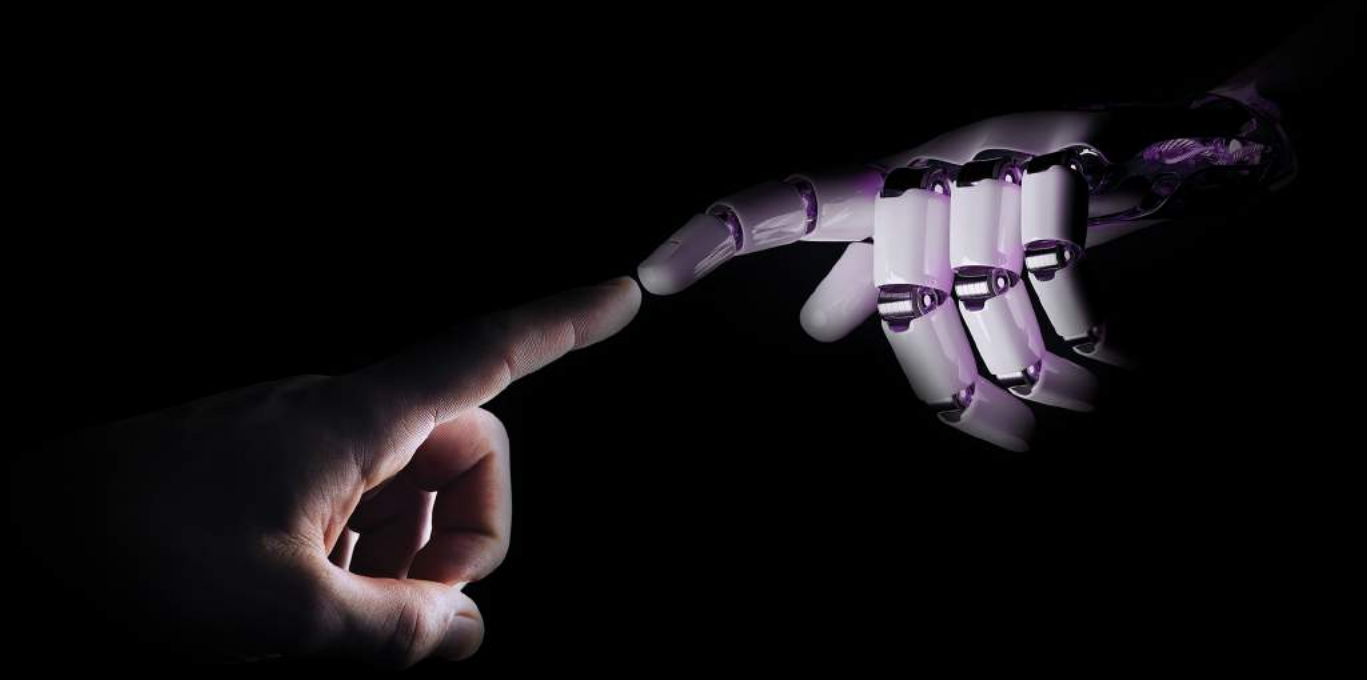

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Always there
when you need us most

ANNUAL REPORT 2020
THE EVOLUTION

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CHAIRMAN'S REPORT

Dear fellow shareholders,

I want to express how excited I am to have invested in the Insurance Corporation of Barbados Limited (ICBL). Since my investment, I have been very impressed by the Company's strong customer base and commitment to relationships with partners and stakeholders. As the new Chairman, I am pleased to address you on behalf of the Company's Board of Directors for the year ended December 2020.

Barbados has been and continues to be impacted by the Novel Coronavirus (COVID-19), which spread during the first quarter of 2020 and has had significant consequences for the global economy, including Barbados. This unique and challenging environment has highlighted the need for ICBL to be innovative and reinvest in the business. Despite the impacts of the pandemic, the Company's net income for the year was $4.3 million, which reflects a modest increase from the net income of $4.2 million in 2019. This modest increase in net income represents a favourable result for 2020, given the negative economic impact of the global COVID-19 pandemic on Barbados.

The 2019 results were against the backdrop of a stabilising Barbados economy, following the restructuring of the government's foreign currency debt. Additionally, growth in foreign currency reserves and achieving the fiscal targets under the IMF program assisted those stabilising efforts.

In 2020, ICBL maintained its well-capitalized position with total assets of $347 million, year-end equity attributable to shareholders of $110 million, and appropriate statutory reserves. This is very important to our policyholders, who deserve the peace of mind that ICBL will be able to pay their claims in the months and years ahead. In light of the continued economic uncertainty due to COVID-19, the Board of Directors has taken the precautionary step of not declaring a final dividend for 2020 as part of its capital preservation and risk mitigation strategy.

ICBL remains deeply committed to its policyholders and strives to always be there when you need us most. The Company aims to offer customers the best products that meet their needs, delivered with world-class service and advice. In 2020, the Company continued to focus on responsible underwriting, conservative reinsurance protection, and solid customer service. The Company's future results will be enhanced with the implementation of several strategic initiatives.

On behalf of the Board and Management, I wish to take this opportunity to thank former board members Juanita Thorington-Powlett, Toni Jones, Gordon Henderson, Sir Paul Altman, and former Chairman John Wight for their invaluable contributions to ICBL. I also welcome our new board members Vicky Bathija and James Edghill, whose expertise we appreciate and with whom we look forward to working.

Finally, I want to express my gratitude to ICBL's policyholders and shareholders for their continued support of the Company and the trust and confidence you have shown in us.

Joe Poulin
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

It gives me great pleasure once again to report on ICBL's continued progress – indeed, our evolution as Barbados' leading insurer.

2020 was undoubtedly a challenging year for businesses globally, including ICBL, due to the uncertainty caused by the COVID-19 pandemic. However, it was also a year in which the team here at ICBL demonstrated resilience and agility. With a reinforced commitment to a customer-centric operation, ICBL responded to the changing needs of our customers with more flexible insurance products, new online services, extended payment plans, and even faster claims settlements. This was all achieved while maintaining stable operating costs and focusing on risk management within our business.

The reward for these continuous improvements was record-level support and loyalty from our customers. As a result, the Company saw an improvement in net premiums and increased net income for our shareholders. In addition, our balance sheet remained healthy, and we invested in technology and strategic team expansion and development to build for the "new normal".

Since our departure from the conventional "in office" operation in March 2020, ICBL has built a strong "work from home" culture, which has seen us operate in new ways. We integrated virtual collaboration across all business units into our internal communication framework, enhanced by our new ***AIR*** *(Act, Inform, Recognise) programme, a strategic development aimed to keep our team informed, supported, and celebrated. Additionally, our enforcement of robust safety protocols for staff and customers and our commitment to service excellence, whether via telephone, online or in-person, remains of a high standard and continues to improve as we strengthen our culture and practices. I would like to thank the ICBL COVID-19 response team for their outstanding commitment to best practices and for their leadership. This team includes Lisa Brathwaite-Graham, Shawn Kissoondath, Rawle Knight and Gail Hinkson, along with other colleagues in our Human Resources, Operations and Facilities teams. An impressive development has been the response to our online portal, which saw over 10,000 ICBL customers signing up for the portal during 2020, and who are now eligible for self-service and 24-hour access to their insurance policies.*

In 2021 Barbados experienced the impacts of volcanic ashfall from an eruption in St. Vincent and the Category 1 Hurricane Elsa. These natural disasters highlighted the benefits of investments made in 2019 and 2020 to train and develop staff and improve our digital capabilities once again. ICBL remained resilient as we paid claims within days of the hurricane and successfully implemented our business continuity plans.

The forecast for the Barbados economy, including the insurance industry, remains challenging. However, there are signs of a rebound in tourism and expectations that the revival of this industry will stimulate growth in other sectors. ICBL is well-positioned to build on our market leadership by keeping our customers first, investing in our people and technology, and delivering a market-leading suite of products, services and advice to Barbadians and Barbadian businesses.

I am privileged to work with and have the support of a dedicated team. Thank you to all ICBL employees for their commitment and efforts made under pressure in the face of uncertainties. Our 2020 results reflect only some of these efforts, as we expect to realize further growth in the coming months and years ahead.

Thank you to our valued agents, brokers, suppliers, and other business partners for your continued loyalty to ICBL.

Thank you to my fellow Directors for your guidance and commitment to ICBL in a particularly challenging year. The Management team and all staff extend a heartfelt welcome to our new Chairman, Joe Poulin, and his partners at JPK Capital.

Finally, thank you to our shareholders for your continued support of our Company.

Geoffrey Scott
Chief Executive Officer

BOARD OF DIRECTORS

JOE POULIN

GEOFFREY SCOTT

GOULBOURNE ALLEYNE

JENNIFER HUNTE

VICKY BATHIJA

JAMES EDGHILL

Jonathan Poulin	CHAIRMAN OF THE BOARD
Geoffrey Scott B.Com, M.B.A.	MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER
Goulbourne Alleyne F.C.I.I., M.B.A., ARe, A.C.I.S., C.A.M.S., F.L.M.I., F.F.S.I.	DIRECTOR AND CHIEF UNDERWRITING OFFICER
Jennifer Hunte BSc., F.C.P.A., F.C.G.A., F.C.I.S, Acc. Dir.	DIRECTOR AND CHAIR OF THE AUDIT, COMPLIANCE AND CORPORATE RISK MANAGEMENT COMMITTEE
Vicky Bathija B.S, CFA	DIRECTOR
James Edghill MSCE	DIRECTOR

CORPORATE INFORMATION

CORPORATE SECRETARY
- Claudia P.L. Clarke-Oderson, LL.B (Hons), L.E.C, F.C.I.S.

IN-HOUSE LEGAL ADVISORS
- Tya R. Odle, LL.B. (First Class Hons.), Int. Adv. Cert (Comp)
- Andwele C.L. Sandiford, LL.B. (Hons.)
- Lorimer C.A. Denny, LL.B. (Hons.)
- Robin Prescod, LL.B. (Hons.)
- Nesha Raja, LL.B. (Hons.)

EXTERNAL LEGAL ADVISORS
- C.W.P. Chenery, Q.C.
- Clarke Gittens Farmer
- Trinity Law Chambers
- Dentons Delany

INTERNAL AUDIT
- Alwyn Springer, FCCA, CIA

EXTERNAL AUDIT
- PricewaterhouseCoopers SRL

ACTUARIES
- Eckler Ltd.
- Towers Watson Canada Inc., trading as Willis Towers Watson

BANKERS
- Republic Bank (Barbados) Limited
- CIBC FirstCaribbean International Bank

REGISTRAR & TRANSFER AGENT
- Barbados Central Securities Depository Inc.

REGISTERED OFFICE
- Insurance Corporation of Barbados Limited, Roebuck Street, Bridgetown, St. Michael, Barbados, BB11000

WEBSITE
- www.icbl.com

SENIOR LEADERSHIP TEAM

Geoffrey Scott B.Com, M.B.A.	**CHIEF EXECUTIVE OFFICER**
Glyne Pilgrim CPA, CGA, FCA	**CHIEF FINANCIAL OFFICER**
Goulbourne Alleyne F.C.I.I., M.B.A., ARe, A.C.I.S., C.A.M.S., F.L.M.I., F.F.S.I.	**CHIEF UNDERWRITING OFFICER**
Rawle Knight BSc.(Hons), MSc., Cert. C.I.I.	**SENIOR VICE PRESIDENT - INSURANCE OPERATIONS**
Carl Millar BSc.(Hons), MSc., Cert. Training & Development	**VICE PRESIDENT - TECHNOLOGY AND BUSINESS SOLUTIONS**
Claudia Clarke-Oderson LL.B (Hons), L.E.C, F.C.I.S.	**CORPORATE SECRETARY**
Gail Hinkson BSc, MSc	**ASSISTANT VICE PRESIDENT - HUMAN RESOURCES**
Pamela Lowe FALU, FLMI/M, ALHC, ACS, HIA	**ASSISTANT VICE PRESIDENT - OPERATIONS, LIFE DIVISION**
Kristle Jeffers FCCA, CIA, CISA	**ASSISTANT VICE PRESIDENT - COMPLIANCE**
Rhea Mapp-Bynoe BSc., PMP, CCSM	**ASSISTANT VICE PRESIDENT - PROJECT MANAGEMENT AND OPERATIONAL EXCELLENCE**
Averil Byer BA, MSc	**HEAD OF MARKETING AND COMMUNICATIONS**
Ian Clarke BA, FSA	**HEAD ACTUARY – TECHNICAL UNDERWRITING**
Ravichandran Whitehead BS,CPA, CFE, CRMA, CIA	**FINANCIAL CONTROLLER**
Alwyn Springer FCCA, CIA	**HEAD OF INTERNAL AUDIT**

GEOFFREY SCOTT

GLYNE PILGRIM

GOULBOURNE ALLEYNE

RAWLE KNIGHT

CARL MILLAR

CLAUDIA CLARKE-ODERSON

GAIL HINKSON

PAMELA LOWE

KRISTLE JEFFERS

RHEA MAPP-BYNOE

AVERIL BYER

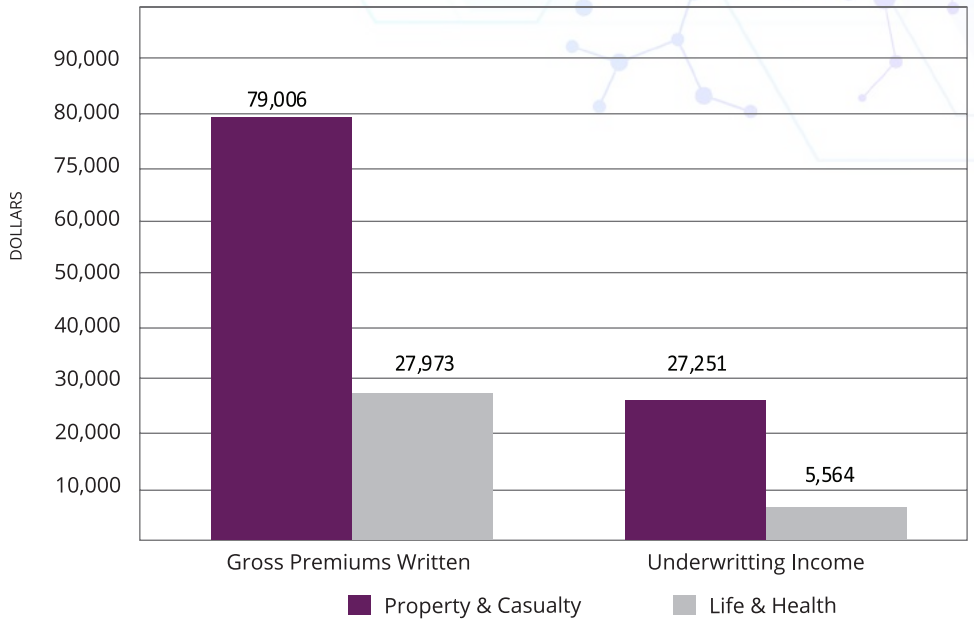
IAN CLARKE

RAVICHANDRAN WHITEHEAD

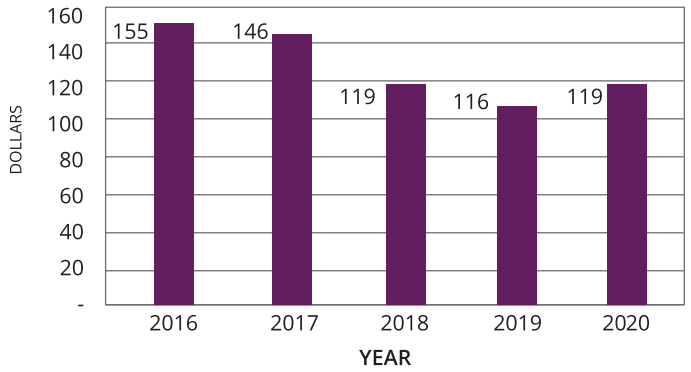
ALWYN SPRINGER

FINANCIAL AND STATISTICAL SUMMARY

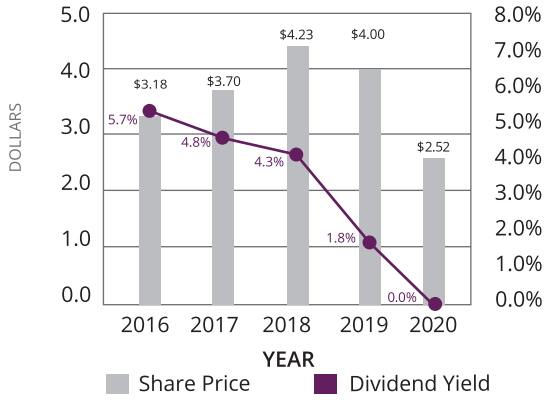
GROSS PREMIUM WRITTEN VS UNDERWRITING INCOME (in 000s of dollars)



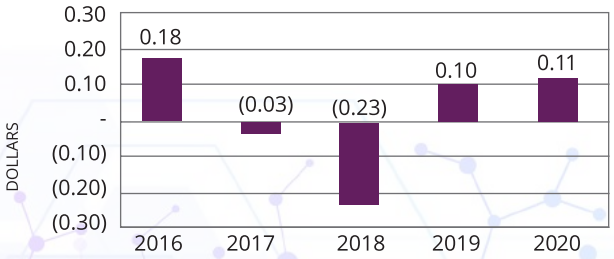
TOTAL EQUITY (in millions)



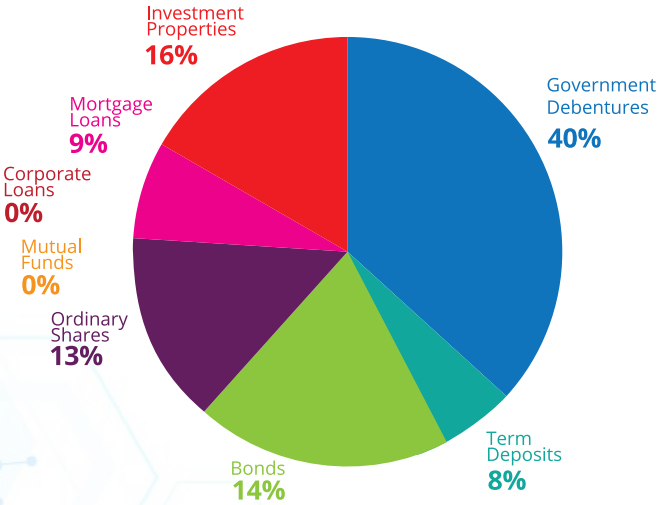
SHARE PRICE, DIVIDEND YIELD



EARNINGS PER SHARE



PORTFOLIO ALLOCATION



MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis Report (MD&A) set out below is the responsibility of Management and reflects events known to Management up to 18 November 2021. Pursuant to Recommendation 31 of the Corporate Governance Recommendations for the Listed Companies on the Barbados Stock Exchange Inc., the Company's Audit, Compliance & Corporate Risk Management Committee ("the Audit Committee") fulfilled its obligation to review this document on 18 November 2021. The Audit Committee recommended that the Company's Board of Directors approve, in principle, the contents of this document, and the Board did so on 18 November 2021.

STRATEGY

ICBL's strategy is to deliver increased value by growing profitability and sustainability as a market and community leader. Our values form the foundation and guide to our staff in achieving our strategic objectives; what we desire to achieve for our main stakeholder groups is described in our Purpose statement.

Our Values:

Integrity

We choose to do the right thing; we are open, honest, and fair in the way we do business, and we are accountable for our actions.

Collaboration

We can do even greater things together. One Vision, One Team, One ICBL.

Courage

We encourage innovation, and we will boldly forge ahead with creative ideas that are responsible and accountable.

Continuous Improvement

We are committed to the growth and development of our people, products, and processes in the pursuit of excellence.

Our Purpose:

"Always there when you need us most."

For Staff

As a company, we INSPIRE creativity and innovation by engaging and supporting our people every step of the way. We COMMUNICATE effectively, utilising internal and external feedback to improve continuously. We promote the BALANCE of wellness and work deliverables to ensure the health, safety, and wellbeing of our teams. Most importantly, we LEAD through mentorship, coaching, and development, creating internal opportunities for the organisation's future leaders.

For Customers

Our customers can expect us to be connected and available when their need is greatest. When looking for an insurance solution, we provide the best option for their individual needs. When they have questions and queries about their coverage, we provide timely responses and sound guidance. We settle claims promptly and professionally. We aim to be the preferred insurance partner for all of our customers, and for all of their insurance needs.

For Partners

As a longstanding, indigenous company, we are proud of our legacy and contribution to the development of Barbados over decades. Strong, respected, and reliable, we remain well-positioned to bring value to our partners while supporting our communities for generations to come.

INTRODUCTION

The 2020 Management Discussion and Analysis Report ("MD&A") provides a snapshot of ICBL's performance during the financial year, 1 January to 31 December 2020. This MD&A should be read in conjunction with ICBL's consolidated financial statements and related notes. Highlighted within the report are statements that reflect our views about our future performance and may constitute "forward-looking statements." These forward-looking statements represent management's views and involve certain risks and uncertainties that may cause actual results to differ from those noted. The sole purpose for presenting these forward-looking statements is to better understand our financial position and results of operations.

FINANCIAL PERFORMANCE OVERVIEW

Net income and EPS

Net income attributable to the Company's shareholders for 2020 was $4.4 million compared to $3.8 million in 2019, resulting in EPS of $0.11, $0.01 improvement year over year.

Statutory Reserves

ICBL statutory reserves stood at $54.2 million for the year ended December 31, 2020. This position represented an increase of $0.5 million from the prior year, which stood at $53.7 million.

Liquidity and Capital Reserves

Cash and cash equivalents totalled $46.3 million as at 31 December 2020 compared to $51.6 million at the end of the previous year, representing a decline of 10.3%. Management's efforts to concentrate on safety and liquidity during the last year have allowed the Company to maintain its commitment to honour reinsurance and claims requests as they become due.

Investments

The investment portfolio comprises investment in fixed income securities, equities, mortgages, corporate loans and investment properties.

Investments with an overall carrying value of $144.1 million are up by 3.7% from $138.9 million reported a year earlier.

2020 was a challenging year for investment returns, and ICBL's net investment income declined to $4.3 million from $6 million in 2019. The impacts of COVID-19 and general economic deterioration caused a decline in credit quality which resulted in a $1.4 million increase in provision for impairments in our investment portfolio, which was the most significant contributor to the decline in net investment income.

At the end of the year, there was more emphasis in sourcing higher-yielding equity investments. The Company was able to source $15.6 million in these investments, which are expected to produce superior returns going forward.

Investment property values also felt the impact of the fallout in worldwide economic activity as our portfolio declined to $29.5 million, representing a fall in value of $2.4 million, from the 2019 position of $31.9 million. We disposed of one vacant property and took a conservative approach to the valuation of our remaining investment properties in light of the uncertainties facing tenants.

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ACTUARIAL LIFE CERTIFICATE

ACTUARIAL LIFE CERTIFICATE

APPOINTED ACTUARY'S 2020 REPORT
TO THE SHAREHOLDERS AND POLICYHOLDERS

INSURANCE CORPORATION OF BARBADOS LIMITED
LIFE AND HEALTH, ANNUITY AND DEPOSIT ADMINISTRATION PORTFOLIO

I have performed the valuation of the policy liabilities of the Insurance Corporation of Barbados Limited ("ICBL") with respect to its individual and group life and health insurance portfolio for the balance sheet at December 31, 2020, and their change in the statement of operations, for the year then ended, in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

The valuation of ICBL – Life & Health Insurance, Annuity and Deposit Administration Portfolio was conducted using the Policy Premium Method ("PPM") as an approximation to the Canadian Asset Liability Method ("CALM") and appropriate methods for the group business, assuming best-estimate assumptions together with margins for adverse deviations in accordance with the Canadian Actuarial Standards of Practice (Life). The Deposit Administration reserves are based on the reported funds' balances of each group.

In my opinion, the amount of policy liabilities net of reinsurance recoverables make appropriate provision for all policyholder obligations and the financial statements materially represent the results of the valuation.

