Financial Statements of

THE INSURANCE COMPANY OF THE WEST INDIES (CAYMAN) LIMITED

December 31, 2021

THE INSURANCE COMPANY OF THE WEST INDIES (CAYMAN) LIMITED

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KPMG
P.O. Box 493
SIX Cricket Square
Grand Cayman KY1-1106
Cayman Islands
Telephone +1 345 949 4800
Fax +1 345 949 7164
Internet www.kpmg.ky

Independent Auditors' Report to the Board of Directors

Opinion

We have audited the financial statements of The Insurance Company Of The West Indies (Cayman) Limited (the “Company”), which comprise the statement of financial position as at December 31, 2021, the statements of comprehensive income, changes in shareholder’s equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company 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 (“ISAs”). 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 Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and 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 Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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Independent Auditors' Report to the Board of Directors (continued)

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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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June 29, 2022

THE INSURANCE COMPANY OF THE WEST INDIES (CAYMAN) LIMITED

Statement of Financial Position
December 31, 2021
(Stated in Cayman Islands dollars)

	Note	2021	2020
ASSETS			
Property, plant and equipment	5	1,030,615	1,094,795
Investment property	6	1,615,000	1,360,000
Due from immediate and ultimate parent	7	87,686	87,686
Due from fellow subsidiary	7	0	239,879
Reinsurance receivable on paid claims		235,847	84,116
Reinsurance assets	8	4,984,781	4,224,721
Premiums receivable	9	1,232,837	1,229,478
Deferred commission expense	10	377,669	382,637
Other accounts receivable		40,476	56,334
Accrued investment income		5,334	5,104
Short-term investments		1,309,258	446,392
Cash and cash equivalents	11	2,748,172	3,618,521
Total assets		13,667,675	12,829,663
LIABILITIES AND SHAREHOLDER'S EQUITY			
Accounts payable and accrued charges	12	421,684	505,717
Loan payable	13	411,083	473,018
Insurance payables	14	949,840	1,390,255
Due to fellow subsidiary	7	60,325	0
Insurance contracts provisions	8	7,276,344	6,508,811
		9,119,276	8,877,801
Share capital	15	3,000,000	3,000,000
Retained earnings		1,548,399	951,862
		4,548,399	3,951,862
Total liabilities and shareholder's equity	$	13,667,675	12,829,663

The financial statements on pages 3 to 44 were approved by the Board of Directors on June 29, 2022.

PAUL LALOR
________________________ Director

BRYAN ASHENHEIM
________________________ Director

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

THE INSURANCE COMPANY OF THE WEST INDIES (CAYMAN) LIMITED

Statement of Comprehensive Income
Year ended December 31, 2021
(Stated in Cayman Islands dollars)

	Notes	2021	2020
Gross premiums written	8	8,415,220	7,687,035
Change in gross provision for unearned premiums		(138,073)	(162,337)
Gross insurance premium revenue		8,277,147	7,524,698
Written premiums ceded to reinsurers	8	(6,657,123)	(6,088,677)
Change in reinsurers' share of provision for unearned premiums		87,439	321,645
Net insurance premium revenue		1,707,463	1,757,666
Claims expenses incurred	8	(2,603,111)	(1,949,588)
Reinsurers' share of claims incurred	8	1,871,062	989,616
Net insurance claims expense		(732,049)	(959,972)
Commission income	14	1,882,676	1,763,061
Commission expenses	10	(819,307)	(737,971)
Net commission income		1,063,369	1,025,090
Underwriting profit		2,038,783	1,822,784
Operating expenses	21	(1,501,409)	(1,447,496)
Underwriting profit after operating expenses		537,374	375,288
Investment income	16	196,842	179,626
Gain on revaluation of investment property	6	167,659	0
Foreign exchange gain		(3,652)	1,594
Interest expense		(12,763)	(23,170)
Miscellaneous income		11,077	25,263
Profit, being total comprehensive income for the year	$	896,537	558,601

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

THE INSURANCE COMPANY OF THE WEST INDIES (CAYMAN) LIMITED

Statement of Changes in Shareholder's Equity
Year ended December 31, 2021
(Stated in Cayman Islands dollars)

		Share capital	Retained Earnings	Total
Balance at January 1, 2020		3,000,000	676,950	3,676,950
Dividend declared		0	(283,689)	(283,689)
Profit, being total comprehensive income for the year		0	558,601	558,601
Balance at December 31, 2020		3,000,000	951,862	3,951,862
Dividend declared		0	(300,000)	(300,000)
Profit, being total comprehensive income for the year		0	896,537	896,537
Balance at December 31, 2021	$	3,000,000	1,548,399	4,548,399

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

THE INSURANCE COMPANY OF THE WEST INDIES (CAYMAN) LIMITED

Statement of Cash Flows
Year ended December 31, 2021
(Stated in Cayman Islands dollars)

		2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit, being total comprehensive income for the year		896,537	558,601
Add/(deduct) items not involving movement of cash:			
Depreciation on property, plant and equipment		67,421	57,052
Gain on revaluation of investment property		(167,659)	0
Interest expense		12,763	23,170
Interest income		(18,440)	(16,820)
		790,622	622,003
Add/(deduct) net changes in operating assets and liabilities:			
Premium receivable		(3,359)	(45,749)
Deferred commission expense		4,968	(29,503)
Due to/from related parties, net		300,204	(10,078)
Other accounts receivable and accrued investment income		15,628	(16,733)
Reinsurance receivable on paid claims		(151,731)	0
Reinsurance assets		(760,060)	(585,213)
Insurance contract provisions		767,533	631,226
Accounts payable and accrued charges		(84,033)	216,452
Insurance payables		(440,415)	317,226
		439,357	1,099,631
Interest received		18,440	16,819
Interest paid		(12,763)	(23,170)
Net cash provided by operating activities		445,034	1,093,280
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(3,241)	(103,191)
Proceeds from sale of property, plant and equipment		0	15,221
Increase in investment property		(87,341)	0
Short-term investments, net		(862,866)	1,041,081
Net cash (used in)/provided by investing activities		(953,448)	953,111
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(300,000)	(283,689)
Repayment of loan		(61,935)	(52,360)
Net cash used in financing activities		(361,935)	(336,049)
(Decrease)/Increase in cash and cash equivalents during year		(870,349)	1,710,342
Cash and cash equivalents at beginning of year		3,618,521	1,908,179
Cash and cash equivalents at end of year	$	2,748,172	3,618,521

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

1. Corporate structure and nature of business

The Company is incorporated in the Cayman Islands under the Companies Law and it is domiciled in the Cayman Islands. It is a wholly owned subsidiary of ICWI (Cayman) Limited. (immediate parent) which is also incorporated in the Cayman Islands. The ultimate holding company is Atlantic and Caribbean Sea Development Company Limited which is owned by Caribbean Sea Development Limited and Hon. Dennis Lalor O.J. and controlled by Hon. Dennis Lalor O.J.

