icbl

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ANNUAL REPORT 2022
PROGRESSION

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CHAIRMAN'S REPORT

Dear fellow shareholders,

I am honored to address you on behalf of the Company's Board of Directors for the year ended 31 December 2022. During the year, Barbados began to see economic recovery. GDP growth was 10% for the year, coming off a depressed base in 2021 and surpassing pre-pandemic levels. Despite this tremendous progress, financial markets were ultimately impacted by a rising interest rate environment as the global economy sought to address inflation. ICBL reported a net loss of $9.3 million for the full year as compared to net income of $21.2 million for the year ended 31 December, 2021. Consequently, losses per share for 2022 were $0.24, compared to earnings per share of $0.52 for the preceding year.

The significant change in net income is primarily due to the underlying change in the fair value of the investment portfolio, which generated an unrealized increase of $19.6 million in 2021, offset by an unrealized decrease of $10.7 million in 2022 driven by rising interest rates. Taking a multi-year view of our investment portfolio, I am pleased with the performance and the Company's ability to diversify earnings and maintain a strong balance sheet to assure policyholders that ICBL will be able to cover their claims as they come due. ICBL ended the year with total assets of $363 million, equity attributable to shareholders of $112.6 million, and the required statutory reserves. As a result, the Board of Directors declared a final dividend of $0.05, bringing total dividends to $0.10 per share for 2022.

Despite the volatility in our investment portfolio, our core insurance operations were strong. Gross written premiums for 2022 increased by 2.8 % to $105 million, while claim costs decreased by 9% to $32 million, compared to 2021. The Board of Directors and management remained focused on increasing profitability within our insurance operations through responsible underwriting, conservative reinsurance protection, and investment in technology to improve customer service and drive operational efficiencies.

ICBL strives to be a household name that customers trust will be there when needed most. To that extent, the Company strives to offer customers the best products to satisfy their needs and deliver them with best-in-class service and advice. ICBL continues to expand its digital presence so that customers can be served in whatever manner suits them best.

I am incredibly proud of the ICBL team, their dedication to our customers, and their relentless focus on bettering the business. I would also like to take this opportunity to congratulate Mr. Alleyne on his appointment as CEO and to welcome Rawle Knight to the Board of Directors. As I look to the future of ICBL, I am grateful to have their expertise and support.

I would also like to express my gratitude to ICBL's policyholders and shareholders for their enduring support of the Company, and for the trust and confidence that you have exhibited in us.

Joe Poulin
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

Dear Shareholders,

I am pleased to report to you on ICBL's performance for 2022.

ECONOMIC OUTLOOK

Even though there was an improvement in the Barbados economy, the global challenges in the investment markets affected our investment portfolio results.

The Government lifted the COVID-related restrictions on travel, entertainment, and general social activity, underpinning the return to relative normalcy from a social and economic perspective. Consequently, the Barbados economy recorded significant growth of approximately ten percent, primarily on the strength of a rebound in the tourism sector. The upturn in tourism activity boosted other vital economic sectors, resulting in reduced unemployment and a corresponding decrease in jobless claims.

The protracted Russia-Ukraine conflict and ongoing global supply chain disruptions stoked inflationary pressures in international food and energy markets, generating significantly higher import payments and increased domestic retail price inflation.

Macroeconomic conditions remained challenging during 2022 as the international economic environment tightened in the aftermath of spiralling global inflation. However, Barbados' economy registered a robust recovery from the COVID-19-induced decline over 2020-2021. Additionally, the Government's commencement of several tourism-related capital projects is anticipated to increase demand for insurance solutions in several areas.

OPERATIONAL PERFORMANCE

- *ICBL remains well-capitalized, and our balance sheet remains strong with a capital base that surpasses the regulatory required capital. Total assets stood at $363m, and shareholders' equity was $112.6m.*
- *Gross Written Premiums increased by approximately 2.8% during 2022 compared to 2021.*
- *The volatility of the capital markets impacted investment income.*
- *Expenses related to claims in the Life and Health portfolios decreased. However, there was an increase in claims expenses with respect to Motor and Liability.*
- *The Company was successful in renewing its existing Reinsurance contracts with reinsurance partners. The panel of Reinsurers remains unchanged, with the same level of financial stability and security.*
- *The costs associated with Catastrophe Reinsurance are expected to increase, which will naturally impact the retail price charged by insurers.*

- *During 2022 the Company remained customer-centric by enhancing the customer experience across all distribution channels and providing relevant services and products that cater to the needs of our policyholders. Product enhancements and development initiatives were introduced in 2022 to support this strategy and will be completed in 2023.*

- *The Company strengthened its Executive Management team by recruiting persons to lead Sales, Business Development & Marketing as well as Product Development and Technology.*

THE ROAD AHEAD

As we look forward to 2023, we stand ready to embrace the future and laser-focused intent on providing superior service to our policyholders and distribution partners. We will explore all relevant opportunities to increase shareholder value and employee engagement while optimizing operational performance.

