icbl

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ANNUAL REPORT 2021
HARMONY

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CHAIRMAN'S REPORT

Dear fellow shareholders,

I am pleased to address you on behalf of the Company's Board of Directors for the year ended December 2021. During the year Barbados' economy continued to be impacted by the Novel Coronavirus (COVID-19). GDP growth was 1.4% for the year and the economy remained stagnant for most of 2021. Despite the macroeconomic environment in 2021, ICBL reported net income of $21.2 million for the full year as compared to net income of $4.3 million for the year ended 31 December, 2020. As a result, earnings per share for 2021 were $0.52, an increase of 372.7% as compared to $0.11 for the prior year.

The significant increase in net income is primarily attributable to fair value increases within our investment portfolio and highlights the importance of diversifying the Company's sources of earnings as we look to maximize shareholder value and provide policyholders with confidence that ICBL will be able to pay their claims in the months and years ahead. ICBL ended the year with total assets of $369 million, equity attributable to shareholders of $129 million and appropriate statutory reserves. As a result of the Company's performance in 2021 and improvement to its financial position, the Board of Directors declared a final dividend of $0.05 bringing total dividends to $0.10 per share for 2021.

Our insurance operations reported a loss for 2021 as gross premiums declined by 4.5% to $102.2 million, and claim costs increased by 1.3% to $35.2 million as compared to 2020. The Board of Directors and management is extremely focused on driving profitability within our insurance operations. Consistent with that focus, in 2022 we hired senior executives within the Sales and Product departments to drive top line growth. As the Company looks to the future, it places importance on responsible underwriting, conservative reinsurance protection and investment in technology to drive growth and operational efficiency.

The Company has always sought to offer customers the best products that meet their needs, delivered with world-class service and advice. In 2021, ICBL broadened its insurance product offering to address those needs and provided service to customers in the manner which suit them best whether it be in-person, by phone or digitally.

I am very proud of the ICBL team, their commitment to our customers and their sharp focus on bettering the business. I am particularly grateful for the resilience they have shown during these challenging times. We continue to monitor the developments surrounding the global economy such as geopolitical events, rising inflation and oil prices, supply chain disruptions and the continued impact of COVID-19.

I would like to take this opportunity, on behalf of the Board and Management, to thank former board member Jennifer Hunte for her invaluable contributions to ICBL. I would also like to thank ICBL's policyholders and shareholders for their continued support of the Company, and for the trust and confidence that you have shown in us.

Joe Poulin
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

I am pleased to report on ICBL's 2021 performance. Our outstanding net income of $21.2 million only tells part of the story: we also achieved results from our Green Business initiatives, and from an increase in automation and use of data, as ICBL looks forward to a fast-changing and exciting future.

As I mentioned in last year's Annual Report, 2021 began with the twin challenges of an unexpected volcanic ashfall and a Category 1 hurricane, Elsa. We continued to experience the impact of the Covid-19 pandemic throughout the year, and only in the final quarter did we begin to see the anticipated return to economic growth in Barbados.

ICBL's outstanding staff, enabled by our investments in technology and training, continued to work mostly from home. Our head office in Roebuck Street was reopened to provide in-person customer services in our newly refurbished branch service area. We pushed forward with initiatives to eliminate paper, such as giving our customers online access to their policies and cover notes, which was a welcomed development for those who prefer to transact virtually with ICBL. And with fewer staff working from the office, we recorded a drop in our use of energy and other resources – contributing to our Green Business objectives.

Like most businesses in Barbados, we found few opportunities for new business during 2021 and this along with our focus on retention of profitable business resulted in a drop in our revenues and net premiums earned. Notwithstanding this decline, our insurance business recorded only a small loss due to improved underwriting and reinsurance results. Of note, our quarterly revenues increased in the final quarter of 2021 and this trend has continued into 2022. In part, this improvement reflects our better use of data to make decisions and to drive our marketing initiatives. During 2021, ICBL launched our first ever digital campaign to offer existing customers an incentive to buy an additional insurance policy from us. The results of this campaign are being used to design and implement even more exciting offerings for our customers in 2022.

I am proud that ICBL continues to attract and retain top quality and talented staff. During 2021, we welcomed new colleagues in our Investments, Data Analysis & Data Privacy, Commercial Sales, and Customer Service teams. We continued to invest in the unique ICBL "Emerging Leaders" program which identifies and supports the next generation of leaders in our Company. And we continued to see strong employee engagement – despite the physical separation of staff from each other – supported by our Act, Inform and Recognize ("AIR") communications platform which I outlined in my message last year. My thanks go to our dedicated Human Resources and Marketing teams, who have worked with me to build ICBL's new culture from within, and to enhance our brand and our reputation as a preeminent employer on the island.

Looking forward, ICBL is well-positioned to expand its market leadership in Barbados and beyond the island's borders. ICBL has made significant investments in its people, technology, operations, and support areas. The company has sound underwriting strategies, and its reinsurance

program is world -class. ICBL will continue to develop new products and offer sound advice to its customers and future customers – backed by ICBL's promise, "Always There, When You Need Us Most".

I would like to express my thanks to all employees at ICBL. With your support and encouragement, we have transformed our company and achieved significant results together. I am confident in your abilities to face new challenges and to embrace change.

My thanks also to our valued agents, brokers, suppliers and other business partners for your support during 2021.

Finally, thank you to our shareholders, including our majority shareholder JPK Capital, 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 "Joe" Poulin	**CHAIRMAN OF THE BOARD**
Geoffrey Scott B.Com, M.B.A., C. Dir (Served as a director and Chief Executive Officer until July 26, 2022)	**MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER**
Goulbourne Alleyne F.C.I.I., M.B.A., ARe, A.C.I.S., F.L.M.I., F.F.S.I. (Appointed as Interim Chief Executive Officer w.e.f July 27, 2022)	**DIRECTOR AND CHIEF UNDERWRITING OFFICER**
Jennifer Hunte BSc., F.C.P.A., F.C.G.A., F.C.I.S, Acc. Dir. (Resigned as director and Chair of the Audit Committee with effect from November 16, 2021)	**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.)
- 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, CISA
- Vanna - Lee Fields, ACCA, CIA, CFE, CAMS

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., C. Dir	**CHIEF EXECUTIVE OFFICER*** (served as CEO up to July 26, 2022)
Glyne Pilgrim CPA, CGA, FCA	**CHIEF FINANCIAL OFFICER**
Goulbourne Alleyne F.C.I.I., M.B.A., ARe, A.C.I.S., F.L.M.I., F.F.S.I.	**CHIEF UNDERWRITING OFFICER*** (Appointed Interim Chief Executive Officer effective from July 27, 2022)
Rawle Knight BSc.(Hons), MSc., Cert. C.I.I.	**CHIEF OPERATING OFFICER**
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, CISA	**HEAD OF INTERNAL AUDIT**

GEOFFREY SCOTT

GLYNE PILGRIM

GOULBOURNE ALLEYNE

RAWLE KNIGHT

CLAUDIA CLARKE-ODERSON

GAIL HINKSON

PAMELA LOWE

KRISTLE JEFFERS

RHEA MAPP-BYNOE

AVERIL BYER

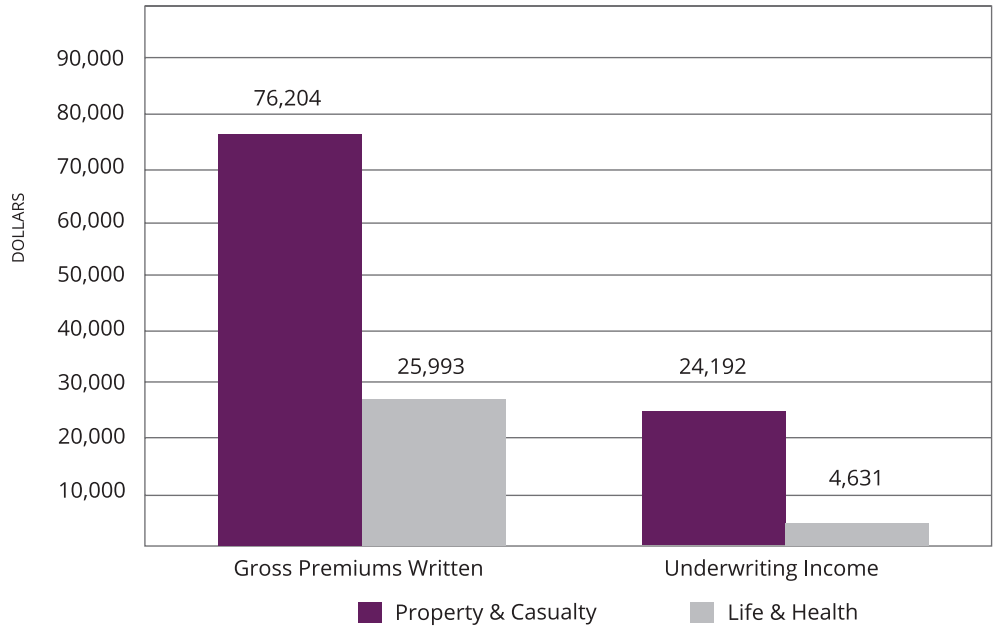
IAN CLARKE

RAVICHANDRAN WHITEHEAD

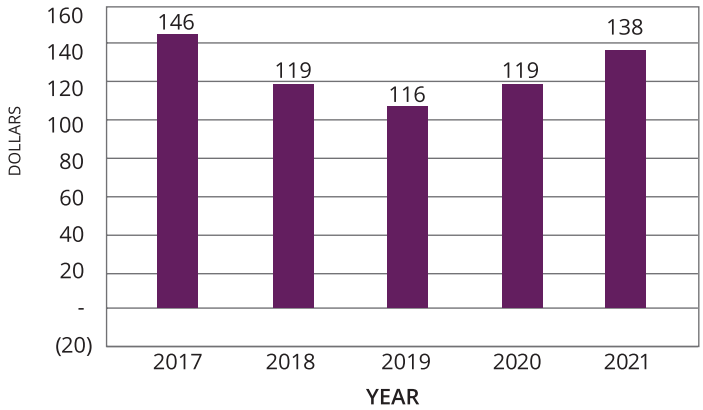
ALWYN SPRINGER

FINANCIAL AND STATISTICAL SUMMARY

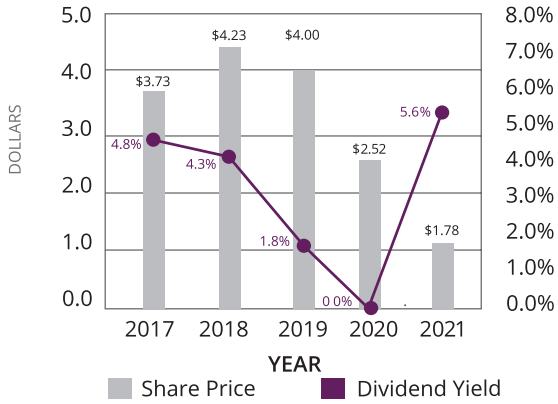
GROSS PREMIUM WRITTEN VS UNDERWRITING INCOME (in 000s of dollars)