The principal activity of the Company is underwriting general insurance business. The registered office of the Company is c/o International Corporation Services Ltd., Harbour Place, 103 South Church Street, George Town, Grand Cayman. The Company operates from 150 Smith Road, Grand Cayman.

The company has been authorised to transact business in the following Caribbean Islands:

- Cayman Islands on January 12, 2006.
- St. Kitts & Nevis on January 5, 2009.
- British Virgin Islands on February 24, 2011.

2. Insurance licence

The Company holds the following licences:

- Class ‘A’ Insurers Licence under Section 4(2) of the Cayman Islands Insurance Act.
- a licence to carry on business in Non-Life Insurance under the Insurance Act (No.14 of 1968) of St. Kitts & Nevis.
- a category B Insurers Licence under the Insurance Act, 2008 of the British Virgin Islands.

3. Roles of the actuary

The actuary has been appointed by the Board of Directors to carry out an actuarial valuation of management’s estimate of the Company’s policy liabilities and report thereon to the shareholders. Actuarially determined policy liabilities consist of the provisions for, and reinsurance recovery of, unpaid claims and adjustment expenses on insurance and reinsurance 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 his work and opinion. An actuarial valuation is prepared annually.

4. Statement of compliance, basis of preparation and significant accounting policies

(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.

The financial statements have been prepared on a historical cost basis, except for investment properties that have been measured at fair value in accordance with IFRS and IFRIC interpretations.

The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within one year and more than one year after reporting date is presented in note 19.

The financial statements for the period ended December 31, 2021, have been authorized for issue by the Board of Directors on June 29, 2022.

(b) New and amended standards and interpretations that became effective during the year:

In the current year, there were several new and amended Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee of the IASB effective for annual reporting periods beginning on or after January 1, 2021. None of these new and new and amended Standards and Interpretations had any significant impact on these financial statements.

- Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases* are effective for annual accounting periods beginning on or after January 1, 2021 and address issues affecting financial reporting in the period leading up to interbank offered rates (IBOR) reform. The second phase amendments apply to all hedging relationships directly affected by IBOR reform. The amendments principally address practical expedient for modifications.

  A practical expedient has been introduced where changes will be accounted for by updating the effective interest rate if the change results directly from IBOR reform and occurs on an "economically equivalent" basis.

  The amendments also address the specific relief from discontinuing hedging relationships as well as new disclosure requirements.

4. Statement of compliance, basis of preparation and significant accounting policies

(c) New and amended standards and interpretations in issue but not yet effective:

A number of new standards and amendments to standards and interpretations are issued but not yet effective for the financial period beginning January 1, 2021, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company except the following set out below:

- IFRS 17, *Insurance Contracts*, effective for annual periods beginning on or after January 1, 2023.

  IFRS 17 'Insurance Contracts' In May 2017, the IASB published IFRS 17 – Insurance Contracts ("IFRS 17") a comprehensive new accounting standard for insurance contracts covering recognition, measurement, presentation and disclosure, which replaces IFRS 4 – Insurance Contracts ("IFRS 4") and introduces consistent accounting for all insurance contracts. The original effective date was for annual periods beginning on or after 1 January 2021. However, in June 2020, amendments to the standard were issued and the IASB officially extended the deferral of the effective date and the deferral of the temporary exemption from applying IFRS 9 as provided by IFRS 4 to 1 January 2023.

  The Company plans to adopt the new standard on the required effective date together with IFRS 9. In July 2021, the IASB issued an exposure draft proposing a narrow-scope amendment to the IFRS 17 transition requirements for entities that first apply IFRS 17 and IFRS 9 at the same time. This proposed amendment relates to financial assets for which comparative information presented on initial application of IFRS 17 and IFRS 9 has not been restated for IFRS 9. Applying the proposed amendment, an entity would be permitted to present comparative information about such a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset.

  The Company has devoted resources and efforts to the implementation of IFRS 17 since its issuance in May 2017 including the use of consultants. The Company also continues to join discussions with industry groups and other stakeholders regarding the adoption and interpretation of the standard. In 2022, the Company is aiming to monitor changes in regulatory requirements, evaluate the impact on processes and continue to work with consultants to ensure that it is ready for the implementation date.

  As at the date of these Financial Statements, the Company continues to evaluate the impact that IFRS 17, in conjunction with IFRS 9, will have on its financial statements but has not yet determined the impact.

4. Statement of compliance, basis of preparation and significant accounting policies

(c) New and amended standards and interpretations in issue but not yet effective (continued):

- Temporary exemption from application of IFRS 9 Financial Instruments

  IFRS 9 Financial Instruments is effective for annual periods beginning on or after January 1, 2018. However, as permitted under IFRS 4 Insurance Contracts, the Company has applied the temporary exemption that permits an insurer to continue to apply IAS 39 Financial Instruments: Recognition and Measurement rather than IFRS 9. The company 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 company 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. Seventy- three percent (73%) of the company's liabilities at December 31, 2015 were liabilities that arose from contracts within the scope of IFRS 17 and fourteen percent (14%) of the company's liabilities at December 31, 2015 were liabilities that arose because the company issues insurance contracts and fulfils obligations arising from insurance contracts. Remaining liabilities held at December 31, 2015 were not associated to income generating activities and therefore the Company considers it did not engage in a significant activity unconnected with insurance. Additionally, the company has not previously applied any version of IFRS 9. Therefore, the company 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 company's activities.

4. Statement of compliance, basis of preparation and significant accounting policies (continued)

(d) Use of estimates:

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. Actual results could differ from those 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:

(i) Outstanding claims provision and associated reinsurance recoveries and loss expenses:

The estimation of the ultimate liability arising from claims made under insurance contracts and related recoveries from reinsurers is the Company's most critical accounting estimate. Management believes that the outstanding claims provision and provision for claims recoverable recorded in financial statements represent their best estimate of the ultimate net cost of losses incurred up to the financial reporting date. However, the provision is necessarily an estimate and may ultimately be settled for a significantly greater or lesser amount. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. The provision for unpaid claims is necessarily based on estimates due to the fact that ultimate disposition of claims incurred prior to the date of the statement of financial position, whether reported or not, is subject to the outcome of events that have not yet occurred. Any subsequent differences arising are recorded in the period in which they are determined.

