Financial Statements of

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED (BAHAMAS BRANCH)

Year ended December 31, 2021

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED (BAHAMAS BRANCH)

Financial Statements
Year ended December 31, 2021

APPOINTED ACTUARY'S REPORT TO THE BOARD OF DIRECTORS

We have valued the gross policy liabilities of $2,158,075 of The Insurance Company of the West Indies Limited (Bahamas Branch) for its statement of financial position as at December 31, 2021 and their change in net income or loss in the statement of comprehensive income for the year then ended in accordance with generally accepted actuarial practice.

In our opinion, the valuation is appropriate, and the financial statements fairly present its results.

Josh Worsham

Mid Atlantic Actuarial Services LLC

18816 Hammock Lane
Davidson, NC 28036
U.S.A.

April 19, 2022

KPMG
PO Box N-123
Montague Sterling Centre
13 East Bay Street
Nassau, Bahamas

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Insurance Company of the West Indies Limited

Opinion

We have audited the financial statements of The Insurance Company of the West Indies Limited (Bahamas Branch) ("the Branch"), which comprise the statement of financial position as at December 31, 2021, the statements of comprehensive income, changes in head office account and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information, as set out on pages 4-48.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Branch as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Branch'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 Branch or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch'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 Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Branch to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

April 29, 2022
Nassau, Bahamas

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED (BAHAMAS BRANCH)

Statement of Financial Position
December 31, 2021
(Expressed in Bahamian dollars)

	Note		2021	2020
ASSETS				
Cash and cash equivalents	7		2,858,352	2,677,116
Investments	7		2,554,531	1,790,830
Accrued investment income	7		8,586	10,465
Other accounts receivable and prepayments			14,638	11,041
Deferred commission expense	11		382,324	321,323
Insurance receivables	10		514,296	429,620
Due from reinsurers			3,074	103,684
Reinsurance assets	9		2,452,509	1,961,427
Property, plant and equipment	6		8,411	10,292
Right-of-use asset	8		62,176	93,263
Total assets		$	**8,858,897**	**7,409,061**
LIABILITIES AND HEAD OFFICE ACCOUNT				
Liabilities:				
Other payables and accrued charges	12		407,353	342,528
Insurance payables	13		675,661	638,280
Insurance contracts provisions	9		4,333,153	3,376,232
Lease liability	8		67,385	98,378
			5,483,552	4,455,418
Head office account:	14			
Head office account			2,498,290	2,258,248
Unappropriated profits			877,055	695,395
			3,375,345	2,953,643
Total liabilities and head office account		$	**8,858,897**	**7,409,061**

These financial statements on pages 4 to 48 were approved by the Board of Directors on April 29, 2022 and signed on its behalf by:

Hon. Dennis Lalor

Paul Lalor

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

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED (BAHAMAS BRANCH)

Statement of Comprehensive Income
Year ended December 31, 2021
(Expressed in Bahamian dollars)

	Note	2021	2020
Underwriting income			
Gross premiums written	9	5,379,069	4,540,400
Change in unearned premiums	9	(344,330)	(125,708)
	9	5,034,739	4,414,692
Written premiums ceded to reinsurers	9	(3,094,837)	(2,673,432)
Excess of loss reinsurance		(368,347)	(385,744)
Reinsurers' share of change in provision for unearned premiums	9	203,585	99,657
Commission income	13	1,065,456	902,698
Net underwriting income		2,840,596	2,357,871
Underwriting expenses			
Claims paid - net	9	(804,756)	(882,730)
Change in insurance contracts provision	9	(612,591)	1,308,334
Reinsurers' share of claims and benefits incurred	9	287,497	(1,293,426)
Net insurance claims and benefits incurred		(1,129,850)	(867,822)
Premium tax		(161,372)	(136,212)
Commission expenses	11	(880,259)	(776,666)
Total underwriting expenses		(2,171,481)	(1,780,700)
Net underwriting income		669,115	577,171
Operating income and expenses:			
Interest on investments	7	13,748	20,479
Interest expense on lease liability	8(c)	(5,608)	(7,279)
Other income		78,275	41,422
Foreign exchange gain/ (loss)		(8,110)	(4,433)
Operating expenses	18	(565,760)	(471,387)
		(487,455)	(421,198)
Profit for the year, being total comprehensive income	$	**181,660**	**155,973**

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

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED (BAHAMAS BRANCH)

Statement of Changes in Head Office Account
Year ended December 31, 2021
(Expressed in Bahamian dollars)

		Head Office Account	Unappropriated Profits	Total
Balance at December 31, 2019		2,675,231	539,422	3,214,653
Total comprehensive income for the year:				
Profit for the year		–	155,973	155,973
Transactions with head office:				
Withdrawals (note 14)		(416,983)	–	(416,983)
Balance at December 31, 2020	$	2,258,248	695,395	2,953,643
Total comprehensive income for the year:		–	181,660	181,660
Profit for the year				
Transactions with head office:				
Contributions (note 14)		240,042	-	240,042
Balance at December 31, 2021	$	2,498,290	877,055	3,375,345

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

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED (BAHAMAS BRANCH)

Statement of Cash Flows
Year ended December 31, 2021, with corresponding figures for 2020
(Expressed in Bahamian dollars)

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		$ 181,660	155,973
Adjustments for:			
Depreciation of property, plant and equipment	6	4,397	5,838
Depreciation of right-of-use asset	8(a)	31,087	31,088
Change in unearned premium reserve	9	344,330	125,708
Interest income	7	(13,748)	(20,479)
Interest expense on lease liability	8(c)	5,608	7,279
Operating cash flow before changes in working capital		553,334	305,407
(Increase)/decrease in assets:			
Premiums receivable		(84,676)	(182,217)
Reinsurance assets		(390,472)	1,485,332
Deferred commission expense		(61,001)	(21,286)
Other accounts receivable and prepayments		(3,597)	3,448
Increase/(decrease) in liabilities:			
Accounts payable and accrued charges		64,825	(55,944)
Insurance payables		37,381	194,021
Claims outstanding provisions		612,591	(1,308,334)
Net cash provided by operating activities		728,385	420,427
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	6	(2,516)	(5,240)
Interest received		15,626	21,680
Investments, net		(763,701)	(625,219)
Net cash used in investing activities		(750,591)	(608,779)
CASH FLOWS FROM FINANCING ACTIVITIES			
Head Office contributions/(withdrawals), net	14	240,042	(416,983)
Payment of lease liability	8(d)	(36,600)	(36,600)
Net cash provided by/(used in) financing activities		203,442	(453,583)
Net increase/(decrease) in cash and cash equivalents		181,236	(641,935)
Cash and cash equivalents at beginning of year		2,677,116	3,319,051
Cash and cash equivalents at end of year		$ 2,858,352	2,677,116
Cash and cash equivalents comprise:			
Current account bank balances	7	$ 1,376,972	1,197,662
Investments maturing within 3 months of origination	7	1,481,380	1,479,454
		$ 2,858,352	2,677,116
Supplemental information:			
Premium tax paid		$ 161,372	136,212

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

1. Corporate structure and nature of business

The Insurance Company of the West Indies (Bahamas) Limited ("the Company") was incorporated on October 8, 2007 in The Bahamas under the Companies Act. It is domiciled in The Bahamas and is a wholly owned subsidiary of ICWI Bahamas Limited, which is also incorporated in The Bahamas. ICWI Bahamas Limited is a wholly-owned subsidiary of ICWI Group Limited, ("the Parent"), which is incorporated in Jamaica. The ultimate parent is Atlantic and Caribbean Sea Development Limited, which is owned by Caribbean Sea Development Limited and Hon. Dennis Lalor O.J. and is controlled by Hon. Dennis Lalor O.J. Both companies are incorporated in Jamaica.

On August 1, 2008, the Company started writing insurance business in The Bahamas previously written by the Insurance Company of the West Indies Limited ("ICWI Jamaica"), a fellow subsidiary of ICWI Group Limited. At that date, all assets and liabilities relating to the business conducted in The Bahamas were transferred from ICWI Jamaica to the Company.