I want to acknowledge the support of the Executive and Senior Management teams and our entire staff, who have been instrumental in the 2022 accomplishments and will be for the future. I am also thankful for the guidance and oversight the Board of Directors provided during 2022.

Goulbourne Alleyne
Chief Executive Officer

BOARD OF DIRECTORS

JONATHAN "JOE" POULIN

GOULBOURNE ALLEYNE

RAWLE KNIGHT

VICKY BATHIJA

JAMES EDGHILL

Jonathan "Joe" Poulin
CHAIRMAN OF THE BOARD AND CHAIR OF THE INVESTMENT COMMITTEE AND THE FINANCE AND CORPORATE GOVERNANCE COMMITTEE

Goulbourne Alleyne
F.C.I.I., M.B.A., ARe, A.C.I.S., F.L.M.I., F.F.S.I.
(Appointed Chief Executive Officer w.e.f Feb 1, 2023)
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Rawle Knight
BSc.(Hons), MSc.
DIRECTOR AND CHIEF OPERATING OFFICER

Vicky Bathija
B.S, CFA
DIRECTOR

James Edghill
MSCE
DIRECTOR AND CHAIR OF THE AUDIT, COMPLIANCE AND CORPORATE RISK MANAGEMENT COMMITTEE

CORPORATE INFORMATION

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

IN-HOUSE LEGAL ADVISORS
- Andwele C.L. Sandiford, LL.B. (Hons.)
- Robin Prescod, LL.B. (Hons.)

EXTERNAL LEGAL ADVISORS
- Clarke Gittens Farmer
- Trinity Law Chambers
- Dentons Delany

INTERNAL AUDIT
- 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

Goulbourne Alleyne F.C.I.I., M.B.A., ARe, A.C.I.S., F.L.M.I., F.F.S.I.	**CHIEF EXECUTIVE OFFICER** (Appointed Chief Executive Officer with effect from February 1, 2023)
Glyne Pilgrim CPA, CGA, FCA	**CHIEF FINANCIAL OFFICER**
Rawle Knight BSc.(Hons), MSc.	**CHIEF OPERATING OFFICER**
Camille Pereira-McCarthy MBA , BBA, Associate of Science	**SENIOR VICE PRESIDENT , SALES AND MARKETING**
Claudia Clarke-Oderson LL.B (Hons), L.E.C, F.C.I.S.	**CORPORATE SECRETARY**
Ian Clarke BA, FSA	**HEAD ACTUARY – TECHNICAL UNDERWRITING**
Gail Hinkson BSc, MSc	**ASSISTANT VICE PRESIDENT - HUMAN RESOURCES**
Pamela Lowe FALU, FLMI/M, ALHC, ACS, HIA	**ASSISTANT VICE PRESIDENT - OPERATIONS, LIFE DIVISION**
Rhea Mapp-Bynoe BSc., PMP, CCSM	**ASSISTANT VICE PRESIDENT - PROJECT MANAGEMENT AND OPERATIONAL EXCELLENCE**
Sean Yearwood BSc, MSc	**ASSISTANT VICE PRESIDENT - ASSET MANAGEMENT**
Vanna-Lee Fields ACCA, CIA, CFE, CAMS	**INTERNAL AUDIT MANAGER**

