuda Dollars)

1. General (continued)

Company	Domicile	Principal Activities	Ownership Percentage
CG Atlantic General Insurance Ltd. (CGAG)	Bahamas	Property and casualty insurance: motor, home and commercial property, marine, general liability	70%
CG Atlantic Medical & Life Insurance Ltd. (CGAML)	Bahamas	Group and individual medical and life insurance	100%
CG Atlantic Insurance Agents & Brokers Ltd. (CGAA)	Bahamas	Insurance broker of CGAG	40%[1]
CGI Property Holding (Bahamas) Limited	Bahamas	Land development	100%
Coralisle Pension Services (Bahamas) Ltd. (CPSB)	Bahamas	Pension plans administration and investment business	99.98%
Coralisle United Insurance Ltd. (United) [3]	Barbados	Property and casualty insurance: motor, home and commercial property, marine, general liability.	100%
British Caymanian Holdings Limited (BCH) [4]	Cayman Islands	Property and casualty insurance: motor, home and commercial property, marine, general liability.	75%
Coralisle Insurance (BVI) Ltd. (CIBVI)	British Virgin Islands	Property and casualty insurance: motor, home and commercial property, marine, general liability. Group and individual medical	*50%[1]

During the financial year ended December 31, 2022, Coralisle Private Trustee Ltd. (CPT) proceeded to a voluntary liquidation. CPT , which was 100% owned by the Group, was one of the trustees for the assets of the pension plans administered by CPS. The Coralisle Global Master Retirement Trust (CGT), an entity not owned or controlled by the Group, is now holding the assets previously held by CPT.

[1] The Group considers CIBVI and CGAA being under its control even if the Group does not own more than 50% of the voting rights. This is due to the management of CIBVI's and CGAA's operations and decision-making power being held by the Group.

[2]CG Health Ltd. (CGH), a pharmacy operating in Bermuda, was founded during the year ended December 31, 2022. The primary goal of the company is to provide the community with better-priced pharmaceutical products, while creating synergies with the health insurance products offered by the Group.

[3] On May 4, 2022, the Group acquired Massy United Insurance Ltd. which was re-branded to Coralisle United Insurance Ltd. (United) (Note 19)

[4] BCH acts as a holding company for shareholders' ownerships in British Caymanian Insurance Company Limited and British Caymanian Insurance Agencies. Both are Cayman Islands registered companies and are direct wholly owned subsidiaries.

2. Summary of Significant Accounting Policies

Basis of Preparation

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results may differ from these estimates. The most significant estimation processes relate to assumptions used in measuring insurance and investment contract liabilities, assessing assets for impairment and fair valuation of certain invested assets. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Although some variability is inherent in these estimates, management believes that the amounts recorded are appropriate. The significant accounting policies used and the most significant judgments made by management in applying these accounting policies in the preparation of these Consolidated Financial Statements are summarized below.

Basis of Measurement

The consolidated 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 and financial assets at fair value through other comprehensive income, which are stated at fair value, and financial assets carried at amortized cost, which are carried at amortized cost. The consolidated statement of financial position is presented in order of liquidity.

Basis of Consolidation

The Company consolidates the financial statements of all entities it controls. Subsidiaries are entities controlled by the Company. The Company has control over an entity when the Company has the power to govern the financial and operating policies of the entity, is exposed to variable returns from its activities which are significant in relation to the total variable returns of the entity and the Company is able to use its power over the entity to affect its share of variable returns. In assessing control, significant judgment is applied while considering all relevant facts and circumstances. When assessing decision-making power, the Company considers the extent of its rights relative to the management of an entity, the level of voting rights held in an entity which are potentially or presently exercisable, the existence of any contractual management agreements which may provide the Company with power over an entity's financial and operating policies and to the extent of other parties' ownership in an entity, if any, the possibility for de facto control being present. When assessing returns, the Company considers the significance of direct and indirect financial and non-financial variable returns to the Company from an entity's activities in addition to the proportionate significance of such returns. The Company also considers the degree to which its interests are aligned with those of other parties investing in an entity and the degree to which it may act in its own interest.

2. Summary of Significant Accounting Policies (continued)

Basis of Consolidation (continued)

The financial statements of subsidiaries are included in the Company's consolidated results from the date control is established and are excluded from consolidation from the date control ceases. The initial control assessment is performed at inception of the Company's involvement with the entity and is reconsidered at a later date if the Company acquires or loses power over key operating and financial policies of the entity; acquires additional interests or disposes of interests in the entity; the contractual arrangements of the entity are amended such that the Company's proportionate exposure to variable returns changes; or if the Company's ability to use its power to affect its variable returns from the entity changes.

The Group's consolidated financial statements have been prepared using uniform accounting policies for like transactions and events in similar circumstances. Intercompany balances, and income and expenses arising from intercompany transactions, have been eliminated in preparing the consolidated financial statements.

Non-controlling interests are interests of other parties in the equity of the Company's subsidiaries and are presented within total equity, separate from the equity of the Company's shareholders. Non-controlling interests in the net income and other comprehensive income ("OCI") of the Company's subsidiaries are included in total net income and total OCI, respectively. An exception to this occurs where the subsidiary's shares are required to be redeemed for cash on a fixed or determinable date, in which case other parties' interests in the subsidiary's capital are presented as liabilities of the Company and other parties in the subsidiary's income and OCI are recorded as expenses of the Company.

The equity method of accounting is used to account for entities over which the Company has significant influence ("associates"), whereby the Company records its share of the associate's net assets and financial results using uniform accounting policies for similar transactions and events. Significant judgment is used to determine whether voting rights, contractual management and other relationships with the entity, if any, provide the Company with significant influence over the entity. Gains and losses on the sale of associates are included in income when realized, while impairment losses are recognized immediately when there is objective evidence of impairment. Gains and losses on commercial transactions with associates are eliminated to the extent of the Company's interest in the associate. Investments in associates are included in other assets on the Company's consolidated statements of financial position.

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 Group 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.

The Group categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Group'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. Most debt securities are classified within Level 2.

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 Group 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.

Cash and Cash Equivalents

For the purposes of the consolidated statement of cash flows, the Group considers all cash on hand, net of overdrafts and 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.

2. Summary of Significant Accounting Policies (continued)

Financial Assets
The Group has the following classifications for measurement of financial assets: (i) financial assets at fair value through profit or loss, (ii) financial assets held at amortised cost, and (iii) financial assets at fair value through other comprehensive income.

Initial Recognition and Measurement

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. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group 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 Group has applied the practical expedient are measured at the transaction price determined under IFRS 15, *Revenue from Contracts with Customers* (“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 Group’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 Group commits to purchase or sell the asset.

Subsequent Measurement
Financial Assets Carried at Amortized Cost

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- 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

2. Summary of Significant Accounting Policies (continued)

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is de-recognized, modified or impaired.
Financial assets classified as investments at amortized cost include notes and bonds, loans and other receivables and term deposits.

Financial Assets at Fair Value Through OCI (Debt Instruments)

The Group 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 classified as FVTOCI include holdings in Bahamian Government bonds.

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 as a component of investment income.

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

Impairment of Financial Assets

The Group assesses all debt instruments not held at fair value through profit or loss to determine if an allowance for expected credit losses (ECLs) is required. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group 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 Group'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 Group'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 of an asset that is categorized as low credit risk.

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

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

2. Summary of Significant Accounting Policies (continued)

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. Further, the Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. 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 Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group 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.

Insurance and Investment Contracts

Insurance contracts are those contracts where the Group 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 Group 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* or IFRS 15 *Revenue from Contracts with Customers*, 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 Group's insurance premiums from health property and casualty and short-duration life insurance contracts are earned pro rata over the term of the applicable risk period specified in the insurance policy. The Group's insurance policies cover losses occurring or claims made during the term of the policy. Generally, the Group 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. Unearned premiums represent the portion of premiums written applicable to the unexpired terms of policies in force. Premiums from long-term life insurance contracts are recognized as revenue when they become payable by the contract holder. Net premiums represent gross premiums, net of the share ceded to reinsurers for insuring part of the risk.

2. Summary of Significant Accounting Policies (continued)

Unit-Linked Long Term Insurance Contracts

A unit-linked insurance contract is an insurance contract with an embedded derivative linking payments on the contract to units of an internal investment fund set by the Group with the consideration received from the contract holders. This embedded derivative meets the definition of an insurance contract and is not therefore accounted for separately from the host insurance contract. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets. Insurance premiums for these contracts are recognized directly as liabilities. These liabilities are increased by the change in the unit price and are decreased by policy administration fees, mortality and surrender charges and any withdrawals.

The liability for these contracts includes any amounts necessary to compensate the Group for services to be performed over future periods. The mortality charges deducted in each period from the contract holders as a group are considered adequate to cover the expected total death benefit claims in excess of the contract account balances in each period; no additional liability is established for these claims.

Revenue from these contracts consists of fees deducted for mortality, policy administration and surrender charges. Interest or charges in the unit price credited to the account balances and excess benefit claims incurred in the period are charged as expense in the consolidated statement of comprehensive income.