Management estimates and judgments are based on the Company's claims experience, relevant circumstances and/or advice from legal counsel. Management has also engaged independent actuaries, Mid Atlantic Actuarial, to assist them in making such estimates, based on the Company's own loss history and relevant industry data.

Short-tail claims, such as for automobile and property damage, are normally reported soon after the incident and are generally settled within two to three months after the claims event.

Information for long-tail claims such as casualty claims for bodily injury and general third party liability may not be readily available. The provision for the long-tail claims is continually evaluated by management and is based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

4. Statement of compliance, basis of preparation and significant accounting policies (continued)

(d) Use of estimates (continued):

(i) Outstanding claims provision and associated reinsurance recoveries and loss expenses (continued):

The Company does not establish provisions for catastrophes (such as natural disasters) in advance of the occurrence of such events. These events can cause significant volatility in the Company's level of incurred losses and the provision for unpaid claims.

The impact of critical accounting estimates and judgments on the ultimate liability arising from claims made under insurance contracts is partially mitigated through relief arising from reinsurance contracts held.

(ii) Fair value of investment property:

Investment properties are carried in the statement of financial position at the estimated fair value. In determining fair value, management makes judgments regarding various assumptions and factors, including the recent prices for similar properties in the Cayman Islands, level of current and future occupancy, an estimate of future maintenance and capital expenditure. A change in any of these assumptions and factors could have a significant impact on the valuation of investment properties.

(e) Basis of preparation:

These financial statements are presented in Cayman Islands dollars, the company's functional currency, unless otherwise stated.

The financial statements have been prepared using the going concern assumption on a historical cost basis, except for investment properties that have been measured at fair value.

The following policies have been applied consistently in dealing with items which are considered material to the Company's financial statements.

(f) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

4. Statement of compliance, basis of preparation and significant accounting policies (continued)

(g) Investment property:

Investment properties, comprising principally buildings, are held for long-term rental yields and capital appreciation and are treated as long-term investments. They are measured initially at cost, including related transaction costs and are subsequently carried at fair value.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Fair value is determined every three years by an independent professional valuer and in the intervening years by management based on professional advice received. Fair value is based on current prices in an active market for similar properties in the same location and condition. Fair value is based on highest and best use.

Rental income from investment properties is recognised as a component of 'investment income' on a straight-line basis over the term of the lease.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to income during the financial period in which they are incurred.

(h) Property, plant and equipment:

Property, plant and equipment is stated at cost or deemed cost, less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of the day to day servicing of the property, plant and equipment is recognised in the statement of comprehensive income.

Property, plant and equipment is depreciated using the straight-line method at annual rates estimated to reduce the fixed assets to their residual values over their expected useful lives.

The depreciation rates are as follows:

Buildings	2½%
Furniture, fixtures and equipment	10% to 20%
Motor vehicles	20%

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the statement of income and comprehensive income in other income or other operating expenses.

4. Statement of compliance, basis of preparation and significant accounting policies (continued)

(i) Related parties:

A related party is a person or entity that is related to the entity that is preparing its financial statements.

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.

b) 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).

   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 controlled, or jointly controlled by a person identified in (a).

   vi) 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.

   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).

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

The company has a related party relationship with its ultimate and intermediate holding companies, the directors of the Company and those of its holding companies and its key management personnel. "Key management personnel" represents certain senior officers of the company.

4. Statement of compliance, basis of preparation and significant accounting policies (continued)

(j) Cash and cash equivalents:

Cash and cash equivalents comprise cash and bank balances and deposits maturing within three months from the original acquisition date held for the purpose of meeting short term liquidity needs. Cash and cash equivalents are Level 1 assets in the fair value hierarchy.

(k) Short-term investments:

Short-term investments represent certificates of deposits maturing between three and twelve months from the original acquisition date. The Company has chosen to present the cash flows for short term investments on a net basis. Short term investments are Level 1 assets in the fair value hierarchy.

(l) Accounts receivable and accounts payable:

Trade and other receivables are stated at amortised cost less impairment losses. Trade and other payables are stated at amortised cost.

(m) Loans payable and interest expense:

Loans payable are recognised initially at fair value less transaction costs. Subsequent to initial recognition, loans payable are stated at amortized cost, with any difference between cost and redemption value being recognised in surplus or deficit over the period of the borrowing to determine the effective interest rate. Interest expense comprises significant bank charges and interest on borrowings, which is accounted for using the effective interest method.

(n) Provisions:

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, 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 pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligations.

4. Statement of compliance, basis of preparation and significant accounting policies (continued)

(o) Foreign currencies:

Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the rates of exchange ruling 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.

Year end and average exchange rates for the US and EC dollar, in terms of Cayman Islands dollars were as follows:

	USD	ECD
December 31, 2021 and 2020	0.83	0.31

(p) Impairment:

The carrying amount of the Company'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 the statement of comprehensive income.

(i) Calculation of recoverable amount:

The recoverable amount of the Company's loans and receivables is calculated as the present value of the expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of the other non-financial assets is the greater of their 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.

4. Statement of compliance, basis of preparation and significant accounting policies (continued)

(p) Impairment (continued):

(ii) Reversal of impairment:

An impairment loss in respect of loans and receivables is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in estimate 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, if no impairment loss had been recognised.

(q) Leases:

For contracts entered into before January 1, 2019, identified leases in which a significant portion of the risks and rewards of ownership were retained by the lessor were classified as operating leases. Payments made under operating leases were charged to the statement of comprehensive income on a straight-line basis over of the period of the lease. For contracts entered into after January 1, 2019, the Company assesses whether a contract is or contains a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The right to control the asset is determined if the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use and has the right to direct use of the asset.

Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases. The Company recognises a right-of-use asset and the lease liability at the lease commencement date. The right-of-use asset is presented within property, plant and equipment in the statement of financial position. After initial recognition, the right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. The lease liability is initially measured at the present value of the lease payment that are not paid at the commencement date discounted using the Company's incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost using the effective interest method and presented within accounts payable and accrued charges in the statement of financial position.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term lease that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expenses on a straight-line basis over the lease term.

4. Statement of compliance, basis of preparation and significant accounting policies (continued)

(r) 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 4[v][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 4[v][i]). Profit commission in respect of reinsurance contracts is recognised on an accrual basis based on the calculation of loss ratios.

(iii) Interest income:

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

(s) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

(t) 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. For the purpose of these financial statements, financial assets have been determined to include cash and cash equivalents, short-term investments, premium receivable, reinsurance assets, reinsurance receivable on paid claims, other accounts receivable and amounts due from related companies. Financial liabilities include accounts payable and accrued charges, insurance payables, due to related parties and loans payable.