GOULBOURNE ALLEYNE

GLYNE PILGRIM

RAWLE KNIGHT

CAMILLE PEREIRA-McCARTHY

CLAUDIA CLARKE-ODERSON

IAN CLARKE

GAIL HINKSON

PAMELA LOWE

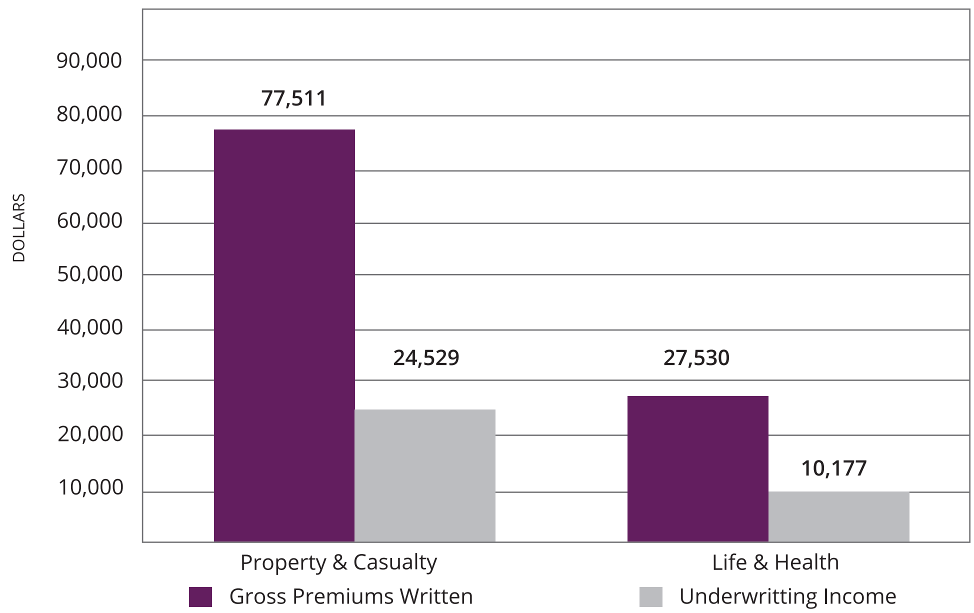
RHEA MAPP-BYNOE

SEAN YEARWOOD

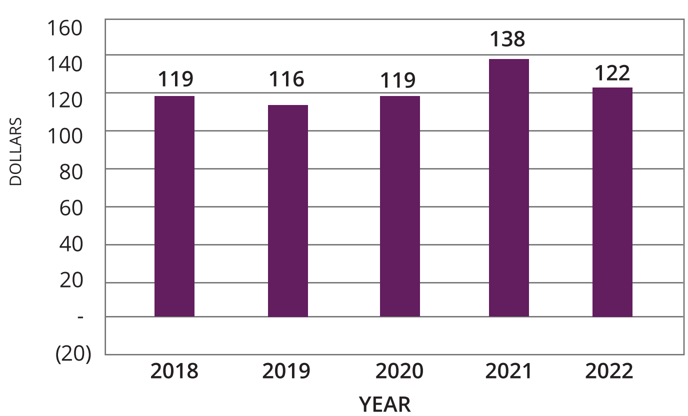
VANNA-LEE FIELDS

FINANCIAL AND STATISTICAL SUMMARY

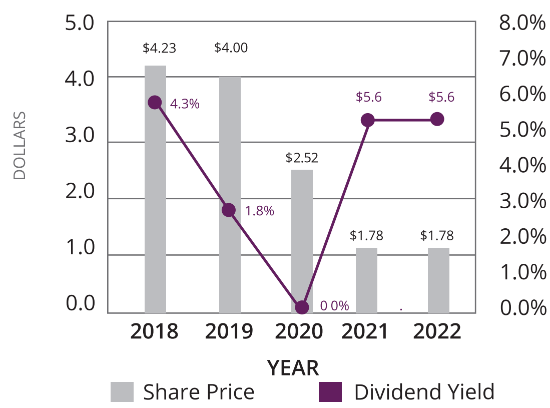
GROSS PREMIUM WRITTEN VS UNDERWRITING INCOME (in 000s of dollars)



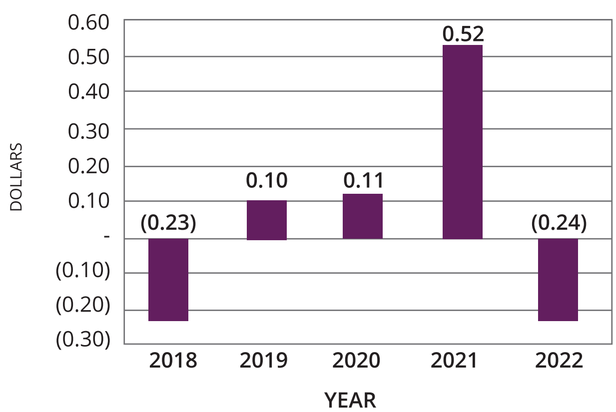
TOTAL EQUITY (in millions)



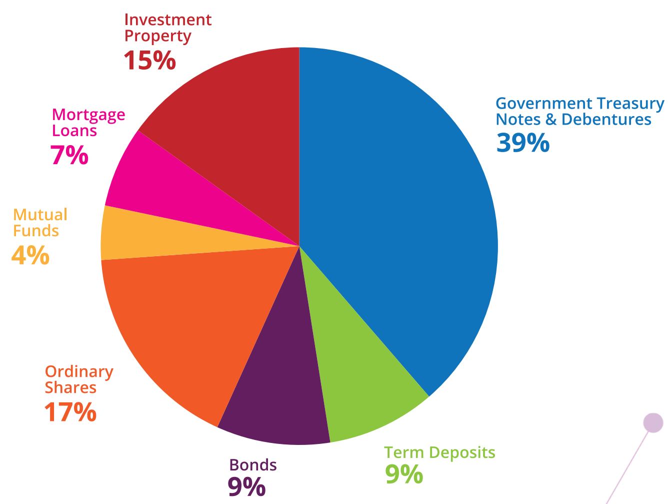
SHARE PRICE, DIVIDEND YIELD



EARNINGS PER SHARE



PORTFOLIO ALLOCATION



MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A")

STRATEGIC DIRECTION

Our vision, mission, and values form the foundation of our business culture. They are the guiding principles of our corporate strategies and goals, and drive the alignment in all areas of the Company, ensuring unison as we achieve our goals and objectives.