Investment Contracts

Investment contract liabilities are recognized when contracts are entered into and premiums are charged. These liabilities are initially recognized at fair value, this being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition, investment contract liabilities are measured at fair value through profit or loss.

2. Summary of Significant Accounting Policies (continued)

Receivables and Payables Related to Insurance Contracts and Investment Contracts

Receivables and payables 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 in the amount of $3,196 (2021 – $3,104).

Included in the insurance balances receivable are loans to policyholders inclusive of accrued interest in the amount of $1,740 (2021 – $1,647). These loans are fully secured by the cash surrender values on the policies on which the respective loans are issued.

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. Deferred acquisition costs on investment contracts are amortized over the expected average lives of the contracts as a constant percentage of the present value of estimated gross profits arising principally from investment results, mortality and expenses margins and surrender charges, based on historical and anticipated future experience. Deferred acquisition costs on investment contracts are reviewed for recoverability from future income, including investment income, and amounts which are deemed unrecoverable are expensed in the period in which the determination is made.

Reinsurance Contracts Held

The Group uses reinsurance in the normal course of business to manage its risk exposure. Insurance ceded to a reinsurer does not relieve the Group from its obligations to policyholders. The Group 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. Reinsurance assets are not offset against the related insurance contract liabilities and are presented separately in the consolidated statements of financial position.

Premiums ceded and claims reimbursed are presented on a gross basis in the consolidated statements of comprehensive income. Reinsurance profit commission is calculated based on past underwriting results, and in accordance with the terms of the reinsurance contracts. 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 consolidated statement of financial position include (i) reserves for reported unpaid losses and loss expenses, (ii) losses incurred but not reported (referred to as IBNR reserves) and (iii) provision for future policy benefits.

(i) 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 Group.

(ii) IBNR reserves

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

(iii) Provision for future policy benefits

The Group estimates the present value of future policy benefits related to long-duration contracts using assumptions for investment yields, mortality, and expenses, including a provision for adverse deviation. The Group appointed actuaries are responsible for determining the amount of life and annuity policy reserve in accordance with standards established by the Canadian Institute of Actuaries. Insurance contract liabilities, net of reinsurance assets, have been determined using the Canadian Asset Liability Method (“CALM”) as permitted by IFRS 4, *Insurance Contracts*.

The Group’s outstanding losses 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 losses 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 Group’s financial condition for any particular period. While management believes the Group’s estimate of losses 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 Group.

2. Summary of Significant Accounting Policies (continued)

Insurance Benefits
Insurance benefits are recorded as expense when they are incurred. These insurance benefits include death benefits, annuity benefits, surrenders and interest paid on policy dividends held on deposit. Insurance benefits which are outstanding and unpaid at year-end are included in outstanding losses and loss expenses.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses.. Depreciation is charged to general and administrative expenses in the consolidated statement of comprehensive 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
Property	50 years
Motor vehicles	5 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.

2. Summary of Significant Accounting Policies (continued)

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill and Intangible Assets

Goodwill arises on the acquisition of subsidiaries and represents the excess of the acquisition cost over the fair value of the Group's proportionate share of net identifiable assets and liabilities of an acquired business at the acquisition date. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed for impairment on an annual basis. Any impairment is recognized immediately as an expense.

Finite-life intangible assets are amortized on a straight-line basis over their useful life. The Group 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
Portfolio acquisition costs	10 – 20 years

2. Summary of Significant Accounting Policies (continued)

Impairment of Non-Financial Assets

The Group 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 Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU'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 or CGU 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 or CGU. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated.

Goodwill is tested for impairment annually as at December 31 and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized.

Impairment losses are recognized in the consolidated statement of comprehensive income. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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.

Segregated Funds

Segregated funds arise as a result of the Group entering into contractual arrangements to administer pension schemes and issuing investment contracts. Segregated funds are products for which the Group issues a contract where the benefit amount is directly linked to the fair value of the investments held in the particular segregated fund. Although the underlying assets are registered in the Group and its subsidiaries' name and the segregated fund contract holder has no direct access to the specific assets, the contractual arrangements are such that the segregated fund policyholder bears the risks and rewards of the fund's investment performance.

2. Summary of Significant Accounting Policies (continued)

Segregated funds' net assets are recorded at fair value and primarily include investments in mutual funds, debt securities, equities, short-term investments and cash and cash equivalents and are presented net of management fees not yet collected. The segregated assets are not available to creditors of the Group. The holders of the pension contracts and unit-linked life and investment contracts have no recourse to the Group's assets. Segregated funds net liabilities are measured based on the value of the segregated fund net assets.

The methodology applied to determine the fair value of investments held in segregated funds is consistent with that applied to direct investments held by the Group, as described above in the note 4 *Financial Assets*. The segregated fund assets and liabilities are presented in separate lines in the consolidated statement of financial position.

Investment returns on segregated fund assets belong to policyholders and pension plan holders and the Group does not bear the risk associated with these assets. Accordingly, investment income earned by segregated funds and expenses incurred by segregated funds are offset and are not separately presented in the consolidated statement of comprehensive income.

Fees and Commission Income

Fees and commission income primarily represent fees earned from the management of the Group's segregated funds, administrative services income and reinsurance commission income. Fees and commission income are recorded on an accrual basis when services are rendered.

Leases

The Group 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, a lease is present.

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

2. Summary of Significant Accounting Policies (continued)

Right of Use Assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option. The right-of use assets are also subject to periodic review for impairment.

The right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the asset as follows:

Right of use asset – Motor vehicles	Up to 3 years
Right of use asset – Buildings	Up to 14 years

Lease Liabilities

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

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

Short-Term Leases

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

2. Summary of Significant Accounting Policies (continued)

Investment Income

Interest on cash and cash equivalents and debt securities is recorded on an accrual basis. Dividend income is recognized when the right to receive the dividend 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 consolidated statement of comprehensive income. Rental income from investment properties is reported in the consolidated statement of comprehensive income linearly according to the term of the lease.

Defined Contribution Plan

Contributions to the defined contribution plan are recognized as an expense in net income or loss in the consolidated statement of comprehensive income as incurred. A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate entity. The Group 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.

Retiree Health Benefits

Group employees are part of the Coralisle Retirees Pension and Health Insurance benefits (Coralisle Plan) whereby, the retirees will be reimbursed by the Group for a portion of the Provident Medical Plan premium at 50%, after 15 years of service. This plan is sponsored by the Parent Company. There is no contractual agreement or stated policy with the Parent Company for charging the Group its share of net defined benefit cost and therefore, the portion of premium paid for the eligible retiree is included in expenses.

Provisions and Contingent Liabilities

The Group is, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Group, in conjunction with internal counsel, makes its best estimate of the likelihood or outcome of these actions and considers this in the Group's accrued liabilities based on information as of the date the financial statements are available to be issued. The Group does not disclose information usually required by IAS 37 on the grounds to not prejudice seriously the outcome of any litigation but does not believe that adverse decisions in any pending or threatened proceedings will have a material impact on the financial condition or future results of operations.

Foreign Currency Transactions and Translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Bermuda dollars, which is the Group's presentation currency.

2. Summary of Significant Accounting Policies (continued)

Monetary assets and liabilities denominated in currencies other than the functional currency of the Group or its subsidiaries are translated into the functional currency using the rate of exchange prevailing at the balance sheet date. Income and expenses are translated at rates of exchange in effect on the transaction dates. Foreign exchange gains and losses are expensed in the consolidated statement of comprehensive income. Translation differences on non-monetary financial assets and liabilities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain and loss. Translation differences on non-monetary financial assets classified as available for sale are included in other comprehensive income.
The financial statements of foreign operations are translated from their respective functional currency to Bermuda dollars, the Group's presentation currency. Assets and liabilities are translated at rates of exchange at the balance sheet date, and income and expenses are translated using the average rates of exchange. The accumulated gains and losses arising from translation of functional currencies to the presentation currency are included in other comprehensive income in the consolidated statement of comprehensive income.

Prior year changes in the presentation of consolidated financial statements

During 2021, the Company changed the presentation of its consolidated financial statements and reclassified certain balances on its consolidated statement of financial position, consolidated statement of cash flows and notes to consolidated financial statements. These changes did not impact the net income or the shareholder's equity and prior year balances were reclassified accordingly. These reclassification were made with the objective of simplifying the Company's financial statements presentation.

Taxation

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statementt of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. Summary of Significant Accounting Policies (continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

(i) When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

(ii) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

(i) When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

(ii) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

In assessing the recoverability of deferred tax assets, the Group relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports, which, among other things, reflect the potential impact of climate-related development on the business, such as increased cost of production as a result of measures to reduce carbon emission.

2. Summary of Significant Accounting Policies (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amountss of deferred tax liabilities or assets are expected to be settled or recovered.

Prior year changes in the presentation of consolidated financial statements

Certain comparative information has been reclassified to conform the current year presentation and to enhance comparability.