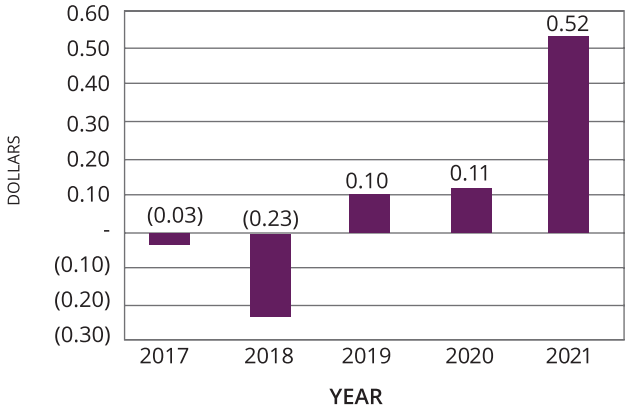
TOTAL EQUITY (in millions)



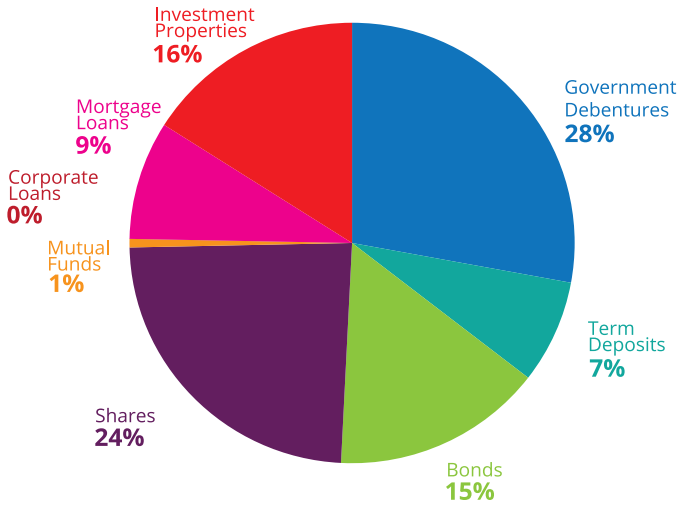
SHARE PRICE, DIVIDEND YIELD



EARNINGS PER SHARE



PORTFOLIO ALLOCATION



MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The 2021 Management Discussion and Analysis Report ("MD&A") provides a snapshot of ICBL's performance during the financial year, 1 January to 31 December 2021. 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 represents 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

Earnings per share (EPS) grew to $0.52 in the year from $0.11 in the prior year and represented 373% growth year on year and achieved the most significant earnings position in more than 8 years. Net income attributable to shareholders stood at $20.3 million and was a very impressive and historical return for the Company.

Statutory Reserves

ICBL strengthened its statutory reserves to end the year at $54.7 million compared to $54.2 million for the same period in 2020 due to the increase in the Company's catastrophe reserves.

Liquidity and Capital Reserves

Cash and cash equivalents of $68.0 million at 31 December 2021 compared favorably with $46.2 million at the end of the previous year, representing an increase of 47%. Management has taken cognizant of the changing economic environment and has sought to continuously monitor and make adjustments within its investment portfolio to ensure there is always adequate liquidity to service its claims and reinsurance needs.

The Company satisfied its statutory requirements, and our independent actuaries confirmed our reserves were adequate at December 31, 2021.

Investments

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

Investments reflected a small decline and reached $139 million by the end of the year in comparison to $144 million at the prior year end, a decline of 3.35%. This however understates the transition that occurred within the portfolio for the year. Fixed income securities declined by $23.6 million mainly from asset disposals, whereas equities increased by $19.4 million driven by fair value gains. These results buoyed investment returns as investment income stood at an impressive $23.4 million. ICBL has been working on further rebalancing of its investment portfolio which has seen short term growth in liquidity.

Investment properties have reflected some movement over the year and ended the year at $29.2 million in value. The sale of the James Street property was completed during the year at a gain of $0.15M which was a good result considering the fluctuations in property fair values. The company also saw $0.9 million fair value improvements on the remaining investment properties.

CORPORATE SOCIAL RESPONSIBILITY

ICBL remains invested in the community in which it operates. Maintaining Corporate Social Responsibility as a key pillar of the Company, saw ICBL supporting programmes that kept the community's well-being at their core.

Education and Youth Development

The Company successfully hosted the ICBL National Junior Spelling Bee for its second year. Previously postponed due to the Covid -19 pandemic in 2020 after its inaugural event in 2019, this activity was reintroduced and well received by public and private primary schools island-wide.

ICBL recognised the need to encourage literacy among youth at an early stage and created this national event to address it.

The ICBL National Junior Spelling Bee remains a core event of the Company and is endorsed by the Ministry of Education, Technology and Vocational Training.

Health and Wellness

ICBL continues to place a significant focus on Health and Wellness. The Company's commitment was reinforced through a significant financial contribution of $60,000 to six health and wellness-focused charitable organisations. The Diabetes Foundation, The Salvation Army, The Barbados Cancer Society, The Barbados Red Cross Society, The Challenor Creative Arts & Training Center, and The Heart & Stroke Foundation were the recipients of monetary donations of $10,000 each to support their necessary work for the country.

Community Outreach

Keen to maintain a safe community for all citizens and visitors, ICBL entered a two-year partnership with the Barbados CrimeStoppers Organisation. CrimeStoppers Barbados is a charitable organisation committed to reducing crime by providing an avenue for citizens and staff of organisations to submit anonymous tips to help authorities successfully investigate criminal behaviour.

The Company provided financial assistance of $10,000 to CrimeStoppers to support the execution of their programmes.

Additionally, ICBL extended its community outreach to The Kiwanis Club of Barbados Central for another year. This civic club is dedicated to supporting disadvantaged members of the community, including children. Financial support from ICBL assists the club with its feeding programme, which provides hot meals to community members in need.

Other charitable organisations receiving support from the Company were Cancer Support Services, Soroptimist International of Barbados, The Rotary Club of Barbados, Ocean Acres Animal Sanctuary and The Sunshine Early Stimulation Center.

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ACTUARIAL LIFE CERTIFICATE

ACTUARIAL LIFE CERTIFICATE

APPOINTED ACTUARY'S 2021 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, 2021, 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

March 31, 2022

The above is a copy of the certification in respect of the Life and Health, Annuity and Deposit Administration policy liabilities of the Insurance Corporation of Barbados Limited for the year ended 2021 as it appears in Appendix A of the Report of the Actuary dated March 31, 2022.

Ralph Ovsec, FCIA, FSA, MAAA
Senior Director, WTW
August 30, 2022
Direct Dial: (416) 960 2705

WillisTowersWatson

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CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

INSURANCE CORPORATION OF BARBADOS LIMITED

Responsibility for financial reporting

For the year ended 31 December 2021

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 30 June 2022. 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 subsidiary (together 'the Group') as at 31 December 2021, 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 2021;
- 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: $1,000,000, which represents 1% of gross premiums written for 2021.

- 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.

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	$1,000,000
How we determined it	1% of gross premiums written for 2021.
Rationale for the materiality benchmark applied	We chose gross premiums written 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 premiums written 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 1%, 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 $50,000, 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 judgement, 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 Refer to 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 2021 are $5.6 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	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.

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.

- 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 are not unreasonable.

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

Refer to 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 2021 are $35.7 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 by 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 with the assistance of our actuarial experts.

- 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.

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 judgement 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
June 30, 2022

INSURANCE CORPORATION OF BARBADOS LIMITED

Consolidated Statement of Financial Position

As at 31 December 2021

(in thousands of Barbados dollars)

	Notes	2021 $	2020 $
ASSETS			
Cash and cash equivalents	6	68,007	46,267
Fixed deposits	7	12,839	13,703
Regulatory deposits	7	988	1,709
Restricted cash	7	13,073	15,221
Due from related parties	26	1,470	-
Investments	8	139,252	144,085
Insurance receivables and other assets	10	33,949	27,621
Reinsurance assets	12	40,236	39,714
Tax recoverable	15	539	793
Deferred policy acquisition costs	11	1,960	2,002
Investment properties	13	29,150	29,525
Property, plant and equipment	14	19,447	19,933
Intangible assets	16	8,356	7,003
Deferred tax asset	15	220	161
Total assets		**369,486**	**347,737**
LIABILITIES			
Other liabilities	17	29,022	30,908
Due to related parties	26	1,119	-
Investment contract liabilities	19	68,256	68,893
Insurance contract liabilities	20	130,793	128,075
Retirement benefits obligations	18	2,270	934
Total liabilities		**231,460**	**228,810**
EQUITY			
Share capital	21	39,682	39,816
Contributed surplus		427	427
Statutory reserve	21	54,653	54,207
Accumulated other comprehensive loss	22	(4,717)	(4,656)
Retained earnings		38,466	20,506
Total shareholders' equity		**128,511**	**110,300**
Non-controlling interest in subsidiary		**9,515**	8,627
Total equity		**138,026**	**118,927**
Total liabilities and equity		**369,486**	**347,737**