Our Mission:
Leading product innovation and employee development as we exceed the expectations of customers and all other stakeholders.

Our Vision:
To be the strongest, most innovative, and caring financial services provider in the markets we serve.

Our Values:
Integrity, Collaboration, Continuous Improvement and Courage.

Our Motto:
"Always there when you need us most."

INTRODUCTION

The 2022 Management Discussion and Analysis Report, provides a snapshot of ICBL's performance during the financial year January 1 to December 31, 2022. Highlighted within the report are the company's key strategic objectives and achievements. This MD&A should be read in conjunction with ICBL's consolidated financial statements and related notes. The report highlights statements that reflect the Company's views about its future performance and may constitute "forward-looking statements." These forward-looking statements represent management's view 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.

EXECUTIVE SUMMARY

A constantly evolving business environment compounded by an economy in a post-COVID recovery, required a degree of agility to pivot our operations, capitalize on any business opportunity associated with economic recovery, and remain resilient.

The business environment in 2022 was challenging as global events impacted the cost of living, increasing inflation. While there was a downturn in shareholder profits, the Company maintained its statutory reserves. Management adapted to the challenges and employed creative solution-based strategies to retain and grow in other areas. These strategies included revamping the customer service delivery process and strengthening the Company's human resources to fulfill the organization's overall goals.

As the Barbados economy continues to recover with an unsettling, yet hopeful, process for businesses, ICBL will continue to employ strategic initiatives to solidify the Company's position in the marketplace. Our commitment is to excellence, whatever the climate, transitioning and propelling ICBL into the future of business.

Investment properties reflected a downward movement over the year and ended the year at $28.6 million in value. For the financial year, fair value adjustments of $0.7 million were recognised on investment properties.

FINANCIAL PERFORMANCE OVERVIEW

Net Income and EPS

The Net Loss attributable to the shareholders of the Company for 2022 was $9.6 million compared to Net Income of $20.3 million in 2021, resulting in EPS of -$0.24, a $0.76 reduction year over year. This result is mainly attributed to the unrealized fair value declines of $10.7 million in our equity portfolio and represented a pullback on our impressive gains of $19.6 million in 2021.

MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A") - CONTINUED

Gross premiums increased by 2.8% to reach $105.0 million, driven by new business growth, particularly in our property and motor lines. Net earned premiums were largely stable compared to the prior year, as a 4% increase in reinsurance costs offset premium growth. Insurance benefit and claim costs of $32 million represented a 9% decline from the prior year's results of $35.1 million.

Statutory Reserves

ICBL maintained its statutory reserves at $54.9 million for the year ended December 31, 2022, which compares to $54.7 million that stood at the end of December, 2021. Catastrophe reserves provided the base for the increase.

Liquidity and Capital Reserves

Cash and cash equivalents totaled $48.6 million at December 31, 2022, compared to $68.0 million at the end of the previous year, representing a decrease of $19.4 million. In the face of continued economic challenges, management focused on safety and liquidity to ensure available resources to satisfy due claims and reinsurance commitments. The Company continues to actively pursue other investment opportunities to boost investment returns.

Investments

Investments grew to $142.7 million from $139.3 million despite the unrealized fair value adjustments of $10.3 million within our equity portfolio. The movement in net investment in fixed-income securities stood at $10.9 million (2021 – decline of $23.6 million) and represented the key growth area within our investment portfolio. The majority of this change occurred in the 4th quarter, and as such, the benefits will now be derived in 2023.

Investment income reflected a loss of $7.0 million in comparison to the prior year income of $23.4 million. The difference year over year of $30.4 million was derived from the movement in unrealized gain of $19.6 million to a loss of $10.7 million or a 154.6% decline. 2022 was marked by significant volatility in equity markets as global events significantly impacted the declines over the year. Additionally, the other areas provided reasonably fair results for the year as investment income of $3.7 million, excluding the unrealized loss adjustment, compares favorably with $3.8 million, including income for the nine months on the fixed income securities disposed of in 2021.

INSURANCE OPERATIONS

Underwriting

The soft market cycle which existed for the previous three years did not continue into 2022 (particularly for general insurance products), as domestic insurers focused on technical rates for their property portfolio. Overall, there was some stabilization of original rates charged by companies in the market due to the pressure of the Reinsurance market as Reinsurers indicated future increases in the cost of Catastrophe Reinsurance.

Reinsurers also expressed some concern regarding rates applied by companies and the need for more price discipline.