Hélène Pouliot, FSA, FCIA, CERA

Affiliate Member of the Caribbean Actuarial Association
Appointed Actuary, Insurance Corporation of Barbados limited – Life & Health Insurance, Annuity and Deposit Administration Portfolio

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June 28, 2021

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CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

INSURANCE CORPORATION OF BARBADOS LIMITED

Responsibility for financial reporting

For the year ended 31 December 2020

The management of Insurance Corporation of Barbados Limited (the "Company") and its subsidiary, collectively (the "Group") is responsible for the preparation of the consolidated financial statements contained in this report. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

Management has established and maintains a system of financial reporting and internal controls to provide reasonable assurance that transactions are properly authorised and recorded. These controls include the careful selection, training, and supervision of qualified employees, the establishment of well-defined responsibilities, and the communication of policies relating to good conduct and business practice. Internal controls are reviewed and evaluated by the Group's internal auditors.

The Audit, Compliance, and Corporate Risk Management Committee, primarily composed of directors who are not officers or employees of the Group, reviews the consolidated financial statements on behalf of the Board of Directors before the statements are submitted to the shareholders.

The shareholders' independent auditor, PricewaterhouseCoopers SRL has audited the consolidated financial statements of the Group in accordance with International Standards on Auditing and has expressed its opinion in its report to the Group's shareholders. The auditor has unrestricted access to and meets periodically with the Audit, Compliance, and Corporate Risk Management Committee to review its findings regarding internal controls over the financial reporting process, auditing matters and reporting issues.

These consolidated financial statements have been authorised for issue by the Board of Directors on 28 July 2021. The Board of Directors has the power to amend these consolidated financial statements after issue, if required.

Glyne Pilgrim, CPA, CGA, FCA
Chief Financial Officer

Independent auditor's report

To the Shareholders of Insurance Corporation of Barbados Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Insurance Corporation of Barbados Limited (the Company) and its subsidiaries (together 'the Group') as at 31 December 2020, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

PricewaterhouseCoopers SRL, The Financial Services Centre, Bishop's Court Hill, P.O. Box 111, St. Michael, BB14004, Barbados, West Indies
T: (246) 626 6700, F: (246) 436 1275, www.pwc.com/bb

Our audit approach

Overview

- Overall group materiality: $803,600, which represents 0.75% of gross written premium for 2020.

- We conducted full scope audits of the Company and its subsidiary, which were identified as two individually financially significant components.
- The audit engagement team was the auditor for both the Company and the subsidiary.

- Valuation of incurred but not reported claims for property and casualty lines.
- Methodologies and assumptions used for determining insurance contract liabilities for life and health claims.
- Expected Credit Losses (ECL) on investments - Probabilities of Default (PD), Loss Given Default (LGD) and Forward-Looking Assumptions.

Audit scope
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our group audit scope
We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In establishing the overall group audit strategy and plan, we determined the type of work that needed to be performed at the components by the engagement team. This consisted of full scope audits on the Company and its subsidiary as each were identified as individually financially significant components. The audit engagement team was the auditor for both the Company and the subsidiary.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	$803,600
How we determined it	0.75% of gross written premium for 2020.
Rationale for the materiality benchmark applied	We chose gross written premium as the benchmark because in our view it is the benchmark against which the share price of the Group trends most closely, and therefore is most meaningful to users of the Group's consolidated financial statements. Gross written premium fairly represents the size and complexity of the business and it is not distorted by insured catastrophe events to which the Group is exposed, or the levels of external reinsurance purchased by the Group. We chose a threshold of 0.75%, which is within the range of acceptable quantitative materiality thresholds for our selected benchmark, to arrive at our determination of materiality.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above $40,100, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of incurred but not reported claims for property and casualty lines *See notes 2(O & P), 4(Bii) and 20 to the consolidated financial statements for disclosures of related accounting policies, judgements and estimates.* Total incurred but not reported reserves as at 31 December 2020 are $4.6 million. The methodologies and assumptions utilized to develop incurred but not reported reserves involves a significant degree of judgement. The liabilities are based on the best-estimate ultimate cost of all claims incurred but not reported, a provision for development on reported claims, together with the related claims handling costs. A range of methods may be used to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims which are subject to assumptions and complex calculations, resulting in an area of focus. Management uses an external actuarial expert to assist in determining the value of claims incurred but not reported.	With the assistance of our actuarial experts, our approach to testing management's valuation of incurred but not reported claims for property and casualty lines involved the following procedures, amongst others: • Challenged management's assumptions and methodologies by performing independent re-projections on selected classes of business, particularly focusing on the largest and most volatile reserves as these were considered higher risk. For these classes, compared our independent claims reserve estimates to those booked by management and sought to understand any significant differences. • For the remaining classes, performed a diagnostic check to identify and follow up any anomalies. In performing this work, compared the Group's actuarial methodologies with those used in the insurance industry and with prior periods. • Tested the completeness, accuracy and reliability of the underlying data utilized by management and their external actuarial expert to support the actuarial valuation. In performing this work, we agreed the premiums and claims information to their underlying records. • Reconciled the data used in the actuarial projections to the accounting records, which included written premiums, earned premiums, claims paid, claims reserves and claims incurred on a gross and net basis. The results of our procedures indicated that the estimates recorded by management for incurred but not reported claims for property and casualty lines were not unreasonable.

Methodologies and assumptions used for determining insurance contract liabilities for life and health claims

See notes 2(O&P), 4(Bi) and 20 to the consolidated financial statements for disclosures of related accounting policies, judgements and estimates.

The reserves for life and health insurance contracts as at 31 December 2020 are $29.8 million.

We focused on the valuation of the provisions for the settlement of future claims, which involves complex and subjective judgements about future events, both internal and external to the business, for which small changes in assumptions can result in material impacts to the valuation of these liabilities. The key assumptions include mortality, morbidity, lapse and policy administration expenses.

Management uses an external actuarial expert to assist in determining these assumptions and in valuing insurance contract liabilities for life and health claims.

With the assistance of our actuarial experts, our approach for testing management's methodologies and assumptions used for determining insurance contract liabilities for life and health claims involved the following procedures, amongst others:

- Tested a sample of contracts to ascertain that contract features were appropriately reflected within the actuarial model.
- Evaluated the methodologies and tested the key assumptions utilized by management's actuarial expert, including mortality, morbidity, lapse and policy administration expenses, in the context of industry and entity-specific facts and circumstances.
- Updated our understanding for any changes impacting the key assumptions and for selected classes of business based on reserve volume, evaluated the key assumptions including mortality, morbidity, lapse and policy administration expenses, all of which are based on the experience of the entity or published industry studies, and consistent with the required actuarial standards of practice.

The results of our procedures indicated that the methods and assumptions used by management for determining insurance contract liabilities for life and health claims were not unreasonable.

Expected Credit Losses (ECL) on investments - Probabilities of Default (PD), Loss Given Default (LGD) and Forward-Looking Assumptions.

See notes 2(l) and 4(A)(i) to the consolidated financial statements for related disclosures.

As at 31 December 2020, a total of $3 million of Expected Credit Loss (ECL) has been accounted for within the investment portfolio, including loans and mortgages.

We have focused on this area because ECL models are subjective and require significant management judgements in relation to probability of default (PD), loss given default (LGD) and forward-looking assumptions.

Probabilities of default (PD): These represent the likelihood of a borrower defaulting on its obligation over the next twelve months or over the remaining lifetime of the obligation. This is one of the three elements used in the ECL calculation. To determine PD for rated investments management use externally sourced PD tables for obligors with the same credit rating. For unrated investments management map their internal ratings to the equivalent external ratings.

LGD parameters are determined using externally sourced data for the recovery rates of claims against defaulted counter parties.

Management develop multiple economic scenarios using forward-looking assumptions to determine a probability weighted ECL.

In applying forward-looking information to the ECL models management assign credit ratings to base, best and worst case scenarios. Each scenario is then weighted to determine the final ECL amount.

With the assistance of our valuation specialists, we performed the following procedures, amongst others, over the Group's ECL model and its calculation of ECL as follows:

- Updated our understanding of management's ECL model including any changes to assumptions and source data.
- Evaluated the appropriateness of the Group's ECL model methodology, data integrity and model performance.
- On a sample basis, tested the critical data fields used in the ECL model for the PD and LGD determination, being maturity date, assigned credit rating, date of default (if any), type of debt security and recovery rates of similar instruments by tracing back to source documents including external public information where available.
- Evaluated the appropriateness of management's judgements and assumptions pertaining to forward-looking scenarios, including credit ratings used in the best, base and worst case scenario, which is the basis of the multiple economic scenarios used, through comparison with available external data and source documentation for the assets held.
- Reperformed the model calculation utilizing management's investment source data at 31 December 2020 for key ECL components including PD and LGD and compared to management's calculations.
- Sensitized management's weighted average probabilities of forward-looking assumptions, as well as compared management's results to our benchmark model and concluded the results were within an acceptable range.

Based on the procedures above, no material exceptions were noted within the Group's ECL on investments.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

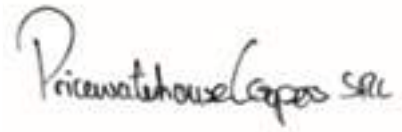
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matter

This report is made solely to the Company's shareholders, as a body, in accordance with Section 147 of the Companies Act of Barbados. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to any enactment or rule of law to the contrary, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Ross Parker.



Bridgetown, Barbados
30 July 2021

INSURANCE CORPORATION OF BARBADOS LIMITED

Consolidated Statement of Financial Position

As at 31 December 2020

(in thousands of Barbados dollars)

	Notes	2020 $	2019 $
ASSETS			
Cash and cash equivalents	6	46,267	51,550
Fixed deposits	7	13,703	13,668
Regulatory deposits	7	1,709	1,632
Investments	8	144,085	138,925
Insurance receivables and other assets	10	27,621	26,123
Reinsurance assets	12	39,714	41,369
Tax recoverable	15	793	797
Deferred policy acquisition costs	11	2,002	2,345
Investment properties	13	29,525	31,850
Property, plant and equipment	14	19,933	19,799
Intangible assets	16	7,003	6,101
Deferred tax asset	15	161	197
Restricted cash	7	15,221	27,725
Total assets		**347,737**	**362,081**
LIABILITIES			
Other liabilities	17	30,908	26,679
Due to related parties	26	-	4,173
Investment contract liabilities	19	68,893	80,987
Insurance contract liabilities	20	128,075	132,938
Retirement benefits obligations	18	934	1,354
Total liabilities		**228,810**	**246,131**
EQUITY			
Share capital	21	39,816	39,816
Contributed surplus		427	427
Statutory reserve	21	54,207	53,709
Accumulated other comprehensive loss	22	(4,656)	(3,341)
Retained earnings		20,506	16,563
Total shareholders' equity		**110,300**	**107,174**
Non-controlling interest in subsidiary		8,627	8,776
Total equity		**118,927**	**115,950**
Total liabilities and equity		**347,737**	**362,081**

Approved by the Board of Directors on 28 July 2021

Jonathan Poulin
Chairman

Geoffrey Scott, B.Com, M.B.A.
Managing Director & Chief Executive Officer

The accompanying notes are an integral part of these consolidated financial statements.

INSURANCE CORPORATION OF BARBADOS LIMITED

Consolidated Statement of Income

For the year ended 31 December 2020

(in thousands of Barbados dollars except for per share amounts)

	Notes	2020 $	2019 $
INCOME			
Gross premiums written		106,979	109,956
Reinsurance ceded		(44,785)	(46,430)
Net premiums written		62,194	63,526
Net change in unearned premiums	20	972	(542)
Net premiums earned		**63,166**	**62,984**
Investment income	8	4,298	6,014
Commission and other income	23	17,150	18,733
Fair value adjustment on investment & other properties	13/14	(3,142)	170
Rental income	13	2,113	2,191
Total income		**83,585**	**90,092**
EXPENSES			
Insurance contracts benefits and expenses			
Life and health policy benefits	24	16,816	14,931
Short-term claim and adjustment expenses	24	17,888	23,183
Commission and acquisition expense		9,393	9,887
Operating expenses	25	33,427	35,787
Amortisation and depreciation expense		1,637	1,975
Total benefits and expenses		**79,161**	**85,763**
Income before income taxes		**4,424**	**4,329**
Income taxes	15	(132)	(101)
Net income for the year		**4,292**	**4,228**
Net income attributable to:			
Shareholders		4,441	3,771
Non-controlling interest in subsidiary		(149)	457
Net income for the year		**4,292**	**4,228**
Earnings per share			
- Basic and fully diluted	21	0.11	0.10

The accompanying notes are an integral part of these consolidated financial statements.

INSURANCE CORPORATION OF BARBADOS LIMITED

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

(in thousands of Barbados dollars)

	Notes	2020	2019
		$	$
Net income for the year after income taxes		4,292	4,228
Other comprehensive loss:			
Items that will not be reclassified to profit or loss			
Re-measurement of retirement benefit obligations	22	(835)	(112)
Re-valuation of property, plant and equipment - Fair value loss	22	-	(2,597)
Investments classified as FVOCI - Fair value (loss)/gain	22	(480)	963
		(1,315)	**(1,746)**
Total other comprehensive income for the year after income taxes		**2,977**	**2,482**
Comprehensive income/(loss) attributable to:			
Shareholders		3,126	2,025
Non-controlling interests in subsidiary		(149)	457
Total comprehensive income for the year		**2,977**	**2,482**

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in **Note 15D**.

The accompanying notes are an integral part of these consolidated financial statements.

INSURANCE COPORATION OF BARADOS LIMITED

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

(in thousands of Barbados dollars)

	Notes	2020 $	2019 $
Share capital			
Balance - beginning of year	21	39,816	39,816
Balance - end of year		**39,816**	**39,816**
Contributed surplus			
Balance - beginning of year		427	427
Balance - end of year		**427**	**427**
Statutory reserve			
Balance - beginning of year		53,709	53,509
Transfer to catastrophe reserve	21	498	200
Balance - end of year		**54,207**	**53,709**
Accumulated other comprehensive income			
Balance - beginning of year		**(3,341)**	(1,595)
Other comprehensive loss for the year	22	(1,315)	(1,746)
Balance - end of year		**(4,656)**	**(3,341)**
Retained earnings			
Balance - beginning of year		16,563	18,107
Net income for the year attributable to shareholders		4,441	3,771
Dividends	28	-	(5,115)
Transfer to catastrophe reserve	21	(498)	(200)
Balance - end of year		**20,506**	**16,563**
Total equity attributable to shareholders of the company		**110,300**	**107,174**
Attributable to non-controlling interests			
Balance - beginning of year		8,776	8,319
Net income for the year		(149)	457
Balance - end of year		**8,627**	**8,776**
Total equity		**118,927**	**115,950**

The accompanying notes are an integral part of these consolidated financial statements.

INSURANCE CORPORATION OF BARBADOS LIMITED

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

(in thousands of Barbados dollars)

	2020 $	2019 $
Cash flows from operating activities		
Income before tax	4,424	4,329
Adjustments for:		
Investment income	(4,298)	(6,014)
Fair value adjustment on investment & other properties	3,142	(170)
Depreciation of property, plant and equipment	1,163	1,487
Amortisation of intangible assets	474	488
Sale of property, plant and equipment	230	(148)
Impairment of property, plant and equipment	10	-
Change in assets and liabilities:		
Insurance receivables and other assets	(1,498)	2,825
Deferred policy acquisition costs	343	(111)
Reinsurance assets	1,655	2,768
Retirement benefit obligations	(420)	(603)
Restricted cash	1,646	-
Other liabilities	4,229	7,253
Due to related parties	(4,173)	449
Investment contract liabilities	(1.975)	(4,165)
Insurance contract liabilities	(4,863)	(5,858)
Cash generated from operations	89	2,530
Income taxes paid	(120)	(167)
Interest received	3,974	5,794
Net cash generated from operating activities	**3,943**	**8,157**
Cash flows from investing activities		
Purchase of investments	(22,480)	(10,165)
Purchase of fixed deposits	(1,000)	-
Maturity of fixed deposits	656	-
Proceeds from sales/maturities of investments	17,402	9,054
Investment property- additions and improvements	(328)	(280)
Acquisition of property and equipment	(2,100)	(2,525)
Proceeds from sale of property and equipment	-	161
Acquisition of intangible assets	(1,376)	(1,002)
Net cash (used in) investing activities	**(9,226)**	**(4,757)**
Cash flows from financing activities		
Cash dividends paid to shareholders	-	(5,115)
Net cash used in financing activities	**-**	**(5,115)**
Decrease in cash and cash equivalents	(5,283)	(1,715)
Cash and cash equivalents - beginning of year	51,550	53,265
Cash and cash equivalents - end of year (Note 6)	**46,267**	**51,550**

The accompanying notes are an integral part of these consolidated financial statements.

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

(in thousands of Barbados dollars except for per share amounts)

1. NATURE OF THE GROUP AND ITS BUSINESS

Insurance Corporation of Barbados Limited (the "Company") was incorporated on 17 January 1994 under the Companies Act, Cap. 308 of the Laws of Barbados.

The Company commenced operations on 5 December 2000, when it assumed the assets and liabilities of Insurance Corporation of Barbados (ICB) pursuant to the Insurance Corporation of Barbados (Transfer and Vesting of Assets) Act, 2000. Previously, ICB operated under the Insurance Corporation of Barbados Act, Cap. 311 of the Laws of Barbados. This Act was repealed on 5 December 2000.

Effective 1 January 2019, the Insurance Act, Cap. 310 was amended to provide for three classes of licences under which insurance entities will be classified and regulated. ICBL was granted a class 2 licence which covers insurance companies which underwrite or can underwrite third party business.

The principal activity of the Company is to undertake and carry on all classes of insurance business. The Company and its subsidiary (the "Group") also manage pension plans and the rental of office space in the Weymouth Corporate Centre. The Company's registered office is located at Roebuck Street, St. Michael, Barbados.

The Company has a 72.35% interest in a joint venture with the National Insurance Board ("NIB") in respect of the Weymouth Corporate Centre and controls the operation of the entity. This investment is fully consolidated in these financial statements and the interest related to the NIB is accounted for as non-controlling interest.

Effective 2 September 2020, BF&M Limited ("BF&M") a company incorporated in Bermuda, through its wholly owned subsidiary, Hamilton Financial Limited, domiciled in St. Lucia, sold their 51.2% interest in the issued and outstanding shares of the Company. These shares were acquired by Payne's Bay Finance ("PBF", "Ultimate Parent Company"), a company incorporated in Barbados and controlled by Jonathan Poulin. PBF's shareholding stands at 56.9% of the issued and outstanding shares at 31 December 2020. The remaining 43.1% of the shares are widely held. The Company trades on the Barbados Stock Exchange.

On 28 July 2021 the Board of Directors approved the consolidated financial statements and authorised them for issue. The Board of Directors has the power to amend the financial statements after issue.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A. Statement of Compliance

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

B. Basis of Preparation

i) Basis of measurement

The consolidated financial statements have been compiled on the going concern basis and prepared on the historical cost basis, as modified by the revaluation of: financial assets at fair value through other comprehensive income (FVOCI), financial assets at fair value through profit and loss, investment properties, certain property, plant and equipment and defined pension plan assets at fair value. The consolidated statement of financial position is presented in order of liquidity.

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

(in thousands of Barbados dollars except for per share amounts)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Preparation (continued)

ii) Critical Estimates, Judgements and Assumptions

All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions.

It is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumptions made could require a material adjustment to the carrying amount of the asset or liability affected. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included below:

- establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of Expected Credit Loss (ECL) and selection and approval of models used to measure ECL (See **Note 4A(i)**).
- The actuarial assumptions used in the valuation of insurance and investment contract liabilities using Policy Premium Method ("PPM") which approximates the Canadian Asset Liability Method ("CALM") require significant judgement and estimation. Key assumptions and considerations in choosing assumptions are discussed in **Notes 2O and 2P** and sensitivities are discussed in **Notes 4B and 20**.
- The estimate of the ultimate liability arising from claims under short-term insurance contracts. (See **Notes 4B and 20)**.
- In the determination of the fair value of financial instruments, the Group's management exercises judgement in the determination of fair value inputs. (See **Notes 8 and 9**).
- The actuarial assumptions used in determining the liability and expense of the Group's retirement benefit obligations. Management reviews previous experience of its plan members and market conditions for the year (See **Note 18**).
- Management uses independent qualified appraisal services to assist in determining the fair value of investment properties or properties providing collateral for mortgages. This fair value assessment requires judgements and estimates on future cash flows and general market conditions (See **Note 9**).

Management has assessed the effect of COVID-19 on its operations and have concluded that there is no significant impact on the Company's ability to operate as a going concern or meet its operating objectives.

C. Consolidation

i) Subsidiary

Subsidiaries are all entities over which the Company has control. Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date control is transferred to the Company and deconsolidated on the date control ceases.

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

(in thousands of Barbados dollars except for per share amounts)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Consolidation (continued)

i) Subsidiary (continued)

The Company's 72.35% owned joint venture is consolidated as the Group controls the operations of the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Inter-company transactions, balances and unrealised gains (losses) on transactions between companies are eliminated on consolidation. When necessary, amounts reported by the subsidiary have been adjusted to conform to the Company's accounting policies.

ii) Transactions with non-controlling interest

The Company applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Company.

iii) Information about unconsolidated investment entity

When assessing control over an investee, an investor considers the nature of its relationship with other parties and whether those other parties are acting on the investor's behalf; that is, acting as a de facto agent. The determination of whether other parties are acting as de facto agents requires judgement, considering not only the nature of the relationship but also how those parties interact with each other and the investor.

ICBL holds non-voting equity interests in Harrison Gold Opportunity Inc. ("HGI"), while the voting interests are held 100% by JPK Capital Holdings (Barbados) Inc., a company that is beneficially owned by ICBL's Chairman.

When assessing whether the Company has control of HGI, management considered the Company's relationship with its Chairman and whether the Company has the ability to direct decision-making rights of the Chairman pertaining to its investments in HGI and by extension the third-party investments.

In making this assessment, the Company considered that the Chairman has de facto control over ICBL at the dates of the Company's investments; therefore, the Chairman should not be perceived to be a de facto agent of ICBL.

The following facts were also considered to assess the relationship between ICBL and its Chairman:

- Regardless of the relationship with ICBL, the Chairman's interests in HGI would remain with full ability to control decisions as they pertain to HGI.
- The Chairman has not relied on any financial support from the Company in making his investment, and therefore the risk of loss and reward to the Chairman personally is significant.
- There are no contractual rights providing the Company with decision making power over the Chairman.
- The Chairman's level of expertise and knowledge in operating HGI.

When combining these considerations with the fact that the Chairman has the casting vote on decisions of HGI, and therefore governs relevant activities of the investees, management has concluded that the Company (ICBL) does not have power over HGI, and therefore did not consolidate these investments. Subsequently in 2021, the Company cancelled its relationship with HGI (see **Note 26E**).

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

(in thousands of Barbados dollars except for per share amounts)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Determination of fair value

Fair value is determined based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using the assumptions that market participants would use when pricing an asset or liability.

When available, quoted market prices are used to determine fair value. If quoted market prices are not available, fair value is typically based on alternative valuation techniques such as discounted cash flows and other techniques. When observable valuation inputs are not available, significant judgement is required to determine fair value by assessing the valuation techniques and inputs. For bonds and fixed income securities, fair value is determined by discounting expected future cash flows using current market rates. Judgement is also applied in adjusting external observable data for items including liquidity and credit factors. A description of the fair value methodologies and assumptions by type of asset is included in **Note 9**.

E. Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer ("CEO").

F. Foreign Currency Translation

i) Functional and presentation currency

Items included in the financial statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). All amounts in the consolidated financial statements, excluding per share data or where otherwise stated, are in thousands of Barbados dollars, which is the Company's functional and presentation currency.

ii) Transactions and balances

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities, outstanding at the year-end and denominated in currencies other than the functional currency of the Company or its subsidiary are translated into the functional currency using the rate of exchange prevailing at the consolidated statement of financial position date. Income and expenses are translated at rates of exchange in effect on the transaction dates. Foreign exchange gains and losses are expensed in the consolidated statement of income.

G. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly liquid financial assets with original maturities of three months or less and bank overdrafts. The carrying value of cash and cash equivalents approximates their fair value.

Restricted cash and cash equivalents consist of cash being held on account of various pension plans and cash held on account for dividends issued but not collected to satisfy regulatory requirements. These amounts are not available for use in the Group's daily operations and therefore are excluded in the statement of cash flows.

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

(in thousands of Barbados dollars except for per share amounts)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Fixed and Regulatory Deposits

Regulatory deposits are held with Regulators as a legal requirement in order to provide services. Fixed/term deposits are investments with original maturity dates longer than 90 days and are held with financial institutions. The carrying value of regulatory and fixed deposits approximates their fair value.