On January 1, 2015, the Company ceased writing insurance business and transferred all assets and liabilities relating to the business to ICWI Jamaica, and now operates as a branch of ICWI Jamaica ("the Branch").

The principal activity of the branch is underwriting general insurance business.

The Branch is not a separate legal entity and these financial statements contain only the assets and liabilities, operations and cash flows assigned to the Branch and related disclosures.

2. Insurance licence

The Branch is licensed under the Insurance Act, 2005 to underwrite general insurance business.

3. Roles of the actuary and external auditors

The actuary has been appointed by the Board of Directors to carry out an actuarial valuation of management's estimate of the Branch's policy liabilities and report thereon to the Board of Directors. Actuarially determined insurance policy liabilities consist of the provisions for, and reinsurance recovery of, unpaid claims and adjustment expenses on insurance policies in force. The valuation is made in accordance with accepted actuarial practice, as well as any other matter specified in any directive that may be made by regulatory authorities. The actuary's report outlines the scope of the valuation and the actuary's opinion. An actuarial valuation is prepared annually.

The independent auditors have been appointed by the shareholder of ICWI Jamaica to conduct an independent and objective audit of the financial statements of the Branch in accordance with International Standards on Auditing and report thereon to the shareholder. In carrying out their audit, the auditors also make use of the work of the appointed actuary and the actuary's report on the Branch's actuarially determined policy liabilities. The auditors' report outlines the scope of their audit and their opinion.

4. Statement of compliance and basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and their interpretations issued by the International Accounting Standards Board.

New and amended standards that came into effect during the current financial year:

Certain new and amended standards and interpretations came into effect during the current financial year, none of which had any significant impact on these financial statements.

New and amended standards and interpretations not yet effective:

At the date of authorisation of these financial statements, certain new, revised and amended standards and interpretations which were in issue were not effective at the reporting date and have not been early-adopted by the Branch. Those which are considered relevant to the Branch are as follows:

- Amendments to IFRS 16 *Leases* is effective for annual periods beginning on or after June 1, 2021, with early application permitted. The amendments extend the practical expedient by 12 months – i.e. allowing lessees to apply it to rent concessions for which any reduction in lease payments originally due on or before 30 June 2022.

  The amendments are applied retrospectively with the cumulative effect of initially applying it being recognised in opening retained earnings. The disclosure requirements of Paragraph 28(f) of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* do not apply on initial application.

- Amendments to IAS 1 Presentation of Financial Statements are effective for annual periods beginning on or after January 1, 2023 and may be applied earlier. The amendments help companies provide useful accounting policy disclosures.

  The key amendments to IAS 1 include:

  - requiring companies to disclose their *material* accounting policies rather than their *significant* accounting policies;

  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

4. Statement of compliance and basis of preparation *(continued)*

(a) Statement of compliance (continued)

New and amended standards and interpretations not yet effective (continued):

The amendments are consistent with the refined definition of material:

"Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements".

- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors are effective for periods beginning on or after January 1, 2023, with early adoption permitted. The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

  The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

  Developing an accounting estimate includes both:

  - selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 *Financial Instruments*; and

  - choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*.

  The effects of changes in such inputs or measurement techniques are changes in accounting estimates.

- IFRS 17 *Insurance Contracts*, effective for annual reporting periods beginning on or after January 1, 2023 replaces IFRS 4 *Insurance Contracts* and provides three models to apply to all insurance contracts: the general model, the variable fee approach and the premium allocation approach.

  The key principles in IFRS 17 are that an entity:

  - Identifies insurance contract as those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

4. Statement of compliance and basis of preparation *(continued)*

(a) Statement of compliance (continued)

New and amended standards and interpretations not yet effective (continued):

- Separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts.

- Recognises and measures groups of insurance contracts at:

  a) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset); and

  b) an amount representing the unearned profit in the group of contracts (the contractual service margin).

- Recognises the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group contract is or becomes loss making, an entity recognises the loss immediately.

- Presents separately insurance revenue (that excludes the receipt of repayment of any investment components) and insurance finance income or expenses;

- Includes an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts where the coverage period is one year or less or where there are no significant expected changes in estimates before the claims are incurred.

Many of the disclosures of IFRS 4 are kept in IFRS 17. The general model requires disclosure and reconciliation of the expected present value of future cash flows, risk adjustment and contractual service margin. No reconciliation is required under the variable fee approach.

4. Statement of compliance and basis of preparation *(continued)*

(a) Statement of compliance (continued)

New and amended standards and interpretations not yet effective (continued):

- Amendments to IFRS 17 *Insurance Contracts*

  Many of the disclosures of IFRS 4 are kept in IFRS 17. The general model requires disclosure and reconciliation of the expected present value of future cash flows, risk adjustment and contractual service margin. No reconciliation is required under the variable fee approach.

- Amendments to IFRS 17 *Insurance Contracts,* effective for annual reporting periods beginning on or after January 1, 2023 provides for the following amendments to the standard:

4. Statement of compliance and basis of preparation *(continued)*

(a) Statement of compliance (continued)

New and amended standards and interpretations not yet effective (continued):

- Amendments to IFRS 17 *Insurance Contracts (continued)*

  - Most companies that issue credit cards and similar products that provide insurance coverage will be able to continue with their existing accounting, unless the insurance coverage is a contractual feature, easing implementation for non-insurers.
  - For loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract, companies that issue such loans have an option to apply IFRS 9 or IFRS 17, reducing the impact of IFRS 17 for non-insurers.
  - In measuring the contractual service margin; companies will choose to apply either a 'period-to-period' or 'year-to-date' approach, allowing greater opportunity for consistency with current practice and for subsidiaries to align reporting with their parent. Revenue and profit emergence will better reflect performance of the wide range of insurance products and the services they provide to customers. Allocating insurance acquisition cash flows to future renewal groups reduces the risk of groups becoming onerous solely from acquisition expenses paid relating to future renewals. The allocation is revised at each reporting period to reflect any changes in assumptions that determine the inputs to the method of allocation used, until all contracts have been added to the group and companies now need to assess for each period, the recoverability of insurance acquisition cash flow assets usually on a more granular level than applied today.
  - Upon transition, companies may be able to account for acquired contracts before the transition date as liabilities for incurred claims. In many cases, companies will be required to identify and recognise an asset for insurance acquisition cash flows incurred prior to transition. Companies are not required to perform a recoverability assessment for periods prior to transition.
  - In accounting for direct participating contracts, the risk mitigation option has been expanded to non-derivative assets at FVTPL and reinsurance contracts held and extended to provide relief prospectively from the transition date. If a company meets the risk mitigation option criteria before transition, it can now apply the fair value approach to the related contracts at transition. Companies applying both OCI and risk mitigation options together will be able to achieve better matching in the income statement.
  - For reinsurance contracts, companies will be able to offset losses on initial recognition of direct insurance contracts based on a prescribed formula if they are covered by reinsurance contracts held, reducing accounting mismatches.

4. Statement of compliance and basis of preparation *(continued)*

(a) Statement of compliance (continued)

New and amended standards and interpretations not yet effective (continued):

- Amendments to IFRS 17 *Insurance Contracts* (*continued)*
  - There is relief for companies to present (re)insurance contract assets and liabilities at a portfolio level, instead of group level in the statement of financial position and income taxes specifically charged to policyholders may now be included in fulfilment cash flows, better reflecting local practice in certain jurisdictions.

- Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after 1 January 2023. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

  Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

  A company classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

  With the amendments, convertible instruments may become current. In light of this, the amendments clarify how a company classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of the company's own equity instruments, these would affect its classification as current or non-current.
  It has now been clarified that a company can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

- IFRS 9 *Financial Instruments* - As an insurance company, the Branch has exercised the option to defer the effective date of the new standard to January 1, 2023, in line with IFRS 17 Insurance Contracts [See note 5 j(iv)]. The standard includes requirements for recognition and measurement, impairment, derecognition of financial instruments and general hedge accounting.