Both the Motor and Group Health portfolios showed a Net Loss for the period under review, with Motor showing a decline of a further $2.5m compared to the previous year. The deterioration in respect of the Motor results was due to increased personal injury claims and the frequency and severity of road accidents. Additionally, inflation negatively affected the cost of replacement parts. The Company will be instituting several initiatives to manage these lines of business to improve profitability. The Company will also implement price adjustments for those classes of Motor business where claims expenses continue to increase.

The Group Heath Portfolio recorded a Net Loss during the period due to high Loss Ratios on some existing plans. Appropriate rate adjustments have been instituted where necessary to address deteriorating claims results and bring some level of profitability to this line of business.

The Property portfolio showed an improved performance with an increase in Net Income compared to last year. This was as a result of improved Claims Performance and an increase in Gross Revenue due to stabilization in market rates.

ICBL continues to focus on enhancing its technological capacity, which will improve the level of customer service and engagement and deliver a sustainable competitive advantage.

The Company continued to offer a full range of products comprising Individual Life; Individual Health; Group Life; Group Health; Creditor Life; Group Pensions; Registered Retirement Savings Plans, and Annuities. Individual and group lines of business achieved overall premium growth.

Adverse claims development challenged the Group Medical portfolio and affected the profitability of this line of business. However, the various Life and Health portfolios increased the Gross Written Premiums.

Overall, the profitability of all lines of business was affected by the reduced yield regarding the investments that support our liabilities, resulting in a negative adjustment to claims liabilities.

Technology

ICBL continued its digital transformation strategy by improving its capacity for automation and online possibilities. These improvements included the areas of quotations, chat, and life insurance processes. The Company also modernized its technology stack, implemented technological cost-saving measures, unified data infrastructure, and improved IT security posture.

Claims

The motor loss ratio increased by 7% in 2022 compared to 2021, primarily due to higher gross claim frequency in all coverages, as the number of vehicles driven on the roads continues to rebound toward pre-pandemic levels.

In addition, rising inflationary factors impacted both repairable vehicles and total losses, including higher used car values, replacement parts costs, labour rates, and higher costs to repair more sophisticated newer model vehicles. Collision severity increased in 2022 compared to 2021 due to inflationary pressures from higher used car values, which grew total losses and raised parts and labor costs associated with repairs.

Bodily injury severity increased in 2022 compared to 2021 due to higher consumption of medical treatment, increased percentage of claimants represented by attorneys, and higher medical care inflation. These factors contributed to adverse prior-year reserve re-estimates.

The property loss ratio decreased by 5.7% in 2022 compared to 2021, primarily due to lower claims frequency, a favourable hurricane season, and the absence of catastrophic events such as earthquakes and floods. These conditions positively impacted claim liabilities, resulting in a decrease in net claim payments and reserve estimates. The remaining 15% of claims associated with the 2021 events of Hurricane Elsa and the Volcanic eruption were settled in 2022.

Reinsurance

Reinsurance is a significant component of ICBL's insurance operations. It is a critical part of the Risk Transfer mechanism and is pivotal to the Company's Risk Management strategy. The various ICBL Reinsurance contracts protect the Company against catastrophic events such as Hurricanes and Earthquakes. These contracts also provide a mechanism to recover losses which may exceed a specific limit.

MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A") - CONTINUED

The Company's Reinsurance strategy is focused on a combination of the quality of reinsurance partners and the quantity of coverage which aligns with its overall strategic objectives.

The Company was able to complete the renewal of its various Reinsurance treaties before the renewal date of April 1, 2022, without any significant challenges while maintaining both the quality of reinsurers and the level of reinsurance required.

ENTERPRISE RISK MANAGEMENT

ICBL's Enterprise Risk Management approach maximizes shareholder risk-adjusted returns and protects customers and shareholders from unexpected losses and poor outcomes. The Company leverages its core expertise by identifying and understanding risks and being selective in risk-retain choices. This approach is buoyed by the ability to manage, mitigate, and avoid risks that are not adequately rewarded. ICBL provides customers with competitive products that protect them against losses from uncertain future events while ensuring that the risks underwritten by the Company are collectively managed to maximise long-term risk-adjusted returns.

The Company is exposed to a range of risks, including adverse movements in asset prices, external cyber-attacks, or significant losses from catastrophic events. The employed risk management and control frameworks are designed to identify, measure, and effectively manage these risks before adversely affecting the business.

HUMAN CAPITAL

The Human Resources Business Unit (HRBU) was guided by its overarching goal of motivating all employees to deliver excellence in their daily tasks while collectively working towards the Company's stated strategic objective of enhanced customer experience. These goals were achieved in 2022 through training, new hires, staff recognition, and engagement.

Training

In accordance with legislation, the HRBU conducted Sexual Harassment and Prevention of Discrimination training for all staff, as well as Performance Management (PM) training. The PM training was arranged to educate employees about the importance of objective setting and having regular feedback, as well as responding to any queries or challenges staff may be experiencing.

Product training was facilitated by the Underwriting Team led by the Chief Underwriting Officer. This training focused on Bond Insurance, Mortgage Indemnity, Group Health/Life.