I. Financial Instruments

Financial Assets

Classification, recognition and subsequent measurements of financial assets

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or Fair value through profit and loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition, unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest "(SPPI") on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is not held for trading.
- It is not contingent consideration arising from a business combination.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

(in thousands of Barbados dollars except for per share amounts)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Financial Instruments (continued)

Business model assessment

The Group assesses the objective of the business model in which a financial asset is held for each portfolio of financial assets because this best reflects the way that the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are managed and whose performance is evaluated on a fair value basis, which include underlying items of participating contracts, and financial assets that are held for trading are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. However, the principal may change over time - e.g. if there are repayments of principal.

Assessment whether contractual cash flows are solely payments of principal and interest

Interest is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

(in thousands of Barbados dollars except for per share amounts)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Financial Instruments (continued)

Assessment whether contractual cash flows are solely payments of principal and interest (continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Group's claim to cash flows from specified assets - e.g. non-recourse asset arrangements; and
- features that modify consideration of the time value of money - e.g. periodic reset of interest rates.

A prepayment feature is consistent with the 'solely payments of principal and interest' criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

In addition, for a financial asset acquired at a premium or discount to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion, if the fair value of the prepayment feature is insignificant on initial recognition.

Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Financial Instruments (continued)

Modifications of financial assets and financial liabilities (continued)

Financial assets (continued)

For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method (see **Note 2(I)** below).

Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss.

For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Impairment

The Group recognises loss allowances for expected credit losses (“ECL”) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- broker premium receivables;
- loan commitments issued.

Note that Direct Premium Receivables fall under IFRS 4 and are out of scope for IFRS 9.

No allowance for ECL is recognised on equity investments.

INSURANCE CORPORATION OF BARBADOS LIMITED

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Financial Instruments (continued)

Impairment (continued)

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than broker receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for Broker receivables are always measured at an amount equal to lifetime ECL.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- *financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Financial Instruments (continued)

Credit-impaired financial assets (continued)

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A financial asset that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as assets measured at amortised cost - as a deduction from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Investments

The 'investments' caption in the statement of financial position includes:

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- equity investment securities fair value through profit and loss (FVTPL);
- equity investment securities designated as at FVOCI; and
- loans and receivables measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

The Group elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

INSURANCE CORPORATION OF BARBADOS LIMITED

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Financial Instruments (continued)

Investments (continued)

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment. Dividends on equity instruments are recognised in the consolidated statement of income on the ex-dividend date.

The Company classifies equity investments as FVTPL where on initial recognition they were not designated as FVOCI. Attributable transaction costs on initial recognition are recognised in profit and loss. Realised and unrealised fair value changes, and dividends are captured in investment income.

Effective interest rate

Interest income is recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income

The effective interest rate of a financial asset is calculated on initial recognition of a financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired). The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

INSURANCE CORPORATION OF BARBADOS LIMITED

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For the year ended 31 December 2020

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Financial Instruments (continued)

Calculation of interest income (continued)

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

See credit-impaired financial assets at **Note 2l** for further details.

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss includes interest on financial assets measured at amortised cost.

Financial liabilities

The Group has financial liabilities which include investment contract liabilities, amounts due to affiliates and other liabilities. Such financial liabilities are initially recognised at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost. Included under other liabilities are accounts payable. Other liabilities are considered short-term payables with no stated interest and the carrying value of these financial liabilities approximates fair value at the reporting date. All other liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provision of the instrument.

J. Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets comprise investment properties, property and equipment and intangible assets. Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Non-financial assets that are subject to amortisation are reviewed for impairment whenever there is objective evidence of impairment.

Objective evidence includes, but is not limited to the following: (i) adverse economic, regulatory or environmental conditions that may restrict future cash flows and asset usage and/or recoverability; (ii) the likelihood of accelerated obsolescence arising from the development of new technologies and products; and (iii) the disintegration of the active market(s) to which the asset is related. If objective evidence of impairment exists, then the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount and is recognised as losses in operating expenses in the consolidated statement of income. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions of the time value of money and the risks specific to the asset. Assets which cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (cash-generating units).

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Investment Properties

Investment properties are defined as properties with an insignificant portion that is owner occupied and are held for long-term rental yields or capital appreciation and comprise freehold land and buildings. Properties that do not meet these criteria are classified as property and equipment. Investment properties are initially recognised at costs including related transaction costs and subsequently measured at fair value. The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions. Fair values for investment properties are assessed annually. The fair value is assessed using the most recently available reports from a qualified external appraisal service. Any gain or loss arising from a change in fair value is included as fair value adjustments in investment property on the consolidated statement of income.

Transfers to, or from, investment property are made when there is a change in use of the property, evidenced by commencement of owner-occupation, end of owner-occupation, commencement of an operating lease to another party, or end of construction or development.

L. Property, Plant and Equipment

Land and buildings

The Group's land and buildings are carried at a re-valued amount, being fair value at the date of the revaluation less any subsequent accumulated depreciation and any accumulated impairment losses. Valuations are performed on a triennial basis such that the carrying amount does not differ materially from that which would be determined using fair value at the statement of financial position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Valuations were performed by a professional firm of certified valuers as at December 2019. Direct sales comparisons, when such data is available, and income capitalisation, when appropriate are included in the assessment of fair value.

When an item of land and building is re-valued, the entire class of land and building to which that asset belongs is re-valued. When an asset's carrying amount is increased as a result of a revaluation, the increase is recognised as other comprehensive income and is included in equity under accumulated other comprehensive income. A revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised as an expense. However, a revaluation decrease is charged directly against any related revaluation surplus to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same asset.

Land is not depreciated. Depreciation on buildings is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives at the rate of 50 years.

Furniture, Equipment and Leasehold improvements

Furniture, equipment and leasehold improvements are carried at cost less any accumulated depreciation and any accumulated impairment losses. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditures relating to ongoing maintenance of property and equipment are expensed as incurred in operating expenses in the consolidated statement of income.

INSURANCE CORPORATION OF BARBADOS LIMITED

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Property, Plant and Equipment (continued)

Furniture, Equipment and Leasehold improvements (continued)

Depreciation on these assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives at the following rates:

- Motor vehicles 5 years
- Plant and equipment 5 - 10 years
- Leasehold improvements 20 years

The assets' residual values, useful lives and method of depreciation are reviewed at the end of each reporting period and adjusted if appropriate. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is considered impaired and it is written down immediately to its recoverable amount. In the event of improvement in the estimated recoverable amount, the related impairment may be reversed. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in commissions and other income in the consolidated statement of income.

M. Leases

i) The Company as a lessee

The Company leases various buildings, equipment and vehicles. Rental contracts are typically made for fixed periods but may have extension options described further below. These leases do not include residual value guarantees or purchase options.

From 1 January 2019, lease contracts that contain an identified asset for which the Company has the right to direct the use of the identified asset and obtain substantially all of the economic benefits through the period of use are recognised on the consolidated statement of financial position as a right-of-use asset within Property and Equipment and a corresponding liability within Other Liabilities (see Note 17) at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments: fixed payments, less any lease incentives receivable; variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date; lease payments for reasonably certain renewal options; and payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Leases (continued)

i) The Company as a lessee (continued)

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the Group as a starting point, which is then adjusted to reflect changes in financing conditions since the third-party financing was received;
- because all third-party financing is to be arranged at the Group level, the use of the Group financing rates has been applied.

Lease payments are allocated between principal and finance cost. The finance cost is charged to consolidated statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following: the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and any restoration costs. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

- Motor Vehicles 5 years
- Leasehold Buildings 3 - 5 years

Payments associated with short-term leases with a lease term of 12 months or less and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Extension and termination options are included in a number of property leases held by the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The probability of renewal (or termination) is assessed using several factors such as: suitability and location of the asset; comparison to market rates; historical lease durations; costs and business disruption to replace the lease assets; and any other relevant factors. Most extension options in equipment and vehicles leases have not been included in the lease liability, because the group could replace the assets without significant cost or business disruption.

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For the year ended 31 December 2020

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Leases (continued)

ii) The Company as a lessor

Where the Company is the lessor under an operating lease for its investment properties, lease arrangements are fixed and income is credited to the consolidated statement of income on a straight-line basis over the period of the lease. In addition, the tenant can renew their lease when their tenancy is nearing expiry. There are no contingent rentals included in the lease agreements.

N. Intangible Assets

Software development costs

Cost associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable software products controlled by the Group are recognised as intangible assets when:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it;
- there is an ability to use the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software development include employee costs and an appropriate portion of directly attributable overheads. Other development expenditures that do not meet these criteria are expensed when incurred. Capitalised software development costs for projects in use are amortised on a straight-line basis over their useful lives, which range from 3 to 10 years.

O. Insurance and Investment Contract Classification

The Group issues contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts where the Group (the insurer) has accepted significant insurance risk from another party, the policyholder or ceding company, by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. In addition, the Group considers the proportion of premiums received to the benefit payable if the insured event did occur. Insurance contracts can also transfer financial risk.

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

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Insurance and Investment Contract Classification (continued)

Life and health insurance contracts include term, whole life and universal life insurance contracts, Group life insurance policies, health insurance contracts and life contingent annuities. The Group holds whole life contracts, which are non-participating contracts.

Short-term insurance contracts include property, casualty, motor, marine and other specialty insurance contracts. These contracts are all non-participating contracts.

P. Insurance Contract Liabilities

i) Life and health insurance contracts

These contracts, meaning insurance contract liabilities, (non-participating) include all forms of life, health and accident insurance and life contingent annuities sold to individuals and groups. A provision for life and health insurance liabilities is made which represents the amounts required, in addition to future premiums and investment income, to provide for future benefit payments, policyholder dividends, commission and policy administrative expenses for all in-force life insurance and annuity policies. These benefits are determined using generally accepted actuarial practices according to standards established by the Canadian Actuarial Standards Board (“ASB”). In accordance with these standards, the provisions have been determined using the PPM as an approximation of Canadian Asset Liability Method (“CALM”).

The insurance liabilities under PPM are calculated by projecting asset and liability cash flows under a variety of interest rate scenarios using best estimate assumptions, together with margins for adverse deviations with respect to other contingencies pertinent to the valuation. Long-term business provisions make sufficient allowance for the expected experience scenario and for adverse deviations in experience.

Liabilities derived through PPM as an approximation to CALM rely on a combination of Group and industry specific experience in order to determine the best estimate assumptions and corresponding margins for adverse deviations. Many of the estimates used in actuarial valuation relate to future events and involve a significant amount of judgement. As a result, these estimates are subject to revision on a regular basis. Expected reinsurance recoveries, net of any required provision for impairment are estimated using principles consistent with the Group’s method for establishing the related liability and are recorded in accordance with the terms of the Group’s reinsurance agreements.

ii) Short-term insurance contracts

Claims and loss adjustment expenses are charged to insurance contract benefits and expenses in the consolidated statement of income as incurred based on the estimated ultimate liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Group. The provision for outstanding claims and claims adjustment expenses on property and casualty reserves is shown on a discounted basis, which estimates the present value of funds required to pay claims at future dates assuming appropriate interest rates and payment profiles. These reserves are discounted at a rate of 4.20% (2019 – 4.25%) based on estimated loss payout patterns. However, such liability is necessarily based on estimates and the ultimate liability may exceed the Group’s estimates.

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For the year ended 31 December 2020

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Insurance Contract Liabilities (continued)

ii) Short-term insurance contracts (continued)

A provision for short-term insurance liabilities is made for the estimated costs of claims notified but not settled at the statement of financial position date, using the best information available at that time. In addition to development on known claims, a provision is included for losses and loss adjustment expenses incurred but not reported on the basis of past experience. The provision is based on an actuarial analysis of the Group's underwriting year or accident year development experience. The provision is determined using generally accepted actuarial practices in Canada. The method of making such estimates and for establishing the resulting provisions is reviewed and updated annually and any adjustments resulting there from are reflected in earnings in the period in which they are determined. Expected reinsurance recoveries on claims, net of any required provision for doubtful amounts, are estimated using principles consistent with the Group's method for establishing the related liability, and are in accordance with the terms of the Group's reinsurance agreements.

iii) Deferred policy acquisition costs ("DAC") related to insurance contracts

For short-term insurance contracts, commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised. All other costs are recognised as expenses when incurred. The DAC is subsequently amortised over the term of the policies as premium is earned. For life and health business, commissions are recognized generally on the settlement of premiums.

iv) Reinsurance contracts held related to insurance contracts

The Group uses reinsurance in the normal course of business to manage its risk exposure. Contracts entered into by the Group with reinsurers, under which the Group is compensated by the reinsurers for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts, are classified as reinsurance contracts held. Reinsurance assets are measured using the amounts and assumptions associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract.

To further mitigate underwriting risk, the Group purchases reinsurance to share part of the risks originally accepted by the Group in writing premiums. This reinsurance, however, does not relieve the Group of its primary obligation to policyholders. If any reinsurers are unable to meet their obligations under the related agreements, the Group remains liable to its policyholders for the unrecoverable amounts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are amortised consistent with the underlying insurance contracts.

The Group assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its estimated recoverable amount and recognises that impairment loss in the consolidated statement of income.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Insurance Contract Liabilities (continued)

v) Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed on short-term insurance contracts to ensure the adequacy of the contract liabilities net of related 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 the consolidated statement of 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.

vi) Subrogation reimbursements

The Company has the right to pursue third parties for payments of some or all costs. Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

The Company maintains a provision against the local recoveries for claims based on a percentage of the total local recoveries for claims.

Q. Investment Contracts

Investment contracts are those contracts that do not transfer significant insurance risk but do transfer financial risk from the policyholder.

The Company's investment contracts include pension plans with a minimum rate of return and annuities that do not transfer insurance risk. All investment contracts issued are non-participating. The Company maintains the right to vary the rate of return upon the provision of three (3) months' notice.

Liabilities for investment contracts are measured at amortised cost. Contracts recorded at amortised cost are initially recorded at fair value and re-measured at amortised cost in each subsequent period using the effective interest rate. Changes in investment contract liabilities are recorded as a change in investment contract benefits expense in the consolidated statement of income. These liabilities are de-recognised when the obligation of the contract is discharged, cancelled or expired. Additionally, gains/losses on the related investments are recorded against the contract liabilities.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Receivables and Payables Related to Insurance and Investment Contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance and investment contract holders. These receivables and payables are included in insurance receivables and other assets, insurance and investment contract liabilities and other liabilities on the consolidated statement of financial position.

Receivables, which, are due from insurance contract holders, are not in scope for IFRS 9 but are accounted for under IFRS 4. Those contracts held through brokers are in scope for IFRS 9 treatment.

If there is objective evidence that the receivable is impaired, the Group reduces the carrying amount of the receivable accordingly and recognises that impairment loss in the consolidated statement of income. The Group gathers the objective evidence that a receivable is impaired using the same process adopted for loans and receivables in Note 2I above. The impairment loss is calculated using the same method used for these financial assets.

S. Current and Deferred Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of income, except to the extent that it relates to items recognised in the consolidated statement of comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the Group operates and generate taxable income.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statement of financial position.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The tax effect of carry-forwards of unused tax losses are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised. When management's assessment indicates that it is more likely than not that deferred income tax assets will not be realised, a valuation allowance is recorded against the deferred tax assets.

T. Employee Benefits

The Company operates various post-employment schemes, including both defined benefit and contribution pension plans and post-employment medical plans.

i) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. With respect to the Group's defined contribution plan, the Group pays contributions into the plan and has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Employee Benefits (continued)

i) Pension obligations (continued)

A defined benefit plan is a pension plan, which the Group is obligated to pay a specified benefit based on a predetermined formula. The liability recognised in the consolidated statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the financial reporting period less the fair value of plan assets. When the calculation results in a surplus, the asset recognised is limited to the present value of the future economic benefit available in the form of future refunds for the plan or reduction in future contributions to the plan (the asset limit). The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market interest rates of government bonds that have terms to maturity that approximate the terms of the related pension liability. Annual changes in net assets or obligations arising from plan amendments and transitional amounts are amortised over the expected average remaining service life of the employees covered by the plan.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in the consolidated statement of income.

ii) Other post-employment obligations

In addition to pension benefits, the Group provided post-retirement benefits for health care to qualified employees who retired prior to 1 January 2014. The entitlement to these benefits was usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits were accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans.

Annual changes in the post-retirement benefits for health care obligations arising from plan amendments were amortised on a straight-line basis over the expected average remaining service life to full eligibility age of employees covered by the plan. Actuarial gains and losses are charged or credited to equity in other comprehensive income in the period in which they arise. In the current year, only interest on the obligation is recognized in the statement of income.

iii) Profit share and bonus plan

The Company recognises a liability and expense for bonuses and profit sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company makes payments based on the achievements of targets based on pre-determined key performance indicators.

iv) Employee share purchase plan

The Company operates an employee share purchase plan that allows its employees to purchase the Company's common shares at below market rates, subject to certain restrictions. Shares are offered at a discount to the shares' fair values, as determined by the market share price on the date of purchase. Employees may purchase shares up to a maximum percentage of their gross salary. The discount is charged to compensation expense in the period in which the shares are purchased.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Employee Benefits (continued)

v) Share-based compensation

The Company has an Equity Incentive Plan under which the Company receives services from employees as consideration for equity instruments of the Company. Stock grants are issued to the employees equal to the fair value of the shares on the grant date. The amount of the benefit of these share grants are amortised over the vesting period as operating expense in the statement of income. If the Company grants share options to employees that vest in the future if they are still employed, then the fair value of the options will be calculated at the date the options are granted. This fair value will be charged to the statement of income equally over the vesting period with adjustments at each accounting date to reflect the best estimate of the number of options that will eventually vest.

The grant by the Company of its equity instruments to employees is treated as a capital contribution by the Company. The fair value of the employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase in additional paid in capital, with a corresponding charge to operating expenses.

U. Revenue Recognition

Revenue comprises the fair value for services. Revenue is recognised as follows:

i) Premium income

Premiums on most life and health insurance contracts and life contingent annuity investment contracts are recognised as revenue when due from the policyholder.

For short-term insurance products, premiums written are earned on a pro-rata basis over the terms of the policies to which they are related. Unearned premiums represent the portion of premiums written that relate to the period of risk subsequent to the year-end. Unearned premiums are included as a component of insurance contract liabilities in the consolidated statement of financial position.

ii) Commission income

For short-term reinsurance contracts, commission income is recognised over the term of the related reinsurance contracts and in accordance with the expensing of the related reinsurance premiums. Commission income on long-term insurance contracts is recognised when earned and the amount is readily determinable. The recognition of profit commissions is also dependent on the loss experience underlying such reinsurance policies.

iii) Service contracts

Revenue arising from the management of service contracts, pension administrative services and management services offered by the Group is included within commission and other income in the consolidated statement of income. Revenue is typically recognised at the point in time when services are rendered. The majority of the revenue from service contracts is comprised of variable consideration and is recognised when it is highly probable that a significant reversal in the amount of the revenue recognised will not occur. Fees collected from rental of investment properties are recognised as rental income.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

V. Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognised as a deduction from equity.

W. Dividend Distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated statement of financial position in the period in which the dividends are approved by the Company's Board of Directors.

X. Earnings Per Share

Basic earnings per share is presented in the consolidated statement of income and is calculated by dividing the shareholders' net earnings for the year by the weighted average number of ordinary shares outstanding at the reporting date. Diluted earnings per share is calculated by dividing the shareholders' net earnings by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. When there is a loss, no potential common shares are included in the computation of fully diluted earnings per share.

Y. Related Party Transactions

Two parties are considered to be related if one party has the ability, directly or indirectly to control the other party or to exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individual or corporate entities.

3. NEW AND REVISED ACCOUNTING STANDARDS

A. New and Revised Accounting Standards Adopted in 2020

The Company has applied the following amendments for its annual reporting period commencing 1 January 2020:

i) IAS 1- *Presentation of Financial Statements and IAS 8 - Accounting Policies (Amendment)*
ii) IFRS 3 - *Business Combinations (Amendment)*
iii) IAS 39, IFRS 7 & 9 - *Financial Instruments*
iv) Conceptual Framework *(Amendment)*

- *IAS 1 - Presentation of Financial Statements ("IAS 1") and IAS 8* - Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") - In October 2018, The IASB issued amendments to IAS 1 and IAS 8, which are effective for annual periods beginning on or after 1 January 2020. The amendments are to clarify the definition of "material" and to improve consistency in its application. Adoption of these amendments did not have a material impact to the Company.

- *IFRS 3 - Business Combinations ("IFRS 3")* - Amendments to IFRS 3 were issued in October 2018 and are effective for business combinations occurring on or after 1 January 2020. The amendments clarify the definition of a business and provide a simplified assessment in determining whether a transaction represents a business combination or an acquisition of a group of assets. Adoption of these amendments did not have a material impact to the Company.

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3. NEW AND REVISED ACCOUNTING STANDARDS (continued)

A. New and Revised Accounting Standards Adopted in 2020 (continued)

- *IFRS 9 - Financial Instruments, IAS 39 - Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures* - These standards were amended on 26 September 2019. The IASB issued Interest Rate Benchmark Reform as a first reaction to the potential effects the interbank offered rates (IBOR) reform could have on financial reporting. These amendments provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. The amendments are effective for annual reporting periods beginning on or after 1 January 2020. Adoption of these amendments did not have a material impact to the Company.

- *Conceptual Framework* - Together with the revised 'Conceptual Framework' published in March 2018, the IASB also issued 'Amendments to References to the Conceptual Framework in IFRS Standards'. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The amendments are effective for annual periods beginning on or after 1 January 2020. Adoption of this amendment did not have a material impact to the Company.

B. New and Revised Accounting Standards to be Adopted in 2021 or Later

- *IAS 1 - Presentation of Financial Statements ("IAS 1")* - On 23 January 2020, the IASB issued 'Classification of Liabilities as Current or Non-current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Adoption of these amendments is not expected to have a significant impact to the Company. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

- *IAS 16 - Property, Plant and Equipment ("IAS 16")* - On 14 May 2020, the IASB issued 'Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16)' regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management. The amendment prohibits a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Adoption of these amendments is not expected to have a significant impact to the Company.

- *Annual improvements cycle 2018-2020* - On 14 May 2020, the IASB issued 'Annual Improvements to IFRS Standards 2018-2020'. The pronouncement contains amendments to four International Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Adoption of these amendments is not expected to have a significant impact to the Company.

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3. NEW AND REVISED ACCOUNTING STANDARDS (continued)

B. New and Revised Accounting Standards to be Adopted in 2021 or Later (continued)

- *IAS 37 - Provisions, Contingent Liabilities and Contingent Assets ("IAS 37")* - On 14 May 2020, the IASB issued 'Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)' amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Adoption of these amendments is not expected to have a significant impact to the Company.

- *IFRS 3 - Business Combinations ("IFRS 3")* - On 14 May 2020, the IASB issued 'Reference to the Conceptual Framework (Amendments to IFRS 3)' with amendments to IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing its requirements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

- IFRS 16 - Leases ("IFRS 16") - On 28 May 2020, the IASB published 'COVID-19-Related Rent Concessions (Amendment to IFRS 16)' amending the standard to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment is effective for annual reporting periods beginning on or after 1 June 2020. Adoption of this amendment did not have a material impact to the Company.

- *IFRS 17 - Insurance Contracts ("IFRS 17")* - This new standard was issued in May 2017 and supersedes IFRS 4 and related interpretations and is effective for periods beginning on or after 1 January 2023. Whereas IFRS 4 allows insurance entities to use their local Generally Accepted Accounting Principles when accounting for insurance contracts, IFRS 17 defines rules with the aim to increase the comparability of financial statements. The standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. The implementation and impact of this standard is currently being assessed and is expected to have a significant impact on the Company.

- *'Interest Rate Benchmark Reform'* Phase 2 amendments - On 27 August 2020, the IASB issued Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 1 January 2021. Adoption of these amendments is not expected to have a significant impact to the Company.

There are no other new or amended IFRS's or IFRIC interpretations that are not yet effective that would be applicable and expected to have a material impact on the Company.

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4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK

Risk management and objectives

The Group's primary objective in undertaking risk management activity is to manage risk exposures in line with risk appetite, minimizing its exposure to unexpected financial loss and limiting the potential for deviation from anticipated outcomes. In this respect, a framework of limits and qualitative statements, aligned with the Group's risk appetite, is in place for material exposures. Key management recognises the critical importance of having efficient and effective risk management systems in place.