- Amendments to *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* is effective for annual periods beginning on or after January 1, 2022 and clarifies those costs that comprise the costs of fulfilling the contract. The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs – e.g. direct

4. Statement of compliance and basis of preparation *(continued)*

(a) Statement of compliance (continued)

New and amended standards and interpretations not yet effective (continued):

- IAS 1 *Presentation of Financial Statements (continued)*

- labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. This clarification will require entities that apply the 'incremental cost' approach to recognise bigger and potentially more provisions. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate.

- Annual Improvements to IFRS Standards 2018-2021 cycle contain amendments to certain standards and are effective for annual periods beginning on or after January 1, 2022. Those that affect the group's operation are IFRS 9 Financial Instruments and IFRS 16 Leases.

  (i) IFRS 9 *Financial Instruments* amendment clarifies that – for the purpose of performing the '10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  (ii) IFRS 16 *Leases* amendment removes the illustration of payments from the lessor relating to leasehold improvements.

The Branch is analysing the impact that these amendments will have on its future financial statements when they become effective.

(b) Use of estimates and judgements

The preparation of the financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, contingent assets and contingent liabilities at the reporting date, and the income and expense for the year then ended. Actual amounts could differ from these estimates.

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

Information about assumptions and estimation uncertainties at December 31, 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included below:

4 Statement of compliance and basis of preparation *(continued)*

(b) Use of estimates and judgements (continued)

(i) Allowance for impairment losses on receivables

In determining amounts recorded for impairment losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables, for example, based on default or adverse economic conditions. Management makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individually significant receivables with similar characteristics, such as credit risks.

(ii) Outstanding claims

Management believes that the insurance contracts provision for outstanding losses and loss expenses will be adequate to cover the ultimate net cost of losses incurred up to the reporting date. However, the provision is necessarily an estimate and may ultimately be settled for a significantly greater or lesser amount. Any subsequent differences arising are recorded in the period in which they are determined. Notes 5 (j) and 16 contain information about the assumptions and uncertainties relating to insurance liabilities and discloses the risk factors in these contracts.

(c) Basis of measurement and functional and presentation currency

Basis of measurement

The financial statements are prepared on the historical cost basis.

Functional and presentation currency

These financial statements are presented in Bahamian dollars ($), which is the Branch's functional and reporting currency.

5. Significant accounting policies

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

(a) Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Branch and its cost can be

5. Significant accounting policies *(continued)*

measured reliably. The cost of the day to day servicing of property, plant and equipment is recognised in the profit or loss.

Property, plant and equipment are depreciated using the straight-line method at annual rates estimated to write-off the assets, less their estimated residual values, over their expected useful lives.

The annual depreciation rates are as follows:

Furniture, fixtures and equipment	10% & 20%
Motor vehicles	20%
Right-of-use assets	Over the lease term

Leasehold improvements are amortised over the shorter of the lease term or the estimated useful life, currently five years.

The depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the profit or loss. Repairs and maintenance are charged to profit or loss when the expenditure is incurred.

(b) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 – *Related Party Disclosures* as the "reporting entity").

An entity is related to a reporting entity if any of the following conditions applies:

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

5. Significant accounting policies *(continued)*

(b) Related parties (continued)

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity or any member of a group which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

The Branch has a related party relationship with its ultimate and intermediate holding companies, the directors of the ICWI Jamaica and those of its holding companies, its key management personnel, companies with common directors and pension plans established for the benefit of its employees. "Key management personnel" represents certain senior officers of the ICWI Jamaica.

(c) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. Financial assets have been determined to include cash and cash equivalents, investments, accrued interest income, insurance receivables, due from reinsurers, and other accounts receivable. Financial liabilities include other payable and accrued charges and insurance payables.

Financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition financial instruments are measured as described below.

A financial instrument is recognised when the Branch becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are accounted for at the trade date, that is, the date the Branch commits itself to purchase or sell the asset.

Financial assets are derecognised when the Branch's contractual rights to the cash flows from the financial assets expire or when the Branch transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised when the Branch's obligations specified in the contract expire or are discharged or cancelled.

5. Significant accounting policies *(continued)*

(c) Financial instruments (continued)

Determination of fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Some financial instruments lack an available trading market. These instruments have been valued using present value or other valuation techniques and the fair value shown may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market and are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Receivables arising from insurance contracts and other receivables are classified in this category.

Other

Other financial instruments are measured at amortised cost using the effective interest method, less impairment losses.

Offsetting financial instruments

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

Impairment – financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Branch on terms that the Branch would not consider otherwise, or indications that a debtor or issuer will enter bankruptcy. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognized in net income or loss and reflected in an allowance account against receivables.

5. Significant accounting policies *(continued)*

(c) Financial instruments (continued)

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(d) Cash and cash equivalents

Cash and cash equivalents comprises of cash and bank balances and term deposits with original maturities of three (3) months or less from the date of placement and are measured at amortised cost.

(e) Provisions

A provision is recognised in the statement of financial position if, as a result of a past event, the Branch has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligations.

(f) Foreign currencies

Transactions in foreign currencies are converted at the rates of exchange prevailing at the dates of those transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are converted at the rates of exchange prevailing on that date. Gains and losses arising from fluctuations in exchange rates are recognised in the statement of comprehensive income.

For the purpose of the statement of cash flows, all foreign currency gains and losses recognised in the statement of comprehensive income are treated as cash items and included in cash flows from operating or financing activities along with movements in the principal balances.

(g) Interest income

Interest income is recognised on an accrual basis using the effective interest rate method.

(h) Impairment – non-financial assets

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

5. Significant accounting policies *(continued)*

Calculation of recoverable amount:

The recoverable amount of an asset is the greater of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted at their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(i) Revenue recognition

Revenue is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the policyholder. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

Revenue comprises the following:

(i) Gross written premiums:

The accounting policies for the recognition of revenue from insurance contracts are disclosed in note 5(j) (i).

(ii) Commission income:

Reinsurance commission is recognised on a basis that is consistent with the recognition of the costs incurred on the acquisition of the underlying insurance contracts (see note 5(j) (i).

Profit commission in respect of reinsurance contracts is recognised in the year in which the profit commission is crystallized.

(j) Insurance contract recognition and measurement

(i) Classification, recognition and measurement

The Branch issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer insurance risks. Such contracts may also transfer financial risk. The Branch considers an insurance risk to be significant where the sum insured or limit of indemnity is in excess of the maximum amount on any one loss as stated in note 15. The classification of contracts includes both the insurance and reinsurance contracts that the Branch enters into.

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

Insurance contracts are accounted for in accordance with IFRS 4 and in compliance with the recommendations and practices of the insurance industry. The underwriting results are determined after making provision for, inter alia, unearned premiums, outstanding claims, unexpired risks, deferred commission expense and deferred commission income.

5. Significant accounting policies *(continued)*

(j) Insurance contract recognition and measurement (continued)

(i) Classification, recognition and measurement (continued)

Gross written premiums

Gross premiums reflect business written during the period. The earned portion of premiums is recognised as revenue and is shown before deduction of premium tax, premiums ceded to reinsurers and commissions. Premiums are recognised proportionally over the period of coverage. Premiums received prior to the year end and processed after the year end by the agents are recognised by the Branch at the time of processing.

Unearned premiums

Unearned premiums represent the portion of premiums received on in-force contracts that relates to unexpired risks at the reporting date and is calculated on the "three sixty fifths" basis on the total premiums written.

Outstanding claims

Outstanding claims comprise estimates of the amount of reported losses and loss expenses plus a provision for losses incurred but not reported based on the historical experience of the Branch. The loss and loss expense reserves have been reviewed by the Branch's actuary using the past loss experience of the Branch and industry data. The Branch does not discount its liabilities for outstanding claims. Amounts recoverable in respect of claims from reinsurers are estimated in a manner consistent with the underlying liabilities.

The branch adopts a consistent process in the calculation of provisions for insurance contracts. The overriding aim is to establish reserves that are expected to be at least adequate and that there is consistency from year to year. Therefore, the reserves are set at a level above the actuarial "best estimate" position. However, there is a risk that, due to unforeseen circumstances, the claims reserves may be insufficient to meet insurance claim liabilities reported in future years on post policy periods.