AML, Compliance, Risk and IT training were conducted during the year for all employees.

Additionally, employees attended various training with respect to enhancing insurance related skill sets.

New Hires

Two appointments were made at the Executive and Senior Management team level during 2022:

- Camille Pereira-McCarthy was appointed to the role of Senior Vice President, Sales and Marketing. She has over twenty years of management experience, having held several senior positions across industries and worked previously with an established regional insurance company.
- Sean Yearwood was appointed to the role of Assistant Vice President, Asset Management. Sean has over ten years of investment management experience, having previously worked in local and regional companies.

Additionally, Aakash Shah was hired as a consultant to provide strategic leadership and direction on digital transformation and technology upgrades. He has several years of experience leading technology teams.

MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A") - CONTINUED

Employee Recognition

Employees were recognised by their leaders for outstanding performance at the end of each quarter in 2022. The programme criteria included submitting ideas or problem-solving actions that improved operational efficiency. Lea Payne emerged as the 2022 Employee of the Year, and the Roadside Assistants (OmniPlus) were selected as the Team of the Year.

Engagement

- The HRBU arranged the delivery of small care baskets for employees who were diagnosed Covid-19 positive.
- The children of employees who were successful at the Common Entrance examination and the Company's 2022 Summer Interns were presented with congratulatory gifts/tokens of appreciation.
- Lunch and Learn sessions were arranged throughout the year on varied topics of interest.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ICBL
National Junior
Spelling BEE
1st
234

CORPORATE SOCIAL RESPONSIBILITY

In 2022, ICBL continued its unfettered commitment to investing in the community in which it operates through its Corporate Social Responsibility programme, which is a key pillar of the Company's operations.

The donations were intended to provide support to those most in need across the island, improve the community's well-being, uplift our youth, reduce crime, and enhance our health, culture, and sports activities.

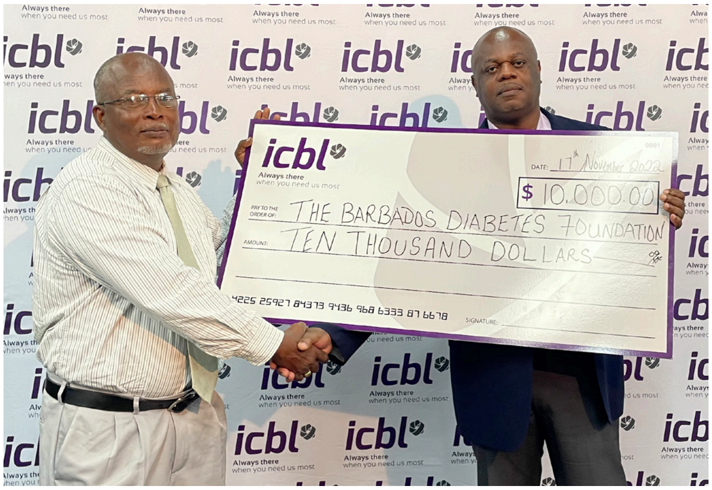
EDUCATION AND YOUTH DEVELOPMENT

The ICBL Junior Spelling Bee competition, the cornerstone of the Company's CSR initiatives, returned in a post covid edition, surpassing participation of previous years. The competition is aimed at raising the level of reading in our youth across the island.

The 2022 competition was held in association with StarCom Network and saw record-breaking participation from the island's primary schools. The semi-finals event was held on October 14, and the finals on October 28. There were 33 competing schools and 122 competitors in preliminaries, with 97 advancing to the finals, with Zefan Scott of St. Winifred's School emerging as the winner.

In November 2022, the Company donated a total of $60,000 ($10,000 each) to important charities and organisations that provide critical services to the most vulnerable in our society. The donations covered the areas of Health, Special Needs Education and the provision of food and clothing to those who are in need.

HEALTH AND WELLNESS



The Company donated $10,000 to the following organisations that provide much-needed services in the areas of prevention and treatment to thousands of Barbadians:

- **The Heart & Stroke Foundation of Barbados -** to assist with its fight to combat cardiovascular diseases and high level of stokes through its treatment and rehabilitation programmes.
- **The Barbados Cancer Society -** to aid in their early detection and prompt cancer treatment. The Society is also well known for its free breast screening programme.
- **The Barbados Diabetes Foundation -** to support their holistic approach to diabetes, which started in 2001 with the Maria Holder Diabetes Centre for the Caribbean, and has provided generous access to a "one-stop shop solution" in diabetes care to thousands of Barbadians.

CORPORATE SOCIAL RESPONSIBILITY - CONTINUED

SPECIAL NEEDS CHILDREN

- **The Challenor Creative Arts and Training Centre** – familiarly known as the Challenor School. The school caters to persons aged five to fifty with mild to severe physical or mental disabilities. Their holistic approach to life skills training ensures students are equipped to carry out the necessary day-to-day functions.