A significant part of the Company's business involves the acceptance and management of risk. The Company is exposed to insurance, market, credit, liquidity and operational risks and operates a formal risk management framework to ensure that all significant risks are identified and managed.

The Group seeks to manage its exposures to risk through control techniques, which ensure that the residual risk exposures are within acceptable tolerances agreed by the Board of Directors. The Group has established a risk management function with terms of reference from the Board of Directors, its committees and the associated executive management committees. This is supplemented with an organizational structure with documented delegated authorities and responsibilities from the Board of Directors to executive management committees and senior managers. The key control techniques for the major categories of risk exposure are summarised in the following sections.

Risks are usually grouped by risk type: (i) financial, including credit, liquidity and market, and (ii) insurance, including life and health insurance and short-term insurance risk. Risks falling within these types may affect a number of key metrics including those relating to balance sheet strength, liquidity and profit. The risk factors mentioned below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties.

Assets, which relate to certain life insurance and investment contracts are managed for the account and risk of the Group's customers.

A. Financial Risks

i) Credit risk

Credit risk is the exposure that a counter-party to a financial instrument is unable to meet an obligation, thereby causing a financial loss to the Group. The Group faces credit risk on its financial assets.

The following policies and procedures are in place to manage this risk:

- Holding a diversified investment portfolio that focuses on quality of investment. The portfolio is monitored and reviewed regularly by management's Investment Committee and by the Board of Directors', Finance, and Corporate Governance Committees;
- Investment guidelines are in place that minimize undue concentration of assets in any single group, asset class or credit rating;
- Investment guidelines specify collateral requirements for mortgages and loans and receivables which include the underlying property or other security; and

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4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

Risk management and objectives (continued)

A. Financial Risks (continued)

i) Credit risk (continued)

- Transacting business with well-established reinsurance companies with strong credit ratings.
- Transacting business with well-established financial institutions and diversification of holdings where possible.

Maximum exposure to credit risk - Financial assets
The following table summarises the Company's maximum exposure to credit risk related to financial assets. The maximum credit exposure is the carrying value of the asset net of any allowances for losses.

	2020 $	2019 $
Cash and cash equivalents	46,267	51,550
Regulatory deposits	1,709	1,632
Fixed deposits	13,703	13,668
Fixed income securities	102,377	110,765
Mortgages & other loans	16,435	17,625
Insurance receivables and other assets	27,621	26,123
Restricted cash	15,221	27,725
	223,333	**249,088**

Concentration of credit risk
Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries. The most significant concentration of credit risk with any counter-party relates to the holding of investments and other receivables issued by the Government of Barbados in the amount of $70,082 (2019 - $65,321) and $5,823 (2019 - $8,995) respectively.

The following table provides details of the carrying value of bonds and fixed income securities by industry sector and geographic distribution:

	2020 $	2019 $
Bonds and fixed income securities issued or guaranteed by:		
Government	90,594	94,900
Financial	-	2,216
Utilities and energy	-	1,730
Tourism	3,708	4,577
Mining	2,342	-
Construction	2,053	1,798
Other	3,680	5,544
Total bonds and fixed income securities	**102,377**	**110,765**

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4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

Risk management and objectives (continued)

A. Financial Risks (continued)

i) Credit risk (continued)

Concentration of credit risk (continued)

	2020 $	2019 $
Barbados	88,810	91,815
Caribbean	11,225	18,950
International	2,342	-
Total bonds and fixed income securities	**102,377**	**110,765**

The carrying value of mortgages and loans by geographic location is shown in the following table:

	2020 $	2019 $
Barbados	16,435	17,625
Total mortgages and loans	**16,435**	**17,625**

Credit quality of financial assets
The credit quality of financial assets is assessed quarterly by reference to external credit ratings if available or review of historical and current conditions that existed at the statement of financial position date.

	A+	A	A-	BBB+	BBB	BB and lower	Not rated*	2020
Cash and cash equivalents	34,432	450	2,076	-	9,299	-	10	**46,267**
Fixed deposits	-	-	-	-	17	-	13,686	**13,703**
Regulatory deposits	-	-	-	-	-	1,709	-	**1,709**
Fixed income securities	4,003	-	-	7,222	-	79,579	11,573	**102,377**
Insurance receivables and other assets	-	-	-	-	-	-	27,621	**27,621**
Mortgages and other loans	-	-	-	-	-	-	16,435	**16,435**
Restricted cash	7,229	-	-	-	7,992	-	-	**15,221**
Total	**45,664**	**450**	**2,076**	**7,222**	**17,308**	**81,288**	**69,325**	**223,333**

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4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

Risk management and objectives (continued)

A. Financial Risks (continued)

i) Credit risk (continued)

Credit quality of financial assets (continued)

	AA	A	BBB	BB and lower	Not rated*	2019
Cash and cash equivalents	-	38,510	12,146	-	894	**51,550**
Fixed deposits	-	-	1,517	4,500	7,651	**13,668**
Regulatory deposits	-	-	-	1,632	-	**1,632**
Fixed income securities	2,216	4,004	14,946	79,648	9,951	**110,765**
Insurance receivables and other assets	-	-	-	-	26,123	**26,123**
Mortgages and other loans	-	-	-	-	17,625	**17,625**
Restricted cash	-	6,806	20,919	-	-	**27,725**
Total	**2,216**	**49,320**	**49,528**	**85,780**	**62,244**	**249,088**

* Not rated fixed income securities relate to assets held within the Company's investment portfolio, which are issued by counterparties that are not rated by the rating agencies.

The following table sets out the credit quality analysis for fixed income securities measured at amortised cost. Unless specifically indicated, the amounts in the table represent gross carrying amounts.

*For explanations of the terms '12-month ECL', 'lifetime ECL' and 'credit-impaired', see **Note 2**.*

	2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit impaired	Stage 3 Lifetime ECL Credit impaired	POCI	Total
Fixed income securities					
AA+	-	-		-	-
A+	4,003	-		-	4,003
BBB+/BBB	3,859	3,416		-	7,275
B-	-	-	3,674	75,905	79,579
Unrated	3,000	7,647	3,708	-	14,355
	10,862	11,063	7,382	75,905	105,212
ECL provision	(658)	(2,177)	-	-	(2,835)
Amortised cost	**10,204**	**8,886**	**7,382**	**75,905**	**102,377**

POCI instruments consist of Government of Barbados instruments received in 2018 under BERT (see ***Note 8***). These instruments were originated credit impaired and therefore classified as POCI and will carry a lifetime ECL until maturity or disposal.

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4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

Risk management and objectives (continued)

A. Financial Risks (continued)

i) Credit risk (continued)

	2019			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit impaired**	**POCI**	**Total**
Fixed income securities				
AA+	2,286	-	-	2,286
A+	4,004	-	-	4,004
BBB+/BBB	15,008	-	-	15,008
B-	-	5,372	74,316	79,688
Unrated	-	11,567	-	11,567
	21,298	16,939	74,316	112,553
ECL provision	(132)	(1,656)	-	(1,788)
Amortised cost	**21,166**	**15,283**	**74,316**	**110,765**

Mortgages and other loans credit risk

Mortgages comprise first mortgages on real property situated in Barbados. In Barbados, loans provided to companies are secured by a certificate of annual repayment of principal and interest by the Republic Bank Limited. Other loans are secured by a collateral assignment of life insurance policy proceeds and irrevocable beneficiary designation.

The impairment provision on mortgage and other loans as at 31 December 2020 is $207 (2019 - $1,189).

	2020		
	Stage 2 Lifetime ECL not credit impaired	**Stage 3 Lifetime ECL Credit impaired**	**Total**
Mortgages and other loans	8,570	8,072	16,642
Loss allowance	(143)	(64)	(207)
Amortised cost	8,427	8,008	**16,435**

	2019		
	Stage 2 Lifetime ECL not credit impaired	**Stage 3 Lifetime ECL Credit impaired**	**Total**
Mortgages and other loans	14,020	4,057	18,077
Loss allowance	(269)	(920)	(1,189)
Amortised cost	**13,751**	**3,137**	**16,888**

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4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

Risk management and objectives (continued)

A. Financial Risks (continued)

i) Credit risk (continued)

Credit Quality of financial assets (continued)

Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment
See accounting policies in **Note 2l**.

Significant increase in credit risk

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis based on the Group's experience, expert credit assessment and forward-looking information.

The Group primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:
- the movement of a security from investment grade to speculative grade;
- one-notch movement in grade for non-investment grade securities;
- significant change in borrowers' circumstances.

Whenever available, the Group monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Group also reviews changes in bond yields and, where available, together with available press and regulatory information about issuers.

Where external credit ratings are not available, the Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of default (including but not limited to audited financial statements, management accounts and cash flow projections and available regulatory and press information about borrowers) and applying experienced credit judgement.

Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned with external credit rating definitions from S&P and Moody's.

The Group has assumed that the credit risk of a financial asset has not increased significantly since initial recognition if the financial asset has low credit risk at the reporting date. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade'. The Group considers this to be BBB- or higher based on S&P ratings, which is equivalent to an internal risk grade of 4 or lower.

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4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

Risk management and objectives (continued)

A. Financial Risks (continued)

i) Credit risk (continued)

Amounts arising from ECL (continued)

Significant increase in credit risk (continued)

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month and lifetime ECL measurements.

Modified financial assets

The contractual terms of a financial asset may be modified for a number of reasons, including changing market conditions and other factors not related to a current or potential credit deterioration of the borrower. An existing financial asset whose terms have been modified may be derecognised and the renegotiated asset recognised as a new financial asset at fair value in accordance with the accounting policies in **Note 2**.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects a comparison of:

- its remaining lifetime probability of default ("PD") as at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

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4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

Risk management and objectives (continued)

A. Financial Risks (continued)

i) Credit risk (continued)

Amounts arising from ECL (continued)

Definition of default

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

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative: e.g. breaches of covenant and other indicators of financial distress;
- quantitative: e.g. overdue status and non-payment of another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECL. It formulates a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on advice from the Group risk committee and economic experts and consideration of a variety of external actual and forecast information. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the Organisation for Economic Cooperation and Development and the International Monetary Fund, and selected private-sector and academic forecasters.

The base case represents a best estimate and is aligned with information used by the Group for other purposes, such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The Group also periodically carries out stress-testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and ECL for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The predicted relationships between the key indicators and the default and loss rates on various portfolios of financial assets have been developed by analysing historical data over the past 10 to 15 years.

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Risk management and objectives (continued)

A. Financial Risks (continued)

i) Credit risk (continued)

Amounts arising from ECL (continued)

Incorporation of forward-looking information (continued)

The table below shows the ECL calculated under each scenario for fixed income securities and mortgages and other loans

			2020
	Best	**Base**	**Worst**
	$	**$**	**$**
Fixed income securities	754	1,017	1,523
Mortgages and other loans	72	143	215

			2019
	Best	**Base**	**Worst**
	$	**$**	**$**
Fixed income securities	1,650	1,214	2,502
Mortgages and other loans	121	244	457

Measurement of ECL

The key inputs into the measurement of ECL are the term structures of the following variables:

- probability of default (PD);
- loss given default (”LGD”); and
- exposure at default (“EAD”).

To determine lifetime and 12-month PDs, the Group uses the PD tables supplied by S&P based on the default history of obligors with the same credit rating. The Group adopts the same approach for unrated investments by mapping its internal risk grades to the equivalent external credit ratings (see (i)). The PDs are recalibrated as and when required based on current bond yields, and adjusted to reflect forward-looking information as described above. Changes in the rating for a counterparty or exposure lead to a change in the estimate of the associated PD.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, loan-to value ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

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4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

Risk management and objectives (continued)

A. Financial Risks (continued)

i) Credit risk (continued)

Amounts arising from ECL (continued)

Measurement of ECL (continued)

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is its gross carrying amount.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

When ECL are measured using parameters based on collective modelling, a significant input into the measurement of ECL is the external benchmark information that the Group uses to derive the default rates of its portfolios. This includes the PDs provided in the S&P default study and the LGDs provided in the Moody's recovery studies.

Loss allowance

The following tables show reconciliations from the opening balance to the closing balance of the loss allowance by class of financial instrument. For explanations of the terms '12-month ECL', 'lifetime ECL' and 'credit-impaired', see **Note 2l**.

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4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

Risk management and objectives (continued)

A. Financial Risks (continued)

i) Credit risk (continued)

Amounts arising from ECL (continued)

2020

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Fixed income securities				
Balance at 1 January	132	1,656	-	1,788
Transfers to lifetime ECL credit impaired	-	(239)	239	-
Net re-measurement of loss allowance	-	267	-	267
New financial assets acquired	658	350	-	1,008
Financial assets derecognized	(132)	(96)	-	(228)
Balance at 31 December	**658**	**1,938**	**239**	**2,835**

2019

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Fixed income securities				
Balance at 1 January	597	895	593	2,085
Transfers to lifetime ECL not credit - impaired	-	593	(593)	-
Net re-measurement of loss allowance	(465)	(632)	-	(1,097)
New financial assets acquired	-	927	-	927
Financial assets derecognized	-	(127)	-	(127)
Balance at 31 December	**132**	**1,656**	**-**	**1,788**

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4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

Risk management and objectives (continued)

A. Financial Risks (continued)

i) Credit risk (continued)

Amounts arising from ECL (continued)

Measurement of ECL (continued)

	2020 $		
Mortgages and other loans	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Balance at 1 January	269	920	1,189
Net re-measurement of loss allowance	(134)	-	(134)
New financial assets acquired	8	-	8
Financial assets derecognized	-	(856)	(856)
Balance at 31 December	**143**	**64**	**207**

	2019 $		
Mortgages and other loans	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Balance at 1 January	100	920	1,020
Net re-measurement of loss allowance	93	-	93
New financial assets acquired	76	-	76
Balance at 31 December	**269**	**920**	**1,189**

ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations as they become due. In order to manage liquidity risks, management maintains levels of cash and short-term deposits, which are sufficient to fulfill the Group's short-term obligations. The Group also closely manages operating liquidity through cash flow matching of assets and liabilities on its life insurance, annuities and pensions business. A significant business objective of the insurance industry is to match the cash flows of the investment portfolio with the expected payment of policy liabilities.

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4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

Risk management and objectives (continued)

A. Financial Risks (continued)

ii) Liquidity risk (continued)

The maturity profile of assets at 31 December 2020 is as follows:

	Within 1 year	1 to 3 years	4 to 5 years	Over 5 years	Total	Effective interest rate ranges
	$	$	$	$	$	
Cash and cash equivalents	46,267	-	-	-	46,267	0.00%- 0.05%
Restricted cash	15,221	-	-	-	15,221	0.00%- 0.01%
Fixed deposits	13,703	-	-	-	13,703	0.01%- 2.50%
Regulatory deposits	-	-	-	1,709	1,709	1.50%
Mortgages and other loans	328	118	64	15,925	16,435	5.00%- 7.00%
Fixed income securities	5,833	6,899	10,204	79,441	102,377	0.00%- 8.80%
Insurance receivables and other assets	26,763	354	385	119	27,621	N/A
Reinsurance assets	38,944	-	-	770	39,714	N/A
	147,059	**7,371**	**10,653**	**97,964**	**263,047**	
Percent of total	**56%**	**3%**	**4%**	**37%**	**100%**	

The maturity profile of assets at 31 December 2019 is as follows:

	Within 1 year	1 to 3 years	4 to 5 years	Over 5 years	Total	Effective interest rate ranges
	$	$	$	$	$	
Cash and cash equivalents	51,550	-	-	-	51,550	0.00%- 0.05%
Restricted cash	27,725	-	-	-	27,725	0.00%- 0.01%
Fixed deposits	13,668	-	-	-	13,668	0.01%- 2.65%
Regulatory deposits	-	-	-	1,632	1,632	1.50%
Mortgages and other loans	-	359	155	17,111	17,625	5.00%- 7.00%
Fixed income securities	-	10,017	15,290	85,458	110,765	1.00%- 9.75%
Insurance receivables and other assets	25,244	327	463	88	26,122	N/A
Reinsurance assets	41,369	-	-	-	41,369	N/A
	159,556	**10,703**	**15,908**	**104,289**	**290,456**	
Percent of total	**55%**	**4%**	**5%**	**36%**	**100%**	

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4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

Risk management and objectives (continued)

A. Financial Risks (continued)

ii) Liquidity risk (continued)

The maturity profiles of the Company's significant insurance and financial liabilities are summarised in the following tables. Maturity profiles for financial liabilities are disclosed according to contractual maturity dates. Maturity profiles for insurance liabilities are based on expectations.

The maturity profile of liabilities at 31 December 2020 is as follows:

	Within 1 year	1-5 years	Over 5 years	Total
	$	$	$	$
Other liabilities	30,908	-	-	30,908
Investment contract liabilities	68,893	-	-	68,893
Insurance contract liabilities	100,343	7,867	19,865	128,075
Total	**200,144**	**7,867**	**19,865**	**227,876**
Percent of total	**88%**	**3%**	**9%**	**100%**

The Company notes a shortfall of $53,085 in the maturity profile of total assets ($147,059) compared to total liabilities ($200,144) due "Within 1 year". Investment contract liabilities of $68,893 can be contractually settled utilising a combination of restricted cash and assets having maturities in excess of 1 year ("1 - 5 years" and "Over 5 years"). As at 31 December 2020, the Company had $88,256 (2019 - $106,974) of total assets in excess of total liabilities maturing in excess of 1 year.

The maturity profile of liabilities at 31 December 2019 is as follows:

	Within 1 year	1-5 years	Over 5 years	Total
	$	$	$	$
Other liabilities	26,679	-	-	26,679
Amounts due to affiliates	4,173	-	-	4,173
Investment contract liabilities	80,987	-	-	80,987
Insurance contract liabilities	75,664	8,041	15,885	99,590
Total	**187,503**	**8,041**	**15,885**	**211,429**
Percent of total	**89%**	**4%**	**7%**	**100%**

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4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

Risk management and objectives (continued)

A. Financial Risks (continued)

ii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is not significantly exposed to foreign exchange risk because the majority of the Group's assets, liabilities, and earnings are denominated in Barbados dollars. The Group also holds US dollar denominated investments, for which the exchange rate is fixed to the Barbados dollar.

Interest rate risk

Interest rate risk is price volatility produced by changes in the overall level of interest rates. Change in market interest rates can impact the reinvestment of matured investments, as the returns available on the new investment may be significantly different from the returns previously achieved. The Group manages these risks through:

- Asset allocation and diversification of the investment portfolio;
- Utilisation of a formal process for managing the matching of assets and liabilities;
- Investing in assets that are suitable for the products sold;
- Investing in fixed income assets that closely match the life liability product cash flows for products with fixed and highly predictable benefit payments; and
- Quantifying and reviewing regularly the risk associated with the mismatch in portfolio duration and cash flow.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

Investment contracts with fixed and guaranteed terms held to maturity are accounted for at amortised cost and their carrying amounts are not sensitive to changes in the level of interest rates.

In relation to financial assets, management monitors the sensitivity of reported interest rate movements by assessing the expected changes in the different portfolios due to parallel movements of 100 basis points in all yield curves.

The impact of interest rate risk for the Group's actuarial liabilities and the assets supporting those liabilities is included in ***Note 4 B*** - Insurance Risk.

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4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

Risk management and objectives (continued)

A. Financial Risks (continued)

iii) Market risk

Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting the market.

The Company's price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities.

The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector and market.

A 5% increase/decrease in the value of the Company's equity portfolio would increase/decrease the Group's other components of equity by $491 (2019 - $527) and profit and loss by $773 (2019 - $0). The price risk sensitivity impact was calculated by using the ending balances in equity at a 5% increase/decrease.

B. Insurance risk

i) Life and health insurance risk

Insurance risk in the Group arises through its exposure to mortality and morbidity risks and exposure to worse than anticipated operating experience on factors such as persistency levels and management and administration expenses.

Management of life and health insurance risks

The Company has developed an insurance risk policy and guidelines on the practical application of this policy. Individual insurance risks are managed at business segment level but are also monitored at Company level. The impact of insurance risk is monitored at the segment level as part of the control cycle of business management. Exposure is monitored through the assessment of liabilities and the asset liability management framework process. At the Company level, the overall exposure to insurance risk is measured through management reporting.

The Risk Committee monitors the application of the risk policy in each business and receives management information on life and health insurance risks. The committee considers all areas of insurance risk, but in particular has a remit to monitor mortality, longevity, morbidity, persistency, product design and pricing.

The Board of Directors considers the reinsurance coverage across the life and health businesses. It confirms that guidance and procedures are in place for each of the major components of life insurance risk, and that the businesses mitigate against any insurance risk within the parameters for the overall Company risk appetite. The Board of Directors has also developed guidance for business units on management of a number of areas of insurance risk to ensure best practice is shared throughout the Group and common standards are adopted.

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4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

Risk management and objectives (continued)

B. Insurance risk (continued)

i) Life and health insurance risk (continued)

Management of life and health insurance risks (continued)

The individual life and health insurance risks are managed as follows:

- Mortality and morbidity risks are mitigated by use of reinsurance. The Company selects reinsurers, based on local factors, but assess the overall programme to manage Company-wide risk exposures and monitor that the aggregation of risk ceded to individual reinsurers is within appetite for credit risk.
- Longevity risk: The Company is responsible for reserving and pricing for annuity business and monitors the exposure to this risk and the capital implications to manage the impact on the Company's exposure and the capital funding that Company may require as a consequence. The Company has used reinsurance solutions to reduce the risks from longevity where possible and desirable.
- Persistency risk: Where possible the financial impact of lapses is reduced through appropriate product design. The Company also implements specific initiatives to improve retention of policies, which may otherwise lapse.
- Product design and pricing risk arises from poorly designed or inadequately priced products and can lead to both financial loss for and reputational damage to the Company. Guidelines have been developed to support the Company through the complete cycle of the product development process, financial analysis and pricing.
- Expense risk is primarily managed by the Company through the assessment of profitability and frequent monitoring of expense levels.

Sensitivity testing is widely used to measure the capital required and volatility in earnings due to exposure to life and health insurance risks. This assessment is taken at both business unit level and at Group level where the impact of aggregation of similar risks can be measured. This enables the Group to determine whether action is required to reduce risk, or whether that risk is within the overall Group risk appetite.

Concentration risk

The following table shows life and health insurance liabilities by geographic area.

	2020			2019		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$	$	$	$	$	$
Barbados	29,791	(871)	28,920	25,805	(35)	25,770
	29,791	**(871)**	**28,920**	**25,805**	(35)	25,770

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4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

Risk management and objectives (continued)

B. Insurance risk (continued)

i) Life and health insurance risk (continued)

Management of life and health insurance risks (continued)

Sensitivity analysis - Life and health

The Company uses a number of sensitivity test-based risk management tools to understand the volatility of earnings, the volatility of its capital requirements, and to manage its capital more efficiently. Sensitivities to economic and operating experience are regularly produced on all of the Company's financial performance measurements to inform the Company's decision making and planning processes, and as part of the framework for identifying and quantifying the risks to which each of its business units, and the Group as a whole, are exposed.

The following provides information about the Group's life and health insurance contract liabilities sensitivities to management's best estimate of the approximate impact as a result of changes in assumptions used to determine the Company's liability associated with these contracts.

Mortality

Mortality refers to the rates at which death occurs for defined groups of people. For life products where higher mortality would be financially adverse to the Company, a 1% increase in the best estimate assumption would increase the actuarial liabilities by $71 (2019 - $69). For annuity products where lower mortality would be financially adverse to the Company, a 1% decrease in the best estimate assumption would increase the actuarial liabilities by $10 (2019 - $10).

Morbidity

Morbidity refers to both the rates of accident or sickness and the rates of recovery therefrom. The Company's long-term disability and medical expense insurance is marketed mostly on a group basis. The most significant morbidity risk relates to the individual and group health business. A 1% increase in medical claims net of reinsurance would increase the actuarial liabilities by $136 (2019 - $135).

Investment returns

Assets are notionally segmented to correspond to the different liability categories of the Group. For each segment, the projected current asset and liability cash flows are used in the PPM under several interest rate scenarios to determine the actuarial liabilities. Asset cash flows are reduced to provide for asset default losses.

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4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

Risk management and objectives (continued)

B. Insurance Risk (continued)

i) Life and health insurance risk (continued)

Management of life and health insurance risks (continued)

Investment returns

Interest rate risk associated with this assumption is measured by determining the effect on the present value of the projected net asset and liability cash flows of the Company of an immediate 1% increase or an immediate 1% decrease in the level of interest rates. These interest rate changes will impact the projected cash flows.