The claims outstanding provision at the reporting date comprises the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses less amounts already paid. This provision is not discounted for the time value of money.

The estimation of claims incurred but not reported is generally subject to a greater degree of uncertainty than the estimates of claims already notified, where more information is available.

The outstanding claims provisions are estimated based on facts known at the date of estimation. Case estimates are generally set by skilled claims technicians, applying their experience and knowledge to the circumstances of individual claims. The ultimate cost of outstanding claims is estimated using standard actuarial claims projection techniques.

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

(j) Insurance contract recognition and measurement (continued)

(i) Classification, recognition and measurement (continued)

Outstanding claims (continued)

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:

- Economic, legal, political and social trends (resulting in, for example, a difference in expected levels of inflation);
- Changes in the mix of insurance contracts written; and
- Impact of large losses

Incurred but not reported provisions and provisions for outstanding claims are initially estimated at a gross level and a separate calculation is carried out to estimate the size of reinsurance recoveries. The Branch purchases a range of excess of loss and other reinsurance contracts to protect against adverse results and catastrophes. The method uses historical data, gross incurred but not reported estimates and the terms and conditions of the reinsurance contracts to estimate the carrying value of the reinsurance asset. Impairment of reinsurance assets is considered separately.

Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. Tests include reviewing original estimates of ultimate claims cost for each accident year against the current year-end estimates. These tests are carried out at the portfolio level for each main category of business. Should any trend in reserve deficiency, at total portfolio level, become apparent then the deficiency would be immediately charged to net income or loss by establishing a provision for losses arising from liability adequacy tests.

Commission income and expense

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

(ii) Reinsurance assets

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with reinsured policies. Unearned reinsurance premiums on business ceded up to the reporting date which are attributable to subsequent periods are calculated substantially on the "three sixty fifth" basis on the total premiums ceded.

5. Significant accounting policies *(continued)*

(j) Insurance contract recognition and measurement (continued)

(ii) Reinsurance assets (continued)

In the normal course of business the Branch seeks to reduce the loss that may result from catastrophe or other events that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers (see note 15).

Reinsurance ceded does not discharge the Branch's liability as the principal insurer. Failure of reinsurers to honour their obligations could result in losses to the Branch.

Consequently, a contingent liability exists in the event that an assuming reinsurer is unable to meet its obligations.

Reinsurance assets are assessed for impairment at each reporting date. A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Branch may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the Branch will receive from the reinsurer. Impairment losses on reinsurance assets are recognised in profit or loss.

(iii) Insurance receivables and insurance payables

Insurance receivables and payables are recognised when the contractual right to receive payment and contractual obligation to make payment arise, respectively.

Amounts due from and to policyholders, brokers, agents and reinsurers are financial instruments and are included in insurance receivables and payables. Gross claims provisions and gross unearned premiums reserve are included in insurance contracts provisions and the related reinsurance recoveries are included in reinsurance assets on the statement of financial position. Insurance receivables are assessed for impairment in accordance with the note 5(c) above as it relates to impairment on financial assets.

(iv) Temporary exemption to defer the implementation of IFRS 9 Financial Instruments:

The Branch has applied the temporary exemption to defer the implementation of IFRS 9 *Financial Instruments*, as its activities met the requirements to demonstrate that they are predominantly connected with issuing insurance contracts within the scope of IFRS 17 *Insurance contracts*.

The Branch evaluated its liabilities at December 31, 2015, the prescribed date of assessment under the temporary exemption provisions and concluded that all of the liabilities were predominantly connected with insurance. Ninety percent (90%) of the Branch's liabilities at December 31, 2015 were liabilities that arose from contracts within the scope of IFRS 17 and two percent (3%) of the Branch's liabilities at December 31, 2015 were liabilities that arose because the Branch issues insurance contracts and fulfils obligations arising from insurance contracts. Additionally, the Branch has not previously applied any version of IFRS 9. Therefore, the Branch is an eligible insurer that qualifies for optional relief from the application of IFRS 9.

As at December 31, 2021, there has been no change in the Branch's activities.

5. Significant accounting policies *(continued)*

(k) Premium tax

Premium tax is incurred at a rate of 3% of gross premiums written in The Commonwealth of The Bahamas and is recognised when the Branch's obligation to make payment has been established.

(l) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Branch has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plan

The Branch participates in a defined contribution pension plan set up by ICWI Jamaica for eligible employees whereby the Branch pays contributions to a privately administered pension plan. The Branch has no further payment obligations once the contributions have been paid. The plan requires participants to contribute a minimum of 5% of their eligible earnings and such amounts are matched by the Branch. The Branch's contributions to the defined contribution pension plan are recognized in profit or loss in the year to which they relate.

Contributions are expensed when they become due.

(m) Lease

At inception of a contract, the Branch assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Branch uses the definition of a lease under IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Branch allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Branch has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Branch recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

5. Significant accounting policies *(continued)*

(m) Lease (continued)

As a lessee (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Branch by the end of the lease term.

In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Branch's incremental borrowing rate. Generally, the Branch uses its incremental borrowing rate as the discount rate.

The Branch determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencementdate;
- amounts expected to be payable under a residual value guarantee; and the exercise price
- under a purchase option that the Branch is reasonably certain to exercise, lease payments in an optional renewal period if the Branch is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Branch is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the branch's estimate of the amount expected to be payable under a residual value guarantee, if the Branch changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Branch presents right-of-use assets and lease liabilities separately in the statement of financial position.

(Expressed in Bahamian dollars)

5. Significant accounting policies *(continued)*

(n) Contributions and withdrawals

Contributions are recognised as an asset and an addition to the Head office account and withdrawals are recognised as a liability and a reduction of Head Office account in the period in which they are declared.

(o) Insurance and other payables

Insurance and other payables are measured at amortised cost.

6. Property, plant and equipment

		Leasehold Improvements	Furniture, Fixtures& Equipment	Motor Vehicles	Total
Cost:					
December 31, 2019 and 2020	$	81,760	107,391	11,500	200,651
Additions		–	2,516	–	2,516
Disposals		–	(11,285)	–	(11,285)
December 31, 2021	$	81,760	98,622	11,500	191,882
Depreciation:					
December 31, 2019	$	81,760	91,261	11,500	184,521
Charge for the year		–	5,838	–	5,838
Eliminated on disposals					
December 31, 2020	$	81,760	97,099	11,500	190,359
Charge for the year		–	4,397	–	4,397
Disposal		–	(11,285)		(11,285)
December 31, 2021	$	81,760	90,211	11,500	183,471
Net book value:					
December 31, 2021	$		8,411		8,411
December 31, 2020	$	–	10,292	–	10,292

7. Investments and cash and cash equivalents

Investments comprise:

	2021	2020
Certificates of deposit:		
maturing more than 3 months from the date of acquisition and earning interest at the rate of 0.11% -1.00% per annum (2020 –1.00% - 1.25%)	2,554,531	1,790,830
	$ 2,554,531	1,790,830

Included in deposits maturing more than 3 months from the date of acquisition at December 31, 2021 are the amounts of $1,038,006 & $750,000 (2020 - $1,025,191) placed in trusts with the

(Expressed in Bahamian dollars)

7. Investments and cash and cash equivalents *(continued)*

Branch's bankers, recognised financial institutions, to meet the requirements of the Insurance Act 2005. The deposits will mature on March 17, 2022 and June 13, 2022 respectively. These are restricted deposits and cannot be used in the bank's cash management or operations.

As at December 31, 2021 interest accrued on certificates of deposit amounted to $8,586 (2020 - $10,465). Interest on investments amounted to $13,748 (2020 - $20,479).