New Standards, Interpretations and Amendments to Published Standards

New Standards, Amendments and Interpretations but not Effective for the Financial Year Beginning January 1, 2022, and not Early Adopted

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 1 January 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 Group's insurance contracts.

2. Summary of Significant Accounting Policies (continued)

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:

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

The Group 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.

Level of aggregation

The Group 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 Group 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:

(i) Pricing information.
(ii) Results of similar contracts it has recognised.
(iii) External factors, e.g., a change in market experience or regulations.

2. Summary of Significant Accounting Policies (continued)

Measurement model

Under IFRS 17, the Group'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. The measurement principles of the PAA differ from the 'earned premium approach' used under IFRS 4 in the following key areas:

(i) The liability for remaining coverage reflects premiums received less deferred acquisition expenses less amounts recognised in revenue for insurance services provided.
(ii) If contracts are assessed as being onerous, a loss component is recognised.
(iii) 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.
(iv) 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 Group will estimate the liability for incurred claims as the fulfillment cash flows related to incurred claims. The fulfillment 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 Group 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 Group 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 consolidated statement of comprehensive loss 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 consolidated statement of comprehensive loss.
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 Group has elected not to disaggregate insurance finance income or expenses and will present the total amount in the consolidated statement of comprehensive loss.

Transition and estimated impact of IFRS 17 adoption

The Group 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.

(In Thousands of Bermuda Dollars)

3. Cash and Cash Equivalents

The following table provides a summary of cash and cash equivalents, and restricted cash as of December 31, 2022 and 2021:

	2022	2021
	$	$
Cash and cash equivalents	**130,676**	116,139
Restricted cash and cash equivalents	**25,478**	5,623
Bank overdraft	**(478)**	(4,886)
	155,676	116,876

Restricted cash consists of cash held on behalf of clients which cannot be reduced or removed without the prior consent of the respective client, and cash deposited with and/or required by a regulator for licensing. Restricted cash is not available for general use.

4. Financial Assets

Certain prior period comparative cost figures have been updated to reflect immaterial corrections and to conform with the current year presentation.

At the balance sheet date, financial assets are classified as follows:

	2022		2021	
	Carrying Value	Cost/ Amortized Cost	Carrying Value	Cost/ Amortized Cost
	$	$	$	$
At fair value through profit or loss	**254,330**	**272,252**	239,030	234,303
At fair value through OCI	**48,969**	**50,016**	43,671	44,550
Amortized cost	**49,684**	**51,778**	15,218	15,218
	352,983	**374,046**	297,919	294,071

For all securities, regardless of classification, the Group’s largest concentration in any one investee, or group of investees, is 54.54% (2021 - 52.87%). The investee is a large asset management firm through which the Company holds a number of managed funds which encompass a diversified asset mix of equities, fixed income and alternative investments.

(In Thousands of Bermuda Dollars)

At Fair Value Through Profit or Loss (FVTPL)

	2022		2021	
	Fair Value	**Cost**	**Fair Value**	**Cost**
	$	**$**	**$**	**$**
Managed funds	**228,284**	**244,981**	221,447	215,217
US Government bonds	**19,454**	**20,530**	12,204	12,203
Corporate bonds	**2,936**	**2,927**	2,845	2,738
Non-US Govt bonds	**2,197**	**2,348**	2,520	2,584
Common equity securities	**1,459**	**1,466**	14	1,561
	254,330	**272,252**	239,030	234,303

In July 2021 the Group transitioned its primary US dollar investment portfolios to a new third-party investment manager. The fundamental investment strategy and strategic asset allocation of the Group's investments remain unchanged but the investment vehicles and underlying securities held within the new investment structures are different. This change has provided the Group with increased diversification, enhanced market access, greater liquidity and a more efficient cost structure.

The managed funds owned by the Group 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 memoranda. Such offering memoranda 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.

The maturity profile of fixed maturity securities, comprising Corporate, Non-US Government and US Government debt categorized at fair value through profit or loss, at their carrying value as at the balance sheet date is as follows:

	2022	2021
	$	**$**
Due less than one year	**3,928**	2,279
From one year to five years	**16,441**	12,941
Over five years	**4,218**	2,349
	24,587	17,569

(In Thousands of Bermuda Dollars)

4. Financial Assets (continued)

At Fair Value Through Other Comprehensive Income (FVTOCI)

	2022	2021
	$	$
Bahamas Government Registered Stock	**48,969**	43,671
	48,969	43,671

Included in the accounts receivable and accrued interest in the statement of financial position is accrued interest totaling $696 (2021 – $622) on financial assets at FVTOCI.

As at December 31, 2022, the Group had $3,000 (2021 – $3,000) of Bahamas Government Registered Stock with a maturity dates of 2026 and 2027 (2021 – 2026 and 2027) in a trust to meet requirements of the Insurance Act 2005 (Bahamas), and as such this amount is not available for general corporate use.

Included in Investment Income is an impairment of $250 (2021 - $402) related to expected credit losses on Bahamas Government Registered Stock.

Amortized Cost Investments

	2022		2021	
	Carrying Value	Amortized Cost	Carrying Value	Amortized Cost
	$	$	$	$
Corporate bonds	**24,354**	**24,915**	12,047	12,047
Non-US Government bonds	**22,517**	**24,039**	—	—
Short term deposits	**2,623**	**2,634**	3,171	3,171
Mortgage loans	**190**	**190**	—	—
	49,684	**51,778**	15,218	15,218

The fair value of these investment as the statement of financial position date is $46,569 (2021 - $16,390)

Investments held at amortized cost include fixed maturity short-term deposits which are held for more than three months from the date of acquisition and have the following maturities and interest rates:

	Interest Rates 2022	2022	Interest Rates 2021	2021
Three months – one year	**0.75% – 2.5%**	**$ 2,623**	0.75% – 2.5%	$ 2,600

(In Thousands of Bermuda Dollars)

4. Financial Assets (continued)

Investments held at amortized cost also include corporate and non-US Government fixed maturity debt instruments which mature as follows:

	2022	2021
	$	$
Due less than one year	**2,883**	—
From one year to five years	**9,470**	571
Over five years	**34,519**	12,047
	46,872	**12,618**

Included in Investment Income is an impairment of $1,061 (2021 - nil) related to expected credit losses on Non-US Government and certain Corporate bonds held at Amortized Cost.

The following table presents the Group's fair value hierarchy for those assets and 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 fair value	**$**	**$**	**$**	**$**
Managed funds	**187,100**	**18,755**	**22,429**	**228,284**
US Government bonds	**19,454**	—	—	**19,454**
Corporate bonds	—	**2,936**	—	**2,936**
Non-US Govt bonds	—	**2,197**	—	**2,197**
Common equity securities	—	**1,459**	—	**1,459**
Total	**206,554**	**25,347**	**22,429**	**254,330**
Financial assets at FVTOCI	—	**48,969**	—	**48,969**
Segregated fund assets *(Note 13)*	**22,646**	**730,149**	**1**	**752,796**
Assets for which fair values are disclosed				
Financial assets at amortized cost	—	**13,161**	**33,408**	**46,569**

(In Thousands of Bermuda Dollars)

4. Financial Assets (continued)

The following table presents the Group'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 fair value	**$**	**$**	**$**	**$**
Managed funds	183,736	20,396	17,315	221,447
US Government bonds	12,204	—	—	12,204
Non-US Govt bonds	—	2,520	—	2,520
Common equity securities	—	—	14	14
Fixed Maturity Securities	—	2,845	—	2,845
Total	195,940	25,761	17,329	239,030
Financial assets at FVTOCI	—	43,671	—	43,671
Segregated fund assets *(Note 13)*	19,947	852,876	1	872,824
Assets for which fair values are disclosed				
Financial assets at amortized cost	—	16,390	—	16,390

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.

4. Financial Assets (continued)

(a) Financial Assets in Level 1

The fair value of investments traded in active markets is based on quoted market prices at the balance sheet 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 Group 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.

(b) Financial Assets in Level 2

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. Investments included in Level 2 comprise primarily corporate debt securities and managed funds.

Fair values of the Group'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 Group'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.

(In Thousands of Bermuda Dollars)

4. Financial Assets (continued)

(c) Financial Assets in Level 3

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

	Managed Funds	Common Equity	Amortized Cost	Segregated Assets	Total
	$	$	$	$	$
Beginning balance at January 1, 2022	**17,315**	**14**	**—**	**1**	**17,330**
Movement in unrealized gains/(losses)	**(802)**	**1,547**	**—**	**—**	**745**
Realized losses	**(132)**	**(1,561)**	**—**	**—**	**(1,693)**
Amortization	**—**	**—**	**—**		**—**
Impairment	**—**	**—**	**(1,061)**	**—**	**(1,061)**
Net purchases and sales	**6,048**	**—**	**34,469**		**40,517**
Ending balance at December 31, 2022	**22,429**	**—**	**33,408**	**1**	**55,838**
Total losses for the year included in income on Level 3 assets (recognized in investment income)	**(934)**	**(14)**	**(1,061)**	**—**	**(2,009)**

(In Thousands of Bermuda Dollars)

4. Financial Assets (continued)

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

	Managed Funds	Common Equity	Segregated Assets	Total
	$	$	$	$
Beginning balance at January 1, 2021	1,218	153	1	1,372
Movement in unrealized losses	146	(139)	—	7
Realized gain	177	—	—	177
Net purchases and sales	15,774	—	—	15,774
Ending balance at December 31, 2021	17,315	14	1	17,330
Total losses for the year included in income on Level 3 assets (recognized in investment income)	323	(139)	—	184

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 of $55,838 (2021 – $17,330) 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.