Approved by the Board of Directors on 30 June 2022

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 2021

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

	Notes	2021 $	2020 $
INCOME			
Gross premiums written	20	102,197	106,979
Reinsurance ceded	20	(45,245)	(44,785)
Net premiums written	20	56,952	62,194
Net change in unearned premiums	20	1,024	972
Net premiums earned		**57,976**	**63,166**
Investment income	8	23,445	4,298
Commission and other income	23	18,890	17,150
Fair value adjustment on investment & other properties	13/14	935	(3,142)
Rental income	13	2,102	2,113
Total income		**103,348**	**83,585**
EXPENSES			
Insurance contracts benefits and expenses			
Life and health policy benefits	24	16,277	16,816
Short-term claim and adjustment expenses	24	18,892	17,888
Commission and acquisition expense		8,562	9,393
Operating expenses	25	35,689	33,427
Amortisation and depreciation expense	14/16	2,648	1,637
Total benefits and expenses		**82,068**	**79,161**
Income before income taxes		**21,280**	**4,424**
Income taxes	15	(56)	(132)
Net income for the year		**21,224**	**4,292**
Net income attributable to:			
Shareholders		20,336	4,441
Non-controlling interest in subsidiary		888	(149)
Net income for the year		**21,224**	**4,292**
Earnings per share			
- Basic and fully diluted	21	0.52	0.11

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 2021

(in thousands of Barbados dollars)

	Notes	2021	2020
		$	$
Net income for the year after income taxes		21,224	4,292
Other comprehensive loss:			
Items that will not be reclassified to profit or loss			
Re-measurement of retirement benefit obligations	22	(1,710)	(835)
Investments classified as FVOCI – Fair value gain/(loss)	22	1,649	(480)
		(61)	**(1,315)**
Total comprehensive income for the year		**21,163**	**2,977**
Comprehensive income/ (loss) attributable to:			
Shareholders		20,275	3,126
Non-controlling interests in subsidiary		888	(149)
Total comprehensive income for the year		**21,163**	**2,977**

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 CORPORATION OF BARBADOS LIMITED

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

(in thousands of Barbados dollars)

	Notes	2021 $	2020 $
Share capital			
Balance - beginning of year	21	39,816	39,816
Share repurchase		(134)	-
Balance - end of year		**39,682**	**39,816**
Contributed surplus			
Balance - beginning of year		427	427
Balance - end of year		**427**	**427**
Statutory reserve			
Balance - beginning of year		54,207	53,709
Transfer to catastrophe reserve	21	446	498
Balance - end of year		**54,653**	**54,207**
Accumulated other comprehensive loss			
Balance - beginning of year		(4,656)	**(3,341)**
Other comprehensive loss for the year	22	(61)	(1,315)
Balance - end of year		**(4,717)**	**(4,656)**
Retained earnings			
Balance - beginning of year		20,506	16,563
Net income for the year attributable to shareholders		20,336	4,441
Dividends	28	(1,930)	-
Transfer to catastrophe reserve	21	(446)	(498)
Balance - end of year		**38,466**	**20,506**
Total equity attributable to shareholders of the company		**128,511**	**110,300**
Attributable to non-controlling interests			
Balance - beginning of year		8,627	8,776
Net income/(loss) for the year		888	(149)
Balance - end of year		**9,515**	**8,627**
Total equity		**138,026**	**118,927**

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 2021

(in thousands of Barbados dollars)

	2021 $	2020 $
Cash flows from operating activities		
Income before tax	21,280	4,424
Adjustments for:		
Investment income	(23,971)	(4,298)
Fair value adjustment on investment & other properties	(935)	3,142
Depreciation of property, plant and equipment	1,618	1,163
Amortisation of intangible assets	1,030	474
Gain on sale of investment property	(150)	-
Gain on sale of property, plant and equipment	-	230
Impairment of property, plant and equipment	25	10
Change in assets and liabilities:		
Insurance receivables and other assets	(6,328)	(1,498)
Deferred policy acquisition costs	42	343
Reinsurance assets	(522)	1,655
Retirement benefit obligations	1,336	(420)
Restricted cash	(1,871)	1,646
Other liabilities	(1,886)	4,229
Due to related parties	(351)	(4,173)
Investment contract liabilities	(1,790)	(1,975)
Insurance contract liabilities	2,718	(4,863)
Cash (used in) generated from operations	(9,755)	89
Income taxes paid	(69)	(120)
Interest received	1,260	3,974
Net cash (used in) generated from operations	**(8,564)**	**3,943**
Cash flows from investing activities		
Purchase of investments	(7,251)	(22,480)
Purchase of fixed deposits	-	(1,000)
Maturity of fixed deposits	1,000	656
Proceeds from sales/maturities of investments	40,727	17,402
Investment property- additions and improvements	(40)	(328)
Acquisition of property and equipment	(1,185)	(2,100)
Acquisition of intangible assets	(2,383)	(1,376)
Proceeds from sale of investment property	1,500	-
Net cash from (used in) investing activities	**32,368**	**(9,226)**
Cash flows from financing activities		
Cash dividends paid to shareholders	(1,930)	-
Share repurchase	(134)	-
Net cash used in financing activities	**(2,064)**	**-**
Increase (Decrease) in cash and cash equivalents	21,740	(5,283)
Cash and cash equivalents - beginning of year	46,267	51,550
Cash and cash equivalents - end of year (Note 6)	**68,007**	**46,267**

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 2021
(in thousands of Barbados dollars)

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 Inc. ("PBF", "Ultimate Parent Company"), a company incorporated in Barbados and controlled by Jonathan Poulin. PBF's shareholding stands at 56.98% of the issued and outstanding shares at 31 December 2021. The remaining 43.02% of the shares are widely held. The Company trades on the Barbados Stock Exchange.

On 30 June 2022 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

a) 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 2021

(in thousands of Barbados dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (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. (See **Note 29**).

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.

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.

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements

For the year ended 31 December 2021

(in thousands of Barbados dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Consolidation (continued)

i) Subsidiary (continued)

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.

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.

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements
For the year ended 31 December 2021
(in thousands of Barbados dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Foreign Currency Translation (continued)

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.

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.

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements
For the year ended 31 December 2021
(in thousands of Barbados dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Financial Instruments (continued)

Financial Assets (continued)

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.

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.

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements

For the year ended 31 December 2021

(in thousands of Barbados dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Financial Instruments (continued)

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.

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.

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements
For the year ended 31 December 2021
(in thousands of Barbados dollars)

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(l)** 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

Notes to Consolidated Financial Statements
For the year ended 31 December 2021
(in thousands of Barbados dollars)

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 designated as 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.

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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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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 consolidated statement of income 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

Notes to Consolidated Financial Statements
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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.

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

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.

INSURANCE CORPORATION OF BARBADOS LIMITED

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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.

INSURANCE CORPORATION OF BARBADOS LIMITED

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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 4.95% (2020 – 4.20%) based on estimated loss payout patterns. However, such liability is necessarily based on estimates and the ultimate liability may exceed the Group's estimates.

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements

For the year ended 31 December 2021

(in thousands of Barbados dollars)

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.

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements

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(in thousands of Barbados dollars)

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.

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements

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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.

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements

For the year ended 31 December 2021

(in thousands of Barbados dollars)

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.

INSURANCE CORPORATION OF BARBADOS LIMITED

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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 2021

The Company has applied the following amendments for its annual reporting period commencing 1 January 2021:

i) IAS 39, IFRS 4, 7, 9 & 16 - *'Interest Rate Benchmark Reform' (Amendments)*

- *'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 did not have a significant impact to the Company.

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3. NEW AND REVISED ACCOUNTING STANDARDS (continued)

A. New and Revised Accounting Standards Adopted in 2021 (continued)

- *IFRS 16 Leases ("IFRS 16")*- On 31 March 2021, the IASB published Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) that extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendment is effective for annual reporting periods beginning on or after 1 April 2021.

B. New and Revised Accounting Standards to be Adopted in 2022 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 amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. In addition, on 12 February 2021, amendments regarding the disclosure of material accounting policies were made to the standard. Adoption of these amendments is not expected to have a significant impact to the Company.

- *IAS 8- Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")*- On 12 February 2021, an amendment was made to replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. This amendment is effective for annual reporting periods beginning on or after 1 January 2023.

- *IAS 12- Income Taxes ("IAS 12")*- On 7 May 2021, an amendment was made regarding deferred tax on leases and decommissioning obligations. The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition This amendment is effective for annual reporting periods beginning on or after 1 January 2023.

- *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 2022 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 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.

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.

	2021 $	2020 $
Cash and cash equivalents	68,007	46,267
Fixed deposits	12,839	13,703
Regulatory deposits	988	1,709
Fixed income securities	78,733	102,377
Mortgages & other loans	15,865	16,435
Insurance receivables and other assets	33,949	27,621
Due from related parties	1,470	-
Restricted cash	13,073	15,221
	224,924	**223,333**

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 $48,182 (2020 - $70,082) and $2,640 (2020 - $5,823) respectively.