Cash and cash equivalents comprise:

		2021	2020
Certificates of deposit: maturing within 3 months from the date of acquisition and earning interest at the rate of 0.05% - 0.50% per annum (2020 –0.05% - 0.50%)	$	1,481,380	1,479,454
Current account bank balances earning interest at the rate of 0% (2020 – 0%)		1,376,972	1,197,662
	$	2,858,352	2,677,116

The following table presents the fair value and the amount of change in the fair value of the Branch's financial assets as at and for the year ended December 31, 2021 and 2020, showing separately the fair value of financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") and the fair value of financial assets that do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("non-SPPI"):

(Expressed in Bahamian dollars)

7. Investments and cash and cash equivalents *(continued)*

	2021				
Financial assets	Total carrying value	SPPI financial assets		Non-SPPI financial	
		Fair value	Change in fair value	Fair value	Change in fair value
	$	$	$	$	$
Certificates of deposit;					
Maturing in more than 3 months	2,554,531	2,554,531	–	–	–
Maturing within 3 months	1,481,380	1,481,380	–	–	–
	4,035,911	4,035,911	–	–	-

	2020				
		SPPI financial assets		Non-SPPI financial	
Financial assets	Total carrying value	Fair value	Change in fair value	Fair value	Change in fair value
	$	$	$	$	$
Certificates of deposit;					
Maturing in more than 3 months	1,790,830	1,790,830	–	–	–
Maturing within 3 months	1,479,454	1,479,454	–	–	–
	3,270,284	3,270,284	–	–	–

(Expressed in Bahamian dollars)

7. Investments and cash and cash equivalents *(continued)*

The following table presents the credit risk ratings of SPPI financial assets as at December 31, 2021 and 2020:

Credit rating	2021 Carrying value amount	Fair value	% of fair value
	$	$	
Certificates of deposit:			
Baa3	4,035,911	4,035,911	100%

Credit rating	2020 Carrying value amount	Fair value	% of fair value
	$	$	
Certificates of deposit:			
Baa3	3,270,284	3,270,284	100%

8. Lease

The Branch leases a property for its Branch operations. The term of the lease runs for the period of five (5) years, with an option to renew after that date. Lease payments are renegotiated to reflect market rates.

Information about the lease for which the Branch is a lessee is presented below:

(a) Right-of-use asset

	2021	2020
	$	$
Balance at January 1 and December 31	155,439	155,439
Depreciation at January 1	62,176	31,088
Depreciation charge for the year	31,087	31,088
Depreciation at December 31	93,263	62,176
Carrying amount of right-to-use asset	62,176	93,263

(Expressed in Bahamian dollars)

8. Lease *(continued)*

(b) Lease liability

Maturity analysis – contractual undiscounted cash flows:

	2021	2020
	$	$
Less than one year	36,600	36,600
One to five years	36,600	73,200
Total undiscounted lease liability at December 31	73,200	109,800
Less future interest expense	(5,815)	(11,422)
Carrying amount of lease liability	67,385	98,378
Current	32,759	30,992
Non-current	34,626	67,386
	67,385	98,378

(c) Amount recognised in profit or loss

	2021	2020
	$	$
Interest on lease liability	5,608	7,279

(d) Amount recognised in statement of cash flows

	2021	2020
	$	$
Lease payments	36,600	36,600

(Expressed in Bahamian dollars)

9. Reinsurance assets and insurance contracts provisions

(a) Analysis of movements in reinsurance assets and insurance contract provision:

	2021 Gross	2021 Reinsurance	2021 Net	2020 Gross	2020 Reinsurance	2020 Net
Claims outstanding (note 15 & 16)	$2,158,075	1,148,371	1,009,704	1,545,484	860,874	684,610
Unearned premiums reserve	2,175,078	1,304,138	870,940	1,830,748	1,100,553	730,195
	$4,333,153	**2,452,509**	**1,880,644**	**3,376,232**	**1,961,427**	**1,414,805**

(b) Analysis of movement in claims outstanding:

	2021 Gross	2021 Reinsurance	2021 Net	2020 Gross	2020 Reinsurance	2020 Net
Balance at January 1	$1,545,484	860,874	684,610	2,853,818	2,154,300	699,518
Claims expenses incurred	2,230,349	1,100,499	1,129,850	2,034,009	1,166,187	867,822
Claims paid in the year	(1,617,758)	(813,002)	(804,756)	(3,342,343)	(2,459,613)	(882,730)
Change in outstanding Claims provision	612,591	287,497	325,094	(1,308,334)	(1,293,426)	(14,908)
Balance at December 31	**$2,158,075**	**1,148,371**	**1,009,704**	**1,545,484**	**860,874**	**684,610**

	2021 Gross	2021 Reinsurance	2021 Net	2020 Gross	2020 Reinsurance	2020 Net
Claims notified	$1,272,075	639,371	632,704	816,712	440,042	376,670
Claims incurred but not reported	886,000	509,000	377,000	728,772	420,832	307,940
Balance at December 31	**$2,158,075**	**1,148,371**	**1,009,704**	**1,545,484**	**860,874**	**684,610**

(c) Unearned premiums reserve:

	2021 Gross	2021 Reinsurance	2021 Net	2020 Gross	2020 Reinsurance	2020 Net
Balance at January 1	$1,830,748	1,100,553	730,195	1,705,040	1,000,896	704,144
Premiums written during the year	5,379,069	3,094,837	2,284,232	4,540,400	2,673,432	1,866,968
Premiums earned during the year	(5,034,739)	(2,891,252)	(2,143,487)	(4,414,692)	(2,573,775)	(1,840,917)
Change in provision for unearned premiums	344,330	203,585	140,745	125,708	99,657	26,051
Balance at December 31	**$2,175,078**	**1,304,138**	**870,940**	**1,830,748**	**1,100,553**	**730,195**

(Expressed in Bahamian dollars)

9. Reinsurance assets and insurance contracts provisions *(continued)*

(d) Gross unearned premiums are analysed as follows:

		2021	2020
Accident		8,989	8,145
Liability, engineering, bond and marine		71,176	58,456
Motor vehicle		1,669,544	1,401,581
Fire		425,369	362,566
	$	2,175,078	1,830,748

10. Insurance receivable

		2021	2020
Premiums receivable, net	$	514,296	429,620

Premiums receivable is shown net of allowance for bad debts of $5,405 (2020 - $4,461). The Branch's exposure to credit risk and impairment losses related to premiums and other receivables are disclosed in note 17 (a).

The movement during the year in the allowance for doubtful accounts is as follows:

		2021	2020
Balance at beginning of the year	$	4,461	4,461
Increase in allowance		944	-
Balance at December 31	$	5,405	4,461

11. Deferred commission expense

		2021	2020
Balance at January 1	$	321,323	300,037
Commissions paid during the year		941,260	797,952
Amounts recognised in profit and loss during the year		(880,259)	(776,666)
Balance at December 31	$	382,324	321,323

12. Other payable and accrued charges

		2021	2020
Accrued charges		101,242	114,598
Other payables		306,111	227,930
Balance at December 31	$	407,353	342,528

Included in other payables is $151,770 (2020 - $137,621) representing policyholders' accounts with credit balances. These credit balances comprise funds received from policyholders for policies that were processed subsequent to the year-end or amounts due to customers as returned premiums for cancelled or amended policies.

(Expressed in Bahamian dollars)

13. Insurance payables

		2021	2020
Payables arising from insurance and reinsurance contracts due to other insurance companies		250,088	283,438
Deferred commission income		425,573	354,842
Balance at December 31	$	675,661	638,280

The analysis of the movement in deferred commission income is as follows:

		2021	2020
Balance at January 1	$	354,842	348,898
Commissions received during the year		1,136,187	908,642
Amounts recognised in profit or loss during the year		(1,065,456)	(902,698)
Balance at December 31	$	425,573	354,842

14. Head office account

On July 2, 2014, the Insurance Company of the West Indies (Bahamas) Limited ("ICWI Bahamas") received approval from The Insurance Commission of the Bahamas to convert to a branch of ICWI Jamaica. Approval was obtained from the Financial Services Commission to convert the subsidiary of the ICWI Group Limited, located in the Bahamas, (ICWI Bahamas) into a branch operation of ICWI Jamaica on October 2, 2014. The conversion was effected on January 1, 2015 (refer to note 1).

On January 1, 2015, the assets and liabilities of the Branch in the amount of $2,390,590 were transferred to ICWI Jamaica, of which $2,340,056 was established as the Head Office account.