(In Thousands of Bermuda Dollars)

Investment Income

Investment income comprises the following:

	2022	2021
	$	**$**
Dividend and interest income	**6,165**	5,379
Realized gains on sale of investments	**(7,500)**	28,552
Gain in value of investment in associate (*Note 17*)	**(1,059)**	1,363
Net unrealized (loss) gain on investments	**(20,566)**	(21,151)
Bond amortization	**35**	(74)
Management fees	**(403)**	(698)
Impairment	**(1,313)**	(402)
Net foreign exchange (loss) gain	**—**	(109)
	(24,641)	12,860

5. Outstanding Losses and Loss Expense Reserves

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 losses and loss expense incurred but not reported as well as future policy benefits and policyholder benefits payable.

The outstanding losses and loss expense reserves are comprised of the following:

	2022	2021
	$	**$**
Property and casualty	**94,405**	17,981
Medical, dental and vision	**36,550**	31,312
Long term disability	**3,794**	4,015
Reserves for reported unpaid losses and losses and loss expense incurred but not reported	**134,749**	53,308
Policyholder benefits payable	**6,243**	4,474
Total outstanding losses and loss expense reserves	**140,992**	57,782

(In Thousands of Bermuda Dollars)

5. Outstanding Losses and Loss Expense Reserves (continued)

Non-life Business

Movements in non-life insurance liabilities and reinsurance assets are as follows:

	2022			2021		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Loss reserves	**$**	**$**	**$**	**$**	**$**	**$**
Notified claims	**21,883**	**11,802**	**10,081**	20,934	9,430	11,504
Incurred but not reported	**31,425**	**3,244**	**28,181**	23,847	1,378	22,469
Total at beginning of year	**53,308**	**15,046**	**38,262**	44,781	10,808	33,973
Acquisition of a subsidiary						
Notified claims	**57,394**	**8,602**	**48,792**	—	—	—
Incurred but not reported	**7,101**	**5,254**	**1,847**	—	—	—
Total acquired	**64,495**	**13,856**	**50,639**	—	—	—
Movements during the year						
Claims incurred – current year	**315,063**	**31,682**	**283,381**	263,343	21,432	241,911
Claims incurred – prior years	**28,887**	**3,033**	**25,854**	2,153	(1,390)	3,543
Total claims incurred	**343,950**	**34,715**	**309,235**	265,496	20,042	245,454
Claims settled in the year	**(327,003)**	**(28,787)**	**(298,216)**	(256,969)	(15,804)	(241,165)
Total at end of year	**134,750**	**34,830**	**49,281**	53,308	15,046	38,262
Notified claims	**95,526**	**31,466**	**64,060**	21,883	11,802	10,081
Incurred but not reported	**39,223**	**3,364**	**35,859**	31,425	3,244	28,181
Total at end of year	**134,749**	**34,830**	**99,919**	53,308	15,046	38,262

(In Thousands of Bermuda Dollars)

5. Outstanding Losses and Loss Expense Reserves (continued)

The development of non-life insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The top half of the table below illustrates how the Group'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 included within property and casualty reserves in the consolidated statement of financial position. The estimate of net cumulative claims for United (Note 19) has been allocated to the respective accident year as of December 31, 2022 in the table below.

Reporting year/period ended:	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
	$	$	$	$	$	$	$	$	$	$	$	$
At end of reporting year/period	11,662	11,146	13,819	12,572	20,417	19,581	14,980	34,808	9,917	11,598	49,399	
One year later	12,852	12,861	15,232	13,469	21,535	18,925	16,074	33,104	10,753	20,007	—	
Two years later	12,842	12,817	15,820	13,671	21,338	18,978	15,669	32,576	16,888	—	—	
Three years later	12,941	12,651	16,580	13,823	21,425	18,832	15,871	39,782	—	—	—	
Four years later	12,909	12,923	16,495	14,096	21,741	18,849	21,752	—	—	—	—	
Five years later	12,790	13,032	16,649	14,155	22,125	23,591	—	—	—	—	—	
Six years later	12,709	13,008	16,627	14,152	24,181	—	—	—	—	—	—	
Seven years later	12,692	13,014	16,597	18,034	—	—	—	—	—	—	—	
Eight years later	12,692	13,014	18,588	—	—	—	—	—	—	—	—	
Nine years later	12,741	14,016	—	—	—	—	—	—	—	—	—	
Ten years later	15,131	—	—	—	—	—	—	—	—	—	—	
Current estimate of cumulative claims	15,131	14,016	18,588	18,034	24,181	23,591	21,752	39,782	16,888	20,007	49,399	261,369
Cumulative payments to date	14,073	13,131	16,826	14,371	21,531	18,722	16,021	32,980	10,917	13,716	28,376	200,664
Liability recognized in the consolidated statement of financial position	1,058	885	1,762	3,663	2,650	4,869	5,731	6,802	5,971	6,291	21,023	60,705
Net Reserve, prior years												4,683
Add: applicable reinsurance												24,534
Total Property and Casualty loss reserves at December 31, 2022												**89,922**

(In Thousands of Bermuda Dollars)

5. Outstanding Losses and Loss Expense Reserves (continued)

Life Business

The Group had provisions for future policy benefits of $(1,023) (2021 – $113). Changes in provision for future policy benefits during the year are as follows:

		2022			2021	
	Gross	Ceded	Net	Gross	Ceded	Net
	$	$	$	$	$	$
Provision for future policy benefits, beginning of year	**113**	**8,131**	**8,244**	(3,471)	8,752	5,281
Change in reserves for existing business on non-investment plans and impact of (increase) decrease in net asset value of segregated funds	**3,823**	**(374)**	**3,449**	1,142	(561)	581
Change in assumptions or methodology	**(3,612)**	**(929)**	**(4,541)**	3,499	(398)	3,101
Reserve for new business	**(1,347)**	**381**	**(966)**	(1,057)	338	(719)
Increase (decrease) in actuarial liabilities	**(1,136)**	**(922)**	**(2,058)**	3,584	(621)	2,963
Provision for future policy benefits, end of year	**(1,023)**	**7,209**	**6,186**	113	8,131	8,244

The Group estimates the present value of future policy benefits related to long duration contracts using assumptions for investment yields, mortality, and expenses, including a provision for adverse deviation. The Group's appointed actuary is responsible for determining the amount of life and annuity policy reserve in accordance with standards established by the Canadian Institute of Actuaries. Insurance contract liabilities, net of reinsurance assets, have been determined using CALM as permitted by IFRS 4 *Insurance Contracts*.

(In Thousands of Bermuda Dollars, Except Share Amounts)

5. Outstanding Losses and Loss Expense Reserves (continued)

The Group had policyholder benefits payable of $6,243 (2021 – $4,474). Policyholder benefits payable is comprised of policyholder dividends on deposit and other insurance benefits payable on reported claims and surrenders. Dividends on deposit represent the provision for the policyholders' share of earnings on participating business. The Group suspended dividends with effect from January 1, 2009, due to the significant fall in the equity markets during 2008. As of December 31, 2022, dividends on deposit of $1,711 (2021 – $1,770) and accrued deposit interest of $535 (2021 – $542) are included in policyholder benefits payable. For the year ended December 31, 2022, interest on dividends on deposit of $75 (2021 – $70) is included in policyholder benefits paid in the consolidated statement of comprehensive income.

The Group had deferred acquisition costs of $17,683 (2021 – and $5,891). The amortization expense is combined with commission expense in the Consolidated Statement of Income.

6. Other Assets

	2022	**2021**
	$	**$**
Prepaid and other assets	**6,584**	4,799
Provision for future policy benefit (Life business)	**1,545**	—
Investment Deposit	**—**	9,050
Investment in Associate	**12,081**	13,140
	20,210	26,989

On September 2, 2021, the Company entered into a share purchase agreement to acquire all outstanding shares of Massy United Insurance Ltd., a Property & Casualty (P&C) carrier operating across the Caribbean. At December 31, 2021, the transaction was pending regulatory approval and the Company had an Investment Deposit of $9,050 (2020 - $Nil) in relation to this acquisition. Regulatory approval for the transaction was granted during the year ended Dec 31, 2022 and the deposit was applied against the purchase price. The details of the business combination is explained in Note 19.

On June 12, 2019, the group completed the purchase of 40% of the shareholders' equity of Beacon Insurance Company Limited ("BICL") for a total of $11,643. BICL reported net (loss) income after tax of $(2,649) (2021 - $3,406), representing $(1,059) (2021 - $1,363) for the group's 40% share. The (loss) income from this investment in BICL is included in investment income in the group's consolidated statement of comprehensive income.