(u) Determination of fair value:

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. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. The Company's financial instruments lack an available trading market. The fair value of all financial instruments included in assets and liabilities, are considered to approximate their carrying values, due to their short-term nature.

4. Statement of compliance, basis of preparation and significant accounting policies (continued)

(v) Insurance contract recognition and measurement:

(i) Insurance contracts

The underwriting results are determined after making provision for, inter alia, unearned premiums written and ceded, outstanding claims and associated reinsurance and other recoveries, unexpired risks, deferred commission expense and deferred commission income.

Gross written premiums and unearned premiums

Gross premiums reflect insurance policies written during the year and include adjustments to premiums written in previous years. The earned portion of premiums is recognised as revenue. Premiums are earned from the effective date of the policy.

Unearned premiums represent that proportion of the premiums written up to the accounting date which is attributable to subsequent periods and is calculated on the “three sixty fifth” basis on the total premiums written.

Ceded premium and unearned ceded premium

Reinsurance premiums are accounted for in the same period as the related premiums for the direct insurance business being reinsured with the unearned portion at the statement of financial position date being transferred to deferred reinsurance premium.

Commission expense and deferred commission expense

The Company pays policy acquisition commissions to brokers and agents based on premiums written. Commission expense is deferred on a basis consistent with that used for deferring premium income with unamortised portions at the financial period end carried forward on the statement of financial position.

Deferred commission expense and deferred commission income

The Company generates commission income on reinsurance policies ceded during the year. Commission income is earned on a basis consistent with that used for deferring ceded premium expense with unearned portions at the financial period end carried forward on the statement of financial position.

4. Statement of compliance, basis of preparation and significant accounting policies (continued)

(v) Insurance contract recognition and measurement (continued):

(i) Insurance contracts (continued)

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 Company. The loss and loss expense reserves have been reviewed by the Company's actuary, Mid Atlantic Actuarial, using the past loss experience of the Company and industry data. Amounts recoverable in respect of claims from reinsurers are estimated in a manner consistent with the underlying liabilities.

Management believes that based on the analysis completed by their actuary, the provision for outstanding losses and loss expenses represent their best estimate of 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.

(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 accounting date which are attributable to subsequent periods are calculated substantially on the "three sixty fifth" basis on the total premiums ceded.

In the normal course of business, the Company seeks to reduce the loss that may result from a catastrophe or other events that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers (see note 19). Reinsurance ceded does not discharge the Company's liability as the principal insurer. Failure of reinsurers to honour their obligations could result in losses to the Company.

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 Company may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. Impairment losses on reinsurance assets are recognised in the statement of comprehensive income.

(iii) Premium receivable and insurance payable:

Amounts due from and to policyholders, brokers, agents and reinsurers are financial instruments and are included in insurance receivables and payables and not in insurance contract provisions or reinsurance assets. Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortized cost, using the effective interest rate method.

4. Statement of compliance, basis of preparation and significant accounting policies (continued)

(v) Insurance contract recognition and measurement (continued):

(iv) Reinsurance receivable on paid claims:

Reinsurance receivable on paid claims is recognised when the payment of related claim is made and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, reinsurance receivable on paid claims is measured at amortized cost, using the effective interest rate method.

Liability adequacy test:

At each end of the reporting period, liability adequacy tests are performed on short-term insurance contracts to ensure the adequacy of the contract liabilities net of related deferred acquisition costs ("DAC"). In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used.

Any deficiency is immediately charged to statement of comprehensive income initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision). Any DAC written off as a result of this test cannot subsequently be reinstated.

(w) Share capital:

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets. Transaction costs directly attributable to the issuance of shares are shown in equity as a deduction from the proceeds of the share issue.

(x) Classification of cash flows

Interest paid and earned is classified as an operating activity in the statement of cash flows. Dividends paid is classified as a financing activity in the statement of cash flows.

(y) Operating Expenses:

Operating expenses are recognised in profit or loss on the accrual basis.

5. Property, plant and equipment

	Freehold Building	Leasehold Improvement	Furniture fixtures and equipment	Motor vehicles	Right-of-use asset	Total
January 1, 2020	1,171,750	15,019	350,642	143,717	0	1,681,128
Additions	0	0	4,626	32,900	65,665	103,191
Disposals	0	0	0	(86,400)	0	(86,400)
December 31, 2020	1,171,750	15,019	355,268	90,217	65,665	1,697,919
Additions	0	0	3,241	0	0	3,241
Disposals	0	0	0	0	0	0
December 31, 2021	1,171,750	15,019	358,509	90,217	65,665	1,701,160
Accumulated depreciation:						
January 1, 2020	(200,174)	(5,382)	(331,623)	(80,072)	0	(617,251)
Charge for the year	(29,294)	(1,502)	(5,535)	(18,532)	(2,189)	(57,052)
Disposals	0	0	0	71,179	0	71,179
December 31, 2020	(229,468)	(6,884)	(337,158)	(27,425)	(2,189)	(603,124)
Charge for the year	(29,294)	(1,502)	(5,453)	(18,039)	(13,133)	(67,421)
Disposals	0	0	0	0	0	0
December 31, 2021	(258,762)	(8,386)	(342,611)	(45,464)	(15,322)	(670,545)
Net book values:						
December 31, 2020	942,282	8,135	18,110	62,792	63,476	1,094,795
December 31, 2021	912,988	6,633	15,898	44,753	50,343	1,030,615

6. Investment property

	2021	2020
Balance at beginning of year	1,360,000	1,360,000
Additions during the year	87,341	0
Change in fair value recognised in income during the year	167,659	0
Balance at end of year	1,615,000	1,360,000

Investment property comprises of a building located at Hospital Road, Grand Cayman that is leased to third parties. Investment property is valued every three years by an independent professional valuer and in the intervening years by Directors based on professional advice received.

The investment property was valued by a professional valuer, JEC Property Consultants Limited, for the year ended December 31, 2021, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. In the current year, when estimating the fair value of investment property, management considered various assumptions and factors, including the recent prices for similar properties in the Cayman Islands, level of current and future occupancy, an estimate of future maintenance and capital expenditure. Management considers the value of investment property recorded in statement of financial position as their best estimate of the investment property fair value.

6. Investment property (continued)

The rental income earned on the property during the year amounted to $178,172 (2020: $162,806) and the related expenses totaled $91,092 (2020: $66,319).