During the year ended December 31, 2021, ICWI Jamaica net contribution to the Branch was $240,042 (2020: net withdrawal from the branch $416,983).

15. Underwriting policy and reinsurance ceded

The Branch follows the policy of underwriting and reinsuring all contracts of insurance, which limit the retained liability of the Branch. The reinsurance of contracts do not, however, relieve the Branch of its primary obligation to the policyholders. In the event that the reinsurers are unable to meet their obligations under the reinsurance agreements, the Branch would also be liable for the reinsured amount. The Branch's credit risk management procedures are detailed in note 17.

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

15. Underwriting policy and reinsurance ceded *(continued)*

In accordance with its treaty agreement, the Branch limits its net exposure to a maximum amount on any one loss of US$750,000 (2020 - US$750,000) for Public Liability, US$50,000 (2020 - US$50,000) for Marine and Accident, US$30,000 (2020 - US$30,000) on Engineering, US$16,250 (2020 - US$16,250) for Property claims, US$75,000 (2020 - US$75,000) on Motor and US$125,000 (2020 - US$125,000) for Bonds and Fidelity Guarantee for the year ended December 31, 2021. On its local facultative reinsurance, the Branch does not have specified limits on its net exposures and the Branch's exposure is based on a portion of the individual risk offered to the facultative reinsurer on the terms and conditions of the original policy. Premiums ceded and claim recoveries are based on the percentage of the sum insured accepted by the local reinsurers.

The Branch has catastrophe reinsurance on which its liability in respect of each event is limited to US$225,000 (2020 - US$225,000). The reinsurers determine the total excess of loss reinsurance based on the aggregates for each territory where the ICWI Group's entities operate. The Branch's excess of loss reinsurance allocation is determined by the directors of IWCI Jamaica based on a percentage of the total aggregates.

16. Insurance risk management

Risk management objectives and policies for mitigating insurance risk:

The Branch's management of insurance risk is a critical aspect of the business.

The primary insurance activity carried out by the Branch is the transfer of risk from persons or entities that are directly subject to the risk, by means of the sale of insurance policies. As such, the Branch is exposed to uncertainty surrounding the timing, frequency and severity of claims under these policies.

The principal types of policies written by the Branch are as follows:

- Liability insurance
- Property insurance
- Motor insurance

The Branch manages its insurance risk through its underwriting policy which includes, inter alia, authority limits, approval procedures for transactions that exceed set limits, pricing guidelines and the centralised management of reinsurance.

The Branch actively monitors insurance risk exposures primarily for individual types of risks. These methods include internal risk measurement, portfolio modelling and scenario analyses.

Underwriting strategy:

The Branch seeks to underwrite a balanced portfolio of risks at rates and terms that will produce an underwriting result consistent with its long-term objectives.

The Board of Directors of ICWI Jamaica approves the underwriting strategy which is part of the annual budgeting exercise and management is responsible for the attainment of the established objectives.

16. Insurance risk management *(continued)*

Reinsurance strategy:

The Branch reinsures a portion of the risks it underwrites in order to protect capital resources and to limit its exposure to variations in the projected frequency and severity of losses.

Ceded reinsurance includes credit risk, and the Branch monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. The Board of Directors of ICWI Jamaica is responsible for setting the minimum security criteria for monitoring the purchase of reinsurance against those criteria. They also monitor its adequacy on an ongoing basis. Credit risk on reinsurance is discussed in more detail in note 17.

Terms and conditions of general insurance contracts:
The table below provides an overview of the terms and conditions of general insurance contracts written by the Branch and the key factors upon which the timing and uncertainty of future cash flows of these contracts depend.

16. Insurance risk management *(continued)*

Type contract	Terms and conditions	Key factors affecting future cash flows
Liability	Under these contracts, compensation is paid for injury suffered by individuals, including employees or members of the public. The main liability exposures are in relation to bodily injury.	The timing of claim reporting and settlement is a function of factors such as the nature of the coverage and the policy provisions. The majority of bodily injury claims have a relatively short tail. In general, these claims involve lower estimation uncertainty.
Property	Property insurance indemnifies, subject to any limits or excesses, the policyholder against the loss or damage to their own material property and business interruption arising from this damage.	The risk on any policy varies according to many factors such as location, safety measures in place and the age of the property. The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (as for fire and burglary) and the cause is easily determinable. Therefore, claims are generally notified promptly and can be settled without delay. Property business is therefore classified as "short-tailed" and expense deterioration and investment return is of less importance in estimating provisions. The cost of repairing or rebuilding assets, of replacement or indemnity for contents and the time taken to restart or resume operations to original levels for business interruption losses are the key factors influencing the level of claims under these policies.
Motor	Motor insurance contracts provide cover in respect of policyholders' motor vehicles and their liability to third parties in respect of damage to property and injury. The exposure on motor insurance contracts is normally limited to the replacement value of the vehicle and a policy limit in respect of third-party damage.	In general, claims reporting lags are minor and claim complexity is relatively low. The frequency of claims is affected by excessive speeding, and failure by some motorists to obey traffic signals. The number of claims is also correlated with economic activity, which also affects the amount of traffic activity.

Liability contracts:

Risks arising from liability insurance are managed primarily through pricing, product design, risk selection, adopting an appropriate investment strategy, rating and reinsurance. The Branch monitors and reacts to changes in the general economic and commercial environment in which it operates to ensure that only liability risks which meet its criteria for profitability are underwritten. In pricing contracts, the Branch makes assumptions that costs will increase in line with the latest available financial and actuarial forecasts.

(Expressed in Bahamian dollars)

16. Insurance risk management *(continued)*

Property contracts:

The risks relating to property contracts are managed primarily through the pricing process. The Branch uses strict underwriting criteria to ensure that the risk of losses is acceptable. Furthermore, the Branch accepts property insurance risks for one year so that each contract can be re-priced on renewal to reflect the continually evolving risk profile.

Motor contracts:

The risks relating to motor contracts are managed primarily through the pricing process. The Branch monitors and reacts to changes in trends of injury awards, litigation and the frequency of claims appeal.

Risk exposure and concentration of risks:

The following table shows the Branch's exposure to general insurance risk (based on the carrying value of insurance provisions at the reporting date, as disclosed in note 9 per major category of business.

		Liability	Property	Motor	Other	Total
At December 31, 2021						
Gross	$	–	68,039	2,090,036	–	2,158,075
Net of reinsurance	$	–	24,086	985,618	–	1,009,704
At December 31, 2020						
Gross	$	–	70,668	1,474,816	–	1,545,484
Net of reinsurance	$	–	2,436	682,174	–	684,610

The Branch aims to maintain adequate reserves in respect of its general insurance business in order to protect against unreported claims as well as development on known claims. As claims develop and the ultimate cost of claims becomes more certain, the chance of unreported claims or development on known claims becomes less likely, which results in the release of reserves from earlier accident years. In order to maintain adequate reserves, the Branch transfers much of this release to current accident year reserves when the development of claims is less mature and there is much greater uncertainty attaching to the ultimate cost of claims.

The Branch uses a combination of the following methods to estimate ultimate loss reserves: reported loss development method, paid loss development method, Bornhuetter-Ferguson reported losses method and Bornhuetter-Ferguson paid losses method.