(In Thousands of Bermuda Dollars, Except Share Amounts)

7. Goodwill and Intangible Assets

Certain prior period comparative cost figures have been updated to reflect immaterial corrections and to conform with the current year presentation.

	2022	2021
	$	$
Goodwill	**15,793**	6,518
Net intangibles	**8,303**	2,440
	24,096	8,958

The Goodwill of $15,793 (2021 – $6,518) is allocated to two (2021 - one) cash-generating unit (CGU).

	2022	2021
	$	$
United (Note 19)	**9,275**	—
BCH	**6,518**	6,518
	15,793	6,518

When testing for impairment, the recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. A Group-specific risk-adjusted discount rate of 7% (2021 – 5%) is used. The projected cash flows are determined by past performances and management expectations for market developments.

No impairment loss was recorded as of December 31, 2022 and 2021.

(In Thousands of Bermuda Dollars, Except Share Amounts)

7. Goodwill and Intangible Assets (continued)

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

	2021	Acquisition of a subsidiary (Note 19)	Additions	Disposals	2022
Cost	$		$	$	$
Insurance licenses	—	1,000	—	—	**1,000**
Computer software	13,288	—	1,662	—	**14,950**
Portfolio acquisition cost	2,648	6,300		—	**8,948**
	15,936	7,300	1,662	—	**24,898**

	2021	Acquisition of a subsidiary (Note 19)	Amortization Expense	Disposals	2022
Accumulated amortization	**$**		**$**	**$**	**$**
Insurance licenses	—	—	—	—	—
Computer software	11,456	—	819	—	**12,275**
Portfolio acquisition cost	2,040	—	2,280	—	**4,320**
	13,496	—	3,099	—	**16,595**
Net book value	2,440				**8,303**

(In Thousands of Bermuda Dollars, Except Share Amounts)

7. Goodwill and Intangible Assets (continued)

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

	2020	Additions	Disposals	2021
Cost	$	$	$	$
Computer software	12,931	357	—	**13,288**
Portfolio acquisition cost	2,648	—	—	**2,648**
	15,579	357	—	**15,936**

	2020	Amortization Expense	Disposals	2021
Accumulated amortization	$	$	$	$
Computer software	10,506	948	—	**11,454**
Portfolio acquisition cost	1,797	245	—	**2,042**
	12,303	1,193	—	**13,496**
Net book value	3,276			**2,440**

No impairment was recorded as of December 31, 2022 and 2021.

(In Thousands of Bermuda Dollars, Except Share Amounts)

8. Property, Plant and Equipment

Property, plant and equipment as at December 31, 2022, comprise the following:

	2021	Acquisition of a subsidiary (Note 19)	Additions	Disposals	2022
Cost	**$**		**$**	**$**	**$**
Land	1,804	2,649	—	—	**4,453**
Property	9,043	4,128	1,589	—	**14,760**
Leasehold improvements	12,925	—	700	—	**13,625**
Right of use assets	37,174	373	459	(3,580)	**34,426**
Computer hardware	10,939	—	331	—	**11,270**
Furniture and office equipment	8,944	3,177	4,162	(3,616)	**12,667**
Motor vehicles	609	249	102	—	**960**
	81,438	10,576	7,343	(7,196)	**92,161**

	2021	Acquisition of a subsidiary (Note 19)	Depreciation Expense	Disposals	2022
Accumulated depreciation	**$**		**$**	**$**	**$**
Land	—	—	—	—	**—**
Property	3,785	—	239	—	**4,024**
Leasehold improvements	11,576	—	419	—	**11,995**
Right of use assets	7,975	—	2,900	—	**10,875**
Computer hardware	9,983	—	507	(4)	**10,486**
Furniture and office equipment	8,180	—	1,264	(20)	**9,424**
Motor vehicles	285	—	161	—	**446**
	41,784	—	5,490	(24)	**47,250**
Net book value	39,654				**44,911**

(In Thousands of Bermuda Dollars, Except Share Amounts)

8. Property, Plant and Equipment (continued)

Property, plant and equipment as at December 31, 2021, comprise the following:

	2020	Additions	Disposals	2021
Cost	**$**	**$**	**$**	**$**
Land	1,804	—	—	**1,804**
Property	8,843	200	—	**9,043**
Leasehold improvements	12,858	115	(48)	**12,925**
Right of use assets	31,751	5,423	—	**37,174**
Computer hardware	10,845	159	(65)	**10,939**
Furniture and office equipment	8,883	63	(2)	**8,944**
Motor vehicles	490	176	(57)	**609**
	75,474	6,136	(172)	**81,438**

	2020	Depreciation Expense	Reallocation/ Disposals	2021
Accumulated depreciation	**$**	**$**	**$**	**$**
Land	—	—	—	—
Property	3,612	173	—	**3,785**
Leasehold improvements	10,927	697	(48)	**11,576**
Right of use assets	5,116	2,859	—	**7,975**
Computer hardware	9,412	636	(65)	**9,983**
Furniture and office equipment	7,886	296	(2)	**8,180**
Motor vehicles	253	89	(57)	**285**
	37,206	4,750	(172)	**41,784**
Net book value	38,268			**39,654**

9. Risk Management and Financial Instruments

The activities of the Group involve the use of insurance contracts and financial instruments. As such, the Group is exposed to insurance risks and financial risks. This note presents information about the Group's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk and the Group'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 Group's risk management framework. The Board has established an Investment Committee, Risk Oversight Committee and Audit Committee, which along with the President of the Group are responsible for developing and monitoring the Group'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 Group, 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 Group's activities. The Group, 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 Group 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 Management Committee meet at least three times per annum and report to the Board of Directors on their performance with respect to their respective terms of reference.

9. Risk Management and Financial Instruments (continued)

The principles used by the Group in managing its insurance risks are set out below.

Insurance Risk

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

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

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered. The Group insures the risks of individuals located in Bermuda, Guyana, Belize and several jurisdictions across the Caribbean islands, therefore there is a diversification of geographic risk. There is a concentration of industry risk which is managed through its underwriting strategy and reinsurance arrangements. The Group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

The Group predominantly funds its net insurance liabilities (net of reinsurance recoveries) through its cash and 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 Group's portfolio of investments.

The mean duration of liabilities is calculated using historical claims data to determine the expected settlement pattern for claims arising from insurance contracts in force at the consolidated statement of financial position date (both incurred claims and future claims arising from the unexpired risks at the consolidated statement of financial position date).

9. Risk Management and Financial Instruments (continued)

The mean durations are:

	2022	2021
Net short-term insurance liabilities – medical	**2.4 months**	2 months
Net short-term insurance liabilities – property risk	**6 months to 1 year**	3 months to 18 months
Net short-term insurance liabilities – casualty risk	**1-5 years**	2–3 years

General Insurance

The Group provides health insurance coverage in Bermuda, Cayman, The Bahamas, the British Virgin Islands, Barbados and the Turks & Caicos Islands, which includes medical, dental, vision, long term disability, short term disability, group life and accidental death and dismemberment risks. The Group provides coverage for property, casualty, motor vehicle, motor cycle, marine, general liability in the jurisdictions above as well as in Aruba, Bonaire, Curacao, Antigua, Trinidad & Tobago, Guyana, Jamaica, Belize, Dominica, Saint Lucia, Grenada, Anguilla, Montserrat, and Saint Vincent and The Grenadines.

The Group provides property and casualty coverage with the following per risk treaty limits:

	Treaty Limit Per Risk (in millions of Bermuda dollars)				
	Bermuda	**Barbados**	**Bahamas**	**Cayman**	**BVI**
Property	13.0	12.5	10.0	7.3	2.0
Motor liability	5.0	30.0	10.0	12.2	5.0
General liability	5.0	10.0	5.0	6.0	5.0
Marine hull liability	1.0	1.0	1.0	1.0	1.0

Group provides health coverage with the following maximum limits:

	Maximum Coverage Limit
	$
Medical	5,000
Group life	2,000
Individual Life	100
Accidental death and dismemberment	2,000

9. Risk Management and Financial Instruments (continued)

The Group also offers international health insurance coverage for medical, dental, life, long term disability and accidental death and dismemberment risks for individuals and groups working outside their home country. The maximum annual coverage limit is $2,000 (2021 - $2,000) per insured.

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.

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

The composition of the Group'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 Group 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 Group's risk exposure. Further, the Group 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.

9. Risk Management and Financial Instruments (continued)

Reinsurance Protection

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

The Group reinsures its property risks under property surplus and quota share treaties specific to each jurisdiction. For larger individual property risks the Group provides coverage by way of prearranged facilities and facultative reinsurance. The Group also purchases property catastrophe reinsurance for each jurisdiction in excess of $7,000 (2021 – $7,000) up to a maximum recovery of $170,000 (2021 – $150,000).

The Group's motor and general liability exposure is limited to $500 (2021 - $500) per claim through the purchase of excess of loss reinsurance which covers the maximum limits insured on any one risk in all jurisdictions.