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

	2021 $	2020 $
Bonds and fixed income securities issued or guaranteed by:		
Government	67,638	93,541
Tourism	-	3,708
Mining	8,166	2,342
Construction	961	2,053
Other	1,968	733
Total bonds and fixed income securities	**78,733**	**102,377**

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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)

	2021 $	2020 $
Barbados	60,108	88,810
Caribbean	10,459	11,225
International	8,166	2,342
Total bonds and fixed income securities	**78,733**	**102,377**

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

	2021 $	2020 $
Barbados	15,865	16,435
Total mortgages and loans	**15,865**	**16,435**

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	BBB+	BBB	BB and lower	Not rated*	2021
Cash and cash equivalents	-	3,391	52,590	-	11,996	30	**68,007**
Fixed deposits	-	-	-	17	-	12,822	**12,839**
Regulatory deposits	-	-	-	-	988	-	**988**
Fixed income securities	4,001	-	-	277	60,457	13,998	**78,733**
Insurance receivables and other assets	-	-	-	-	-	33,949	**33,949**
Mortgages and other loans	-	-	-	-	-	15,865	**15,865**
Due from related parties	-	-	-	-	-	1,470	**1,470**
Restricted cash	-	-	5,974	2,128	4,971	-	**13,073**
Total	**4,001**	**3,391**	**58,564**	**2,422**	**78,412**	**78,134**	**224,924**

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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)

	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**

* 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**.*

	2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit impaired	POCI	Total
Fixed income securities				
A+	4,002	-	-	4,002
BBB+/BBB	-	277	-	277
BB+	-	6,225	-	6,225
B-	4,352	3,546	46,468	54,366
Unrated	10,720	4,087	-	14,807
	19,074	14,135	46,468	79,677
ECL provision	(583)	(361)	-	(944)
Amortised cost	**18,491**	**13,774**	**46,468**	**78,733**

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)

	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)	(1,938)	(239)	-	(2,835)
Amortised cost	**10,204**	**9,125**	**7,143**	**75,905**	**102,377**

Mortgages and other loans credit risk

Mortgages comprise first mortgages on real property situated in Barbados. 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 2021 is $409 (2020 - $207).

	2021		
	Stage 2 Lifetime ECL not credit impaired	**Stage 3 Lifetime ECL Credit impaired**	**Total**
Mortgages and other loans	8,342	7,932	16,274
Loss allowance	(24)	(385)	(409)
Amortised cost	**8,318**	**7,547**	**15,865**

	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**

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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)

Credit Quality of financial assets (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)

Credit Quality of financial assets (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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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 (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

			2021
	Best	**Base**	**Worst**
	$	**$**	**$**
Fixed income securities	756	1,205	2,041
Mortgages and other loans	174	178	372

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

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 Moody’s 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)

Credit Quality of financial assets (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 Moody's 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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(in thousands of Barbados dollars except for per share amounts)

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 (continued)

2021

	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	658	1,938	239	2,835
Net re-measurement of loss allowance	(264)	(143)	-	(407)
New financial assets acquired	189	-	-	189
Financial assets derecognized	-	(1,434)	(239)	(1,673)
Balance at 31 December	**583**	**361**	**-**	**944**

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**

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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 (continued)

Measurement of ECL (continued)

	2021 $		
Mortgages and other loans	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Balance at 1 January	143	64	207
Net re-measurement of loss allowance	(119)	321	202
Balance at 31 December	**24**	**385**	**409**

	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**

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 2021 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	68,007	-	-	-	68,007	0.00%- 0.05%
Restricted cash	13,073	-	-	-	13,073	0.00%- 0.02%
Fixed deposits	12,839	-	-	-	12,839	0.01%- 2.50%
Regulatory deposits	-	-	-	988	988	1.38%
Mortgages and other loans	299	33	490	15,043	15,865	5.00%- 7.00%
Fixed income securities	2,640	19,182	-	56,911	78,733	1.50%- 8.80%
Insurance receivables and other assets	33,194	325	430	-	33,949	N/A
Due from related parties	1,470	-	-	-	1,470	
Reinsurance assets	39,043	-	-	1,193	40,236	N/A
	170,565	**19,540**	**920**	**74,135**	**265,160**	
Percent of total	**64%**	**8%**	**0%**	**28%**	**100%**	

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%**	

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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 2021 is as follows:

	Within 1 year	1-5 years	Over 5 years	Total
	$	$	$	$
Other liabilities	29,022	-	-	29,022
Due to related parties	1,119	-	-	1,119
Investment contract liabilities	68,256	-	-	68,256
Insurance contract liabilities	96,918	8,124	25,751	130,793
Total	**195,315**	**8,124**	**25,751**	**229,190**
Percent of total	**85%**	**4%**	**11%**	**100%**

The Company notes a shortfall of $24,750 in the maturity profile of total assets ($170,565) compared to total liabilities ($195,315) due "Within 1 year". Investment contract liabilities of $68,256 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 2021, the Company had $60,720 (2020 - $88,256) of total assets in excess of total liabilities maturing in excess of 1 year.

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%**

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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 designated as FVOCI would increase/decrease the Group's other components of equity by $598 (2020 - $491). A 10% increase/decrease in the value of the Company's equity portfolio designated as FVTPL would increase/decrease the Group's profit and loss by $3,306 (2020 - $1,546). The price risk sensitivity impact was calculated on the ending balances in equity.

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.

	2021			2020		
	Gross $	Reinsurance $	Net $	Gross $	Reinsurance $	Net $
Barbados	35,739	(1,299)	34,440	29,791	(871)	28,920
	35,739	**(1,299)**	**34,440**	**29,791**	**(871)**	**28,920**

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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 $76 (2020 - $71). 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 $12 (2020 - $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 $122 (2020 - $136).

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 $2,789 (2020 - $2,495). 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 $3,831 (2020 - $3,401).

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 $820 (2020 - $705).

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 $597 (2020 - $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 29% (2020 - 27%) 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 2021

		Property	Motor	All others	Total
Territory		**$**	**$**	**$**	**$**
Barbados					
	Gross	1,846	48,970	15,007	65,823
	Net	118	31,392	8,994	40,504

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

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.

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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)

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 2021 supports a discounted net property and casualty reserve of $40,504 (2020 - $42,808).

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

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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 $4,741 as of 31 December 2021 (2020 - $5,231). 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 $237 (2020 - $262). This represents 1% (2020 - 6%) 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 $40,504 (2020 - $42,808) (based on a gross 6.10% yield rate assumption (2020 - 5.10%). If the assumed yield rate drops to 5.10% (2020 – 4.10%) then the discounted reserves would increase by approximately $986 (2020 - $1,200). This represents approximately 0.71% (2020 - 1.01%) of equity, and 4.6% (2020 – 27.1%) 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	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
Estimate of ultimate claims cost:	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
At the end of accident year	37,303	32,728	33,591	36,012	33,344	34,439	28,392	28,083	20,129	20,038	
One year later	35,119	33,801	31,428	33,815	32,695	34,129	32,533	28,574	21,557	-	
Two years later	34,274	31,007	29,907	33,243	33,518	33,159	33,056	28,648	-	-	
Three years later	33,191	30,483	28,901	32,939	32,009	33,109	34,573	-	-	-	
Four years later	32,789	31,052	28,557	33,205	32,376	32,803	-	-	-	-	
Five years later	32,897	31,431	28,833	33,442	33,774	-	-	-	-	-	
Six years later	32,843	32,261	29,982	33,693	-	-	-	-	-	-	
Seven years later	33,681	32,639	30,147	-	-	-	-	-	-	-	
Eight years later	33,107	32,765	-	-	-	-	-	-	-	-	
Nine years later	33,444	-	-	-	-	-	-	-	-	-	
Current estimates of cumulative claims	33,444	32,765	30,147	33,693	33,774	32,803	34,573	28,648	21,557	20,038	301,442
Cumulative payments to date	(31,941)	(30,556)	(27,611)	(31,095)	(29,470)	(28,556)	(22,937)	(23,239)	(15,186)	(9,852)	(250,443)
Gross liability recognised in the consolidated statement of financial position	1,503	2,209	2,536	2,598	4,304	4,247	11,636	5,409	6,371	10,186	50,999
Gross reserve in respect of prior years											14,410
Gross liability – Unallocated loss adjustment expense											414
Total gross reserve included in the consolidated statement of financial position											**65,823**

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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	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
Estimate of ultimate claims cost:	$	$	$	$	$	$	$	$	$	$	$
At the end of accident year	23,760	22,531	23,622	25,128	24,416	21,698	19,701	19,211	13,606	13,196	
One year later	23,885	22,462	22,438	23,357	23,660	22,237	19,364	19,525	14,316	-	
Two years later	23,901	21,214	20,954	22,843	24,434	21,714	19,890	18,926	-	-	
Three years later	22,790	20,890	20,135	22,819	23,553	21,613	20,041	-	-	-	
Four years later	22,463	21,211	20,019	23,337	24,030	21,176	-	-	-	-	
Five years later	22,640	21,517	20,455	23,641	25,334	-	-	-	-	-	
Six years later	22,754	22,421	21,647	23,996	-	-	-	-	-	-	
Seven years later	23,689	22,849	21,982	-	-	-	-	-	-	-	
Eight years later	23,121	23,222	-	-	-	-	-	-	-	-	
Nine years later	23,644	-	-	-	-	-	-	-	-	-	
Current estimates of cumulative claims	23,644	23,222	21,982	23,996	25,334	21,176	20,041	18,926	14,316	13,196	205,833
Cumulative payments to date	(22,332)	(21,592)	(19,714)	(21,960)	(21,884)	(18,859)	(16,232)	(15,341)	(9,775)	(6,748)	(174,437)
Net liability recognised in the consolidated statement of financial position	1,312	1,630	2,268	2,036	3,450	2,317	3,809	3,585	4,541	6,448	31,396
Net reserve in respect of prior years											8,694
Net liability – Unallocated Loss Adjustment expenses											414
Total net reserve included in the consolidated statement of financial position											40,504

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.

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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 $17,265 (2020 - $16,819) are placed in trust in accordance with the regulations of the Insurance Act of Barbados.

Section 152 of the Insurance Act of Barbados 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 2021 (2020 - $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 three operating segments. 'Property & Casualty', 'Life & Health' and 'Asset Management' 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:

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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.

Asset Management – During 2021 this segment was introduced to manage and monitor the assets of the Company and third parties including fixed income securities, investment properties, mortgages & loans equities and cash. The reportable segments have been updated for the allocation of expenses. There has been no restatement of the prior year information for this change.

Assets and liabilities allocated for life and health segment is reflected under Note 20B & 20F. Liabilities for property & casualty segment is reflected under Note 20B. Assets and liabilities allocated for the asset management are reflected under Note 8A and 19.