COMMUNITY OUTREACH

- **The Barbados Red Cross Society** – to assist them in the training of individuals enabling them to respond to a range of emergencies locally and provide food and clothing to persons in need, particularly after disasters such as fires and weather-related incidents.

- **The Salvation Army** - in support of the social services they provide, which is of crucial importance to the community, particularly through their Feeding Centre, which caters to approximately 200 persons each weekday, and their Meals on Wheels programme administered in conjunction with the Welfare Department.

Additionally, approximately $40,000 in combined donations were made to the following organisations to aid them in their important work to improve the lives of Barbadians in the areas of sports, culture and community outreach, and crime prevention.

- The Kiwanis Club of Barbados feeding programme.
- Cancer Support Services.
- Rotary Club of Barbados.
- Rotary Club of Barbados South youth concert.
- Crime Stoppers.

Always there
when you need us most

ACTUARIAL LIFE CERTIFICATE

ACTUARIAL LIFE CERTIFICATE

APPOINTED ACTUARY'S 2022 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, 2022, 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.

Ralph Ovsec, FSA, FCIA

Appointed Actuary, Insurance Corporation of Barbados limited – Life & Health Insurance, Annuity and Deposit Administration Portfolio.

WTW
130 King St. West, Suite 1500
P.O. Box 424
Toronto, Ontario M5X 1E3
Canada

May 31, 2023

Always there
when you need us most

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

• Responsibility for Financial Reporting
• Independent Auditor's Report
• Consolidated Statement of Financial Position
• Consolidated Statement of Income
• Consolidated Statement of Comprehensive Income
• Consolidated Statement of Changes in Equity
• Consolidated Statement of Cash Flows
• Notes to Financial Statements

INSURANCE CORPORATION OF BARBADOS LIMITED
(Incorporated in Barbados)
For the year ended 31 December 2022

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 May 30, 2023. 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 2022, 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 2022;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

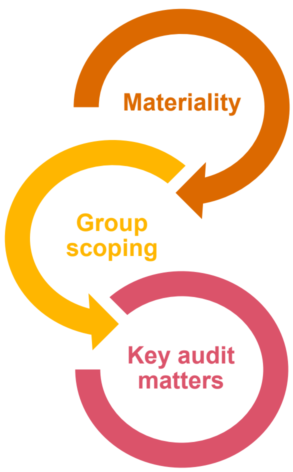
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview



- Overall group materiality: $1,000,000, which represents 1% of gross premiums written for 2022.

- 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 2022
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 is therefore most meaningful to the users of the Group's consolidated financial statements. Gross premiums written 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 gross incurred but not reported reserves as at 31 December 2022 are $7.1 million. The methodologies and assumptions utilized to develop incurred but not reported reserves involves a significant degree of judgement. The liabilities are based on the best-estimate ultimate cost of all claims incurred but not reported, a provision for development on reported claims, together with the related claims handling costs. A range of methods may be used to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims which are subject to assumptions and complex calculations, resulting in an area of focus. Management uses an external actuarial expert to assist in determining the value of claims incurred but not reported.	With the assistance of our actuarial experts, our approach to testing management's valuation of incurred but not reported claims for property and casualty lines involved the following procedures, amongst others: • Challenged management's assumptions and methodologies by performing independent reprojections 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. • 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.

Key audit matter	How our audit addressed the key audit matter
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 gross reserves for life and health insurance contracts as at 31 December 2022 are $37.1 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.

PricewaterhouseCoopers SRL

Bridgetown, Barbados
30 May 2023

INSURANCE CORPORATION OF BARBADOS LIMITED

Consolidated Statement of Financial Position

As at 31 December 2022

(in thousands of Barbados dollars)

	Notes	2022 $	2021 $
ASSETS			
Cash and cash equivalents	6	48,568	68,007
Fixed deposits	7	16,718	12,839
Regulatory deposits	7	998	988
Restricted cash	7	11,062	13,073
Due from related parties	26	3	1,470
Investments	8	142,734	139,252
Insurance receivables and other assets	10	37,065	33,949
Reinsurance assets	12	45,316	40,236
Tax recoverable	15	544	539
Deferred policy acquisition costs	11	2,045	1,960
Investment properties	13	28,550	29,150
Property, plant and equipment	14	20,051	19,447
Intangible assets	16	9,111	8,356
Deferred tax asset	15	190	220
Total assets		**362,955**	**369,486**
LIABILITIES			
Other liabilities	17	31,210	29,022
Due to related parties	26	1,779	1,119
Investment contract liabilities	19	68,820	68,256
Insurance contract liabilities	20	136,799	130,793
Retirement benefits obligations	18	1,992	2,270
Total liabilities		**240,600**	**231,460**
EQUITY			
Share capital	21	39,600	39,682
Contributed surplus		427	427
Statutory reserve	21	54,854	54,653
Accumulated other comprehensive loss	22	(7,077)	(4,717)
Retained earnings		24,748	38,466
Total shareholders' equity		**112,552**	**128,511**
Non-controlling interest in subsidiary		**9,803**	**9,515**
Total equity		**122,355**	**138,026**
Total liabilities and equity		**362,955**	**369,486**