The Group purchases an excess of loss reinsurance treaty which specifically limits marine losses to $125 (2021 - $125) per risk and per occurrence.

For Medical risks the Group follows the policy of underwriting and reinsuring all contracts of insurance, which limit the retained liability of the Group to a maximum amount of $350 (2021 - $350) on any one individual medical loss per year.

For group life, the Group purchases reinsurance for 80% of the first $250 (2021 - 80% of the first $250) per life under a quota share agreement. Group life and accidental death and dismemberment coverage in excess of $250 (2021 - $250) is fully reinsured on a quota share basis. For long term disability, the Group purchases reinsurance for 90% (2021 - 90%) of the associated risk. Short term disability is reinsured for 60% (2021 - 60%) of the Group's gross liability to a maximum gross weekly benefit of $3.5 (2021 - $3.5) per person. This cover did not change from the prior year.

The international health insurance coverage for medical, dental, life, long term disability and accidental death and dismemberment risks is reinsured at the same limits mentioned above.

9. Risk Management and Financial Instruments (continued)

Catastrophe Risk

Catastrophe risk is the risk of occurrence of a large number of claims arising from a single event such as an earthquake, hurricane or tsunami. Catastrophes can have a significant impact on the underwriting income of an insurer.

The Group has limited its exposure to catastrophe risk by imposing maximum claim amounts on certain contracts, as well as by using reinsurance arrangements. The Group buys a combination of proportional and non-proportional reinsurance to manage catastrophe exposure. Retentions and limits for ceded reinsurance vary by product line and jurisdiction. The Group purchased catastrophic excess of loss life reinsurance for losses in excess of $250 (2021 - $250) per occurrence limited to $5,000 (2021 - $5,000) each occurrence. This reinsurance provides cover for the loss of six lives or more that are involved in any one loss.

Exposure to Insurance Risk

The principal assumption underlying the unpaid claim estimates is that the Group'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.

Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. 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.

(In Thousands of Bermuda Dollars, Except Share Amounts)

9. Risk Management and Financial Instruments (continued)

The claims liabilities' sensitivity to certain of these key assumptions is outlined below for the Group's property and casualty business and the Group's medical business, as there are various ratios of sensitivity used for this analysis. It is not possible to quantify the sensitivity to certain assumptions such as legislative changes or uncertainty in the estimation process. The analysis is performed for possible movements in the assumptions with all other assumptions held constant, showing the impact on net income. Movements in these assumptions may be non-linear and may be correlated with one another.

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)			
P&C entities	$			
At December 31, 2022				
Impact on profit*	(7,149)	7,149	(7,149)	7,149
Impact on shareholder's equity*	(7,149)	7,149	(7,149)	7,149
*Net of reinsurance				

	Frequency of Claims +16%	Frequency of Claims –14%	Severity of Claims +13%	Severity of Claims –12%
Medical Insurance Entities	Increase/(Decrease)			
At December 31, 2022	**$**	**$**	**$**	**$**
Impact on profit	(3,779)	2,759	(4,644)	3,715
Impact on shareholder's	(3,779)	2,759	(4,644)	3,715

9. Risk Management and Financial Instruments (continued)

Long Term Insurance

The Group provides life insurance and accidental death benefits coverage as well as investment and savings products in Bermuda, Cayman, British Virgin Islands and internationally. Life insurance contracts offered by the Group include: whole life, term assurance, single premium immediate annuity and variable life. Whole life and term assurance are conventional regular premium products where lump sum benefits are payable on death. All life insurance policies include the option to purchase contribution protection benefits that provide for payment of contributions on behalf of policyholders in periods of total disability.

The main risks that the Group is exposed to are as follows:

- Mortality risk – risk of loss arising due to policyholder death experience being different than expected. The Group maintains underwriting standards to determine the insurability of applicants. Claim trends are monitored on an ongoing basis. Exposure to large claims is managed by establishing policy retention limits, which vary by market and geographic location. Policies in excess of the limits are reinsured with other companies.
- Longevity risk – risk of loss arising due to the annuitant living longer than expected
- Investment return risk – risk of loss arising from actual returns being different than expected. The Group's policy of closely matching asset cash flows with those of the corresponding liabilities is designed to mitigate the Group's exposure to future changes in interest rates. The interest rate risk positions are monitored on an ongoing basis.
- Expense risk – risk of loss arising from expense experience being different than expected. The Group closely monitors expenses through an annual budgeting process and ongoing monitoring of any expense gaps between unit expenses assumed in pricing and actual expenses.
- Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected. The Group seeks to design products that minimize financial exposure to lapse, surrender and other policyholder decision risk. The Group monitors lapse, surrender and other policyholder decision experience.

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured or by industry.

9. Risk Management and Financial Instruments (continued)

The Group mitigates its exposures to Long Term Insurance through the use of reinsurance. The Group does not assure any individual life risks in excess of the reinsurers' limits. The individual life business is reinsured on claims in excess of $100 (2021 - $100) domestically and $100 (2021 - $100) internationally with the reinsurers' limit being $3,000 (2021 - $3,000). However, the Group's reinsurer has made exceptions on individual considerations and has accepted higher limits. The reinsurer can participate in risks up to $1,000 (2021 - $1,000) of accidental death benefit (ADB) per life with all carriers. The Group does not assure any individual ADB risks in excess of the reinsurer's limits. The Group does not retain any exposure to ADB risks.

Financial Risk

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

- credit risk
- liquidity risk
- market risk

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

Credit Risk

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

Cash and Investments

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

9. Risk Management and Financial Instruments (continued)

Insurance Balances Receivable

The Group's exposure to credit risk is influenced by the financial stability of entities and individuals that purchase 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 Group has the right to cancel the policy for non-payment. Based on the Group's current aging analysis, all premiums receivable over 30 days are considered to be past due but not impaired. Customer accounts that become past due over 60 days are placed on-hold and those that are over 90 days past due are considered for impairment by management. Cancellation or extension of the terms of the credit is considered on a case by case basis.

Reinsurance Balances Receivable

Reinsurance contracts do not relieve the Group from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Group; consequently, allowances are established for amounts deemed uncollectible. The Group 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.

The Group reviews the creditworthiness of reinsurers on an annual basis and only 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 of the reinsurers are reviewed annually. Based on the individual reinsurance agreements, the Group may have the right to offset amounts due to reinsurers against any amounts due from reinsurers.

Amounts due from reinsurers are assessed regularly for any indication of impairment. At December 31, 2022, losses recoverable from reinsurers were due from reinsurers who all have an A.M. Best rating of at least A-. Management considers that there is no significant credit risk associated with any of the Group's reinsurers.

Related-Party Receivables

Amounts due from related parties are assessed and monitored for any indication of impairment. At December 31, 2022, the majority of amounts due from related parties were due from Gibbons Management Services Limited. At December 31, 2022, all amounts are considered collectible.

(In Thousands of Bermuda Dollars, Except Share Amounts)

9. Risk Management and Financial Instruments (continued)

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group is exposed to daily calls on its available cash resources for the payment of claims, policy benefits and operating expenses. In order to manage the Group's liquidity risk, 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 Group's reputation.

The following table summarizes the contractual recovery or settlement of other assets held (within 12 months from the balance sheet date) and the maturity profile of the Group'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	**154,237**	**1,917**	**156,154**	121,512	250	121,762
Financial assets	**258,938**	**94,045**	**352,983**	233,925	63,994	297,919
Accounts receivable and accrued interest	**17,175**	**—**	**17,175**	6,822	—	6,822
Insurance balances receivable	**90,795**	**—**	**90,795**	33,736	—	33,736
Reinsurance balances receivable	**11,002**	**—**	**11,002**	9,751	—	9,751
Losses recoverable from reinsurers	**34,830**	**—**	**34,830**	15,046	—	15,046
Amounts due from related companies	**10,789**	**5,817**	**16,606**	10,707	5,914	16,621
	577,766	**101,779**	**679,545**	431,499	70,158	501,657

(In Thousands of Bermuda Dollars, Except Share Amounts)

9. Risk Management and Financial Instruments (continued)

	2022			2021		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Financial liabilities	**$**	**$**	**$**	**$**	**$**	**$**
Bank overdraft	**478**	—	**478**	4,886	—	4,886
Outstanding losses and loss expenses	**140,992**	—	**140,992**	57,782	—	57,782
Reinsurance balances payable – Non-Life	**62,297**	—	**62,297**	24,474	—	24,474
Lease liabilities	**7,508**	**17,019**	**24,527**	104	29,532	29,636
Interest Bearing Loan	**36,156**	—	**36,156**	—	—	—
Accounts payable and other liabilities	**50,427**	—	**50,427**	23,065	—	23,065
Reinsurance balances payable-Life	**7,137**	**72**	**7,209**	8,050	81	8,131
Amounts due to related companies	—	—	—	89	—	89
Total	**304,995**	**17,091**	**322,086**	118,450	29,613	148,063
Liquidity margin	**272,771**	**84,688**	**357,459**	313,049	40,545	353,594

9. Risk Management and Financial Instruments (continued)

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 Group's income or the value of its holdings of financial instruments. The objective of the Group's market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Although the Group is not directly exposed to market risk on the net assets held in segregated funds arising from investment contracts issued, the valuation and recoverability of deferred acquisition costs associated with investment contracts may be adversely affected by changes in value of the segregated funds.