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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 2021 is as follows:

2021	Property & Casualty $	Life and Health $	Asset Management $	Eliminating $	Total $
Income					
Gross premiums written	76,375	25,993	-	(171)	102,197
Reinsurance ceded	(43,299)	(1,946)	-	-	(45,245)
Net premium written	33,076	24,047	-	(171)	56,952
Net change in unearned premiums	1,021	3	-	-	1,024
Net premium earned	34,097	24,050	-	(171)	57,976
Investment income	3,434	1,277	18,734	-	23,445
Commissions and other income	16,348	324	2,319	(101)	18,890
Fair value adjustment on investment properties	(500)	-	1,435	-	935
Rental income	83	-	2,019	-	2,102
Total income	**53,462**	**25,651**	**24,507**	**(272)**	**103,348**
Expenses					
Insurance contracts benefits and expenses					
Life and health policy benefits	-	16,277	-	-	16,277
Short term claim and adjustments expenses	18,892	-	-	-	18,892
Commission and acquisition expense	5,169	3,393	-	-	8,562
Operating expenses	28,453	4,495	3,013	(272)	35,689
Amortisation and depreciation expense	2,447	156	45	-	2,648
Total benefits and expenses	**54,961**	**24,321**	**3,058**	**(272)**	**82,068**
Income (loss) before income taxes	**(1,499)**	**1,330**	**21,449**	**-**	**21,280**
Income taxes	**39**	**17**	**-**	**-**	**56**
Net income (loss)	**(1,538)**	**1,313**	**21,449**	**-**	**21,224**

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5. SEGMENTAL INFORMATION (continued)

The segmental information below reflects the reportable segments for year ended 31 December 2021 completed on a comparable basis to the information presented for year ended 31 December 2020:

2021	Property & Casualty $	Life and Health $	Unallocated $	Eliminating $	Total $
Income					
Gross premiums written	76,375	25,993	-	(171)	102,197
Reinsurance ceded	(43,299)	(1,946)	-	-	(45,245)
Net premium written	33,076	24,047	-	(171)	56,952
Net change in unearned premiums	1,021	3	-	-	1,024
Net premium earned	34,097	24,050	-	(171)	57,976
Investment income	-	-	23,445	-	23,445
Commissions and other income	16,348	324	2,319	(101)	18,890
Fair value adjustment on investment properties	(500)	-	1,435	-	935
Rental income	83	-	2,019	-	2,102
Total income	**50,028**	**24,374**	**29,218**	**(272)**	**103,348**
Expenses					
Insurance contracts benefits and expenses					
Life and health policy benefits	-	16,277	-	-	16,277
Short term claim and adjustments expenses	18,892	-	-	-	18,892
Commission and acquisition expense	5,169	3,393	-	-	8,562
Operating expenses	-	-	35,961	(272)	35,689
Amortisation and depreciation expense	2,447	156	45	-	2,648
Total benefits and expenses	**26,508**	**19,826**	**36,006**	**(272)**	**82,068**
Income (loss) before income taxes	**23,520**	**4,548**	**(6,788)**	**-**	**21,280**
Income taxes	**39**	**17**	**-**	**-**	**56**
Net income (loss)	**23,481**	**4,531**	**(6,788)**	**-**	**21,224**

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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**

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6. CASH AND CASH EQUIVALENTS

	2021 $	2020 $
Cash at bank and in hand	67,512	45,817
Short-term bank deposits	495	450
Total	**68,007**	**46,267**

The effective interest rate on short-term bank deposits was 0.02% (2020 - 0.00%). These deposits have an average maturity of 91 days (2020 – 92 days).

7. REGULATORY DEPOSITS, FIXED DEPOSITS AND RESTRICTED CASH

	2021 $	2020 $
Fixed deposits	12,839	13,703

Fixed deposits of $12,839 (2020 - $13,703) 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 1.46% (2020 – 1.89%).

	2021 $	2020 $
Regulatory deposits	988	1,709

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.

	2021 $	2020 $
Restricted cash	13,073	15,221

Restricted cash of $13,073 (2020 - $15,221) 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:

	2021	
	Carrying amount $	**Fair value $**
Measured at amortised cost		
- Fixed income securities	78,733	76,745
- Mortgages and other loans	15,865	15,282
	94,598	**92,027**
- Equities – Designated as at FVOCI	11,590	11,590
- Equities – FVTPL	33,064	33,064
	44,654	**44,654**
Totals	**139,252**	**136,681**

	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**

Included in investments are securities in the amount of $51,173 (2020 - $48,761) at carrying value, and fair value $49,132 (2020 - $48,760), which support the liabilities of the Company's investment contract liabilities (Note 19). Additionally, investments included in the assets to back the life and health liabilities are reflected in Note 20F.

Equities - FVTPL include private equity and investment funds which in some instances are subject to lockup periods varying from 3 – 7 years $33,020 (2020 – $15,160). Additionally, as at 31 December 2021 commitments under investment agreements totalling $2,969 (2020 - $9,000) were entered into by the Group.

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8. INVESTMENTS (continued)

B. Investment Income

	2021 $	2020 $
Interest income		
Fixed income securities	2,743	4,299
Mortgages and other loans	978	762
	3,721	5,061
Dividend income		
Equities – FVOCI	211	189
	211	189
(Losses)/Gains on disposal		
Fixed income securities	(1800)	278
Equities – FVOCI	4	129
	(1796)	407
Realised gains - Equities- FVTPL	1,242	-
Unrealised gains - Equities- FVTPL	19,638	-
Impairments and deductions		
Less: ECL/Impairment gain/(loss) on fixed income securities	1,311	(690)
Less: ECL/ Impairment loss on mortgages and other loans	(356)	(669)
	955	(1,359)
Gross investment income	23,971	4,298
Less investment expenses	(526)	-
Total	**23,445**	**4,298**

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.

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8. INVESTMENTS (continued)

B. Investment Income (continued)

Government of Barbados (GOB) debt restructure (continued)

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.

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, restricted cash and investment contract liabilities 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 are no quoted prices in an active market, then net asset values reported by fund managers, audited financial statements of the funds or valuation techniques such as applying the price per the most recent financing round to the shareholdings are used .

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 November 2021. 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.

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9. FAIR VALUE MEASUREMENTS (continued)

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.

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 2021:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Designated as FVOCI	10,454	1,136	-	11,590
Equities - FVTPL	44	-	33,020	33,064
Investment properties	-	-	29,150	29,150
Total assets	**10,498**	**1,136**	**62,170**	**73,804**

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

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9. FAIR VALUE MEASUREMENTS (continued)

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

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 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**

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

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

	Equities - FVTPL	Investment Properties	2021	2020
	$	$	$	$
Opening balance	15,160	29,525	44,685	31,850
Additions	2,173	40	2,213	15,458
Disposal	(3,928)	(1,350)	(5,278)	-
Transfer to property, plant and equipment	-	-	-	(97)
Fair value adjustment	19,615	935	20,550	(2,526)
Total assets	**33,020**	**29,150**	**62,170**	**44,685**

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, the lower the fair value of the investment property and the lower the discount rate used, 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 2021	Decrease 2021	Increase 2020	Decrease 2020
50bp change in discount rate	(845)	659	(800)	800
100bp change in discount rate	(1,548)	1,463	(1,500)	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 2021:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Cash and cash equivalents	68,007	-	-	68,007
Fixed deposits	12,839	-	-	12,839
Regulatory deposits	988	-	-	988
Restricted cash	13,073	-	-	13,073
Financial assets – Amortised cost				
Fixed income securities	-	8,448	68,297	76,745
Mortgages and other loans	-	15,282	-	15,282
Total assets	**94,907**	**23,730**	**68,297**	**186,934**
Liabilities				
Investment contract liabilities	-	68,256	-	68,256
Total liabilities	**-**	**68,256**	**-**	**68,256**

The Group 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:

	2021	2020
	$	$
100 basis points lower	7,648	7,973
100 basis points higher	(5,109)	(7,263)

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 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**

10. INSURANCE RECEIVABLES AND OTHER ASSETS

	2021	2020
	$	$
Insurance receivables	23,925	23,688
Provision for doubtful debts	(6,064)	(5,847)
Insurance receivable (net)	17,861	17,841
Accounts receivable	15,735	9,200
Accrued investment income	353	580
Total	**33,949**	**27,621**

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

	2021	2020
	$	$
Balance at 1 January 2021	5,847	4,946
Provision made during the year	218	920
Provision reversed during the year	(1)	(19)
Balance at 31 December 2021	**6,064**	**5,847**

For 2021, the provision of $6,064 (2020 - $5,847) includes an ECL provision on Broker receivables of $2,090 (2020 - $1,902) (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:

	2021 $	2020 $
At 1 January	2,002	2,345
Recognised deferred acquisition costs	3,237	3,492
Amortisation charge through income	(3,279)	(3,835)
At 31 December	**1,960**	**2,002**

12. REINSURANCE ASSETS

Reinsurance assets are comprised of the following:

	2021 $	2020 $
Short-term insurance contracts:		
Claims reported and adjustment expenses	24,300	24,389
Unearned premiums ceded	13,619	13,356
Claims incurred but not reported	1,019	1,098
Total short-term insurance contracts	**38,938**	**38,843**
Life and health insurance contracts:		
Non-participating		
Individual life	(302)	(249)
Group life	1,495	1,019
Health and accident	105	101
Total life and health insurance contracts	**1,298**	**871**
Total reinsurance assets	**40,236**	**39,714**

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13. INVESTMENT PROPERTIES

	2021 $	2020 $
Year ended 31 December		
At beginning of year	29,525	31,850
Additions to property	40	298
Transfer to property, plant and equipment	-	(97)
Disposals	(1,350)	-
Fair value adjustment	935	(2,526)
Closing net book amount	**29,150**	**29,525**

Investment properties, comprising office buildings at the Weymouth Corporate Centre, 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. During 2021, the James Street Building was sold for an amount of $1,500,000 and a gain of $150,000 was recorded on disposal.

Rental income generated from these investment properties during the year amounted to $2,102 (2020 - $2,113). Operating expenses incurred in support of generating rental income from investment properties was $1,657 (2020 - $1,550).