The fair value measurement for investment property of $1,615,000 (2020: $1,360,000) has been categorised as level 3 in the fair value hierarchy. The following table shows the valuation techniques used in measuring fair value as well as the significant unobservable inputs used:

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Market based approach: The approach is based on the principle of substitution whereby the purchaser with perfect knowledge of the property market pays no more for the subject property than the cost of acquiring an existing comparable property, assuming no cost delay in making the substitution. The approach requires comparison of the subject property with others of similar design and utility, inter alia, which were sold in the recent past. However, as no two properties are exactly alike, adjustment is made for the difference between the property subject to valuation and comparable properties.	• Details of the sales of comparable properties (2021:$915,000-$3,360,000; 2020: $840,000 - $7,404,852); • Conditions influencing the sale of the comparable properties; • Comparability adjustment; and • Rent per square foot (2021: $168-$480: 2020 $116 -$388).	The estimated fair value would increase/(decrease) if: • Sale value of comparable properties were higher/ (lower); • Comparability adjustment was higher/ (lower); and • A higher rent per square foot would imply a higher fair value.
Investment approach: The approach is based on an assessment of what level of net revenue can be generated by letting the building and what yield in terms of percentage return on invested capital would be a reasonable expectation for a business investor in this type of property. The approach takes the actual or likely rentals and projects these to a gross annual income and deducts those outgoings that would be the obligation of the owner (repairs, insurance and management etc.) to arrive at a net income from the property. The figure is then capitalised at a reasonable rate of return that an investor for the type of property could expect.	• Estimated rental income (2021:194,427 ;2020:$176,592); • Estimated rate of occupancy (2021 and 2020: 94%); • Estimated outgoings and maintenance expenses (2021:54,025; 2020:58,187); and • Expected rate of return (2021: 8%; 2020:8%).	The estimated fair value would increase/(decrease) if: • Rental income were higher/ (lower); • Rate of occupancy were higher/ (lower); and • A higher expected rate of return would imply higher fair value.

7. Related party balances/transactions

	ICWI Jamaica (fellow subsidiary)	ICWI Group Limited	ICWI Cayman (Parent)
January 1, 2020	(53,887)	87,686	283,688
Cash transfers and payments	293,766	0	(283,688)
December 31, 2020	239,879	87,686	0
Cash transfers and payments	(300,204)	0	0
December 31, 2021	(60,325)	87,686	0

Cash transfers and payments:
The cash transfers and payments are for settlement of opening intercompany balances and recharge transactions including visa fees, per diems, pension contributions and travel. Related party balances are interest free, unsecured and are repayable on demand.

During the year ended December 31, 2021, the Company provided insurance coverage (2020: none) to related parties in the normal course of business and paid directors fees of $8,000 (2020: $8,000).

Compensation of key management personnel is as follows (included in note 21 expenses):

		2021	2020
Short term benefits	$	119,179	116,272

Cayman Insurance Centre premium and commission is comprised as follows:

Premium		2021	2020
Opening premium receivable		218,298	275,667
Gross written premium		1,843,355	1,577,635
Received during the year		(1,778,056)	(1,635,004)
Closing premium receivable	$	283,597	218,298

Commission		2021	2020
Opening commission payable		64,350	54,985
Commission expense on written premiums		298,902	257,633
Commission paid		(301,384)	(248,268)
Closing commission payable	$	61,868	64,350

The balance of commission payable is shown net of premium receivable in the statement of financial position while the commission expense on written premiums is included within the operating expense line in the statement of comprehensive income.

8. Reinsurance assets and insurance contracts provision

		2021			2020		
		Gross	Reinsurance	Net	Gross	Reinsurance	Net
Claims outstanding		3,275,987	2,152,980	1,123,007	2,646,527	1,480,359	1,166,168
Unearned premiums		4,000,357	2,831,801	1,168,556	3,862,284	2,744,362	1,117,922
	$	7,276,344	4,984,781	2,291,563	6,508,811	4,224,721	2,284,090
Analysis of movement in insurance contracts provision:							
Balance at January 1		2,646,527	1,480,359	1,166,168	2,177,638	1,216,791	960,847
Claims expenses incurred		2,603,111	1,871,062	732,049	1,949,588	989,616	959,972
Claims paid in the year		(1,973,651)	(1,198,441)	(775,210)	(1,480,699)	(726,048)	(754,651)
Change in outstanding claims provision	$	629,460	672,621	(43,161)	468,889	263,568	205,321
Balance at December 31	$	3,275,987	2,152,980	1,123,007	2,646,527	1,480,359	1,166,168
Claims notified		1,708,987	1,119,280	589,707	1,390,967	766,359	624,608
Claims incurred but not reported		1,567,000	1,033,700	533,300	1,255,560	714,000	541,560
Balance at December 31	$	3,275,987	2,152,980	1,123,007	2,646,527	1,480,359	1,166,168
Unearned premiums:							
Balance at January 1		3,862,284	2,744,362	1,117,922	3,699,947	2,422,717	1,277,230
Premiums written during the year		8,415,220	6,657,123	1,758,097	7,687,035	6,088,677	1,598,358
Premiums earned during the year		(8,277,147)	(6,569,684)	(1,707,463)	(7,524,698)	(5,767,032)	(1,757,666)
Balance at December 31	$	4,000,357	2,831,801	1,168,556	3,862,284	2,744,362	1,117,922

8. Reinsurance assets and insurance contract provisions (continued)

Gross unearned premiums are analysed as follows:

	2021	2020
Accident	6,320	6,448
Liability, engineering, bond and guarantee	67,722	81,102
Marine, aviation and transportation	7,849	7,151
Motor vehicle	2,099,289	1,991,764
Property	1,819,177	1,775,819
	4,000,357	3,862,284

9. Premiums receivable

	2021	2020
Premiums receivable	1,232,837	1,229,478
	1,232,837	1,229,478

This balance is shown net of commission and after deduction of an impairment provision of $23,800 (2020: $19,650).

The company's exposure to credit and impairment losses relating to premiums and other receivables is disclosed in note 19.

10. Deferred commission expense

	2021	2020
Balance January 1	382,637	353,134
Amounts recognised in income during the year	(819,307)	(737,971)
Commission paid during the year	814,339	767,474
Balance December 31	377,669	382,637

11. Cash and cash equivalents

	2021	2020
Cash in hand	3,501	6,875
Cash at bank	2,058,113	3,611,646
Certificate of deposit	686,558	0
	2,748,172	3,618,521

Cash and cash equivalents includes foreign currency balances of CI$1,521,466 (2020: CI$1,082,675) denominated in United States dollars and Eastern Caribbean dollars.