(Expressed in Bahamian dollars)

16. Insurance risk management *(continued)*

Risk exposure and concentration of risks: (continued)

The following table shows the claims development by Accident year over the period from 2016 to 2021. The liability in respect to the years prior to 2015 are immaterial:

Insurance claims – gross:

Accident Year	2016	2017	2018	2019	2020	2021	Total
	$	$	$	$	$	$	$
Original estimate of ultimate claims cost at end of accident year	1,530,482	1,276,714	1,300,521	3,677,802	1,433,023	2,172,192	11,390,734
Current estimate of cumulative claims	1,540,326	855,268	1,203,967	5,187,807	1,737,179	2,270,167	12,794,714
Cumulative payments to date	(1,383,496)	(770,768)	(1,053,177)	(5,081,328)	(1,248,286)	(1,168,680)	(10,705,735)
Liability recognized in statement of financial position	156,830	84,500	150,790	106,479	488,893	1,101,487	2,088,979
Liability in respect of years prior to 2016							69,096
Gross claims outstanding per note 9							**2,158,075**

Insurance claims – net retention:

Accident Year	2016	2017	2018	2019	2020	2021	Total
	$	$	$	$	$	$	$
Original estimate of ultimate claims cost at end of accident year	521,806	597,673	623,181	926,953	642,016	1,041,053	4,352,682
Current estimate of cumulative claims	626,006	595,789	515,613	957,621	1,522,259	1,041,054	5,258,342
Cumulative payments to date	(554,559)	(552,039)	(440,718)	(905,881)	(1,313,779)	(533,809)	(4,300,785)
Liability recognized in statement of financial position	71,447	43,750	74,895	51,740	208,480	507,245	957,557
Liability in respect of years prior to 2016							52,147
Net claims outstanding per note 9							**1,009,704**

17. Financial risk management

The Branch has exposure to the following financial risks from its use of financial instruments and its insurance contracts:

- Credit risk
- Liquidity risk
- Market risk

Risk management framework:

This note presents information about the Branch's exposure to each of the above risks, the Branch's objectives, policies and processes for measuring and managing risk, and the Branch's management of capital.

The Board of Directors of ICWI Jamaica has overall responsibility for the establishment and oversight of the Branch's financial risk management framework. The Branch's risk management policies are established to identify and analyse the risks faced by the Branch, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The focus of financial risk management for the Branch is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance and investment contracts. The goal of the investment management process is to optimise the risk-adjusted investment income and risk-adjusted total return by investing in a diversified portfolio of securities, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

The asset/liability matching process is largely influenced by estimates of the timing of payments required in terms of insurance. These estimates are re-evaluated on a regular basis.

There are also criteria for ensuring the matching of assets and liabilities as investment markets change.

Firstly, the risk is managed through the establishment of an appropriate underwriting strategy and its implementation by means of the Branch's underwriting policy.

Secondly, the risk is managed through the use of reinsurance. The Branch arranges proportional reinsurance at the risk level and purchases excess of loss cover for liability and property business. The Branch assesses the costs and benefits associated with the reinsurance programme on a regular basis.

(a) Credit risk

Credit risk is the risk of financial loss to the Branch if counterparty fails to meet its contractual obligations.

The Branch's key areas of exposure to credit risk include:

- cash and cash equivalents
- amounts due from policyholders
- amounts due from intermediaries
- amounts due from reinsurers in respect of payments already made to policyholders.

The nature of the Branch's exposure to credit risk and its objectives, policies and processes for managing credit risk have not changed significantly from the prior year.

17. Financial risk management *(continued)*

Risk management framework: (continued)

(a) Credit risk (continued)

Management of credit risk

The Branch's exposure to individual policyholders and groups of policyholders is monitored as part of its credit control process. Financial analyses are conducted for significant exposures to individual policyholders or homogenous groups of policyholders.

All intermediaries must meet minimum requirements that are established and enforced by the Branch's management. The payment histories of intermediaries are monitored on a regular basis.

The Branch also operates a policy to manage its reinsurance counterparty exposures. The Branch assesses the credit worthiness of all reinsurers by reviewing public rating information and from internal investigations. The impact of reinsurer default is measured regularly and managed accordingly.

The Branch's credit risk exposure from reinsurers is in the form of prepaid premiums held or claims recoveries still to be made/paid under the various proportional and excess of loss treaties and is disclosed in total on the statement of financial position. It is the Group's policy that no single counterparty exposure with specific reinsurers should exceed 40% of the total reinsurance assets at any given time. In 2021, premiums ceded to Munich Re were 61% (2020: 63%) of total reinsurance premiums. However, the Branch does not consider this a potential risk as at December 31, 2021, based on the AM Best's rating of Munich Re and the monitoring process the Branch has in place.

Going forward the Group intends to review its risk level with each reinsurer that the Branch and the Group will be contracting and will make the policy changes necessary.

In addition, the Branch's proportional treaties contain a "Reinsurer Participation Review Clause", which provides the Branch with the option of cancelling any individual reinsurer's participation whose financial strength rating (as determined by Standard & Poor and/or A.M. Best) falls below A- or equivalent and to call for the return of prepaid premiums and loss reserves. The Branch is required to serve notice of its intention within thirty days of the date of downgrade.

The Branch's maximum credit exposure, that is, the total amount of loss the Branch would suffer if every counter-party to the Branch's financial assets were to default at once, is represented by the carrying amount of the financial assets shown on the statement of financial position:

(Expressed in Bahamian dollars)

17. Financial risk management *(continued)*

(a) Credit risk (continued)

(i) Exposure to credit risk:

	2021	2020
Cash and cash equivalents (note 7)	2,858,352	2,677,116
Investments (note 7)	2,554,531	1,790,830
Insurance receivable (note 10)	514,296	429,620
Due from reinsurer	3,074	103,684
Reinsurance assets (note 9)	2,452,509	1,961,427
Other accounts receivable and accrued investment income	15,206	17,085

Assets are considered to be impaired when they are deemed to be unrealizable or uncollectible.

The Branch has no financial assets or reinsurance assets that would be past due or impaired whose terms have been renegotiated.

The Branch does not hold any collateral as security or any credit enhancements, credit derivatives and netting arrangements that do not qualify for offset.

(ii) Concentrations of credit risk:

The Branch does not have any specific concentration of risk from counterparties where gross receivables for any one counterparty or group of connected counterparties is $100,000 or more or 10% of the Branch's head office account at the year end.

(iii) Assets that are past due

Based on the Branch's current aging procedure, all trade balances over 90 days are considered to be past due but not impaired. All receivable balances which have been outstanding for more than 90 days and have had no activity within the past 90 days are considered to be past due and impaired. Cancellation or extension of the terms of the credit is instituted on a case by case basis. Specific provisions are made against trade balances based on the above aging procedure.

The Branch has insurance and other receivables that include balances that are past due but not impaired at the reporting date (as indicated by the overall credit risk exposure analysis). All of the balances have been assessed for impairment on an individual basis after considering factors such as the occurrence of significant changes in the counterparty's financial position, patterns of historical payment information and disputes with counterparties.

(Expressed in Bahamian dollars)

17. Financial risk management *(continued)*

(a) Credit risk (continued)

(i) Assets that are past due *(continued):*

An aged analysis of the carrying amounts of insurance receivable is presented below.

	Less than 46 days	Between 46 and 90 days	More than 90 days	Total
2021	$	$	$	$
Receivables arising from insurance and reinsurance contracts – agents, brokers and intermediaries	359,380	116,263	44,058	519,701
Past due and impaired	–	–	(5,405)	(5,405)
	359,380	116,263	38,653	514,296
2020	$	$	$	$
Receivables arising from insurance and reinsurance contracts – agents, brokers and intermediaries	254,625	96,974	82,482	434,081
Past due and impaired	–	–	(4,461)	(4,461)
	254,625	96,974	78,021	429,620

(b) Liquidity risk

Liquidity risk is the risk that the Branch will encounter difficulty in meeting obligations from its financial and insurance liabilities. The Branch is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts. Liquidity risk may arise from a number of potential areas, such as a duration mismatch between assets and liabilities and unexpectedly high levels of claims.

Management of liquidity risk

The Branch's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

(Expressed in Bahamian dollars)

17. Financial risk management *(continued)*

(b) Liquidity risk (continued)

Management of liquidity risk (continued)

Consequently, the Branch invests in short term certificates of deposits that can be readily realised as its obligations under insurance contracts fall due, and in the event of reasonably foreseeable abnormal circumstances. An analysis of the contractual maturities of the Branch's financial and insurance contract liabilities is presented below. The analysis provided is by estimated timing of the amounts recognised in the statement of financial position.