Investment properties in the amount of $23,725 (2020 - $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 November 2021. (See **Note 9**)

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14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $	Furniture, equipment and leasehold improvements $	Motor vehicles $	Total $
At 1 January 2020				
Cost/Valuation	15,368	15,883	1,432	32,683
Accumulated depreciation	(218)	(11,835)	(831)	(12,884)
	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**
Year ended 31 December 2021				
Opening net amount	15,085	4,455	393	19,933
Additions	133	884	168	1,185
Disposals	(339)	-	(123)	(462)
Adjustments	-	15	-	15
Disposals – accumulated depreciation	335	10	74	419
Depreciation charge	(324)	(1,110)	(184)	(1,618)
Impairment	-	(25)	-	(25)
Closing net book amount	**14,890**	**4,229**	**328**	**19,447**
At 31 December 2021				
Cost/Valuation	15,351	15,724	1,409	32,484
Accumulated depreciation	(461)	(11,495)	(1,081)	(13,037)
Net book amount	**14,890**	**4,229**	**328**	**19,447**

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 2020, following the initial COVID lockdown period, management reviewed this position 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 investment property.

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

	2021 $	2020 $
Right-of-Use Assets		
Building	-	20
Motor Vehicle	135	296
	135	**316**
Lease Liabilities		
Other liabilities	142	316

ii) Amounts recognised in the consolidated statement of income:

	2021 $	2020 $
Amortisation charge of Right-of-Use Assets		
Building	20	79
Motor Vehicle	112	127
	132	**206**
Interest Expense	11	18
Expense relating to short- term leases (included in operating expenses)	254	276

15. INCOME TAXES

A. Income Tax

The income tax expense comprises:

	2021 $	2020 $
Current tax	80	105
Deferred tax	(24)	27
Total income tax expense	**56**	**132**

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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:

	2021 $	2020 $
Income before income taxes	21,280	4,424
Tax calculated at effective rate of 2% (2020 - 2%)	426	88
Deductions allowed	(17)	(10)
Effect of different tax rates on taxable income	80	80
Income not subject to tax	(465)	(33)
Expenses not deductible for tax	9	14
Under/ (over) accrual of taxes	23	(7)
Total income tax expense	**56**	**132**

The Company's life business is subject to tax at a rate of 2% (2020 - 2%) of gross investment income. All other investment income of the Company is subject to tax at a rate of 15% (2020 - 15%). The tax rate for the non-life business of the Group is 2% (2020 - 2%).

B. Deferred Taxes

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

	2021 $	2020 $
Deferred tax (asset) liability:		
Accelerated tax depreciation	131	97
Net pension plan asset	(46)	(19)
Tax losses carried forward	(305)	(239)
Deferred tax asset	**(220)**	**(161)**

The Group has accumulated tax losses amounting to $15,943 (2020 – $11,946). These losses are due to expire as follows: 1.) 2024 - $4,187; 2.) 2025 - $5,513; 3.) 2026 - $2,245; 4) 2028- $3,998. The deferred tax asset of $305 (2020 - $239) 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

	2021 $	2020 $
Tax recoverable at beginning of year	793	797
Tax payments made	68	120
Current tax expense for year	(80)	(105)
Refunds received	(242)	-
Other	-	(19)
Tax recoverable at end of year	**539**	**793**

D. Tax Credit relating to Other Comprehensive Income

	2021 Before tax $	Tax credit $	After tax $
Re-measurements of post-employment benefit obligations	(1,745)	(35)	(1,710)
Investments classified as FVOCI	1,649	-	1,649
Other comprehensive income	**(96)**	**(35)**	**(61)**

	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)**

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16. INTANGIBLE ASSETS

The carrying amounts of intangible assets are as follows:

	2021 $	2020 $
Cost: beginning of year	10,680	9,304
Additions	2,383	1,376
Cost: end of year	13,063	10,680
Accumulated amortisation: beginning	(3,677)	(3,203)
Amortisation	(1,030)	(474)
Accumulated amortisation: ending	(4,707)	(3,677)
Net book value: end of year	**8,356**	**7,003**

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

	2021 $	2020 $
These include:		
Dividend payable	705	499
Payables and accrued expenses	16,551	16,247
Lease liabilities	142	316
Insurance balances payable	8,123	10,413
Deferred commission income	3,501	3,433
Total	**29,022**	**30,908**

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 $239 (2020 - $228) 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 2021 were $29 (2020 - $30).

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 2021 were $822 (2020 - $896).

The Company measures the fair value of assets and the accrued benefit obligations as of 31 December 2021. 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 2021.

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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 financial position at 31 December 2021 and 2020:

	Defined benefit pension plans		Medical benefit plans	
	2021	2020	2021	2020
	$	$	$	$
Accrued benefit obligation				
Balance - beginning of year	30,880	31,012	401	416
Current service cost	327	399	-	-
Interest expense	2,336	2,366	30	31
Past service cost	-	(838)	-	-
Employee contributions	4	-	-	-
	2,667	**1,927**	**30**	**31**
Re-measurement gains				
Actuarial gains and losses arising from changes in financial assumptions	(2,469)	(283)	(45)	(16)
	(2,469)	**(283)**	**(45)**	**(16)**
Payments from plans:				
Benefit payments	(2,147)	(1,776)	(29)	(30)
Balance - End of year	**28,931**	**30,880**	**357**	**401**

	Defined benefit pension plans		Medical benefit plans	
	2021	2020	2021	2020
	$	$	$	$
Plan assets				
Fair value - beginning of year	33,324	34,228	-	-
	33,324	34,228	-	-
Re-measurement				
Return on plan assets	497	2	-	-
	497	**2**	**-**	**-**
Contributions:				
Employer	822	896	29	30
Employee	4	-	-	-
Payments from plans				
Administration	(50)	(26)	-	-
Benefit payments	(2,147)	(1,776)	(29)	(30)
Fair value - end of year	**32,450**	**33,324**	**-**	**-**
Effect of asset ceiling	(5,432)	(2,977)	-	-
	27,018	**30,347**	**-**	**-**
Net benefit liability – end of year	**1,913**	**533**	**357**	**401**

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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	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Current service cost	327	399	-	-
Past service cost	-	(838)	-	-
Net interest on the net defined benefit	(196)	(253)	30	31
Administration and other non-plan investment management	50	26	-	-
Interest on effect of asset ceiling	231	322	-	-
Components of defined benefit costs (income) recorded in profit or loss	**412**	**(344)**	**30**	**31**
Re-measurement on the net defined benefit liability				
Expected return on plan assets	2,531	2,619	-	-
Actual return on plan assets	(497)	(2)	-	-
Actuarial gains and losses arising from changes in financial assumptions	(2,469)	(283)	(45)	(16)
Effect of IFRIC 14	2,225	(1,499)	-	-
Components of defined benefits cost (income) recorded in OCI	**1,790**	**835**	**(45)**	**(16)**

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:

	2021				2020			
	Quoted	Unquoted	Total	%	Quoted	Unquoted	Total	%
Equity instruments								
Financial services	192	-	**192**	**0.56**	164	-	**164**	**0.49**
Mutual funds	1,432	-	**1,432**	**4.20**	1,244	-	**1,244**	**3.73**
Fixed income instruments								
Government	-	12,335	**12,335**	**36.15**	-	8,885	**8,885**	**26.66**
Corporate bonds	-	2,641	**2,641**	**7.74**	-	4,783	**4,783**	**14.35**
Term deposits	-	4,903	**4,903**	**14.37**	-	4,844	**4,844**	**14.54**
Cash and cash equivalents	-	12,541	**12,541**	**36.76**	-	12,926	**12,926**	**38.79**
Other	-	74	**74**	**0.22**	-	478	**478**	**1.44**
Total	**1,624**	**32,494**	**34,118**	**100.00**	**1,408**	**31,916**	**33,324**	**100.00**

The Plan had recorded liabilities of $1,668 as at December 31, 2021 (2020 – nil).

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 Plans' 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 2021 and 2020:

	Defined benefit pension plans		Medical benefit plans	
	2021	2020	2021	2020
	%	%	%	%
Benefit cost during the year:				
Discount rate	8.25	7.75	8.25	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	8.25	7.75	8.25	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 2021	Decrease 2021	Increase 2021	Decrease 2021
	$	$	$	$
Discount rate (1% p.a.)	(3,025)	3,668	(27)	31
Salary (1% p.a.)	1,016	(901)	-	-
Medical premium/ (1% p.a.) Medical claims inflation	-	-	29	(26)
Average life expectancy (1 year)	712	-	14	31

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 2022 are $808 (2020 - $779). The weighted average duration of the defined benefit obligation is 11.57 years (2020 – 12.18 years).

19. INVESTMENT CONTRACT LIABILITIES

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

	2021 $	2020 $
Investment contract liabilities	68,256	68,893
Total investment contract liabilities	**68,256**	**68,893**

Investment contract liabilities carried at amortised cost

	2021 $	2020 $
At 1 January	68,893	80,987
Pension contributions	11,330	2,402
Net investment income	1,790	1,976
Benefits paid	(13,076)	(15,695)
Management fees deducted	(603)	(676)
Net transfer out	(78)	(101)
At 31 December	**68,256**	**68,893**

Assets which back these liabilities consists of cash of $9,765 (2020 - $13,783); fixed deposits of $9,902 (2020 - $9,821); equities of $2,216 (2020 - $2,185) and fixed income securities of $48,957 (2020 - $46,576).