11. Cash and cash equivalents (continued)

Included in Short-term investments are:

- the amount of US$250,759 (CI$210,638) (2020: $250,506; CI$210,425) placed in trusts with the Company's bankers, a recognised financial institution, to meet the requirements of the Insurance Act 2008 in the BVI. The deposits will mature on October 26, 2022.
- the amounts of US$194,743 (CI$163,584) and ECD 633,878 (CI$195,615); (2020: US$193,774 (CI$162,770) and ECD 627,619 (CI$193,683)) held to the order of the Financial Services Regulation Commission as required by the Insurance Act Insurance Act (No.14 of 1968) of St. Kitts & Nevis. The amounts are held with the Company's bankers, a recognised financial institution in St. Kitts & Nevis. The deposits will mature on November 26, 2022 and February 25, 2022 respectively.

These are restricted deposits and cannot be used in the Company's cash management or operations.

12. Accounts payable and accrued charges

		2021	2020
Accrued charges		229,882	188,180
Other payables		191,802	317,537
	$	421,684	505,717

13. Loan payable

		2021	2020
Royal Bank of Canada (RBC) Loan	$	411,083	473,018

This represents the balance due on the original principal amount of US$1,000,000 (CI$830,000) drawn in March 2013. The loan is repayable on a monthly basis with the final instalment due September 30, 2027 and attracts interest at US Prime rate minus 0.35% (2020: Libor plus 2.75%). US$92,567 (CI$76,831) is payable within 1 year. The fair value of this loan at the year-end approximates its carrying value.

The loan is secured by:

- First registered charge for US$1,000,000 over property legally described as George Town South Block 14D Parcel 407/1; and
- A letter of undertaking signed by ICWI Group Limited, agreeing to fund any short-fall in loan payments within 30 days of written notice.

14. Insurance payables

		2021	2020
Due to reinsurers		173,875	638,864
Deferred commission income		775,965	751,391
	$	949,840	1,390,255

		2021	2020
Balance January 1		751,391	693,821
Commission received during the year		(1,858,102)	(1,705,491)
Amounts recognised in income during the year		1,882,676	1,763,061
Balance December 31	$	775,965	751,391

15. Share capital

	2021	2020
Authorised:		
8,300,000 shares of CI$1 each	8,300,000	8,300,000
Issued and fully paid:		
3,000,000 (2020: 3,000,000) shares of CI$1 each	3,000,000	3,000,000

During the year, the Board of Directors declared and paid a dividend of $300,000 (2020: $283,689) to the shareholder.

16. Investment income

		2021	2020
Interest income		18,670	16,820
Rental income		178,172	162,806
	$	196,842	179,626

17. Underwriting policy and reinsurance ceded

The Company limits its net exposure to a maximum amount on any one loss as follows:

	2021 and 2020	
	US$	CI$
Public liability	100,000	83,000
Marine hull	50,000	41,500
Marine cargo	33,000	27,666
Engineering	30,000	24,900
Property (Cayman)	20,000	16,600
Property (St Kitts and Nevis and BVI)	40,000	33,200
Motor	100,000	83,000
Bonds and fidelity guarantee	125,000	103,750

In addition, the Company has catastrophe reinsurance on which its liability on each event for 2021 and 2020 is limited to US$225,000 (CI$186,750). The catastrophe reinsurance is capped in aggregate at US$4,250,000 (CI$3,527,500) in 2021 and at US$4,500,000 (CI$ 3,735,000) in 2020.

18. Insurance and financial risk management

Risk management objectives and policies for mitigating general insurance risk:

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

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. Insurance risk is implicit in the Company's insurance business and arises as a consequence of the type and volume of business written and the concentration of risk in particular policies or groups of policies subject to the same risks.

Types of risks:
The primary insurance activity carried out by the Company is the transfer of risk from persons or entities that are directly subject to the risk, by means of the sale of insurance policies. General insurance risk in the Company arises from:

- Fluctuations in the timing, frequency and severity of claims and claim settlements relative to expectations;
- Unexpected claims arising from a single source or event;
- Inaccurate pricing of risks or inappropriate underwriting of risks when underwritten;
- Inadequate reinsurance protection or other risk transfer techniques; and
- Inadequate reserves.

18. Insurance and financial risk management (continued)

The principal types of policy written by the company are as follows:

Liability insurance
Property insurance
Motor insurance

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

The Company 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 Company 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 approves the underwriting strategy which is set out in an annual business plan and management is responsible for the attainment of the established objectives.

Reinsurance strategy:

The Company 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 Company monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. The Board of Directors is responsible for setting the minimum security criteria for accepting reinsurance and 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 19.

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 Company and the key factors upon which the timing and uncertainty of future cash flows of these contracts depend.

18. Insurance and financial risk management (continued)

Type of 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. Although majority of bodily injury claims have a relatively long tail, the majority of the claims incurred by the company are settled in the short term. In general, these claims involve higher 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.

18. Insurance and financial risk management (continued)

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 Company 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 Company makes assumptions that costs will increase in line with the latest available financial and actuarial forecasts.

Property contracts:

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

Risk exposure and concentrations of risk:

The following table shows the Company's exposure to general insurance risk (based on the carrying value of insurance provisions at the reporting date) per major category of business.

	Property $	Motor $	Other $	Total $
At December 31, 2021:				
Gross	297,875	2,972,112	6,000	3,275,987
Net of reinsurance	6,161	1,111,846	5,000	1,123,007
At December 31, 2020:				
Gross	60,598	2,578,929	7,000	2,646,527
Net of reinsurance	2,544	1,161,524	2,100	1,166,168

Claims development:

Claims development information is disclosed below in order to illustrate the insurance risk inherent in the Company. The top part of the table shows how the estimates of total claims for each accident year develop over time. The estimates are increased or decreased as losses are paid and more information becomes known about the severity of unpaid claims. The lower part of the table provides a reconciliation of the total provision included in the statement of financial position and the estimate of cumulative claims.

18. Insurance and financial risk management (continued)

Claims development (continued):

Analysis of net claims development (rounded to nearest $1,000)

	Accident year						
	2016 & prior	2017	2018	2019	2020	2021	Total
Estimate of cumulative claims At end of reporting period	8,167,950	930,000	1,053,000	1,158,000	768,000	919,000	
One year later	8,570,032	936,000	1,033,000	1,359,000	695,000	0	
Two years later	8,631,000	915,000	1,068,000	1,354,000	0	0	
Three years later	13,658,000	886,000	1,027,000	0	0	0	
Four years later	13,887,186	879,000	0	0	0	0	
Five years later	4,279,000	0	0	0	0	0	
Current estimate	4,279,000	879,000	1,027,000	1,354,000	695,000	919,000	9,153,000
Payments	4,030,000	840,000	970,000	1,057,000	577,000	556,000	8,030,000
Liability	249,000	39,000	57,000	297,000	118,000	363,000	1,123,000

Sensitivity analysis – insurance contracts

Short-term insurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted, contractually non-interest bearing, and are payable less than one year from the date of the claim.