Interest-Rate Risk

The Group invests in fixed interest debt securities and managed funds, the fair values of which are affected by changes in interest rates. The coupon rates and maturity dates associated with the fixed interest debt securities held by the Group is disclosed in Note 4. Details of interest rate risk on related party balances are disclosed in Note 11.

As administrator of the segregated funds, the Group earns a fee based on the value of the segregated assets. Fluctuation in the valuation of segregated funds impact the fee earned by the Group.

Foreign Currency Risk

The Group's exposure to foreign exchange risk arises from some of its subsidiaries which report in currencies other than Bermuda or US dollar. These subsidiaries are BCH which reports in Cayman Islands dollar, CGAG , CGAA and CGAML which report in The Bahamas dollar and CG United which report in Barbados dollars. United also operates in jurisdictions where transactions are carried out in various other currencies which include the Aruba Florin, the Netherlands Antillean Guilder and the Eastern Caribbean, Belize, Trinidad & Tobago, Jamaica and Guyana dollars. The Group is exposed to risks that the exchange rate of the Bermuda/US dollar relative to these currencies may change in a manner which will have an adverse effect on the reported amounts of assets and liabilities, profit and related cash flows. This risk is mitigated as, with the exception of Trinidad and Tobago, Guyana and Jamaica dollar, all are pegged to the US dollar. As a result, the Group is not exposed to material foreign currency risk.

9. Risk Management and Financial Instruments (continued)

Equity Price Risk

The Group 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 Group's Investment Committee. Diversified portfolios of assets are held in order to reduce exposure to individual equities. At the balance sheet date management estimates that a 10% increase in prices for common equities and equity based managed funds held, with all other variables held constant, would increase net income by approximately $2,376 (2021 – $4,445). 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

The Group's capital base is structured to exceed regulatory targets and desired capital ratios, maintain strong credit ratings and provide flexibility to take advantage of growth opportunities and provide an adequate return to shareholders. Capital is managed on a consolidated basis under principles that consider all the risks associated with the business. It is also managed at the business unit level under the principles appropriate to the jurisdiction in which the business unit operates. The Board of Directors is responsible for devising the Group's capital plan with management responsible for the implementation of the plan. The policy is 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 Group to take advantage of opportunities for expansion.

(In Thousands of Bermuda Dollars, Except Share Amounts)

10. Capital Management and Statutory Requirements (continued)

Common Shares

	2022	2021
	$	$
Authorized share capital:		
3,012,000 common shares of par value $1 each	**3,012**	3,012
Issued and fully paid:		
1,512,000 common shares of par value $1 each	**1,512**	1,512

The group is authorized to issue 20,000,000 redeemable preferred shares.

Share Premium

Share premium represents the par value of the 2,500,000 common shares of CIC which were contributed to the Group as part of the corporate restructuring on January 30, 1996.

Contributed Surplus

A reassessment of assumptions used in valuing a business acquisition in 1995 resulted in $2,447 being recorded as contributed surplus.

During 2009, the Group received a cash contribution of $7,000 from the parent company.

In the periods 2010 through 2012 the Group received capital contributions totaling $357 by way of subsidized interest rates awarded to staff by an affiliate bank which was settled by the Group's parent. Thereafter the expense has been charged to group companies.

(In Thousands of Bermuda Dollars, Except Share Amounts)

10. Capital Management and Statutory Requirements (continued)

Non-Controlling Interests

Non-controlling interest of $17,420 (2021 – $15,821) has been recorded as noted below:

		2022	2021
Non-Controlling interest		**$**	**$**
BCH	25%	12,397	10,678
CGAG	30%	2,090	2,124
CIBVI	50%	1,635	2,019
CGAA	60%	1,298	999
		17,420	15,820

Statutory Requirements

Management monitors the adequacy of the Group and its operating subsidiaries' capital from the perspective of relevant legislation in the jurisdictions in which it operates. The Group's subsidiaries are required to file an audited financial return and meet minimum solvency margins and minimum liquidity ratios as defined by the Bermuda Insurance Act 1978, the minimum capital requirement as defined by the Act of The Bahamas (2005), the minimum capital requirement as defined by the Cayman Islands Insurance (Capital And Solvency) Regulations 2012 and the capital and solvency requirements as defined by the Barbados CAP.310 Insurance Act. The statutory capital and surplus and minimums solvency margins for the Group's insurance subsidiaries are noted below:

	2022		**2021**	
	Minimum Solvency Margin	**Statutory capital and surplus**	**Minimum Solvency Margin**	**Statutory capital and surplus**
	$	**$**	**$**	**$**
CIC	**5,362**	**32,420**	4,717	32,337
CMIC	**32,972**	**77,389**	27,590	144,747
CLAC	**535**	**23,274**	1,919	21,455
CRe	**1,345**	**19,345**	2,084	17,712
BritCay Insurance Ltd.	**5,382**	**30,759**	5,011	31,210
United	**2,877**	**3,576**	N/A	N/A
CGAML	**23,975**	**43,861**	23,587	44,471
CGAG	**4,730**	**10,747**	4,353	10,618

10. Capital Management and Statutory Requirements (continued)

Each year the Group is required to file with the Bermuda Monetary Authority (the "BMA"), a capital and solvency return for the Group. The prescribed form of capital and solvency return comprises the insurer's Bermuda Solvency Capital Requirement model ("Group BSCR"), 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.

The Group BSCR includes a standardized formula to measure the risk associated with an insurer's assets, liabilities and premiums. The BMA requires insurers to maintain their capital at a target level, the Enhanced Capital Requirement or "ECR", which is 120% of the amount calculated in accordance with the Group BSCR.

At December 31, 2022, the Group's ECR was $194,524 (2021 – $92,164 (unaudited)).

11. Related-Party Transactions

The following transactions were carried out with related parties:

(a) Income and Expenses

The Group's subsidiaries insure the commercial and health risks of several related companies. These risks are written at standard commercial rates and are subject to the normal reinsurance protections of the Group. The premiums written for related companies are approximately $9,180 for the year ended December 31, 2022, (2021 – $8,633). Of this, $113 (2021 – $54) is included in insurance balances receivable at the statement of financial position date.

For the year ended December 31, 2022, general and administrative expenses include $885 (2021 – $1,085) of pensions costs payable to related companies.

Lease liabilities of $19,881 (2021 – $25,052) are due to companies owned in part by directors.

(In Thousands of Bermuda Dollars, Except Share Amounts)

11. Related-Party Transactions (continued)

(b) Year-end Balances

Due from related parties	**2022** **$**	**2021** **$**
Gibbons Management Services Limited	**16,423**	16,540
Colonial Master Retirement Trust (CMT)	**38**	—
Coralisle Individual Master Retirement Trust (CIMT)	**14**	—
Coralisle Global Master Trust (CGT)	**4**	—
Colonial Master Deed (CMD)	**127**	81
	16,606	16,621

Due to related parties	**2022** **$**	**2021** **$**
Coralisle Master Retirement Trust (Formerly Colonial Master Retirement Trust (CMT))	**—**	89
	—	89

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 rates varying from 3% to 5.75% per annum. The balances due from CMT and CMD are repayable on demand and are non-interest bearing. Included in investment income is net interest income of $888 (2021 – $897) received from GMSL. Balances with all other related parties are non-interest bearing.

(c) Investments

During the year, the Group used Clarien Bank Limited and its wholly-owned subsidiaries (collectively, Clarien) for certain banking, investment custodian, and investment management services. Prior to December 31, 2013, the Group and Clarien were related by common control. In July 2021 the Group transitioned its primary US dollar investment portfolios to a new third-party investment manager and as such, the Group's investments are no longer managed and custodied with Clarien.

As at December 31, 2022, the Group has cash on deposit with Clarien of $2,232 (2021 – $6,748).

(In Thousands of Bermuda Dollars, Except Share Amounts)

11. Related-Party Transactions (continued)

At December 31, 2022, investments accounted for at fair value through profit and loss with a fair value of $Nil (2021 – $14) and investments accounted for at amortized cost of $Nil (2021 – $Nil) were held and managed by Clarien Bank Limited. The transactions with Clarien Bank Limited occur on standard commercial terms.

The Group paid investment fees of $Nil (2021 – $710) to Clarien at fees ranging from 0.35% to 0.5% of total net asset value of the investment portfolio for the year ended December 31, 2022.