The effect of an immediate 1% increase in interest rates would be to decrease the present value of these net projected cash flows by approximately $2,495 (2019- $2,401). The effect of an immediate 1% decrease in interest rates would be to increase the present value of these net projected cash flows by approximately $3,401 (2019 - $3,311).

The level of actuarial liabilities established under the PPM valuation provides for interest rate movements other than the 1% movements indicated above.

Expenses

Actuarial liabilities provide for future policy-related expenses. These include the costs of premium collection, claims adjudication and processing, related consulting services, preparation and mailing of policy statements and related indirect expenses and overheads.

Expense risk is the risk that future expenses are higher than assumed. A unit expense study is performed annually to determine an appropriate estimate of future expenses by liability type.

An inflation assumption is incorporated in the estimate of future expenses consistent with the interest rate scenarios projected under PPM. A 10% increase in the best estimate maintenance unit expense assumption would increase the actuarial liabilities by approximately $705 (2019 - $720).

Persistency

Policyholders may allow their policies to terminate prior to the end of the contractual period by choosing not to continue to pay premiums or by exercising one of the non-forfeiture options contained in the contract. Assumptions for termination experience on life insurance are based on industry and the Company's experience.

Termination rates vary by plan, policy duration and method of premium payment. For universal life policies, it is also necessary to set assumptions about premium cessation occurring prior to termination of the policy. A 10% adverse change in the best estimate policy termination assumption would increase the actuarial liabilities by $598 (2019 - $598).

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4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

Risk management and objectives (continued)

B. Insurance Risk (continued)

ii) General insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. Insurance risk is implicit in the Group'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 risk

General insurance risk in the Group arises from:

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

The majority of the general insurance business underwritten by the Group is of a short-term nature such as property, motor and marine insurances. The Company's underwriting strategy and appetite is agreed by the Board of Directors and communicated via specific policy statements and guidelines. Like the life insurance risk, general insurance risk is managed primarily at business unit level with oversight at a Company level.

Management of general insurance risks

The Company's insurance risk policy sets out the overall framework for the management of insurance risk. As part of the framework, a structure of delegated pricing and underwriting authorities is in place.

Pricing is based on assumptions, which consider past experience and trends. Insurance exposures are limited through reinsurance. Overall, the Company seeks to be conservative in its acceptance of insurance risks by establishing strict underwriting criteria and limits. The underwriting policy is clearly documented, setting out risks, which are unacceptable, and the terms applicable for non-standard risks.

Significant insurance risks will be reported through the risk management framework. The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims' exposures.

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4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

Risk management and objectives (continued)

B. Insurance Risk (continued)

ii) General insurance risk (continued)

Management of general insurance risks (continued)

However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks at the end of the reporting period.

Management under the direction of the Board of Directors monitors and develops the management of insurance risk in the general insurance business units, and assesses the aggregate risk exposure. It is responsible for the development, implementation and review of the Company policies for underwriting, claims; reinsurance and reserving that operate within the risk management framework.

The Company has developed mechanisms that identify, quantify and manage accumulated exposures to contain them within the limits of the appetite of the Company. Where appropriate such mechanisms are employed throughout the business units to promote the adoption of best practice as standard.

Reinsurance strategy

Reinsurance is used to reduce potential loss to the Company from individual large risks and catastrophic events. It may also be used to manage capital or to provide access to specialist underwriting expertise.

Significant reinsurance programmes are reviewed annually at the business unit and the Company to verify that the levels of protection being purchased reflect any developments in exposure and the risk appetite of the Company. The reinsurance arrangements include quota share and excess of loss catastrophe treaties. In addition to the overall Company reinsurance programme, individual business units are permitted to purchase additional reinsurance protection.

Reinsurance purchases are in line with the strategy set out in the Company's Reinsurance policy. The basis of these purchases is underpinned by extensive financial and capital modeling and actuarial analysis to optimise the cost and capital efficiency benefits from the reinsurance programme.

The reinsurance is placed with providers who meet the Company's counterparty security requirements, and large reinsurance placements may also require approval from the Board of Directors.

Concentration risk

The Company is domiciled in Barbados and no insurance contracts are issued to countries outside of Barbados. General insurance revenues derived from the Government of Barbados accounted for 27% (2019 - 25%) of total revenues for the year. The remainder is from non-governmental organisations and other policyholders.

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4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

Risk management and objectives (continued)

B. Insurance Risk (continued)

ii) General insurance risk (continued)

Concentration risk (continued)

Processes are in place to manage catastrophe risk in individual business units and at a Company level. The Company cedes much of its catastrophe risk to third-party reinsurers but retains a pooled element for its own account gaining diversification benefit.

The Company writes a significant component of the business of the Government of Barbados and its affiliated Corporations and Statutory Boards. Risks covered are dispersed across the island of Barbados.

The concentration of insurance risk before and after reinsurance by the type of general insurance business risk accepted is summarised below, with reference to the carrying amount of the insurance reserve liabilities (gross and net of reinsurance) arising from general insurance contracts:

31 December 2020

		Property	Motor	All others	Total
Territory		**$**	**$**	**$**	**$**
Barbados					
	Gross	2,424	49,823	16,048	68,295
	Net	237	32,725	9,846	42,808

31 December 2019

		Property	Motor	All others	Total
Territory		**$**	**$**	**$**	**$**
Barbados					
	Gross	1,594	56,474	17,223	75,291
	Net	192	36,911	11,091	48,194

General insurance business claims reserving

Management monitors and conducts quarterly reviews of the Company's general insurance claims provisions, and their adequacy.

The Company has a claims department dealing with the mitigation of risks surrounding known exposures. This department investigates and adjust a majority of the claims. The claims are reviewed regularly and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

The adequacy of the Company's general insurance claims provisions is ultimately overseen by the Board of Directors.

INSURANCE CORPORATION OF BARBADOS LIMITED

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(in thousands of Barbados dollars except for per share amounts)

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

Risk management and objectives (continued)

B. Insurance Risk (continued)

ii) General insurance risk (continued)

General insurance business claims reserving (continued)

The estimation of the claims incurred but not reported reserve ("IBNR") is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims.

For casualty contracts, the IBNR liability will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities.

In estimating the liability for the cost of reported claims not yet paid, the Company considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

Sensitivity Analysis - Property & Casualty

The valuation of insurance liabilities is sensitive to the underlying assumptions used, the investments allocated to back the liabilities and changes in claims reporting patterns, judicial decisions, legislation and economic conditions. Key assumptions include the selection of expected frequencies, severities and pure premiums, as well as loss development and trend factors. The overall results are potentially sensitive to any of these and reasonable alternative selections could change the results in either direction.

The most significant risk factors the Company faces as of year-end are:

- Reserve variability;
- Reinsurance collection risk; and
- Interest rate risk.

Reserve variability

Reserve variability is measured by the Company based on the Thomas Mack method. The basis for this method is a paper by Thomas Mack, published in the spring 1994 CAS Forum titled "Measuring the Variability of Chain Ladder Reserve Estimates". Other approaches for measuring reserve variability may be appropriate.

The analysis as of 31 December 2020 supports a discounted net property and casualty reserve of $42,808 (2019 - $48,194).

There have been no material changes in procedures, methodology nor significant assumptions used in deriving the estimates for this financial year.

INSURANCE CORPORATION OF BARBADOS LIMITED

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4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

Risk management and objectives (continued)

B. Insurance Risk (continued)

ii) General insurance risk (continued)

Reserve variability (continued)

Reinsurance collection risk

Reinsurance receivables on Property and Casualty business total approximately $5,231 as of 31 December 2020 (2019 - $7,217). All major reinsurers are rated A- or better by A.M. Best. Currently there are no material disputes or late balances with any reinsurers. However, disputes may arise in the future and/or some reinsurers' financial condition could deteriorate. If 5% of the receivable balance is not recoverable, (due to future disputes or financial health), then the effect could be a reduction in equity of $262 (2019 - $361). This represents 6% (2019 - 8%) of the Company's pre-tax net income.

Interest rate risk

The Company may earn less than anticipated regarding future investment yields. This would increase the discounted reserves. The current discounted net reserve is $42,808 (2019 - $48,194) (based on a gross 5.10% yield rate assumption (4.25% - 2019). If the assumed yield rate drops to 4.10%
(2019 - 3.95%) then the discounted reserves would increase by approximately $1,200 (2019 - $1,600). This represents approximately 1.01% (2019 - 1.38%) of equity, and 27.1% (2019 - 37.9%) of pre-tax net income.

Liability adequacy test

At the balance sheet date, a liability adequacy test was performed to determine if insurance contract provisions were adequate. These provisions have been found to be adequate.

Claims development tables

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The top half of each table illustrates how the Company's estimate of total claims outstanding for each accident or underwriting year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the consolidated statement of financial position. A calendar year basis is considered to be most appropriate for the business written by the Company.

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4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

Risk management and objectives (continued)

B. Insurance Risk (continued)

Claims development tables (continued)

Gross loss development:											
Accident year	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
Estimate of ultimate claims cost:	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
At the end of accident year	35,486	37,303	32,728	33,591	36,012	33,344	34,439	28,392	28,083	20,129	
One year later	35,855	35,119	33,801	31,428	33,815	32,695	34,129	32,533	28,574	-	
Two years later	35,456	34,274	31,007	29,907	33,243	33,518	33,159	33,056	-	-	
Three years later	33,655	33,191	30,483	28,901	32,939	32,009	33,109	-	-	-	
Four years later	33,901	32,789	31,052	28,557	33,205	32,376	-	-	-	-	
Five years later	34,462	32,897	31,431	28,833	33,442	-	-	-	-	-	
Six years later	34,937	32,843	32,261	29,982	-	-	-	-	-	-	
Seven years later	35,937	33,681	32,639	-	-	-	-	-	-	-	
Eight years later	37,341	33,107	-	-	-	-	-	-	-	-	
Nine years later	37,795	-	-	-	-	-	-	-	-	-	
Current estimates of cumulative claims	37,795	33,107	32,639	29,982	33,442	32,376	33,109	33,056	28,574	20,129	314,209
Cumulative payments to date	(34,836)	(31,481)	(29,679)	(26,799)	(29,968)	(28,253)	(27,916)	(21,979)	(21,489)	(8,780)	(261,180)
Gross liability recognised in the consolidated statement of financial position	2,959	1,626	2,960	3,183	3,474	4,123	5,193	11,077	7,085	11,349	53,029
Gross reserve in respect of prior years											14,895
Gross liability – Unallocated loss adjustment expense											371
Total gross reserve included in the consolidated statement of financial position											**68,295**

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4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

Risk management and objectives (continued)

B. Insurance Risk (continued)

Claims development tables (continued)

Net loss development:

Accident year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Estimate of ultimate claims cost:	$	$	$	$	$	$	$	$	$	$	$
At the end of accident year	23,998	23,760	22,531	23,622	25,128	24,416	21,698	19,701	19,211	13,606	
One year later	23,655	23,885	22,462	22,438	23,357	23,660	22,237	19,364	19,525	-	
Two years later	24,905	23,901	21,214	20,954	22,843	24,434	21,714	19,890	-	-	
Three years later	24,527	22,790	20,890	20,135	22,819	23,553	21,613	-	-	-	
Four years later	24,698	22,463	21,211	20,019	23,337	24,030	-	-	-	-	
Five years later	25,376	22,640	21,517	20,455	23,641	-	-	-	-	-	
Six years later	25,900	22,754	22,421	21,647	-	-	-	-	-	-	
Seven years later	27,038	23,689	22,849	-	-	-	-	-	-	-	
Eight years later	28,504	23,121	-	-	-	-	-	-	-	-	
Nine years later	29,001	-	-	-	-	-	-	-	-	-	
Current estimates of cumulative claims	29,001	23,121	22,849	21,647	23,641	24,030	21,613	19,890	19,525	13,606	218,923
Cumulative payments to date	(26,357)	(21,872)	(20,730)	(18,955)	(20,878)	(20,800)	(18,291)	(15,494)	(14,659)	(6,957)	(184,993)
Net liability recognised in the consolidated statement of financial position	2,644	1,249	2,119	2,692	2,763	3,230	3,322	4,396	4,866	6,649	33,930
Net reserve in respect of prior years											8,507
Net liability – Unallocated Loss Adjustment expenses											371
Total net reserve included in the consolidated statement of financial position											**42,808**

C. Capital Management and Regulatory Compliance

The Board's policy is to maintain a strong consolidated capital base. The Group manages its capital to ensure its continued ability to provide an adequate return to shareholders, exceed insurance capital regulatory requirements, provide flexibility to take advantage of growth opportunities, maintain a strong credit rating, and to support the risks associated with the business of the Group. The Group's capital base consists of share capital, contributed surplus, statutory reserve, accumulated other comprehensive income, and retained earnings as disclosed in the consolidated statement of financial position.

Management monitors the adequacy of the Company's capital from the perspective of the Barbados Insurance Act and Companies Act. Under the terms of the Insurance Act, 1996-32 Section 9, all Companies conducting long-term and general insurance business are required to maintain a minimum paid-up share capital of not less than $5,000. The Company exceeds this requirement at year-end.

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements

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4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

Risk management and objectives (continued)

C. Capital Management and Regulatory Compliance (continued)

The Company's investment policies emphasize the preservation of capital and the maintenance of a diversified investment portfolio, which together serve to minimize the risk that investment activities pose to the Company's capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

The Barbados Insurance (Catastrophe Reserve Fund) Regulations 2003-88 require the establishment of a catastrophe reserve fund. Annual amounts of up to 25% of net premium income from property insurance business are allocated to the fund. Assets representing the fund in the amount of $16,819 (2019 - $16,321) are placed in trust in accordance with the regulations of the Barbados Insurance Act.

Section 152 of the Barbados Insurance Act requires the appropriation towards a surplus reserve of at least 25% of net income until such time as the surplus reserve of the Company equals or exceeds the liability in respect of unearned premiums. A surplus reserve of $37,388 as at 2020 (2019 - $37,388) is included in the Company's shareholders' equity in accordance with the requirements.

D. Self-Insurance

The Company self-insures its office buildings reported in property and equipment and in investment properties. The insured asset is reinsured through the Company's reinsurance programme and is subject to the same terms and conditions as other reinsured insurance contracts.

5. SEGMENTAL INFORMATION

Management has determined the operating segments based on a combination of factors, including the products and on the basis of the reports reviewed by the CEO of the Company that are used to make strategic decisions and is organised into two operating segments. 'Property & Casualty' and 'Life & Health' described below were established as the key reporting segments. All the operating segments used by management meet the definition of a reportable segment.

These segments distribute their products directly to clients and through the use of insurance intermediaries. Management identifies its reportable operating segments by product line consistent with the reports. These segments and their respective operations are as follows:

INSURANCE CORPORATION OF BARBADOS LIMITED

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5. SEGMENTAL INFORMATION (continued)

Property & Casualty - This aggregates the following products of motor, property and other classes of general insurance. These classes of insurance are similar in nature as they all include insurance coverage falling under the broad category of property and casualty. A description of each of these classes is noted below:

Motor: the Company offers several types of policies under this class of business to owners of private and commercial vehicles. At the top end, motor insurance covers the legal liability of the insured, third parties (including passengers) and damage to the property of others. It also includes damage to the insured vehicle by accident, fire or theft.

Property: this class offers protection to policyholders for commercial and public buildings and private dwelling houses, as well as the contents of such buildings if such cover is sought. Policies are designed to cover the insured against fire, hurricane, earthquake, flood water damage and other perils as well as malicious damage.

Other classes of business offer protection for marine, hull and cargo, aviation and other miscellaneous accident risk. Included is loss or damage to cargo, fishing vessels, pleasure craft and other marine vessels. Coverage also provides protection against theft and the legal liability of the insured. Miscellaneous accident provides coverage for a wide range of business including travel and public liability. Coverage is for material damage and legal liability.

Life & Health; This aggregates the following products of life and health insurance. These products all represent coverages upon the life of an insured person. A description of the types of insurance that falls under this category is noted below:

Life offers protection of the Company's customers both individuals and groups against the risk of premature death, other accidents and annuities. All contracts in this segment offer fixed and guaranteed benefits over the contractual term. Note this also includes annuity business.

Health Risk offers protection of the Company’s customers both individuals and groups against the risk of catastrophic illness, routine preventative health care, dental care and vision care. All contracts offer fixed and guaranteed limits over the contractual term. Reinsurance is in place to protect the Company from excessive and catastrophic claims.

The Company does not allocate related expenses and other income to its reportable segments. Assets and liabilities allocated are reflected under Note 20B, & 20F.

INSURANCE CORPORATION OF BARBADOS LIMITED

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5. SEGMENTAL INFORMATION (continued)

The segmental information provided to the CEO for the reportable segments for the year ended 31 December 2020 is as follows:

2020	Property & Casualty $	Life and Health $	Unallocated $	Eliminating $	Total $
Income					
Gross premiums written	79,177	27,973	-	(171)	106,979
Reinsurance ceded	(42,713)	(2,072)	-	-	(44,785)
Net premium written	36,464	25,901	-	(171)	62,194
Net change in unearned premiums	973	(1)	-	-	972
Net premium earned	37,437	25,900	-	(171)	63,166
Investment income	-	-	4,298	-	4,298
Commissions and other income	15,447	574	1,230	(101)	17,150
Fair value adjustment on investment properties	(866)	-	(2,276)	-	(3,142)
Rental income	95	-	2,018	-	2,113
Total income	**52,113**	**26,474**	**5,270**	**(272)**	**83,585**
Expenses					
Insurance contracts benefits and expenses					
Life and health policy benefits	-	16,816	-	-	16,816
Short term claim and adjustments expenses	17,888	-	-	-	17,888
Commission and acquisition expense	5,603	3,790	-	-	9,393
Operating expenses	-	-	33,699	(272)	33,427
Amortisation and depreciation expense	-	-	1,637	-	1,637
Total benefits and expenses	**23,491**	**20,606**	**35,336**	**(272)**	**79,161**
Income/(loss) before income taxes	**28,622**	**5,868**	**(30,066)**	**-**	**4,424**
Income taxes	**121**	**11**	**-**	**-**	**132**
Net income/(loss)	**28,501**	**5,857**	**(30,066)**	**-**	**4,292**

INSURANCE CORPORATION OF BARBADOS LIMITED

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For the year ended 31 December 2020

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5. SEGMENTAL INFORMATION (continued)

The segmental information provided to the CEO for the reportable segments for the year ended 31 December 2019 is as follows:

2019	Property & Casualty $	Life and Health $	Unallocated $	Eliminating $	Total $
Income					
Gross premiums written	82,584	27,543	-	(171)	109,956
Reinsurance ceded	(44,550)	(1,880)	-	-	(46,430)
Net premium written	38,034	25,663	-	(171)	63,526
Net change in unearned premiums	(549)	7	-	-	(542)
Net premium earned	37,485	25,670	-	(171)	62,984
Investment income			6,014	-	6,014
Commissions and other income	17,008	340	1,486	(101)	18,733
Fair value adjustment on investment properties	450	-	(280)	-	170
Rental income	172	-	2,019	-	2,191
Total income	**55,115**	**26,010**	**9,239**	**(272)**	**90,092**
Expenses					
Insurance contracts benefits and expenses					
Life and health policy benefits	-	14,931	-	-	14,931
Short term claim and adjustments expenses	23,183	-	-	-	23,183
Commission and acquisition expense	5,841	4,046	-	-	9,887
Operating expenses			36,059	(272)	35,787
Amortisation and depreciation expense			1,975	-	1,975
Total benefits and expenses	**29,024**	**18,977**	**38,034**	**(272)**	**85,763**
Income/(loss) before income taxes	**26,091**	**7,033**	**(28,795)**	**-**	**4,329**
Income taxes	**87**	**14**	**-**	**-**	**101**
Net income/(loss)	**26,004**	**7,019**	**(28,795)**	**-**	**4,228**

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6. CASH AND CASH EQUIVALENTS

	2020 $	2019 $
Cash at bank and in hand	45,817	51,151
Short-term bank deposits	450	399
Total	**46,267**	**51,550**

The effective interest rate on short-term bank deposits was 0.00% (2019 - 0.01%). These deposits have an average maturity of 92 days (2019 - 90 days).

7. REGULATORY DEPOSITS, FIXED DEPOSITS AND RESTRICTED CASH

	2020 $	2019 $
Fixed deposits	13,703	13,668

Fixed deposits of $13,703 (2019 - $13,668) have a term of 365 days and are held with an independent financial institution in Barbados. The fixed deposits have varied maturity dates and earn interest per annum of 1.89% (2019 - 2.00%).

	2020 $	2019 $
Regulatory deposits	1,709	1,632

Regulatory deposits represent an amount held by the Financial Services Commission to satisfy licensing criteria under Section 23 (2) (9b) of the Barbados Insurance Act 1966-32. These deposits cannot be removed or reduced without the prior consent of the regulator.

	2020 $	2019 $
Restricted cash	15,221	27,725

Restricted cash of $15,221 (2019 - $27,725) primarily consists of cash being held on account of various pension plans and cash held on account for dividends issued but not collected to satisfy regulatory requirements. These amounts are not available for use in the Group's daily operations and are therefore excluded in the consolidated statement of cash flows.

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8. INVESTMENTS

A. Carrying Amount and Fair Value of Investments

Investments comprise:

	2020	
	Carrying amount $	Fair value $
Measured at amortised cost		
- Fixed income securities	102,377	104,914
- Mortgages and other loans	16,435	15,723
	118,812	**120,637**
- Equities - Designated as at FVOCI	9,810	9,810
- Equities - FVTPL	15,463	15,463
	25,273	**25,273**
Totals	**144,085**	**145,910**

	2019	
	Carrying amount $	Fair value $
Measured at amortised cost		
- Fixed income securities	110,765	109,918
- Mortgages and other loans	17,625	19,482
	128,390	**129,400**
- Equities - Designated as at FVOCI	10,535	10,535
	10,535	**10,535**
Totals	**138,925**	**139,935**

Included in investments are securities in the amount of $46,035 (2019 - $47,272) at carrying value, and fair value $48,760 (2019 - $46,507), which support the liabilities of the Company's investment contract liabilities (Note 19).

Equities - FVTPL include private equity and investment funds which in some instances are subject to lockup periods varying from 3 - 7 years ($15,160). Additionally, as at December 31, 2020 commitments from investment agreements totalling $9,000 were entered into by the Group.

During April 2020, a security within our investment portfolio was subject to modification following the renegotiating of the terms of the security. The details are reflected below:

	Gross Carrying Amount	ECL	Amortised Cost
Carrying amount before modification	1,033	(56)	977
Net modification gain	2,054	(294)	1,760
Carrying amount after modification	3,087	(350)	2,737

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements

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8. INVESTMENTS (continued)

B. Investment Income

	2020 $	2019 $
Interest income		
Fixed income securities	4,299	5,135
Mortgages and other loans	762	957
	5,061	6,092
Dividend income		
Equities - FVOCI	189	180
	189	180
Gains/Losses on disposal		
Fixed income securities	278	-
Equities - FVOCI	129	-
	407	-
Impairments and deductions		
Less: ECL/Impairment gain/(loss) on fixed income securities	(690)	(90)
Less: ECL/ Impairment loss on mortgages and other loans	(669)	(168)
	(1,359)	(258)
Total	**4,298**	**6,014**

Government of Barbados (GOB) debt restructure

Following the election of a new government in May 2018, payments on GOB debt were suspended in June 2018 as the first step in a comprehensive debt restructuring plan. On 7 September 2018, the Barbados Economic & Recovery Transformation ("BERT") program was launched with the aim of establishing a sustainable path for the country, in conjunction with the IMF. A central feature of BERT is the rescheduling of GOB debt payments over a longer period, and a reduction in the interest coupon on GOB debt securities. The debt exchange was broadly supported by Barbadian financial institutions, and ICBL exchanged its GOB debt securities for new securities in the following categories:

Series B & C bonds
15-year bonds with interest rates ranging from 1% (first three years to 3.75% (last eleven years) with principal repayments starting from year four in quarterly tranches. The series B bond includes a natural disaster clause which will delay payments by two years for major disaster events and would see interest being capitalised for this two-year period.

Series D bonds
35-year bonds with interest rates ranging from 1.5% (first five years), 4.5% to 7.5% (last twenty years). Principal repayments will commence in year 15 in equal quarterly tranches until maturity. The natural disaster clause is also applicable to this series.