Short-term insurance liabilities are estimated using standard actuarial claims projection techniques. These methods extrapolated the claims development for each underwriting year based on the observed development of earlier years, adjusted for any current trends or developments. In most cases, no explicit assumptions are made as projections are based on assumptions implicit in the historic claims reporting patterns on which the projections are based. As such, the sensitivity of short-term insurance liabilities is based on the financial impact of changes to the claims reporting patterns.

The sensitivity analyses below are based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, as changes in some of the assumptions may be correlated.

	2021				2020			
	Expenses		Loss expenses		Expenses		Loss expenses	
In $’000	10%	(10%)	10%	(10%)	10%	(10%)	10%	(10%)
Impact on net income for the year	151	(151)	73	(73)	147	(147)	96	(96)
Impact on Shareholder's equity	151	(151)	73	(73)	147	(147)	96	(96)

19. Financial risk management

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

Credit risk;
Liquidity risk; and
Market risk.

Risk management framework:

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

The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The focus of financial risk management for the Company is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance contracts.

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 company's underwriting policy.

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

19. Financial risk management (continued)

Risk management framework (continued):

(a) Credit risk

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

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

- Due from immediate and ultimate parent;
- Due from fellow subsidiary;
- Amounts due from reinsurers in respect of payments already made to policyholders;
- Reinsurers' share of insurance liabilities;
- Amounts due from policyholders and brokers;
- Short term investments; and
- Cash and cash equivalents.

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

Management of credit risk

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

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

The Company also operates a policy to manage its reinsurance counterparty exposures. The Company 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.

Exposure to credit risk:

Credit ratings are not publicly available for any assets with credit risk except for reinsurance assets. The following table analyses the credit rating by investment grade of reinsurance assets and insurance and other receivables bearing credit risk.

19. Financial risk management (continued)

(a) Credit risk (continued)

	A rated or above $	Not rated $	Total $
December 31, 2021			
Reinsurance assets:			
Reinsurance receivable on paid claims	235,847	0	235,847
Reinsurance assets	2,152,980	0	2,152,980
Carrying amount	2,388,827	0	2,388,827
Premiums receivables:			
Neither past due nor impaired	0	1,025,186	1,025,186
Past due but not impaired	0	207,650	207,650
Individually impaired	0	23,800	23,800
Gross amount	0	1,256,636	1,256,636
Allowance for impairment	0	(23,800)	(23,800)
Carrying amount	0	1,232,836	1,232,836

	A rated or above $	Not rated $	Total $
December 31, 2020			
Reinsurance assets:			
Reinsurance receivable on paid claims	84,116	0	84,116
Reinsuranceassets	1,480,359	0	1,480,359
Carrying amount	1,564,475	0	1,564,475
Premiums receivables:			
Neither past due nor impaired	0	1,002,487	1,002,487
Past due but not impaired	0	226,991	226,991
Individually impaired	0	19,650	19,650
Gross amount	0	1,249,128	1,249,128
Allowance for impairment	0	(19,650)	(19,650)
Carrying amount	0	1,229,478	1,229,478

The carrying amounts of financial assets and cash and cash equivalents do not include any assets that are either past due or impaired. The Company has no financial assets or reinsurance assets that would be past due or impaired whose terms have been renegotiated.

19. Financial risk management (continued)

(a) Credit risk (continued)

Exposure to credit risk (continued):

(i) Concentrations of credit risk

The specific concentration of risk from counterparties where receivables for any one counterparty or group of connected counterparties is $150,000 or more at the year-end is as follows:

	2021	2020
Cayman Insurance Centre	283,597	218,299
Cayman Luxury Rental Cars Ltd	164,602	0
Island Insurance Brokers Ltd	277,786	330,745
Total	725,985	549,044

The concentration risk is mitigated by ensuring that the above counterparties are credit-worthy and there have been no historical recoverability issues with the companies

The following is an analysis of the reinsurance companies per line of coverage, along with any concentrations:

Line of coverage	Total number of reinsurers by line	Largest % placed with a single reinsurer	Location of that single reinsurer	Standards & Poor's rating of that single reinsurer
Property quota share	8	15.00%	Germany	AA-
		15.00%	Bermuda	A
Motor quota share	1	50.00%	Germany	AA-
Property first surplus	14	35.00%	Germany	AA-
Property second surplus	3	50.00%	Germany	AA-
Property catastrophe excess of loss	8	25.00%	Germany	AA-
		25.00%	London, UK	A+
Reinstatement premium protection	1	100%	Canada	AA-
Umbrella	1	100%	Germany	AA-
Casualty excess of loss	6	30.00%	Germany	AA-
Marine quota share	1	100.00%	Germany	AA-
General accident, Bonds, Engineering	2	95.00%	Germany	AA-
Travel	1	100.00%	London, UK	A+
Mortgage quota share	1	100.00%	Germany	AA-

19. Financial risk management (continued)

(a) Credit risk (continued)

Exposure to credit risk (continued):

(ii) Assets that are past due

The Company has premium receivables that are past due but not impaired at the reporting date (as indicated by the overall credit risk exposure analysis). Management believes that impairment of these receivables is not appropriate on the basis of stage of collection of amounts owed to the Company. An aged analysis of the carrying amounts of premium receivables is presented below.

	Less than 46 days	46 to 90 days	More than 90 days	Total
December 31, 2021:				
Premium receivables				
- agents, brokers and intermediates	468,228	556,959	207,650	1,232,837
December 31, 2020:				
Premium receivables				
- agents, brokers and intermediates	457,260	545,227	226,991	1,229,478

(iii) Assets that are individually impaired

The analysis of overall credit risk exposure indicates that the Company has other receivables that are impaired at the reporting date. The assets that are individually impaired are analysed below:

	2021 Gross	2021 Net	2020 Gross	2020 Net
Insurance and other receivables	23,800	0	19,650	0

The above assets have been individually impaired after considering information such as the occurrence of significant changes in the counterparty's financial position, patterns of historical payment information and disputes with counterparties.

19. Financial risk management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial and insurance liabilities. The Company 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. The nature of the Company's exposures to liquidity risk and its objectives, policies and processes for managing liquidity risk have not changed significantly from the prior year.

Management of liquidity risk

The Company'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.