		Contractual undiscounted cash flows			
		Carrying Amount	Total cash outflow	Less than 1year	More than 1 year
December 31, 2021					
Financial liabilities:					
Other payable & accrued charges	$	407,353	407,353	407,353	–
Lease liability		67,385	73,200	36,600	36,600
Insurance payables (note13)		250,088	250,088	250,088	–
Total financial liabilities		724,826	730,641	694,041	36,600
Insurance contract liabilities:					
Claims outstanding (note 9)		2,158,075	2,158,075	2,158,075	–
	$	2,882,901	2,888,716	2,852,116	–

		Contractual undiscounted cash flows			
		Carrying Amount	Total cash outflow	Less than 1year	More than 1 year
December 31, 2020					
Financial liabilities:					
Other payable & accrued charges	$	342,528	342,528	342,528	–
Lease liability		98,378	109,800	36,600	73,200
Insurance payables (note13)		283,438	283,438	283,438	–
Total financial liabilities		724,344	735,766	662,566	73,200
Insurance contract liabilities:					
Claims outstanding (note 9)		1,545,484	1,545,484	1,545,484	–
	$	2,269,828	2,281,250	2,208,050	–

17. Financial risk management *(continued)*

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the value of the Branch's assets, the amount of its liabilities and/or the Branch's income. Market risk arises in the Branch due to fluctuations in the value of liabilities and the value of investments held. The Branch is exposed to market risk on its financial assets. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Management of market risks

The Investment Committee manages market risk in accordance with its asset/liability management framework. The Committee reports regularly to the Board of Directors of ICWI Jamaica on its activities. For each of the major components of market risk the Branch has policies and procedures in place which detail how each risk should be managed and monitored. The management of each of these components of major risk and the exposure of the Branch at the reporting date to each major risk are addressed below.

(i) Interest rate risk

Interest rate risk arises primarily from the Branch's investments. However, changes in investment values attributable to interest rate changes are mitigated by corresponding and partially offsetting changes in the economic value of insurance provisions.

The Branch manages its interest rate risk by matching, where possible, the duration and profile of assets and liabilities to minimise the impact of mismatches between the value of assets and liabilities from interest rate movements.

Interest bearing financial assets are primarily represented by short term investments, which have been contracted at fixed interest rates for the duration of the term. The Branch mitigates its interest rate risk in the fixed rate financial assets by investing for short time periods.

At the reporting date the interest profile of the Branch's interest-bearing financial instruments was:

	2021	2020
Fixed rate instruments		
Investments – carrying amount $	2,554,531	1,790,830

17. Financial risk management *(continued)*

(c) Market risk (continued)

Management of market risks (continued)

(ii) Currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Branch's exposure to foreign currency risks results from the settlement of amounts due to reinsurers and the movement in the exchange rate between the United States dollar and the Bahamian dollar is not considered to be significant.

(iii) Price risk

Price risk is the risk that the value of the financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all financial instruments traded in the market. The Branch is not exposed to significant price risk as it does not invest in any equities.

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Branch's processes, personnel, technology and infrastructure, and from external factors other than financial risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Branch's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to its reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Branch's senior management team.

(e) Capital risk management

Externally imposed capital requirements are set by the Insurance Commission of the Bahamas ("the Commission"). These requirements are put in place to ensure sufficient solvency margins.

The Branch is required to establish and maintain a statutory deposit in respect of its insurance business in The Bahamas, such deposit to be held in trust pursuant to Section 43(2) of the Act and regulation 62 of the Insurance (General) Regulations, 2010 ("the Regulations"). In 2011 a Statutory Deposit Trust ("the Trust") was established in the sum of $1,000,000 with a recognized financial institution appointed as trustees of the Trust and the Commission as the protectors of the Trust.

As at December 31, 2021, the Trust in the amount of $1,000,000 was held in the name of The Insurance Company of the West Indies Ltd and forms part of investments (See note 7).

(Expressed in Bahamian dollars)

17. Financial risk management *(continued)*

(e) Capital risk management (continued)

Solvency ratios are established on the basis of risk assessment for each particular entity. The Branch is required to meet a minimum margin of solvency. The Act defines insolvency as the inability of the Branch to pay its debts if, at any time, the value of its admissible assets does not exceed its liabilities by such amount as the Commission may prescribe. Of the value of admissible assets, at least 75% must be in the form of qualifying assets, as defined in Section 70 of the Regulations. The regulator requires a solvency ratio of at least 150% (2020: 150%). At December 31, 2021 the Branch's solvency ratio was 228 % (2020: 206%).

18. Operating expenses

The breakdown of operating expenses by nature is shown below:

		2021	2020
Employee related costs		308,527	253,864
Advertising and promotions		6,899	6,445
Bank charges		22,650	8,717
Depreciation (notes 6 and 8)		35,484	36,926
Other expenses		69,426	41,505
Printing and stationery		10,131	10,437
Repairs and maintenance		9,903	10,589
Road rescue expenses		20,900	17,100
Security		11,241	8,953
Subscriptions		9,048	6,899
Telephone and postage		13,306	13,999
Travel		–	8,699
Utilities		4,985	6,454
Audit and accountancy		43,260	40,800
	$	565,760	471,387

The aggregate employee related costs included in operating expenses are as follows:

		2021	2020
Salaries		239,706	202,512
Staff welfare		21,064	20,506
National Insurance		8,041	6,914
Group medical insurance		26,496	16,746
Pension plan – Defined contribution		8,707	6,435
Staff training		3,000	–
Staff uniforms		1,513	751
	$	308,527	253,864

(Expressed in Bahamian dollars)

18. Operating expenses *(continued)*

The Branch participates in a defined contribution plan set up by ICWI Jamaica that provides for retirement and death benefits for eligible employees.

The Branch contributed during the year $8,707 (2020: $6,435).

19. Fair value of financial instruments

All of the Branch's financial instruments are carried at values which approximate fair value. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision.

The fair values of financial assets and financial liabilities are broadly equivalent to the carrying amounts shown in the statement of financial position due to one or all of the following reasons:

(a) Immediate or short-term maturity;
(b) Carrying amount approximates or equals market value.

The following table sets out the fair value of the financial instruments using the valuation methods and assumption described below. The fair value disclosed does not reflect the value of assets and liabilities that are not considered financial instruments, such as property, plant and equipment.

	2021		2020	
	Carrying value	Fair value	Carrying value	Fair value
	$	$	$	$
Financial assets:				
Investments	2,554,531	2,554,531	1,790,830	1,790,830
Cash and cash equivalents	2,858,352	2,858,352	2,677,116	2,677,116
Due from reinsurers	3,074	3,074	103,684	103,684
Accrued investment income	8,586	8,586	10,465	10,465
Other accounts receivables	6,620	6,620	6,620	6,620
Insurance receivables	514,296	514,296	429,620	429,620
	5,945,459	5,945,459	5,018,345	5,018,345
Financial liabilities:				
Other payables and accrued charges	407,353	407,353	342,528	342,528
Insurance payables	675,661	675,661	638,280	638,280
	1,083,014	1,083,014	980,808	980,808

19. Fair value of financial instruments *(continued)*

Fair value measurement principles

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

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted market prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Branch currently has no financial assets or liabilities which are measured at fair value, and are therefore not disclosed within the fair value hierarchy as described above.

20. Impact of the COVID-19 Pandemic

The World Health Organization declared the novel Coronavirus (COVID-19) outbreak a pandemic on March 11, 2020 and the Government of The Bahamas declared a proclamation of emergency effective March 17, 2020. The economy continues to show signs of recovery from the negative impacts of COVID 19 in 2021. The global economy is expected to recover in 2022 with growth being driven by sustained vaccination efforts, greater reopening of the country and rising employment.

There could however be further significant negative financial effects on the Branch, depending on factors such as the duration and spread of new variants and possible restrictions and advisories from the Government until the virus is controlled through vaccination, the effects on the financial markets, and the effects on the economy overall, all of which are highly uncertain and cannot be estimated reliably at this time.

The Directors continue to conduct its risk assessments, scenario planning and establish action plans as part of managing the continued operations of the business. At the date of approving these financial statements, the Directors are of the opinion that the entity will be able to meet its obligations for the next twelve months and to continue as a going concern.