Series F bonds
These 0% interest bonds were solely created for the purpose of settling arrears from government and are repayable in equal instalments over 3 ½ years following a six-month moratorium. The natural disaster clause is also applicable to this series.

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Notes to Consolidated Financial Statements

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8. INVESTMENTS (continued)

B. Investment Income (continued)

Government of Barbados (GOB) debt restructure (continued)

ICBL exchanged $102M in GOB debt securities and arrears at 30 September 2018. The majority of new securities received by the Group were Series D bonds. The group recognised an impairment of $30.1M of which $16.9M impacted investment contract liabilities and $13.2M the income statement for these securities. A further $1.4M impairment was incurred on the recognition of the Series F bonds. The fair value upon recognition was calculated using an estimated yield curve. Interest on the GOB debt securities is recognised using the credit adjusted effective interest rate determined by management and ranges from 1.02% to 6.43%.

9. FAIR VALUE MEASUREMENTS

A. Fair Value Methodologies and Assumptions

The carrying values of cash and cash equivalents, fixed deposits, regulatory deposits, and restricted cash approximate their fair values. The fair value of equity securities is determined using quoted prices in active markets for identical securities or similar securities when available. If there is no quoted price in an active market, then net asset values reported by fund managers or valuation techniques are used. These include discounted cash flow analysis and other techniques that involve benchmark comparison. Valuation inputs primarily include projected future operating cash flows and earnings, dividends, market discount rates, and earnings multiples of comparable companies. Cost at acquisition is also considered in the initial period of purchase.

For disclosure purposes, the fair value for fixed income securities, and mortgages and loans, all classified at amortised cost, is determined by discounting the expected future cash flows using a current market interest rate applicable to financial instruments with a similar yield, credit quality and maturity characteristics.

Fair values for investment properties are assessed annually for material changes. The fair value is assessed using the most recently available reports from independent, qualified external appraisal services. These investment properties are appraised annually. The most recent appraisals were as at June and November 2020. Values are estimated using 1.) the income approach to estimate the present value of discounted projected future cash flows using current rental rates, assessed rental values or market rental values at a market discount rate; or 2.) determined having regard to recent market transactions for similar properties in similar locations or where such information is not readily available, other valuation techniques such as the income capitalisation model are used. The methodologies and inputs used in these models are in accordance with real estate industry valuation standards.

Valuation inputs include estimated rental value, rental growth rates, vacancy rates, discount rates, future operating expenses and terminal growth rates. The fair value of the investment properties was selected, by management, from the assessment completed by the independent, qualified external appraisal services.

B. Fair Value Hierarchy

The Group categorises its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Group's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to fair value measurement in its entirety.

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Notes to Consolidated Financial Statements
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9. FAIR VALUE MEASUREMENTS (continued)

B. Fair Value Hierarchy (continued)

The three levels of the fair value hierarchy are defined as follows:

i) Financial instruments in Level 1
The fair value of financial instruments traded in active markets is based on quoted market prices at the consolidated statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing services, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for investments held by the Group is the current bid price.

ii) Financial instruments in Level 2
The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

iii) Financial instruments in Level 3
If one or more of the significant inputs is not based on observable market data, the investments are included in Level 3. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models using market observable data where possible.

C. Assets and Liabilities Measured at Fair Value

The following table presents the fair value of the Group's assets and liabilities measured at fair value on a recurring basis in the consolidated statement of financial position, categorized by level under the fair value hierarchy as at 31 December 2020:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Designated as FVOCI	8,745	1,065	-	9,810
Equities - FVTPL	303	-	15,160	15,463
Investment properties	-	-	29,525	29,525
Total assets	**9,048**	**1,065**	**44,685**	**54,798**

The following table presents the fair value of the Group's assets and liabilities measured at fair value on a recurring basis in the consolidated statement of financial position, categorised by level under the fair value hierarchy as at 31 December 2019:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Designated as FVOCI	9,132	1,403	-	10,535
Investment properties	-	-	31,850	31,850
Total assets	**9,132**	**1,403**	**31,850**	**42,385**

During the year, there were no transfers between Levels 1 and 2.

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9. FAIR VALUE MEASUREMENTS (continued)

D. Assets and Liabilities Measured at Fair Value (continued)

The movement with respect to Level 3 assets is outlined below:

	Equities - FVTPL	Investment Properties	2020	2019
	$	$	$	$
Opening balance	-	31,850	31,850	31,400
Additions	15,160	298	15,458	280
Transfer to property, plant and equipment	-	(97)	(97)	-
Fair value adjustment	-	(2,526)	(2,526)	170
Total assets	**15,160**	**29,525**	**44,685**	**31,850**

Sensitivity - capitalisation rate/discount rate - Weymouth

For investment properties categorised into Level 3 of the fair value hierarchy, the following information is relevant:

The commercial units located at Roebuck Street, St. Michael are collectively referred to as “Weymouth”. The Group, based on the calculations of its independent, qualified valuer has utilised a sensitivity test regarding the capitalisation rate, in essence, the discount rate or the cap rate used in the valuation of Weymouth. The discount rate is the rate of return on an investment property based on the income that the property is expected to generate The higher the discount rate used by independent, qualified valuer the lower the fair value of the investment property and the lower the discount rate used by independent, qualified valuer the higher the fair value of the investment property. The fair value of Weymouth is highly sensitive to any change in the discount rate. The below table summarises the effect of changes in the discount rate on the fair value of the property.

	Increase 2020	Decrease 2020	Increase 2019	Decrease 2019
50bp change in discount rate	(800)	800	(700)	850
100bp change in discount rate	(1,500)	1,700	(1,450)	1,700

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9. FAIR VALUE MEASUREMENTS (continued)

D. Assets and Liabilities Not Measured at Fair Value

For assets and liabilities not measured at fair value in the consolidated statement of financial position, the following table discloses fair value information categorised by level in the preceding hierarchy as at 31 December 2020:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Cash and cash equivalents	46,267	-	-	46,267
Fixed deposits	13,703	-	-	13,703
Regulatory deposits	1,709	-	-	1,709
Restricted cash	15,221	-	-	15,221
Financial assets - Amortised cost				
Fixed income securities	-	8,850	96,064	104,914
Mortgages and other loans	-	15,723	-	15,723
Total assets	**76,900**	**24,573**	**96,064**	**197,537**
Liabilities				
Investment contract liabilities	-	68,893	-	68,893
Total liabilities	**-**	**68,893**	**-**	**68,983**

The Group also holds fixed income securities, which support investment contract liabilities and insurance contract liabilities. If the base interest rates, as measured by the applicable yield curves, shifted parallel by 100 basis points higher/lower, the immediate impact to fair value would have been:

	2020	2019
	$	$
100 basis points lower	7,973	9,128
100 basis points higher	(7,263)	(7,874)

The interest rate sensitivity impact was calculated using the modified duration method.

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9. FAIR VALUE MEASUREMENTS (continued)

D. Assets and Liabilities Not Measured at Fair Value (continued)

For assets and liabilities not measured at fair value in the consolidated statement of financial position, the following table discloses fair value information categorized by level in the preceding hierarchy as at 31 December 2019:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Cash and cash equivalents	51,550	-	-	51,550
Fixed deposits	13,668	-	-	13,668
Regulatory deposits	1,632	-	-	1,632
Restricted cash	27,725	-	-	27,725
Financial assets - Amortised cost				
Fixed income securities	-	18,716	91,202	109,918
Mortgages	-	18,745	-	18,745
Other loans	-	-	737	737
Total assets	**94,575**	**37,461**	**91,939**	**223,975**
Liabilities				
Investment contract liabilities	-	80,987	-	80,987
Total liabilities	**-**	**80,987**	**-**	**80,987**

10. INSURANCE RECEIVABLES AND OTHER ASSETS

	2020	2019
	$	$
Insurance receivables	23,688	24,813
Provision for doubtful debts	(5,847)	(4,946)
Insurance receivable (net)	17,841	19,867
Accounts receivable	9,200	5,403
Accrued investment income	580	853
Total	**27,621**	**26,123**

The movement in the provision for doubtful debts is shown below:

	2020	2019
	$	$
Balance at 1 January 2020	4,946	5,225
Provision made during the year	920	13
Provision reversed during the year	(19)	(292)
Balance at 31 December 2020	**5,847**	**4,946**

For 2020, the provision of $5,847 (2019 - $4,946) includes an ECL provision on Broker receivables of $1,902 (2019 - $1,983) (See also ***Note 2l)***.

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11. DEFERRED POLICY ACQUISITION COSTS

A reconciliation of the change in deferred policy acquisition costs is shown below:

	2020 $	2019 $
At 1 January	2,345	2,235
Recognised deferred acquisition costs	3,492	3,440
Amortisation charge through income	(3,835)	(3,330)
At 31 December	**2,002**	**2,345**

12. REINSURANCE ASSETS

Reinsurance assets are comprised of the following:

	2020 $	2019 $
Short-term insurance contracts:		
Claims reported and adjustment expenses	24,389	25,183
Unearned premiums ceded	13,356	14,237
Claims incurred but not reported	1,098	1,914
Total short-term insurance contracts	**38,843**	**41,334**
Life and health insurance contracts:		
Non-participating		
Individual life	(249)	(460)
Group life	1,019	419
Health and accident	101	76
Total life and health insurance contracts	**871**	**35**
Total reinsurance assets	**39,714**	**41,369**

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13. INVESTMENT PROPERTIES

	2020 $	2019 $
Year ended 31 December		
At beginning of year	31,850	31,400
Additions to property	298	280
Transfer to property, plant and equipment	(97)	-
Fair value adjustment	(2,526)	170
Closing net book amount	**29,525**	**31,850**

Investment properties, comprising office buildings at the Weymouth Corporate Centre and James Street, and two (2) vacant plots at Warrens and Hincks Street, Bridgetown. The Hincks Street property has a structure, which, has been designated a UNESCO World Heritage Site. These properties are all reported at their fair value.

Rental income generated from these investment properties during the year amounted to $2,113 (2019 - $2,191). Operating expenses incurred in support of generating rental income from investment properties was $1,550 (2019 - $1,760).

Investment properties in the amount of $24,875 (2019 - $24,875) are placed in trust with respect to the statutory funds. Consistent with other assets in the statutory fund, if these assets are to be sold, permission would have to be sought and granted pursuant to the Insurance Act of Barbados. The Regulator would require that these investment properties are replaced with suitable assets in the statutory fund. The most recent appraisals for the properties were as at June and November 2020.

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14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $	Furniture, equipment and leasehold improvements $	Motor vehicles $	Total $
Year ended 31 December 2019				
Opening net amount	16,899	3,531	292	20,722
Additions	1,350	1,176	-	2,526
Right-of-use assets recognised at 1 January 2019	339	-	548	887
Disposals	(2)	(52)	(538)	(592)
Disposals - accumulated depreciation	-	63	524	587
Depreciation charge	(513)	(758)	(225)	(1,496)
Revaluation	(2,835)	-	-	(2,835)
Reclassifications	(88)	88	-	-
Closing net book amount	**15,150**	**4,048**	**601**	**19,799**
At 31 December 2019				
Cost/Valuation	15,368	15,883	1,432	32,683
Accumulated depreciation	(218)	(11,835)	(831)	(12,884)
Net book amount	**15,150**	**4,048**	**601**	**19,799**
Year ended 31 December 2020				
Opening net amount	15,150	4,048	601	19,799
Additions	809	1,283	8	2,100
Transfer from investment properties	-	97	-	97
Disposals	(4)	(2,403)	(76)	(2,483)
Disposals - accumulated depreciation	-	2,156	76	2,232
Depreciation charge	(231)	(716)	(216)	(1,163)
Revaluation	(639)	-	-	(639)
Impairment	-	(10)	-	(10)
Closing net book amount	**15,085**	**4,455**	**393**	**19,933**
At 31 December 2020				
Cost/Valuation	15,557	14,850	1,364	31,771
Accumulated depreciation	(472)	(10,395)	(971)	(11,838)
Net book amount	**15,085**	**4,455**	**393**	**19,933**

The Company revalued its freehold property at Roebuck Street as at 31 December 2019 based on an appraisal done by an independent, qualified professional firm of certified valuers. During the year, following the initial COVID lockdown period, management reviewed this position in June 2020 and reduced the property's value by a further $639 based on available information.

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14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

This note provides information for leases where the Company is a lessee. For leases where the Group is a lessor, the related assets are captured within the relevant categories in the table above.

i) Amounts recognised in the consolidated statement of financial position:

	2020 $	2019 $
Right-of-Use Assets		
Building	20	121
Motor Vehicle	296	415
	316	**536**
Lease Liabilities		
Other liabilities	316	557

ii) Amounts recognised in the consolidated statement of income:

	2020 $	2019 $
Amortisation charge of Right-of-Use Assets		
Building	79	218
Motor Vehicle	127	133
	206	**351**
Interest Expense	18	35
Expense relating to short- term leases (included in operating expenses)	276	276

15. INCOME TAXES

A. Income Tax

The income tax expense comprises:

	2020 $	2019 $
Current tax	105	117
Deferred tax	27	(16)
Total income tax expense	**132**	**101**

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15. INCOME TAXES (continued)

A. Income Tax (continued)

The taxation charge on taxable income differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2020 $	2019 $
Income/(loss) before income taxes	4,424	4,329
Tax calculated at effective rate of 2% (2019 - 2%)	88	87
Deductions allowed	(10)	(4)
Effect of different tax rates on taxable income	80	117
Income not subject to tax	(33)	(112)
Expenses not deductible for tax	14	10
Under/(over) accrual of taxes	(7)	3
Total income tax expense/(credit)	**132**	**101**

The Company's life business is subject to tax at a rate of 2% (2019 - 2%) of gross investment income. All other investment income of the Company is subject to tax at a rate of 15% (2019 - 15%). The tax rate for the non-life business of the Group is 2% (2019 - 2%).

B. Deferred Taxes

The deferred tax (asset)/liability relates to the following items:

	2020 $	2019 $
Deferred tax (asset)/liability:		
Accelerated tax depreciation	97	83
Net pension plan (asset)/liability	(19)	(27)
Tax losses carried forward	(239)	(253)
Deferred tax asset	**(161)**	**(197)**

The Group has accumulated tax losses amounting to $11,946 (2019 - $13,543). These losses are due to expire as follows: 1.) 2024 - $4,188; 2.) 2025 - $5,513; 3.) 2026 - $2,245. The deferred tax asset of $239 (2019 - $253) has been recognised, as it is anticipated that there will be sufficient future taxable profits to offset these losses.

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15. INCOME TAXES (continued)

C. Tax Recoverable

	2020 $	2019 $
Tax recoverable at beginning of year	797	747
Tax payments made	120	167
Current tax expense for year	(105)	(117)
Other	(19)	-
Tax recoverable at end of year	**793**	**797**

D. Tax Credit relating to Other Comprehensive Income

	2020		
	Before tax **$**	**Tax credit** **$**	**After tax** **$**
Re-measurements of post-employment benefit obligations	(852)	(17)	(835)
Investments classified as FVOCI	(480)	-	(480)
Other comprehensive income	**(1,332)**	**(17)**	**(1,315)**

	2019		
	Before tax **$**	**Tax credit** **$**	**After tax** **$**
Re-measurements of post-employment benefit obligations	(122)	(10)	(112)
Change in property valuation	(2,597)	-	(2,597)
Investments classified as FVOCI	963	-	963
Other comprehensive income	**(1,756)**	**(10)**	**(1,746)**

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16. INTANGIBLE ASSETS

The carrying amounts of intangible assets are as follows:

	2020 $	2019 $
Cost: beginning of year	9,304	8,302
Additions	1,376	1,002
Cost: end of year	10,680	9,304
Accumulated amortisation: beginning	(3,203)	(2,715)
Amortisation	(474)	(488)
Accumulated amortisation: ending	(3,677)	(3,203)
Net book value: end of year	**7,003**	**6,101**

The amortisation charge on finite life intangibles assets is included in depreciation and amortisation in the consolidated statement of income.

Software development costs

The Company is engaged in significant development of its new core information systems. Costs associated with the development of the systems are deferred, to the extent that the cost satisfies the criteria under *IAS 38 - Intangible assets*, until such time that management determines that a component is available for use in the manner expected and then it is amortised over its useful life. Annually, the Company reviews its software development costs for evidence of impairment.

17. OTHER LIABILITIES

	2020 $	2019 $
These include:		
Dividend payable	499	1,175
Payables and accrued expenses	16,247	11,697
Lease liabilities	316	557
Insurance balances payable	10,413	9,804
Deferred commission income	3,433	3,446
Total	**30,908**	**26,679**

Insurance balances payable include amounts payable to reinsurers and brokers.

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18. RETIREMENT BENEFITS OBLIGATIONS

A. Defined Contribution Pension Plan

In 2007, ICBL introduced a defined contribution plan for new employees. Contributions of $228 (2019 - $211) equating to the service cost for the year for these employees were made to this plan. The cost of the defined contribution plan is not reflected in the following tables.

B. Post-Retirement Medical Plan and Impact of Curtailment

The Group also offers medical insurance benefits to retired employees. A qualified actuary calculates the present value of this future benefit obligation and the amount is accrued at the end of each year. Prior to 1 January 2014, ICBL paid to the insurer 60% of the total premiums and the pensioner paid the balance. Retirees after 31 December 2013 will pay 100% of their premiums if they want to continue to be covered by the plan. This change reduced the number of current employees who will be prospectively entitled to benefits and was treated as a curtailment.

Cash contributions to the plan by the Company for 2020 were $30 (2019 - $28).

C. Defined Benefit Pension Plan

The Group sponsors a defined benefit pension plan for eligible employees. The defined benefit plan is administered by a separate fund that is legally separated from the Company. Responsibility for governance of the plan including investment and contributions lies jointly with the Company and the Trustees of the pension plan.

Under the plan, the pension amount at retirement is based on an employee's final average earnings. The scheme is generally funded through payments determined by triennial actuarial calculations. Cash contributions to the plan by the Company during 2020 were $896 (2019 - $1,244).

The Company measures the fair value of assets and the accrued benefit obligations as of 31 December 2020. The most recent actuarial valuation of the plan's assets and the present value of the defined benefit obligation were carried out as of 31 December 2020.

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18. RETIREMENT BENEFITS OBLIGATIONS (continued)

C. Defined Benefit Pension Plan (continued)

The following table provides summaries of the defined benefit pension and post-retirement medical plans estimated financial position at 31 December 2020 and 2019:

	Defined benefit pension plans		Medical benefit plans	
	2020	2019	2020	2019
	$	$	$	$
Accrued benefit obligation				
Balance - beginning of year	31,012	30,330	416	400
Current service cost	399	375	-	-
Interest expense	2366	2,324	31	30
Past service cost	(838)	-	-	-
	1,927	**2,699**	**31**	**30**
Re-measurement gains				
Actuarial gains and losses arising from changes in financial assumptions	(283)	(592)	(16)	14
	(283)	**(592)**	**(16)**	**14**
Payments from plans:				
Benefit payments	(1,776)	(1,425)	(30)	(28)
Balance - End of year	**30,880**	**31,012**	**401**	**416**

	Defined benefit pension plans		Medical benefit plans	
	2020	2019	2020	2019
	$	$	$	$
Plan assets				
Fair value - beginning of year	34,228	34,027	-	-
	34,228	34,027	-	-
Re-measurement				
Return on plan assets	2	423	-	-
	2	**423**	**-**	**-**
Contributions:				
Employer	896	1,245	30	28
Payments from plans				
Administration	(26)	(42)	-	-
Benefit payments	(1,776)	(1,425)	(30)	(28)
Fair value - end of year	**33,324**	**34,228**	**-**	**-**
Effect of asset ceiling	(2,977)	(4,154)	-	-
	30,347	**30,074**	**-**	**-**
Net benefit liability (asset) - end of year	**533**	**938**	**401**	**416**

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18. RETIREMENT BENEFITS OBLIGATIONS (continued)

C. Defined Benefit Pension Plan (continued)

The Company's net benefit plan expense is as follows:

	Defined benefit pension plans		Medical benefit plans	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Current service cost	399	375	-	-
Past service cost	(838)	-	-	-
Net interest on the net defined benefit	(253)	(306)	31	30
Administration and other non-plan investment management	26	42	-	-
Interest on effect of asset ceiling	322	407	-	-
Components of defined benefit costs (income) recorded in profit or loss	**(344)**	**518**	**31**	**30**
Re-measurement on the net defined benefit liability				
Expected return on plan assets	2,619	2,630	-	-
Actual return on plan assets	(2)	(423)	-	-
Actuarial gains and losses arising from changes in financial assumptions	(283)	(592)	(16)	14
Effect of IFRIC 14	(1,499)	(805)	-	-
Effect of asset ceiling	-	(702)	-	-
Components of defined benefits cost (income) recorded in OCI	**835**	**108**	**(16)**	**14**

The past service cost, the service cost, the net-interest expense for the year and the expected return on assets are included in the employee benefits expense in the consolidated statement of income. The re-measurement on the net defined benefit liability (asset) is included in the consolidated statement of comprehensive income as part of other comprehensive income.

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18. RETIREMENT BENEFITS OBLIGATIONS (continued)

C. Defined Benefit Pension Plan (continued)

Asset allocation

The asset allocation by major category for the defined benefit pension plans is as follows:

	2020				2019			
	Quoted	Unquoted	Total	%	Quoted	Unquoted	Total	%
Equity instruments								
Financial services	164	-	**164**	**0.49**	180	-	**180**	**0.53**
Mutual funds	1,244	-	**1,244**	**3.73**	1,315	-	**1,315**	**3.84**
Fixed income instruments								
Government	-	8,885	**8,885**	**26.66**	-	9,341	**9,341**	**27.29**
Corporate bonds	-	4,783	**4,783**	**14.35**	-	4,905	**4,905**	**14.33**
Term deposits	-	4,844	**4,844**	**14.54**	-	5,768	**5,768**	**16.85**
Cash and cash equivalents	-	12,926	**12,926**	**38.79**	-	12,524	**12,524**	**36.59**
Other	-	478	**478**	**1.44**	-	195	**195**	**0.57**
Total	**1,408**	**31,916**	**33,324**	**100.00**	**1,495**	**32,733**	**34,228**	**100.00**

Risk

Through its defined benefit pension plan and post-employment medical plan, the Company is exposed to a number of risks, the most significant, which are detailed below:

Changes in bond yields - a decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bonds holdings.

Life expectancy - The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities. This is particularly significant where inflationary increases results in higher sensitivity to changes in life expectancy.

Inflation risk - The pension obligation is linked to inflation, and higher inflation will lead to higher liabilities. The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with equities inflation, meaning that an increase in inflation will also increase the deficit of the plan.

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18. RETIREMENT BENEFITS OBLIGATIONS (continued)

C. Defined Benefit Pension Plan (continued)

Actuarial assumptions

The significant assumptions are as follows (weighted-average assumptions as of 31 December 2020 and 2019:

	Defined benefit pension plans		Medical benefit plans	
	2020	2019	2020	2019
	%	%	%	%
Benefit cost during the year:				
Discount rate	7.75	7.75	7.75	7.75
Rate of compensation increase	6.00	6.00	-	-
Medical claims inflation	-	-	6.00	6.00
Expected rate of future pension increases	2.50	2.50	-	-
Accrued benefit obligation at end of year:				
Discount rate	7.75	7.75	7.75	7.75
Rate of compensation increase	6.00	6.00	-	-
Medical claims inflation	-	-	6.00	6.00
Expected rate of future pension increases	2.50	2.50	-	-

The expected return on assets assumption for pension cost purposes is the weighted average of expected long-term asset return assumptions by asset class, and is selected from a range of possible future asset returns.

Significant judgement is used in setting the assumptions used to calculate the Group's retirement benefit obligations. The sensitivity analyses have been determined based on reasonably possible changes of the significant actuarial assumptions occurring at the end of the reporting period. Changes in trend rate assumptions in either direction will change the retirement benefit obligation as follows:

	Defined Benefit Pension Plans		Medical Benefit Plans	
	Increase 2020	Decrease 2020	Increase 2020	Decrease 2020
	$	$	$	$
Discount rate (1% p.a.)	(3,382)	4,142	(34)	39
Salary (1% p.a.)	1,177	(1,036)	-	-
Medical premium/ (1% p.a.)				
Medical claims inflation	-	-	38	(33)
Average life expectancy (1 year)	798	-	16	-

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and a change in some of the assumptions may be correlated.