(d) *Key Management Compensation*

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

	2022	**2021**
	$	**$**
Short term employee benefits	**11,139**	12,736
Defined contribution pension and medical insurance expenses	**733**	1,181
	11,872	13,917

(In Thousands of Bermuda Dollars, Except Share Amounts)

12. Leases

The Group lease contracts for buildings and motor vehicles with up to a five-year term and options to renew for up to a further fifteen years. Set out below are the carrying amounts of lease liabilities and movements during the period:

	2022	2021
	$	$
As at January 1, 2021	**29,636**	26,542
Additions (Note 8)	**832**	5,432
Reductions (Note 8)	**(3,580)**	—
Accretion of interest	**1,267**	1,430
Payments	**(3,628)**	(3,768)
As at December 31, 2022	**24,527**	29,636
Current	**3,628**	3,424
Non-current	**20,899**	26,212

The following are the amounts recognized in profit or loss:

	2022	2021
	$	$
Depreciation expense on right-of-use assets	**2,900**	2,859
Interest expense on lease liabilities	**1,267**	1,430
Expense relating to short-term leases (included in property expenses)	**54**	58
Total amount recognized in profit or loss	**4,221**	4,347

The Group had total cash outflows for leases of $3,682 (2021 - $3,826). The Group also had non-cash additions to right-of-use assets and lease liabilities of $832 (2021 - $5,432), and non-cash disposals to right-of-use assets of $3,580 (2021 - $Nil).

(In Thousands of Bermuda Dollars, Except Share Amounts)

13. Segregated Funds

Segregated funds comprise holdings in mutual funds and cash held on behalf of pension plan clients, investors and holders of investment contracts.

The assets are held in the trust as follows:	2022 $	2021 $
Coralisle Private Trustee Ltd. – CPT	**—**	26,506
Coralisle Global Master Trust – CGT	**22,849**	—
Colonial Master Deed – Cayman Islands – CMD	**213,931**	252,061
Coralisle Master Retirement Trust – CMRT	**177,061**	226,572
Coralisle Individual Master Retirement Trust – CIMRT	**108,471**	120,042
Coralisle Bahamas Fund	**148,727**	144,139
Privately Held Funds – Bahamas	**8,470**	8,704
Coralisle Life Unit Trust	**72,791**	93,792
Scotia Bank BVI/TCI Pension Plans	**496**	1,008
	752,796	872,824

The assets held in trust by CGT, CMT, CMD and CIMRT are in respect of pension plans administered by CPS in Bermuda and Cayman. CPT activities ended in the year ended December 31, 2022, and assets were transferred to CGT.

The assets held in trust by Coralisle Bahamas Fund and private funds in Bahamas are in respect of pension plans administered by CPSB in The Bahamas.

Coralisle Life Unit Trust is registered as an exempted trust in the Cayman Islands. The Fund is organized as a Multi Fund Unit Trust, providing for creation of any number of classes of units. The assets are held on behalf of holders of investment contracts issued by CLAC.

(In Thousands of Bermuda Dollars, Except Share Amounts)

13. Segregated Funds (continued)

The underlying investments of the segregated funds consist exclusively of managed funds and cash with the exception of funds administered by CPSB. The carrying value is as follows:

	2022	2021
	$	$
Managed funds	**83,809**	107,035
Fixed maturity securities	**266,141**	288,678
Common equity securities	**316,049**	388,674
Preferred shares	**16,775**	16,542
Cash and accruals	**70,202**	71,895
Total segregated fund assets at end of year	**752,976**	872,824

Changes in net assets during the year are as follows:

	2022	2021
	$	$
Net assets at beginning of period	**872,824**	819,150
Increase during the period		
Amounts received from unit holders	**66,415**	79,568
Net (decrease) increase in market value of investments	**(118,179)**	52,224
	(51,764)	131,792
Decrease during the period		
Amounts withdrawn by unit holders	**66,898**	76,673
Amounts withdrawn for life premiums	**1,440**	1,450
Surrender values reverting to the Group	**(74)**	(5)
	68,264	78,118
Net assets at end of period	**752,796**	872,824

As a result of administering the above pension assets, the Group earned investment management fees in the amount of $10,090 (2021 – $11,256).

(In Thousands of Bermuda Dollars, Except Share Amounts)

14. General and Administrative

	2022	2021
	$	$
Staff	58,841	49,534
Property	5,023	3,824
Professional	15,834	9,570
Information Technology	10,218	8,668
Depreciation and amortization	8,537	5,943
Marketing	7,559	6,139
Travel	1,620	388
Office	1,402	1,426
Corporate fees	1,805	1,303
Communications	1,412	1,123
Provision for bad and doubtful debts	203	420
Donations	72	250
Memberships and subscriptions	356	303
Other expenses including finance charges	7,042	6,482
Total general and administration expenses	119,924	95,373

(In Thousands of Bermuda Dollars, Except Share Amounts)

15. Change in Operating Working Capital

	2022	2021
	$	$
(Increase) decrease in:		
Accounts receivable and accrued interest	**(1,591)**	1,246
Insurance and reinsurance balances receivable	**(4,835)**	(4,434)
Prepaid reinsurance premiums	**1,638**	(4,954)
Losses recoverable from reinsurers	**(5,928)**	(767)
Deferred acquisition costs	**(11,792)**	(606)
Other assets	**328**	(2,348)
Increase (decrease) in:		
Outstanding losses and loss expenses	**18,715**	8,309
Reinsurance balances payable – Life	**(922)**	(621)
Unearned premiums	**(5,686)**	6,241
Deferred commission income	**12,942**	1,163
Reinsurance balances payable – Non-life	**37,823**	5,244
Accounts payable and other liabilities	**(35,814)**	(4,048)
	4,878	4,425

16. Dividends

During the year, the Group declared a dividend payable to its sole shareholder of $6,000 (2021 – $9,000).

(In Thousands of Bermuda Dollars, Except Share Amounts)

17. Other Liabilities

	2022	2021
	$	**$**
Cash held on behalf of clients and unallocated contributions	**1,261**	1,481
Premiums received in advance	**3,490**	1,070
Accounts payable and miscellaneous liabilities	**45,676**	20,514
	50,427	23,065

Cash held on behalf of clients represents a net amount owed to clients for cash held by the Group for funds in transit between unit holders and the segregated funds. Cash held on behalf of clients consists of contributions and redemptions payable, less contributions and redemptions receivable.

18. Interest-bearing loan

On April 18 2022, the group entered a credit facility with a principal amount of $35,500 at an annual rate of 2.58%. At December 31, 2022 there was $656 of accrued interest payable included in the statement of financial position.

19. Business combination

On May 4, 2022, the Group acquired Massy United Insurance Ltd. (United), a non-listed company based in Barbados and operating across multiple jurisdictions in the Caribbeans, Guyana and Belize as a P&C insurer, outright for a total consideration of $91,974 in cash. There were no contingent considerations attached to the transaction. CG acquired United to expand its presence throughout various jurisdictions in the Caribbeans islands.

(In Thousands of Bermuda Dollars, Except Share Amounts)

19. Business combination (continued)
Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of United as of the date of the acquisition were:

Assets	**Fair value recognized on acquisition**
	$
Cash and cash equivalents (*Note 3)*	58,957
Financial assets (*Notes 4)*	91,805
Accounts receivable and accrued interest	8,762
Insurance balances receivable	53,475
Prepaid reinsurance premiums	73,210
Losses recoverable from reinsurers (*Note 5)*	13,856
Intangible assets *(Note 7)*	7,300
Property, plant and equipment *(Note 8)*	10,576
Other assets *(Note 6)*	1,540
Total assets	319,481
Liabilities	
Financial Liabilities	398
Outstanding losses and loss expenses *(Note 5)*	64,495
Unearned premiums	108,713
Other liabilities *(Note 17)*	63,176
Total liabilities	236,782
Total identifiable net assets at fair value	82,699
Goodwill arising on acquisition *(Note 7)*	9,275
Purchase consideration transferred	91,974

The fair value of receivables is the same as the stated value.

The goodwill of $9,275 comprises the value of expected synergies arising from the acquisition which is not separately recognized.

From the date of acquisition, United contributed $169,153 of revenue and $3,606 of net income after tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been $249,936 and the net income after tax from continuing operations for the Group would have been $4,275. There were no transactions between the Group and United prior to the date of acquisition.

20. Income Tax

The Group operates in jurisdictions where it is subject to income tax since the business combination with United.

A deferred tax asset of $492 was included in the assets acquired and recognized in other assets (Note 6) in the business combination with United. The deferred tax asset is the net of accelerated depreciation, provisions and tax loss carryforwards not yet utilized. The Group does not recognize further potential deferred tax asset of $2,662 (2021 - $0) arising from tax losses from prior years as it is uncertain that taxable income will be available in the respective territories against which the tax losses can be utilized before they expire.

21. Subsequent Events

The Group has completed its subsequent events evaluation for the period subsequent to the balance sheet through May 12, 2023, the date the financial statements were available to be issued.

On February 28, 2023, the Group made a payment of $17,500 towards its interest-bearing loan.

Subsequent to year end, the Group declared a dividend of $3,000. British Caymanian Holdings Ltd. also declared a dividend of $6,098. Minority shareholders were attributed $1,524 from this dividend. The remaining amount had no impact on the Group as a whole.

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