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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 2021

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

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

	2021 $	2020 $
Gross		
Short-term insurance contracts:		
Claims reported and loss adjustment expenses	60,184	63,665
Unearned premiums	29,231	29,989
Claims incurred but not reported	5,639	4,630
Total short-term insurance contracts	**95,054**	**98,284**
Life and health insurance contracts:		
Non-participating		
Individual life	9,712	7,985
Individual annuities	8,124	7,867
Group life	16,039	11,880
Health and accident	1,864	2,059
Total life and health insurance contracts	**35,739**	**29,791**
Total insurance contract liabilities - gross	**130,793**	**128,075**

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements

For the year ended 31 December 2021

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

20. INSURANCE CONTRACT LIABILITIES (continued)

B. Composition of Insurance Contract Liabilities (continued)

Net	**2021** $	**2020** $
Short-term insurance contracts:		
Claims reported and loss adjustment expenses	35,884	39,276
Unearned premiums	15,612	16,633
Claims incurred but not reported	4,620	3,532
Total short-term insurance contracts	**56,116**	**59,441**
Life and health insurance contracts:		
Non-participating		
Individual life	10,013	8,233
Individual annuities	8,124	7,867
Group life	14,544	10,861
Health and accident	1,759	1,959
Total life and health insurance contracts	**34,440**	**28,920**
Total insurance contract liabilities - net	**90,556**	**88,361**

C. Changes In Short Term Insurance Contract Liabilities

	2021			**2020**		
	Gross $	**Reinsurance** $	**Net** $	**Gross** $	**Reinsurance** $	**Net** $
At 1 January						
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 1 January	68,295	(25,487)	42,808	75,291	(27,097)	48,194
Cash paid for claims settled in year	(29,205)	8,592	(20,613)	(30,373)	7,740	(22,633)
Increase in liabilities:						
Arising from current year claims	20,103	(7,067)	13,036	20,191	(6,726)	13,465
Arising from prior year claims	6,630	(1,357)	5,273	3,186	596	3,782
Total at 31 December	**65,823**	**(25,319)**	**40,504**	**68,295**	**(25,487)**	**42,808**
Claims and adjustment expenses	60,184	(24,300)	35,884	63,665	(24,389)	39,276
Claims incurred but not reported	5,639	(1,019)	4,620	4,630	(1,098)	3,532
Total at 31 December	**65,823**	**(25,319)**	**40,504**	**68,295**	**(25,487)**	**42,808**

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements

For the year ended 31 December 2021

(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 4.95% (2020 - 4.20%). The Company's 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 $47,067 (2020 - $49,733) is $44,154 (2020 - $45,762). The fair value is calculated by the Company's actuaries.

D. Unearned Premium Liability

	2021			2020		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$	$	$	$	$	$
At 1 January	**29,983**	**(13,295)**	**16,688**	**31,961**	**(14,301)**	**17,660**
Premium written during the year	102,197	(45,245)	56,952	106,979	(44,785)	62,194
Premium earned during the year	(102,838)	44,862	(57,976)	(108,957)	45,791	(63,166)
Total at 31 December	**29,342**	**(13,678)**	**15,664**	**29,983**	**(13,295)**	**16,688**
Movement during the year, net of acquisition	**(641)**	**(383)**	**(1,024)**	**(1,978)**	**1,006**	**(972)**

E. Changes in Life and Health Insurance Contract Liabilities

	2021			2020		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$	$	$	$	$	$
Life and health insurance contract liabilities – 1 January	**29,791**	**(871)**	**28,920**	**25,805**	**(35)**	**25,770**
Change in provision for policy benefits:						
Aging and changes in balances on in-force policies	5,145	(403)	4,742	3,929	(645)	3,284
Changes in portfolio and yields	714	24	738	(128)	(7)	(135)
Changes in assumptions:						
Mortality	(160)	50	(110)	(77)	19	(58)
Expense	-	-	-	682	2	684
IBNR Factor	-	-	-	86	(5)	81
Other changes	249	(99)	150	(506)	(200)	(706)
	5,948	**(428)**	**5,520**	**3,986**	**(836)**	**3,150**
Life and health insurance contract liabilities – 31 December	**35,739**	**(1,299)**	**34,440**	**29,791**	**(871)**	**28,920**

The future policy benefits are 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 2021
(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:

	2021				
	Fixed income securities $	Mortgages and other loans $	Cash and term deposits $	Investment property $	Total $
Non-participating					
Individual life	8,545	-	900	568	10,013
Individual annuities	-	4,523	750	2,851	8,124
Group life	300	2,000	3,860	8,384	14,544
Health and accident	801	-	2,506	(1,548)	1,759
	9,646	**6,523**	**8,016**	**10,255**	**34,440**

	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**

21. SHARE CAPITAL

	2021		2020	
	Number of Shares	$	Number of Shares	$
Balance – beginning of year	39,346,682	39,816	39,346,682	39,816
Repurchase of shares	(73,900)	(134)	-	-
Balance – end of year	**39,272,782**	**39,682**	**39,346,682**	**39,816**

The Company is authorised to issue an unlimited number of common shares at no par value. During the year, 73,900 shares were repurchased by the Company.

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements

For the year ended 31 December 2021

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

21. SHARE CAPITAL (continued)

Employee share purchase plan

There were no shares issued in 2021 and 2020.

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 $17,817 (2020 - $17,793) 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 2021 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**
	498		498
Balance as at 31 December 2020	**16,819**	**37,388**	**54,207**
Transfer to catastrophe reserve	446	-	446
Balance as at 31 December 2021	**17,265**	**37,388**	**54,653**

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.

	2021 $	2020 $
Income attributable to the Company's equity holders	20,336	4,441
Weighted average number of ordinary shares in issue ('000s)	39,338	39,347
Basic and fully diluted earnings per share	**0.52**	**0.11**

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements

For the year ended 31 December 2021

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

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:

	2021 $	2020 $
Items that will not be subsequently reclassified to profit or loss		
Re-measurement of post-employment benefit obligation	(11,011)	(9,301)
Changes in the fair value of FVOCI investments	6,294	4,645
Total	**(4,717)**	**(4,656)**

	FVOCI Investments $	Retirement benefit obligation $	Total $
At 31 December 2020	4,645	(9,301)	(4,656)
Change in retirement benefit obligation	-	(1,710)	(1,710)
Change in FVOCI investments	1,649	-	1,649
At 31 December 2021	6,294	(11,011)	(4,717)

	FVOCI Investments $	Retirement benefit obligation $	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)

23. COMMISSION AND OTHER INCOME

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

	2021 $	2020 $
Commission income	14,579	13,759
Other income	4,311	3,391
Total	**18,890**	**17,150**

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements

For the year ended 31 December 2021

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

24. INSURANCE CONTRACTS BENEFITS AND EXPENSES

	2021	2020
	$	$
Gross life and health claims and benefits paid	12,240	14,650
Reinsurance recoveries	(1,145)	(1,103)
Change in insurance contract liabilities	5,182	3,269
Total life and health policy benefits	**16,277**	**16,816**
Gross short-term claim and adjustment expenses paid	29,607	31,151
Reinsurance recoveries	(8,410)	(7,877)
Change in insurance contract liabilities	(2,464)	(6,996)
Change in reinsurance assets	168	1,610
Other	(9)	-
Total short-term claim and adjustment expenses	**18,892**	**17,888**
Total insurance contract benefits and expenses	**35,170**	**34,704**

25. OPERATING EXPENSES

	2021	2020
	$	$
Wages and salaries	17,353	19,440
Professional and consulting fees	3,415	3,150
Post-retirement benefits	621	(148)
IT maintenance contracts	4,302	3,699
Advertising and business development	441	424
Bank charges and foreign currency purchase tax	1,567	1,145
Office rent, building and utility cost	2,674	2,588
Office and administration expenses (See also **Note 26**)	4,214	1,188
Bad debts	36	1,034
ECL adjustments	188	(144)
Other	878	1,051
Total	**35,689**	**33,427**

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements

For the year ended 31 December 2021

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

26. RELATED PARTY TRANSACTIONS

At December 31, 2021, an affiliate company JPK Capital, had a net indebtedness to the Company for the repayment of an investment. The balance due was offset by the management services provided to the Company. The following balances were outstanding at the end of the reporting period.

Parent and affiliate entities	Amounts due from related parties		Amounts due to related parties	
	2021 $	2020 $	2021 $	2020 $
Hamilton Financial Limited – (dividends payable)	-	-	(1,119)	-
JPK Capital (affiliate)	1,470	-	-	-
Total	**1,470**	**-**	**(1,119)**	**-**

During the year, the company entered into a management services agreement with JPK Capital where $3,161 was incurred under this arrangement and have been disclosed within "office and administrative expenses". (See also **Note 25**). The amounts outstanding are unsecured, carry no rate of interest and will be settled in cash. No guarantees have been given or received.

The amount due from the affiliate is unsecured, carry no rate of interest and will be settled in cash. No expense has been recognised in the current or prior years for bad or doubtful debts in respects of the amounts owed.

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

	2021 $	2020 $
Sales of insurance contracts and pension services:		
- Key management	57	53
Purchase of services:		
- Key management	86	106

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:

	2021 $	2020 $
Salaries, directors' fees and other short-term employee benefits	3,272	2,926
Post-employment benefits	136	137
Total	**3,408**	**3,063**

The total interests of all directors and officers in the common shares of the Company at 31 December 2021 were 4,652 (2020 – 3,652) shares. No rights to subscribe for shares in the Company have been granted or exercised by any director or officer.

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements

For the year ended 31 December 2021

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

26. RELATED PARTY TRANSACTIONS (continued)

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 2021 there were no loan commitments to members of key management (2020 - nil).

	2021 $	2020 $
At 1 January	2,935	2,861
Loan advances	2,861	6,148
Loan repayments	(3,129)	(6,224)
Interest charges	145	150
Total as at 31 December	**2,812**	**2,935**

D. Management Fees

Included in other income were management fees as follows:

	2021 $	2020 $
Statutory Corporation Pension Fund	540	585
Mortgage Insurance Fund	59	55
Staff Pension Funds	280	291
Corporate Pension Plan and RRSP	96	93
Total	**975**	**1,024**

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 were included in 2020 that had been acquired through this entity for the company.

	Cost $	Fair Value $
At 1 January 2020	-	-
Additions – Fixed Income securities	3,000	3,000
Additions – Equities FVTPL	12,159	12,159
Total as at 31 December 2020	**15,159**	**15,159**

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements

For the year ended 31 December 2021

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

26. RELATED PARTY TRANSACTIONS (continued)

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.

27. COMMITMENTS AND CONTINGENCIES

A. Operating Leases

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

	2021 $	2020 $
No later than 1 year	2,047	2,238
Total	**2,047**	**2,238**

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

	2021 $	2020 $
No later than 1 year	364	428
Later than 1 year and no later than 5 years	539	979
Total	**903**	**1,407**

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 2021, commitments under loan agreements amount to $321 (2020 - $460) and under investment agreements amount to $2,969 (2020 - $9,000) (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.