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised in the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

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18. RETIREMENT BENEFITS OBLIGATIONS (continued)

C. Defined Benefit Pension Plan (continued)

For the funded plan, the Company ensures that the investment positions are managed with an asset-liability matching ("ALM") framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. The Company's ALM objective is to match assets to the pension's obligation by investing in long-term fixed interest securities with maturities that match the benefits payments as they fall due.

The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Company has not changed the process used to manage its risk from previous periods. Investments are well diversified, such that failure of any single investment would not ordinarily have a material impact on the overall level of assets.

The funding requirements are based on a local actuarial measurement framework. In this framework, the discount rate is set on a risk-free rate. Furthermore, premiums are determined on a current salary base. Additional liabilities stemming from past service due to salary increase should be paid immediately to the fund.

Expected contributions to post-employment benefit plans for the year ending 2021 are $779 (2020 - $896). The weighted average duration of the defined benefit obligation is 12.18 years (2019 - 12.54 years).

19. INVESTMENT CONTRACT LIABILITIES

The composition of investment contract liabilities and the movement in liabilities are shown below:

	2020 $	2019 $
Investment contract liabilities	68,893	80,987
Total investment contract liabilities	**68,893**	**80,987**

Investment contract liabilities carried at amortised cost

	2020 $	2019 $
At 1 January	80,987	85,152
Pension contributions	2,402	9,742
Net investment income	1,976	3,200
Benefits paid	(15,695)	(16,271)
Management fees deducted	(676)	(728)
Net transfer out	(101)	(108)
At 31 December	**68,893**	**80,987**

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements
For the year ended 31 December 2020
(in thousands of Barbados dollars except for per share amounts)

20. INSURANCE CONTRACT LIABILITIES

A. Assumptions and Methodology

i) Life and health insurance contracts

The nature of life and health insurance business is such that a number of assumptions are made in compiling these consolidated financial statements. Assumptions are made about investment returns, mortality rates, lapse rate, morbidity, expenses and premium payment patterns in connection with the in-force policies for each business unit. Assumptions are best estimates based on historic and expected experience of the business.

The valuation of liabilities was performed using PPM, which is an approximation of CALM. In some instances, approximations are used due to the nature of liabilities. The approximations are not expected to change the results materially. Best estimate assumptions were generally based on industry and company experience. Provisions for adverse deviations (“PfADs”) were determined by applying appropriate margins for adverse deviations (“MfADs”) to the best estimate assumptions. A variety of factors are considered in the Company’s valuation techniques, such as yield curve, credit spreads and default assumptions, which have market observable inputs.

Investment returns
Assets are not formally segmented by line of business or product line. Invested assets are notionally segmented to support the actuarial liabilities valued under PPM. For each segment the future cash flows from insurance and investment contracts and the assets supporting them are projected under a number of interest rate scenarios some of which are prescribed for PPM. Both current assets and future reinvestment consider credit/asset default risk (assumed to earn a credit spread (including appropriate default provision), above the risk-free Treasury yield based on current and future expected market conditions). Asset defaults were based on industry experience.

Morbidity
Morbidity refers to the likelihood that an insured will contract or develop any number of illnesses. The Company’s portfolio of Company and individual health business is large enough for an internal analysis of lag and is used as the basis for setting annually renewable premiums. A very small block of individual disability assumes industry standard morbidity rates.

Mortality
Mortality refers to the rates at which death is expected to occur for defined classes of insured. The Company’s portfolio of business is too small to form the basis for any internally produced mortality assumption. Therefore, the Company’s mortality assumption is based on industry experience. The assumed mortality rates for life insurance contracts do not reflect any future improvement. For life contingent annuities, the assumed mortality assumption includes future mortality improvement, the effect of which is to increase insurance contract liabilities, based on prescribed mortality improvement rates promulgated by the Canadian Institute of Actuaries 1997-2004, adjusted for gender and smoker distinction.

Lapse
The best estimate lapse assumption is based on a combination of industry and the Company’s lapse experience and pricing assumptions for newer products.

Expenses
Actuarial liabilities provide for future administrative policy-related expenses. These include the costs of premium collection, claims adjudication and processing, relating consulting services, preparation and mailing of policy statements and related indirect expenses and overheads.

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements
For the year ended 31 December 2020
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20. INSURANCE CONTRACT LIABILITIES (continued)

A. Assumptions and Methodology (continued)

i) Life and health insurance contracts (continued)

Expenses (continued)
An inflation assumption is incorporated in the estimate of future expenses consistent with the interest rate scenarios projected under PPM.

Premium payment patterns
Universal life liabilities are sensitive to the amount of discretionary premium received from the policyholders. A premium persistency assumption is made for all universal life products and can vary by plan, age and policy duration.

ii) Short-term insurance contract liabilities

The ultimate cost of outstanding contract liabilities is estimated by using the Bornhuetter-Ferguson method on paid and reported losses. This is essentially a blend of two other methods, the first being the Loss Development Method whereby actual reported losses are multiplied by an expected loss development factor and the second, the Expected Loss Method whereby the future IBNR reserve equals the difference between a predetermined estimate of expected losses and actual reported losses.

B. Composition of Insurance Contract Liabilities

	2020 $	2019 $
Gross		
Short-term insurance contracts:		
Claims reported and loss adjustment expenses	63,665	69,766
Unearned premiums	29,989	31,842
Claims incurred but not reported	4,630	5,525
Total short-term insurance contracts	**98,284**	**107,133**
Life and health insurance contracts:		
Non-participating		
Individual life	7,985	6,460
Individual annuities	7,867	8,041
Group life	11,880	9,365
Health and accident	2,059	1,939
Total life and health insurance contracts	**29,791**	**25,805**
Total insurance contract liabilities - gross	**128,075**	**132,938**

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

(in thousands of Barbados dollars except for per share amounts)

20. INSURANCE CONTRACT LIABILITIES (continued)

B. Composition of Insurance Contract Liabilities (continued)

	2020	2019
Net	**$**	**$**
Short-term insurance contracts:		
Claims reported and loss adjustment expenses	39,276	44,583
Unearned premiums	16,633	17,605
Claims incurred but not reported	3,532	3,611
Total short-term insurance contracts	**59,441**	**65,799**
Life and health insurance contracts:		
Non-participating		
Individual life	8,233	6,920
Individual annuities	7,867	8,041
Group life	10,861	8,946
Health and accident	1,959	1,863
Total life and health insurance contracts	**28,920**	**25,770**
Total insurance contract liabilities - net	**88,361**	**91,569**

C. Changes in Short Term Insurance Contract Liabilities

	2020			2019		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$	$	$	$	$	$
At 1 January						
Claims and adjustment expenses	69,766	(25,183)	44,583	75,880	(26,367)	49,513
Claims incurred but not reported	5,525	(1,914)	3,611	5,836	(2,719)	3,117
Total at 1 January	75,291	(27,097)	48,194	81,716	(29,086)	52,630
Cash paid for claims settled in year	(30,373)	7,740	(22,633)	(38,281)	10,491	(27,790)
Increase in liabilities:						
Arising from current year claims	20,191	(6,726)	13,465	28,156	(9,080)	19,076
Arising from prior year claims	3,186	596	3,782	3,700	578	4,278
Total at 31 December	**68,295**	**(25,487)**	**42,808**	**75,291**	**(27,097)**	**48,194**
Claims and adjustment expenses	63,665	(24,389)	39,276	69,766	(25,183)	44,583
Claims incurred but not reported	4,630	(1,098)	3,532	5,525	(1,914)	3,611
Total at 31 December	**68,295**	**(25,487)**	**42,808**	**75,291**	**(27,097)**	**48,194**

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

(in thousands of Barbados dollars except for per share amounts)

20. INSURANCE CONTRACT LIABILITIES (continued)

C. Changes in Short Term Insurance Contract Liabilities (continued)

Claims incurred but not reported are recorded on a discounted basis, with the rates of interest used in discount being 4.20% (2019 - 4.25%). The Company believes that its overall practices have been consistently applied over the years and that its provision for outstanding claims has resulted in reasonable approximations of the ultimate cost of claims incurred.

The fair value of the net undiscounted provision for claims and adjustment expenses of $49,733 (2019 - $56,195) is $45,762 (2019 - $50,950). The fair value is calculated by the Company's actuaries.

D. Unearned Premium Liability

	2020			2019		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$	$	$	$	$	$
At 1 January	**31,961**	**(14,301)**	**17,660**	**32,187**	**(15,069)**	**17,118**
Premium written during the year	106,979	(44,785)	62,194	109,956	(46,430)	63,526
Premium earned during the year	(108,957)	45,791	(63,166)	(110,182)	47,198	(62,984)
Total at 31 December	**29,983**	**(13,295)**	**16,688**	**31,961**	**(14,301)**	**17,660**
Movement during the year, net of acquisition	**(1,978)**	**1,006**	**972**	**(226)**	**768**	**542**

E. Changes in Life and Health Insurance Contract Liabilities

	2020			2019		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$	$	$	$	$	$
Life and health insurance contract liabilities - 1 January	**25,805**	**(35)**	**25,770**	**25,038**	**(63)**	**24,975**
Change in provision for policy benefits:						
Aging and changes in balances on in-force policies	3,929	(645)	3,284	1,321	49	1,370
Changes in portfolio and yields	(128)	(7)	(135)			
Changes in assumptions:						
Investment returns				(1,863)	(99)	(1,962)
Mortality	(77)	19	(58)	(236)	85	(151)
Lapse				85	2	87
Expense	682	2	684	817	4	821
Tax				-	-	-
IBNR Factor	86	(5)	81	185	(7)	178
Other changes	(506)	(200)	(706)	458	(6)	452
	3,986	**(836)**	**3,150**	**767**	**28**	**795**
Life and health insurance contract liabilities - 31 December	**29,791**	**(871)**	**28,920**	**25,805**	**(35)**	**25,770**

The future policy benefits is determined by reference to the fair value of the assets supporting those liabilities.

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements
For the year ended 31 December 2020
(in thousands of Barbados dollars except for per share amounts)

20. INSURANCE CONTRACT LIABILITIES (continued)

F. Composition of the Assets Supporting Liabilities

The composition of the assets supporting life and health insurance contract liabilities is as follows:

	2020			
	Fixed income securities $	Mortgages and other loans $	Cash and term deposits $	Total $
Non-participating				
Individual life	8,090	-	143	8,233
Individual annuities	500	5,518	1849	7,867
Group life	300	2,000	8,561	10,861
Health and accident	833	-	1,126	1,959
	9,723	**7,518**	**11,679**	**28,920**

	2019			
	Fixed income securities $	Mortgages and other loans $	Cash and term deposits $	Total $
Non-participating				
Individual life	6,584	-	336	6,920
Individual annuities	500	6,711	830	8,041
Group life	300	1,000	7,646	8,946
Health and accident	823	375	665	1,863
	8,207	**8,086**	**9,477**	**25,770**

21. SHARE CAPITAL

	2020		2019	
	Number of Shares	$	Number of Shares	$
Balance - beginning of year	39,346,682	39,816	39,346,682	39,816
Balance - end of year	**39,346,682**	**39,816**	**39,346,682**	**39,816**

The Company is authorised to issue an unlimited number of common shares at no par value.

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

(in thousands of Barbados dollars except for per share amounts)

21. SHARE CAPITAL (continued)

Employee share purchase plan

There were no shares issued in 2020 and 2019.

A. Statutory Reserve

Catastrophe reserve

The Insurance (Catastrophe Reserve Fund) Regulations 2003 - 88 of Barbados requires the establishment of a catastrophe reserve fund. Annual amounts of up to 25% of net premium income from property insurance business are allocated to the fund and are accounted for as an appropriation of retained earnings. Assets representing the fund in the amount of $17,793 (2019 - $16,121) have been placed in trust in accordance with the regulations of the Insurance Act.

Surplus reserve

Section 152 of the Insurance Act of Barbados requires the appropriation towards a surplus reserve of at least 25% of net income until the surplus reserve of the Company equals or exceeds the liability in respect of unearned premiums. As at 31 December 2020 the Company's surplus reserve was in excess of unearned premiums.

The Statutory reserves comprise of the following:

	Catastrophe reserve	Surplus reserve	Total
Balance as at 31 December 2019	**16,321**	**37,388**	**53,709**
Transfer to catastrophe reserve	498	-	498
Balance as at 31 December 2020	**16,819**	**37,388**	**54,207**

B. Earnings per Share

The earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2020 $	2019 $
Income/ (loss) attributable to the Company's equity holders	4,441	3,771
Weighted average number of ordinary shares in issue	39,347	39,347
Basic and fully diluted earnings per share	**0.11**	**0.10**

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements
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22. ACCUMULATED OTHER COMPREHENSIVE INCOME

This consists of unrealised gains and losses on FVOCI investments, gains and losses on employee benefit plans (net of taxes) and revaluation adjustments on land & buildings held as property, plant and equipment:

	2020 $	2019 $
Items that will not be subsequently reclassified to profit or loss		
Re-measurement of post-employment benefit obligation	(9,301)	(8,466)
Changes in the fair value of FVOCI investments	4,645	5,125
Total	**(4,656)**	**(3,341)**

	FVOCI Investments $	Retirement benefit obligation $	Property $	Total $
At 31 December 2019	5,125	(8,466)	-	(3,341)
Change in retirement benefit obligation	-	(835)	-	(835)
Change in FVOCI investments	(480)		-	(480)
At 31 December 2020	**4,645**	**(9,301)**	**-**	**(4,656)**

	FVOCI Investments $	Retirement benefit obligation $	Property $	Total $
At 31 December 2018	4,162	(8,354)	2,597	(1,595)
Change in retirement benefit obligation	-	(112)	-	(112)
Change in property valuation	-	-	(2,597)	(2,597)
Change in FVOCI investments	963	-	-	963
At 31 December 2019	**5,125**	**(8,466)**	**-**	**(3,341)**

23. COMMISSION AND OTHER INCOME

This includes commission earned from reinsurers and fee income from pension administration and investment management services.

	2020 $	2019 $
Commission income	13,759	14,794
Other income	3,391	3,939
Total	**17,150**	**18,733**

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

(in thousands of Barbados dollars except for per share amounts)

24. INSURANCE CONTRACTS BENEFITS AND EXPENSES

	2020 $	2019 $
Gross life and health claims and benefits paid	14,650	14,884
Reinsurance recoveries	(1,103)	(389)
Change in insurance contract liabilities	3,269	436
Total life and health policy benefits	**16,816**	**14,931**
Gross short-term claim and adjustment expenses paid	31,151	38,283
Reinsurance recoveries	(7,877)	(10,665)
Change in insurance contract liabilities	(6,996)	(6,425)
Change in reinsurance assets	1,610	1,989
Other	-	1
Total short-term claim and adjustment expenses	**17,888**	**23,183**
Total insurance contract benefits and expenses	**34,704**	**38,114**

25. OPERATING EXPENSES

	2020 $	2019 $
Wages and salaries	19,440	18,388
Professional and consulting fees	3,150	4,488
Post-retirement benefits	(148)	308
IT maintenance contracts	3,699	3,717
Advertising and business development	424	895
Bank charges and foreign currency purchase tax	1,145	785
Office rent, building and utility cost	2,588	2,806
Office and administration expenses	1,188	2,151
Bad debts/(Net Recoveries)	1,034	(93)
ECL adjustments	(144)	(184)
Other	1,051	2,526
Total	**33,427**	**35,787**

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements
For the year ended 31 December 2020
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26. RELATED PARTY TRANSACTIONS

Key management personnel have been defined as the executive team and board of directors of the Group. The following transactions were carried out with key management:

A. Sales of Insurance Contracts and Other Services

	2020 $	2019 $
Sales of insurance contracts and pension services:		
- Key management	53	47
Purchase of services:		
- Key management	106	123

B. Key Management Compensation

Key management includes those persons at or above the level of Senior Vice President including Directors. The following table shows compensation to key management:

	2020 $	2019 $
Salaries, directors' fees and other short-term employee benefits	2,926	2,326
Post-employment benefits	137	104
Total	**3,063**	**2,430**

The total interests of all directors and officers in the common shares of the Company at 31 December 2020 were 3,652 (2019 - 75) shares. No rights to subscribe for shares in the Company have been granted or exercised by any director or officer.

C. Loans to Related Parties

Loans are extended to key management of the Company and to companies related to key management. These loans are collateralised by the property acquired with the proceeds of the loan. Mortgage terms are typically no more than (20) years in duration and interest rates are 50bps below the rates charged by the Company to non-related parties. As at year ended 31 December 2020 there were no loan commitments to members of key management (2019 - $0M).

	2020 $	2019 $
At 1 January	2,861	469
Loan advances	6,148	2,890
Loan repayments	(6,224)	(619)
Interest charges	150	121
Total as at 31 December	**2,935**	**2,861**

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

(in thousands of Barbados dollars except for per share amounts)

26. RELATED PARTY TRANSACTIONS (continued)

D. Management Fees

Included in other income were management fees as follows:

	2020 $	2019 $
Statutory Corporation Pension Fund	585	669
Mortgage Insurance Fund	55	102
Staff Pension Funds	291	286
Corporate Pension Plan and RRSP	93	89
Total	**1,024**	**1,146**

E. Investments in related parties

During September 2020, Harrison Gold Opportunity Inc. (HGI), an entity controlled by ICBL's Chairman was setup as a special purpose entity to allow ICBL to capitalize on overseas third party investments that ordinarily were not accessible by the Company. Through this structure the Company owned preference shares in HGI and the returns on these shares were directly linked to the underlying third party investments made. In 2021, these underlying third party investments were transferred into the name of ICBL, and the HGI preference shares, owned by ICBL, were redeemed. There were no gains/losses attributed to HGI from the transactions mentioned above. (See also **Note 2Ciii**)

In note 8, the following investments are included that have been acquired through this entity for the company.

	Cost $	Fair Value $
At 1 January	-	-
Additions - Fixed Income securities	3,000	3,000
Additions - Equities FVTPL	12,159	12,159
Total as at 31 December	**15,159**	**15,159**

F. Investment Direction Agreement

On 8 December 2020, ICBL entered into an Investment Direction Agreement ("IDA") with JPK Capital Holdings (Barbados) Inc. ("JPK Capital") a company incorporated under the laws of Barbados and beneficially owned by ICBL's Chairman.

Pursuant to the terms of the IDA, JPK Capital, as Investment Director of ICBL was responsible for the origination, analysis, negotiation and structuring of investment opportunities on behalf of ICBL

However, after additional considerations the IDA was terminated on 6 April 2021. No management fees, distributions or any type of compensation was paid or will be payable by ICBL to JPK Capital pursuant to the IDA.

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

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27. COMMITMENTS AND CONTINGENCIES

A. Operating Leases

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2020 $	2019 $
No later than 1 year	2,238	961
Total	**2,238**	**961**

The future minimum lease payments payable under non-cancellable operating leases (as lessee) are as follows:

	2020 $	2019 $
No later than 1 year	428	643
Later than 1 year and no later than 5 years	979	1,055
Total	**1,407**	**1,698**

B. Commitments

The Group has commitments made in the normal course of business that are to be disbursed upon fulfillment of certain contractual conditions. At 31 December 2020 commitments under loan agreements amount to $460 (2019 - $3,200) and under investment agreements amount to $9,000 (2019 - $0) (see also **Note 8A**).

C. Contingencies

The Group from time to time is subject to legal actions arising in the normal course of business for an insurance company. It is inherently difficult to predict the outcome of any of these proceedings with certainty and it is possible that an adverse resolution could have a material adverse effect on the consolidated financial statements of the Group. However, based on information presently known, management does not expect that it is probable that the outcome of existing legal action, relating to an interpretation of contract terms, will have a material adverse effect on the consolidated financial position of the Group. Actual results could differ from management's best estimates.

28. DIVIDENDS

	2020 $	2019 $
Final dividend 2020 - nil (2019 - $0.06 per share)	-	2,361
Interim dividend 2020 - nil (2019 - $0.07 per share)	-	2,754
Total	**-**	**5,115**

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements

For the year ended 31 December 2020

(in thousands of Barbados dollars except for per share amounts)

29. COVID-19 Pandemic

The Group continues to monitor the effects of COVID-19 on the Barbados economy which culminated with a further lockdown period occurring in early 2021 due to the increasing number of persons who have fallen ill. The potential impact to the 2021 consolidated financial statements, may include the estimates, judgements, and assumptions as disclosed in Note 2B(ii) of the Group's 2020 consolidated financial statements. This impact on our business is indeterminable at this stage and will be dependent on the ultimate spread and severity of the virus, as well as, the duration of restrictive measures taken by government, and the resultant impact on the economy. The Group has considered the experience of 2020 and will continue to take measures as appropriate to preserve capital adequacy, by (i) delaying reinvestment of investment portfolio maturities, (ii) delaying and or reducing non-business critical capital expenditure and operating costs and (iii) cash preservation. Furthermore, the Group holds no third-party bank debt, nor has it provided any third party guarantees. The Group believes that its capital adequacy has sufficient margin to absorb the possible financial impacts of COVID-19.

icbl™

Always there
when you need us most

CORPORATE INFORMATION

- Shareholder Information
- Statement of Corporate Governance Practices

SHAREHOLDER INFORMATION

ICBL Director Shareholdings as at 15 October, 2021

SHAREHOLDERS	SHARES	NO. OF SHARES HELD NON-BENEFICIALLY
Mr. Jonathan Poulin*	Nil	Nil
Mr. Geoffrey Scott	Nil	Nil
Mr. Goulbourne Alleyne	Nil	Nil
Mrs. Jennifer Hunte	Nil	Nil
Mr. Vicky Bathija	Nil	Nil
Mr. James Edghill	1,500	Nil

**Mr. Jonathan Poulin is the ultimate beneficial owner of 22,376,622 shares held in ICBL by Hamilton Financial Limited*

ICBL - Shareholders owning more than 5% as at 15 October, 2021

SHAREHOLDERS	SHARES	% OF SHARES
HAMILTON FINANCIAL LIMITED	22,376,622	56.88
NATIONAL INSURANCE BOARD	3,900,000	9.91*

**Combined total of two accounts with the Barbados Stock Exchange*

ICBL Shareholdings - by Geographical Location as at 15 October, 2021

COUNTRY	SHAREHOLDERS	SHARES	% OF SHARES
ANTIGUA AND BARBUDA	1	3,000	0.01
BELGIUM	1	2,000	0.01
BERMUDA	6	10,950	0.03
BARBADOS	1,853	16,739,612	42.55
CANADA	18	60,204	0.15
UNITED KINGDOM	20	77,102	0.20
SAINT LUCIA	1	22,376,622	56.88
TRINIDAD AND TOBAGO	2	2,700	0.01
UNITED STATES OF AMERICA	51	67,692	0.17
VIRGIN ISLANDS (BRITISH)	1	500	0.00
	1,954	**39,340,382**	**100**

ICBL Shareholdings - Category Analysis as at 15 October, 2021

CATEGORY	SHAREHOLDERS	RECORD COUNT	# OF SHARES	% OF SHARES
C	Company	64	29,611,322	75.27
I	Individual	1,873	5,213,257	13.25
M	Nominee Account (No Tax)	13	4,505,773	11.45
N	Nominee Account (Taxed 12.5%)	2	2,630	0.01
X	Charity	2	7,400	0.02
		1,954	**39,340,382**	**100.00**

ICBL Shareholdings per account basis - Range Analysis as at 15 October, 2021

SHAREHOLDERS	# OF SHAREHOLDERS	% OF SHAREHOLDERS	SHARES	% OF SHARES
01: Up to 200	97	4.96	11,311	0.03
02: 201 to 500	451	23.08	213,101	0.54
03: 501 to 1,000	489	25.03	444,292	1.13
04: 1,001 to 5,000	652	33.37	1,786,474	4.54
05: 5,001 to 10,000	161	8.24	1,287,189	3.27
06: 10,001 to 50,000	79	4.04	1,789,437	4.55
07: 50,001 to 100,000	8	0.41	582,662	1.48
08: 100,001 to 500,000	10	0.51	2,292,585	5.83
09: 500,001 to 2,000,000	6	0.31	8,556,709	21.75
10: Over 2,000,000	1	0.05	22,376,622	56.88
	1,954	**100.00**	**39,340,382**	**100.00**