Consequently, the Company invests in marketable securities 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 Company's financial and insurance contract liabilities is presented below. The analysis provided is by estimating timing of the amounts recognised in the statement of financial position.

	Contractual undiscounted cash flows						
	Carrying Amount	Total cash outflow	Less than one year	One to two years	Two to five years	Five to ten years	More than 10 years
December 31, 2021:							
Financial liabilities:							
Accounts payable and accrued charges	421,684	421,684	421,684	0	0	0	0
Loans payable*	411,083	442,589	76,831	76,989	230,967	57,802	
Insurance payables	173,875	173,875	173,875	0	0	0	0
Total financial liabilities	1,006,642	1,038,148	672,390	76,989	230,967	57,802	0
Insurance contract liabilities:							
Claims liabilities	3,275,527	3,275,527	3,275,527	0	0	0	0
	4,282,169	4,313,675	3,947,917	76,989	230,967	57,802	0

*includes future interest payments

19. Financial risk management (continued)

(b) Liquidity risk (continued)

		Contractual undiscounted cash flows					
	Carrying Amount	Total cash outflow	Less than one year	One to two years	Two to five years	Five to ten years	More than 10 years
December 31, 2020:							
Financial liabilities:							
Accounts payable and accrued charges	505,717	505,717	505,717	0	0	0	0
Loans payable*	473,018	496,233	75,530	75,530	226,590	118,583	0
Insurance payables	638,864	638,864	638,864	0	0	0	0
Total financial liabilities	1,617,599	1,640,814	1,220,111	75,530	226,590	118,583	0
Insurance contract liabilities:							
Claims liabilities	2,646,527	2,646,527	2,646,527	0	0	0	0
	4,264,126	4,287,341	3,866,638	75,530	226,590	118,583	0

*includes future interest payments

(c) Market risk

Market risk is the risk that changes in market variable, such as interest rate, foreign exchange rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The nature of the Company's exposures to market risk and its objectives, policies and processes for managing credit risk have not changed significantly from the prior period.

Management of market risk

The Investment Committee at the group level manages market risk in accordance with its asset/liability management framework. The Committee reports regularly to the Board of Directors on its activities. For each of the major components of market risk the company 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 company at the reporting date to each major risk are addressed below.

19. Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk

Interest rate risk arises primarily from the Company's loans payable.

The Company manages its interest rate risk by matching, where possible, the duration and profile of assets and liabilities to minimise the impact of interest rate movements.

Interest bearing financial assets are primarily represented by deposits which have been contracted at fixed interest rates for the duration of the term. Interest bearing financial liabilities are represented by loans payable. The interest rates on the loans have a variable component.

The nature of the Company's exposures to interest rate risk and its objectives, policies and processes for managing interest rate risk have not changed significantly from the prior period.

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

	2021	2020
Fixed rate instruments:		
Financial assets		
– cash and cash equivalent	2,748,172	3,618,521
– short-term investments	1,309,258	446,392
	4,057,430	4,064,913
Variable rate instruments:		
Financial liabilities – loan payable	(411,083)	(473,018)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets at fair value through profit or loss. A change in interest rates at the reporting date would not affect income significantly.

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 50 (2020: 50) basis points in interest rates at the reporting date would not have a significant impact on income and equity of the Company. Assuming that all other variables, in particular foreign currency exchange rates, remain constant.

19. Financial risk management (continued)

(c) Market risk (continued)

Fair value sensitivity analysis for fixed rate instruments (continued)

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 currencies giving rise to this risk are primarily the United States dollars and Eastern Caribbean dollars.

The table below outlines the Company's foreign currency risk exposure at the reporting date in the respective originating currencies.

	2021 $	2020 $
United States dollars	1,210,685	1,410,495
Eastern Caribbean dollars	2,214,326	715,086

The Company's objectives, policies and process for managing currency risk have not changed significantly from prior year.

A sensitivity analysis is not considered necessary as the US$, EC$ and the CI$ are closely tagged and not expected to have significant fluctuations.

Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company'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 behavior.

The Company'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 Company's senior management team.

19. Financial risk management (continued)

(c) Market risk (continued)

Capital risk management and regulatory compliance

Capital risk is the risk that the Company fails to comply with mandated regulatory requirements of the Cayman Islands Monetary Authority (CIMA), British Virgin Islands Financial Services Commission (BVFSC) and the St Kitts Financial Services Regulatory Commission, resulting in a breach and possible suspension or loss of its insurance licenses (see note 2). The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

- To comply with the capital requirements set by the regulators;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The Company is required to maintain capital in excess of the greater of approximately CI$300,000 and an amount determined as per a prescribed formula set out in local legislation for Cayman. The formula prescribes minimum capital requirements for the Company's assets and liabilities based on the relative riskiness of the balances and also provides for a margin for catastrophe. In addition, the Company is required to maintain minimum capital of EC$1,000,000 (CI$300,000) and US$250,000 (CI$207,500) for St Kitts and BVI, respectively. At December 31, 2021 and 2020, the Company was in compliance with its regulatory requirements.

20. Fair value of financial instruments

Fair value amounts represent estimates of the arm's length consideration that would currently be agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists.

The fair values of financial assets and financial liabilities are broadly equivalent to the carrying amount shown in the statement of financial position.

21. Operating expenses

	2021	2020
Employee costs	765,248	814,836
Professional services fees	205,647	151,283
Maintenance expenses	124,820	90,198
Marketing expenses	102,107	94,955
Depreciation	67,421	57,052
Utility expenses	48,851	41,605
Other miscellaneous expenses	187,315	197,567
	1,501,409	1,447,496

The aggregate employee costs were as follows:

		2021	2020
Salaries		593,367	643,587
Pension cost		23,645	9,489
Staff welfare		6,513	5,369
Staff incentive plan cost		70,355	80,709
Health and life insurance benefits		71,368	75,682
	$	765,248	814,836

22. Taxation

Under current acts of the Cayman Islands and BVI, there is no income, estate, transfer, sales or other taxes payable by the Company. St Kitts branch operations are subject to a flat rate of 33% of corporate income tax applied at St. Kitts and Nevis. The corporate income tax rate was reduced to 25% for 2021 due to several stimulus measures introduced by the government of St Kitts and Nevis due to the coronavirus.

The St. Kitts Branch made a profit of $39,150 for the year ended December 31, 2021 (2020: $Nil) and is subject to corporate income tax of $3,114. The tax liabilities are reflected in operating expenses in the statement of comprehensive income.

23. Subsequent events

In preparing these financial statements management has evaluated subsequent events up to June 29, 2022, which is the date that the financial statements were available to be issued. No subsequent events were identified that require additional disclosures in these financial statements.