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements

For the year ended 31 December 2021

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

28. DIVIDENDS

	2021 $	2020 $
Interim dividend 2021 – $0.05 per share (2020 - $0 per share)	1,930	-
Total	**1,930**	**-**

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 2022 consolidated financial statements, may include the estimates, judgements, and assumptions as disclosed in Note 2B(ii) of the Group's 2021 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 2021 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.

30. Subsequent Events

On 14 March 2022, the Prime Minister as Minister of Finance and Economic Affairs introduced a pandemic contribution levy on net income in the Budgetary proposals and financial statements for period 2022/2023 for certain corporate entities. Life and general insurance companies were included in this list of entities and the levy is based on net income of $5M or more for fiscal years 2020 and/or 2021. It should be noted that net income is defined as pre-tax profits of a company based on income from sources within Barbados, as calculated in accordance with IFRS or GAAP. The levy will expire on March 31, 2023. The Company has assessed the applicability of this levy and does not anticipate that it will result in any tax liabilities.

icbl™

Always there
when you need us most

CORPORATE INFORMATION

- Shareholder Information
- Statement of Corporate Governance Practices

SHAREHOLDER INFORMATION

ICBL Director Shareholdings as at 30 June, 2022

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 30 June, 2022

SHAREHOLDERS	SHARES	% OF SHARES
HAMILTON FINANCIAL LIMITED	22,376,622	56.98
NATIONAL INSURANCE BOARD	3,900,000	9.93*

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

ICBL Shareholdings - by Geographical Location as at 30 June, 2022

COUNTRY	SHAREHOLDERS	% OF SHAREHOLDERS	SHARES	% OF SHARES
ANTIGUA AND BARBUDA	1	0.05	3,000	0.01
BELGIUM	1	0.05	2,000	0.01
BERMUDA	6	0.31	10,950	0.03
BARBADOS	1,837	94.70	16,666,512	42.42
CANADA	18	0.93	60,204	0.15
UNITED KINGDOM	20	1.03	77,102	0.20
SAINT LUCIA	1	0.05	22,376,622	56.98
TRINIDAD AND TOBAGO	2	0.10	2,700	0.01
UNITED STATES OF AMERICA	53	2.73	73,192	0.19
VIRGIN ISLANDS (BRITISH)	1	0.05	500	0.00
	1,940	**100**	**39,272,782**	**100**

ICBL Shareholdings - Category Analysis as at 30 June, 2022

CATEGORY	SHAREHOLDERS	RECORD COUNT	# OF SHARES
C	Company	62	30,188,908
I	Individual	1,867	5,221,113
M	Nominee Account (No Tax)	7	3,852,731
N	Nominee Account (Taxed 12.5%)	2	2,630
X	Charity	2	7,400
		1,940	**39,272,782**

ICBL Shareholdings per account basis - Range Analysis as at 30 June, 2022

SHAREHOLDERS	# OF SHAREHOLDERS	% OF SHAREHOLDERS	SHARES	% OF SHARES
01: Up to 200	97	5.00	11,235	0.03
02: 201 to 500	448	23.09	211,813	0.54
03: 501 to 1,000	485	25.00	440,373	1.12
04: 1,001 to 5,000	645	33.26	1,758,855	4.48
05: 5,001 to 10,000	161	8.30	1,288,166	3.28
06: 10,001 to 50,000	80	4.12	1,788,812	4.55
07: 50,001 to 100,000	7	0.36	517,662	1.32
08: 100,001 to 500,000	9	0.46	1,805,558	4.60
09: 500,001 to 2,000,000	7	0.36	9,073,686	23.10
10: Over 2,000,000	1	0.05	22,376,622	56.98
	1,940	**100.00**	**39,272,782**	**100.00**

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

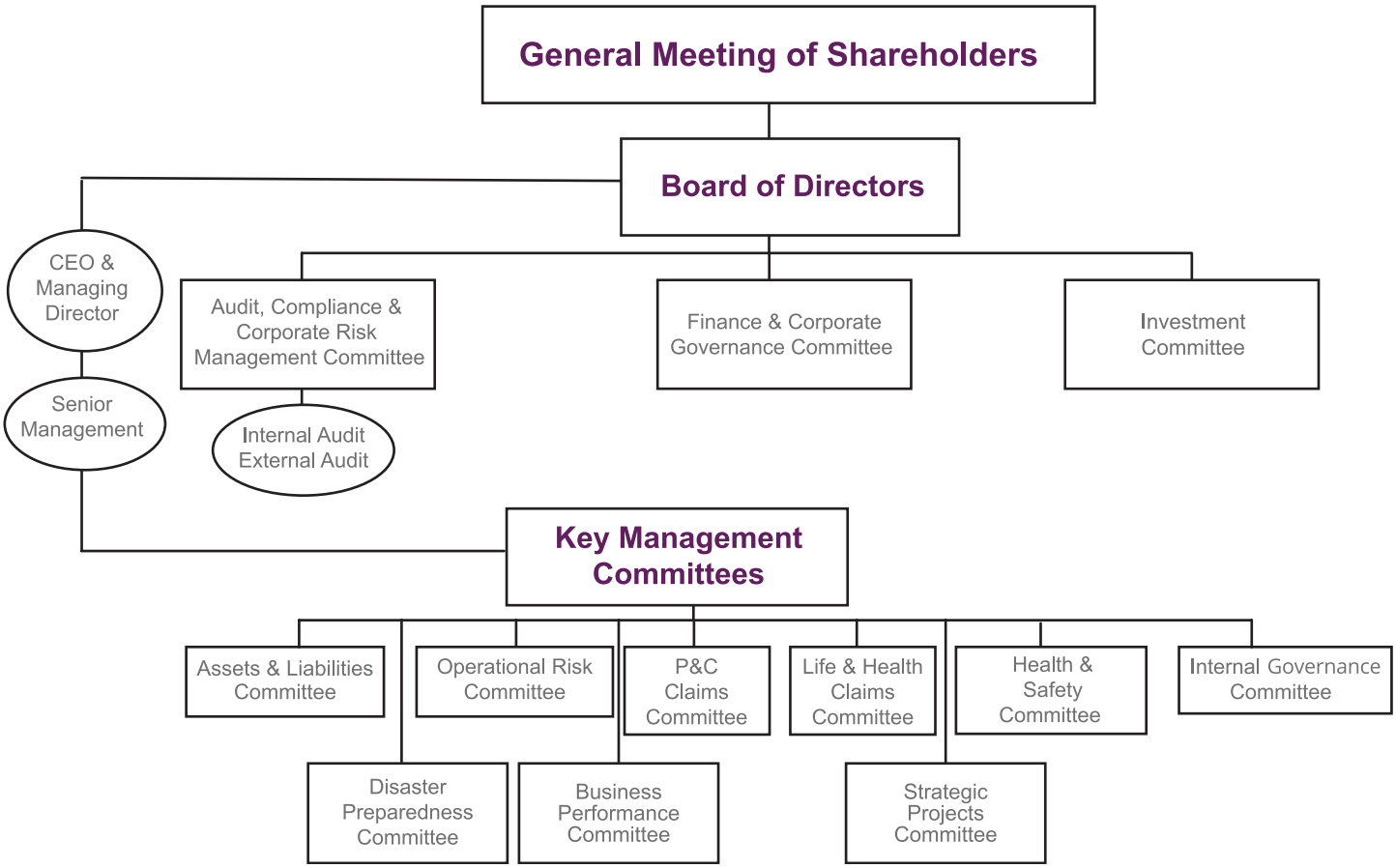
(Company No. 9228)

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 30 June, 2022 are as follows: -

- By-Law No. 5
- Corporate Governance Guidelines
- Position Description for the Chairman of the Board
- Position Description for the CEO
- Terms of References for Board Committees
  - Audit, Compliance & Corporate Risk Management Committee
  - Finance & Corporate Governance Committee
  - Investment 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 2021

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, 2021

Name of Director	Board of Directors	Audit Committee	Finance Committee
Mr. Goulbourne Alleyne	100% (6/6)	100% (6/6)	N/A
Mr. Geoffrey Scott	100% (6/6)	100% (6/6)	N/A
Mrs. Jennifer Hunte	100% (5/5)	100% (5/5)	N/A
Mr. Jonathan Poulin	100% (5/5)	N/A	100% (4/4)
Mr. Vicky Bathija	100% (5/5)	100% (5/5)	N/A
Mr. James Edghill	100% (5/5)	100% (5/5)	100% (4/4)

Attendance record reflects the number of meetings a director attended out of the total number meetings that director was entitled to attend and vote at.

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, 2021 was as follows -

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

C = Committee chair M = Committee member

* This Committee was chaired by Chief Operating Officer until August 18, 2021. No new Chair appointed to date.
Management Committee of the ICB/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 2021, 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 2021, this Committee met six (6) times.

The Investment Committee

The Investment Committee reports to the Board and provides oversight of the investments by the Company for its own account, on behalf of the staff Pension Plans, and under any contracts with third parties. The Committee also monitors and evaluates investment performance, and ensures that timely performance reports are provided to the Company, the Pension Plan Trustees and third parties as applicable.

In 2021, this Committee met one (1) time.

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) Served as Chair up to November 16, 2021.	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. Mr. James Edghill (Non-Executive and independent Director) Served as Chair w.e.f. November 17, 2021.	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, 2021, Directors' compensation to non-executive directors amounted to $96,350.

EXECUTIVE COMPENSATION

The CEO's compensation is established and determined by the Board of Directors. Compensation of Senior Executives is determined by the CEO. 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 June 30, 2022, the aggregate shareholding of ICBL's senior executives was 9,450 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, 2021 was $548,000.

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

HEAD OFFICE:
Roebuck Street, Bridgetown, St. Michael, Barbados
P.O. Box 1221
Tel: (246) 434-6000 • Fax: (246) 426-3393

Email: icb@icbl.com
Website: www.icbl.com
www.facebook.com/icblinsurance