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

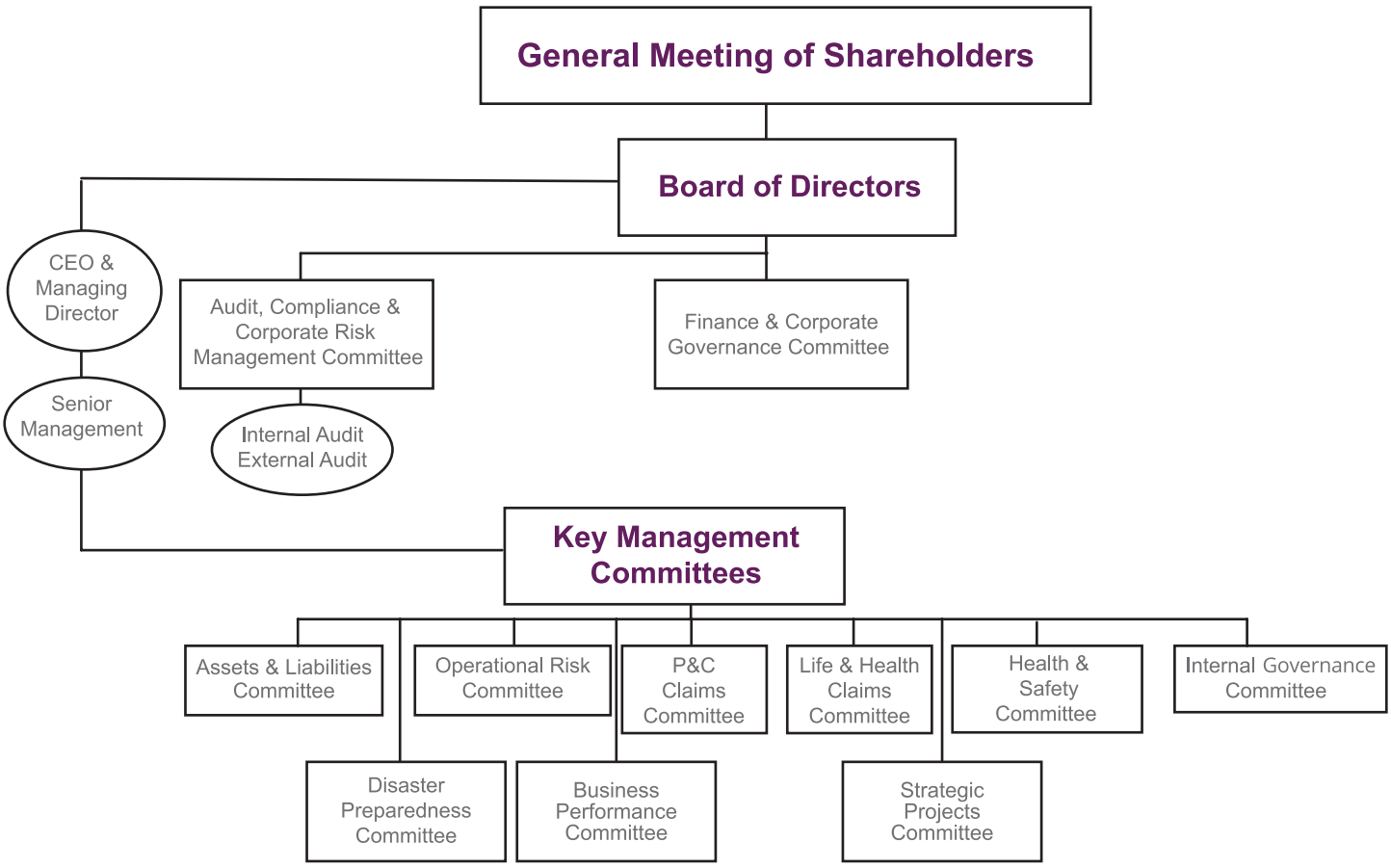
(Company No. 9228)

The Board of Directors of ICBL has the ultimate responsibility for the quality of corporate governance practised within ICBL. One of the stated goals of ICBL is "to become a leader in corporate governance".

This Statement of Corporate Governance Practices seeks to provide shareholders with an overview of the main corporate governance practices of ICBL.

ICBL's corporate governance practices conform to the Guideline on Corporate Governance issued by the Financial Services Commission (FSC), the Corporate Governance Recommendations issued by the Barbados Stock Exchange Inc. (BSE) as well as to international best practices.

CORPORATE GOVERNANCE FRAMEWORK



The existing written guidelines, policies and procedures of ICBL as at October 15, 2021 are as follows: -

- By-Law No. 5 (available on website www.icbl.com)
- Corporate Governance Guidelines (available on website www.icbl.com)
- Position Description for the Chairman of the Board (available on website www.icbl.com)
- Position Description for the CEO (available on website www.icbl.com)
- Terms of References for Board Committees (available on website www.icbl.com)
  - Audit, Compliance & Corporate Risk Management Committee
  - Finance & Corporate Governance Committee

- Guidelines and Policies
  - Code of Ethics and Business Conduct (available on website www.icbl.com)
  - Investment Guidelines (see provisions of the Insurance Act)
  - Anti-Money Laundering Guidelines
  - Insider Trading Policy (available on website www.icbl.com)
  - Whistleblowing Policy (available on website www.icbl.com)
  - Anti-Fraud Policy
  - Related Parties Transaction Policy
  - Anti-Bribery Policy
  - Customer Complaints Policy (available on website www.icbl.com)
  - Reinsurance Risk Policy

- Charters for Internal Management Committees
  - Internal Audit Department Charter
  - Risk Charter
  - P&C Claims Committee Charter
  - Life & Health Committee Charter

Some of these documents have been posted on our website in the Corporate Governance and Investor Relations sections.

ANNUAL MEETINGS OF SHAREHOLDERS

The annual meeting of shareholders will commence at the appointed time stated in the Notice of Annual Meetings, provided a quorum among shareholders has been attained. Hence attendance by at least two shareholders is required. The business to be conducted at the meeting is set out in the Notice and additional details pertaining to the meeting are set out in the Management Proxy Circular. Both documents may be found in the Annual Report and on ICBL's website. A shareholder who is unable to attend the meeting may complete and return the Form of Proxy contained in the Annual Report to the Corporate Secretary of ICBL prior to the date of the meeting.

The Chairman presides over the meeting and any declarations made by him at the meeting are final. Participation by shareholders is encouraged at annual meetings of shareholders and this usually takes the form of proposing or seconding a motion which is placed before the meeting by the Chairman. Once a proposer and a seconder have been identified, the Chairman then invites shareholders to speak on the particular motion. Shareholders should remain mindful that there are other shareholders who may be interested in expressing their views on a motion. At the appropriate time when the Chairman believes that discussion on the motion has been exhausted, the Chairman will invite shareholders to cast their votes for or against the motion. It is the Chairman who determines whether or not a motion has in fact been passed. The Chairman will formally declare that a motion has been passed and the process outlined above will be repeated until all of the business set down on the agenda for the Annual Meeting has been completed.

Shareholders are asked to note that under the agenda item entitled "Any Other Business", the Chairman normally gives shareholders another opportunity to ask any questions which may properly come before an Annual Meeting of Shareholders of ICBL.

MANDATE OF BOARD OF DIRECTORS

The Mandate of ICBL's Board of Directors is set out in Section 3.1. of ICBL's Corporate Governance Guidelines. A copy of this document may be found on ICBL's website.

MEETINGS OF THE SHAREHOLDERS, BOARD AND BOARD COMMITTEES AND DIRECTOR ATTENDANCE RECORD FOR 2020

The BSE requires listed companies to disclose the attendance record of Directors at Annual Meetings, Board and Committee meetings.

The below information is submitted in respect of the period 1 January to 31 December, 2020

Name of Director		Board of Directors	Audit Committee	Finance Committee	Human Resource Committee
Mr. R. John Wight (to Nov. 10, 2020)		100% (5/5)	N/A	100% (3/3)	N/A
Mrs. Juanita Thorington-Powlett (to Sept. 15, 2020)		100% (4/4)	N/A	67% (2/3)	100% (2/2)
Mr. Goulbourne Alleyne		100% (6/6)	N/A	N/A	N/A
Mr. Geoffrey Scott		100% (6/6)	N/A	N/A	N/A
Sir Paul Altman (to Nov. 20, 2020)		67% (4/6)	N/A	50 % (2/4)	N/A
Mr. Gordon Henderson (to Sept. 2, 2020)		100% (4/4)	100% (3/3)	100% (3/3)	N/A
Mrs. Jennifer Hunte		100% (6/6)	100% (4/4)	N/A	100% (2/2)
Ms. Toni Jones (to Sept. 15, 2020)		100% (4/4)	100% (3/3)	N/A	100% (2/2)
Mr. Jonathan Poulin (w.e.f. Sept. 2, 2020)		100% (2/2)	N/ A	100% (1/1)	N/A
Mr. Vicky Bathija (w.e.f. Sept. 15, 2020)		100% (2/2)	100% (1/1)	N/A	N/A
Mr. James Edghill (w.e.f. Sept. 15, 2020)		100% (2/2)	100% (1/1)	100%	N/A

APPROACH TO BOARD EVALUATIONS, COMMITTEE EVALUATIONS AND EVALUATIONS OF INDIVIDUAL DIRECTORS

Pursuant to Section 4.5 of ICBL's Corporate Governance Guidelines, ICBL's practice is to conduct evaluations of its Board, its Committees and its individual Directors. The purpose of the evaluation is to assess the performance of the Board and its Committees in order to ensure that they are carrying out their functions effectively and in accordance with their Mandates as well as to conform to international best practices. At ICBL, evaluations are carried out by an independent body. The independent body is given free access to each Director and the information collected during the evaluation process is compiled into a Report which is laid before the Board of Directors.

The Terms of Reference of each Committee provide that annually the Committee should engage in an evaluation of its work. Directors are also required to complete a Director's Self-Assessment and Evaluation Questionnaire/Form. The completed document is returned to and reviewed by an independent body.

ELECTION OF DIRECTORS

Election of Directors is done in accordance with the Companies Act, Cap. 308 of the Laws of Barbados as well as in accordance with ICBL's By-Laws.

Pursuant to Section 72 (1) of the Companies Act -

> "...a quorum of directors of a company may fill a vacancy among the directors of the company, except a vacancy resulting from an increase in the number or minimum number of directors, or from a failure to elect the number or minimum of directors required by the articles of the company." This is known as a "casual vacancy".

Pursuant to Section 4.3.1 of ICBL's By-Laws -

> "Except otherwise provided by the articles or by-laws, no person shall be eligible for election as a director at any general meeting unless either:
>
> (a) he is recommended by the board of directors, or
>
> (b) not less than thirty (30) clear days before the date appointed for the annual general meeting, written notice, executed by not less than the number of persons holding at least two (2) per cent of the issued and outstanding shares in the class in the capital of the Company from whom the nomination is proposed, has been given to the Company of the intention to propose a person for election together with a copy of the individual's signed letter of consent confirming that person's willingness to be nominated and to serve as a director, if elected."

At the Meeting of Shareholders, two (2) Directors are to be re-elected. The names and a short biographical note on each nominee for re-election/election are set out in the Notice of the Meeting of Shareholders and in the Management Proxy Circular which accompanies it.

RATIONALE FOR THE NUMBER OF DIRECTORS AND ROTATION POLICY

The Articles of Incorporation of ICBL provide that there shall be a minimum of three (3) Directors and a maximum of fourteen (14) Directors. The minimum requirement of three (3) is based on the fact that ICBL is a public company. The increase in number of Directors to 14 in 2006 was considered necessary to avail ICBL of additional Directors with the requisite experience and knowledge of anticipated new areas of business.

By-Law No. 4 of ICBL provides for the rotation of directors and is in accordance with the stated recommendation of the BSE. Shareholders should note however, that at times it is necessary to propose the election of a Director for an initial term shorter than three (3) years in order to fit into the collective rotation schedule for all Directors of ICBL.

QUALIFICATION OF DIRECTORS

ICBL's policy on Director Qualifications is set out in section 4.2 of its Corporate Governance Guidelines entitled "Composition - Qualities of a Director".

ICBL has established a convention which requires a Director who attains the age of 72 years to retire from the Board. However, if a Director attains his 72nd year of age in the midst of his term of office then he is entitled to serve out his term.

COMPANY'S POLICY ON POSITION DESCRIPTIONS

Position descriptions exist within ICBL's Corporate Governance Guidelines for the Chairman of the Board, the Managing Director & CEO. The Position Descriptions for the Chairman, CEO and the Chairs of each Committee of the Board are posted on our website.

RIGHT OF DIRECTORS TO RECEIVE INFORMATION AND THE ROLE OF THE COMPANY SECRETARY VIS-À-VIS COMPLIANCE WITH SECTION 58 OF THE COMPANIES ACT

The Board of Directors has set one (1) week prior to the meeting date as the length of time it requires Management, through the Company Secretary, to provide all of the information necessary for its meetings and for meetings of its Committees.

The Board exercises its power to set policy but day-to-day management is delegated to the Managing Director & CEO who is assisted by Senior Managers, Operational Managers and Supervisors.

Pursuant to section 58 of the Companies Act, Cap 308 of the Laws of Barbados, the Company Secretary is a qualified Attorney-at-Law with 30 years call to the Bar of Barbados. The Company Secretary is a Fellow of the Institute of Chartered Secretaries and Administrators Canada.

COMPANY'S POLICY ON CONTINUING EDUCATION AND ORIENTATION OF DIRECTORS

ICBL provides new Directors with documents including ICBL's Directors' Manual, ICBL's Code of Ethics and Business Conduct and ICBL's Corporate Governance Guidelines. In addition, new Directors meet with some of the members of the Management Team in order to gain greater insight into the operations of the business and to have any queries answered.

ICBL facilitates ongoing training of its Directors in areas such as Corporate Governance, Anti-Money Laundering, Risk Management, reinsurance and pertinent changes in the international financial reporting standards.

DIRECTOR INDEPENDENCE AND REQUIREMENT TO PROVIDE EVIDENCE OF INDEPENDENCE

Section 4.3 of ICBL's Corporate Governance Guidelines states inter alia that the Board should include a balance of executive and non-executive Directors (including independent Directors) to ensure that neither Management nor any other individual or group of individuals dominate the Board's decision making. It also sets out considerations which determine the independence of a Director.

INTERACTION BETWEEN COMMITTEES AND THE BOARD

At every meeting of the Board of Directors, the Chair of a Committee is required to present an oral report on the deliberations of that Committee at its most recent meeting. Also, the Minutes of all meetings of Board Committees are laid at the Board meeting which follows closest thereafter. This gives those Directors who do not sit on that particular Committee an opportunity to acquaint themselves with any issues being faced by that Committee.

SELECTION OF COMMITTEE CHAIRS AND MEMBERS

Committee members are chosen based on their expertise in relation to the mandate of the Committee. For example, persons with accounting or actuarial professional qualifications or experience working in financial institutions such as banks are selected to sit on the Audit, Compliance & Corporate Risk Management Committee.

The membership of the Committees as at December 31, 2020 was as follows -

No.	Names	Finance & Corporate Governance Committee	Audit, Compliance & Corporate Risk Management Committee	*Management Committee of the ICBL/NIB Joint Venture
1.	Jonathan Poulin (Non-Independent and Non-Executive)	C	-	-
2.	Geoffrey Scott (Non-Independent and Executive)	-	-	M
3.	Goulbourne Alleyne (Non-Independent and Executive)	-	-	M
4.	Mrs. Jennifer Hunte (Independent and Non-Executive)	-	C	-
5.	Vicky Bathija (Non-Independent and Non-Executive)	-	M	-
6.	James Edghill (Independent and Non-Executive)	M	M	M

The Human Resource Committee of the Board was no longer in existence at December 31, 2020. Human resource matters are now reported to the internal Governance Committee and the Board of Directors.

C = Committee chair M = Committee member

* This Committee was chaired by Chief Operating Officer.
Management Committee of the ICBL/NIB Joint Venture is also comprised of two members selected by the National Insurance Board.

OVERVIEW OF THE MANDATES OF EACH COMMITTEE

The Finance & Corporate Governance Committee reports to the Board, inter alia, on –

(1) the actual financial performance compared to the Budget;
(2) the alignment of strategic planning and objectives of ICBL;
(3) corporate governance matters;
(4) monitoring and reporting on ICBL's compliance with related Laws and the guidelines/ recommendations issued by the regulatory bodies; and
(5) Additional responsibilities are assumed following identified best practices in Corporate Governance as practised in Barbados and other major business jurisdictions.

In 2020, this Committee met four (4) times.

The Audit, Compliance & Corporate Risk Management Committee reports to the Board, inter alia, on –

(1) the adequacy and accuracy of the financial reporting process;
(2) the effectiveness of the internal control structure;
(3) management of financial risks and operational risks; and
(4) the selection, oversight and remuneration of internal auditors, external auditors and actuaries.

In 2020, this Committee met four (4) times.

The Human Resource Committee reports to and advises the Board on –

(1) the development of ICBL's human resource functions (recruitment and selection, deployment, staff training and development, industrial relations, pensions etc.);
(2) the effectiveness of Human Resource policies and procedures;
(3) the adequacy of resources and capabilities to meet the changing managerial, operational and technical needs/expertise required in ICBL; and
(4) the suitability of the physical conditions of the work place.

In 2020, this Committee met two (2) times.

The Mandates/Terms of Reference of each Committee are reviewed on an annual basis. Changes were proposed to the Mandates/Terms of Reference of the Audit, Compliance & Corporate Risk Management Committee and to the Finance & Corporate Governance Committee.

FINANCIAL LITERACY OF THE MEMBERS OF THE AUDIT, COMPLIANCE & CORPORATE RISK MANAGEMENT COMMITTEE

1. Mrs. Jennifer Hunte – Chairperson (Non-Executive and independent Director)	Mrs. Jennifer Hunte is the Acting Director of the National Insurance Department. She began her career in the private sector in Banking and Audit. In 1992, she entered the Civil Service where she has held the posts of Co-operatives Officer- Co-operatives Department, Chief Accountant – Ministry of Finance, and Financial Controller- National Insurance Department. Mrs. Jennifer Hunte holds a BSc. Accounting from the University of the West Indies, Cave Hill Campus, is a Fellow of the Institute of Chartered Secretaries and Administrators, Canada (FCIS) and a recipient of the Certified General Accountants Fellowship Award (FCGA). She has completed the Directors' Education and Accreditation Program and has been awarded the designation Acc. Dir. Accredited Director. She has served on the boards of public companies in which the National Insurance Board has an investment interest. She is a member of the Institute of Chartered Accountants of Barbados and of the Certified General Accountants Association of the Caribbean Inc.
2. Ms. James Edghill (Non-Executive and independent Director)	Mr. James Edghill became a director of Insurance Corporation of Barbados Limited on September 15, 2020. Mr. Edghill has vast experience in property management and is the current managing director of One Warrens Limited, a subsidiary of Caribbean Consultants Limited, the leading commercial real estate developer in Barbados. He is also the Principal of ITB Associated and Vision Development Inc, and the founder of Airline Services Inc. A graduate of Harrison College, Mr. Edghill holds a Masters in Civil Engineering with Study Abroad from the University of Bristol, United Kingdom. He is a recipient of the Engineering Leadership Award from the Royal Academy of Engineers, one of only thirty awarded nationally.
3. Mr. Vicky Bathija (Non-Executive and independent Director)	Mr. Vicky Bathija has fourteen years of investment banking, private equity and operating experience and is currently a Partner with JPK Capital. Prior to joining JPK Capital in March 2020, Mr. Bathija was Head of Hospitality at Airbnb's luxury division where he led a global operations team and worked closely with product, engineering design, and data science teams to drive scale and efficiency. Prior to joining Airbnb, from 2015 to 2017, Mr. Bathija was EVP, Corporate Development & Investor Relations at Hemisphere Media Group Inc. and was responsible for identifying investment opportunities as well as managing all capital market activities and investor relations policies. Prior to joining Hemisphere, from 2008 through 2015, Mr. Bathija was employed at Intermedia Partners VII, LP (a private equity fund), most recently as Vice President and was responsible for evaluating potential new investments, all aspects of deal execution and oversight of existing portfolio companies. Prior to joining Intermedia Partners, Mr. Bathija was an investment banker in the Healthcare group at Bank of America in New York, where he provided capital raising and advisory services to a broad range of public and private healthcare clients. Mr. Bathija holds a B.S from the Leonard N. Stern School of Business at New York University and is a CFA charterholder.

CODE OF BUSINESS CONDUCT AND ETHICS AND DISCLOSURE

ICBL has adopted a written Code of Business Conduct and Ethics which applies to Directors, Management and Staff of the Company. The Code establishes minimum standards designed to promote ethical behaviour and integrity in business dealings. Each year, Directors, Management and Staff are required to sign a form indicating that they have read and complied with the Code.

BOARD COMPENSATION

By-Law No. 5 provides for the compensation of Directors. Directors who are also executives of ICBL do not receive Directors' fees. For the year ended December 31, 2020, Directors' compensation amounted to $200,138.

EXECUTIVE COMPENSATION

The CEO's compensation is established and determined by the Board of Directors. Compensation of Senior Executives is determined by the CEO. The Human Resource Committee serves as the Compensation Committee of the Board of Directors on matters relating to the compensation of staff at the level of Operational Managers and below. Compensation of Operational Managers is subject to collective bargaining negotiations with the represented union.

The objective of ICBL's compensation system is to support the Company's long-term sustainable growth for the benefit of the shareholders. This is achieved by a compensation system designed to attract and retain talented staff and reward excellent performance in achieving the Company's strategic goals.

The guiding principle of ICBL's compensation system is to align pay with performance. Compensation is based on achievement of the Company's strategic goals, key metrics and objectives. Using the annual employee appraisal system, a balanced weighting is placed on financial goals and operating targets and rewards are assessed on a combination of Company, division and individual performance objectives. The compensation system has been designed to offer incentives to executives, to create a focus on increasing shareholder value in the long-term.

ICBL's compensation system has three key components as outlined below:

1. **Base Salary**
   The Base salary provides stable compensation for an executive's capability in performing job responsibilities and can increase based on promotions and career progression.

2. **Short-Term Incentive (Bonus Scheme)**
   The bonus scheme is intended to reward executives for the Company's achievement of its key metrics and objectives as well as individual performance over a calendar year.

3. **Pension and Benefits**
   These benefits assist employees in providing for their health and retirement planning. Benefit plans include group life and health insurance.

DISCLOSURE OF DOLLAR VALUE(S) OF SHARES AND SHARE-RELATED RIGHTS GRANTED TO DIRECTORS

No share-related rights have been granted to Directors but Executive Directors are eligible to participate in the Employee Share Purchase Plan and the Long Term Incentive Plan.

APPOINTMENT OF MANAGING DIRECTOR & CEO

The Board of Directors appoints the Managing Director & CEO of ICBL.

ORGANISATION OF MANAGEMENT AND DISCLOSURE OF INFORMATION ON THE MANAGEMENT TEAM

Information on the Management Team is available on ICBL's website. As at October 15, 2021, the aggregate shareholding of ICBL's senior executives was 10,356 shares.

INTERNAL CONTROLS, RISK MANAGEMENT AND INTERNAL AUDIT

ICBL's Corporate Governance Guidelines state that the Board of Directors is responsible for overseeing the establishment of internal controls, risk management and audit. The Audit, Compliance & Corporate Risk Management Committee of the Board is charged with direct oversight of these activities within ICBL.

ICBL's well-established internal controls are reviewed each year by the Board and its Audit, Compliance & Corporate Risk Management Committee. The internal controls are tested each year during the interim and annual audit. ICBL has embarked on a formal enterprise risk management programme and has identified and classified the risks which face ICBL.

The Internal Auditor reports functionally to the Audit, Compliance & Corporate Risk Management Committee. This Committee approves the internal audit plan on an annual basis and receives reports on a regular basis from the Internal Auditor. The Committee also receives reports on a regular basis from the Chief Financial Officer and the Vice President of Claims and Enterprise Risk Management. The Committee meets with the Managing Director/ CEO.

EXTERNAL AUDIT AND EXTERNAL AUDIT FEES

Each year the shareholders, acting on the recommendation of the Board of Directors, appoint the external auditors of the Company but delegate the power to fix their remuneration to the Board of Directors.

Auditor's fee relating to the year ended December 31, 2020 was $497,360.

ADDITIONAL GOVERNANCE DISCLOSURE

ICBL will use its website to make any additional disclosures of its governance practices which may become necessary, in order to comply with the Guidelines issued by the FSC and the Corporate Governance Recommendations issued by the BSE.

icbl™

Always there
when you need us most

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