Approved by the Board of Directors on May 30, 2023

Jonathan Poulin
Chairman

Goulbourne Alleyne
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 2022

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

	Notes	2022 $	2021 $
INCOME			
Gross premiums written	20	105,041	102,197
Reinsurance ceded	20	(47,101)	(45,245)
Net premiums written	20	57,940	56,952
Net change in unearned premiums	20	370	1,024
Net premiums earned		**58,310**	**57,976**
Investment income	8	(7,001)	23,445
Commission and other income	23	19,497	18,890
Fair value adjustment on investment properties	13	(664)	935
Rental income	13	2,042	2,102
Total income		**72,184**	**103,348**
EXPENSES			
Insurance contracts benefits and expenses			
Life and health policy benefits	24	12,043	16,277
Short-term claim and adjustment expenses	24	19,920	18,892
Commission and acquisition expense		8,849	8,562
Operating expenses	25	37,817	35,689
Amortisation and depreciation expense	14/16	2,764	2,648
Total benefits and expenses		**81,393**	**82,068**
(Loss)/income before income taxes		**(9,209)**	**21,280**
Income taxes	15	(54)	(56)
Net (loss)/income for the year		**(9,263)**	**21,224**
Net (loss)/income attributable to:			
Shareholders		(9,551)	20,336
Non-controlling interest in subsidiary		288	888
Net (loss)/income for the year		**(9,263)**	**21,224**
Earnings per share			
- Basic and fully diluted	21	(0.24)	0.52

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 2022

(in thousands of Barbados dollars)

	Notes	2022	2021
		$	$
Net (loss)/income for the year after income taxes		(9,263)	21,224
Other comprehensive loss:			
Items that will not be reclassified to profit or loss			
Re-measurement of retirement benefit obligations	22	(15)	(1,710)
Investments classified as FVOCI – Fair value (loss)/gain	22	(2,520)	1,649
Re-valuation of property, plant and equipment– Fair value loss	22	175	-
		(2,360)	**(61)**
Total comprehensive (loss)/income for the year		**(11,623)**	**21,163**
Comprehensive (loss)/income attributable to:			
Shareholders		(11,911)	20,275
Non-controlling interests in subsidiary		288	888
Total comprehensive (loss)/income for the year		**(11,623)**	**21,163**

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 2022

(in thousands of Barbados dollars)

	Notes	2022 $	2021 $
Share capital			
Balance - beginning of year		39,682	39,816
Share repurchase	21	(82)	(134)
Balance - end of year		**39,600**	**39,682**
Contributed surplus			
Balance - beginning of year		427	427
Balance - end of year		**427**	**427**
Statutory reserve			
Balance - beginning of year		54,653	54,207
Transfer to catastrophe reserve	21	201	446
Balance - end of year		**54,854**	**54,653**
Accumulated other comprehensive loss			
Balance - beginning of year		(4,717)	(4,656)
Other comprehensive loss for the year	22	(2,360)	(61)
Balance - end of year		**(7,077)**	**(4,717)**
Retained earnings			
Balance - beginning of year		38,466	20,506
Net (loss)/income for the year attributable to shareholders		(9,551)	20,336
Dividends	28	(3,966)	(1,930)
Transfer to catastrophe reserve	21	(201)	(446)
Balance - end of year		**24,748**	**38,466**
Total equity attributable to shareholders of the company		**112,552**	**128,511**
Attributable to non-controlling interests			
Balance - beginning of year		9,515	8,627
Net income for the year		288	888
Balance - end of year		**9,803**	**9,515**
Total equity		**122,355**	**138,026**

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 2022

(in thousands of Barbados dollars)

	2022 $	2021 $
Cash flows from operating activities		
(Loss)/ Income before tax	(9,209)	21,280
Adjustments for:		
Investment loss/(income)	7,001	(23,971)
Fair value adjustment on investment & other properties	664	(935)
Depreciation of property, plant and equipment	1,621	1,618
Amortisation of intangible assets	1,143	1,030
Gain on sale of investment property	-	(150)
Gain on sale of property, plant and equipment	(99)	-
Impairment of property, plant and equipment	31	25
Impairment of intangible assets	61	-
Change in assets and liabilities:		
Insurance receivables and other assets	(3,116)	(6,328)
Deferred policy acquisition costs	(85)	42
Reinsurance assets	(5,080)	(522)
Retirement benefit obligations	(278)	1,336
Restricted cash	(1,257)	(1,871)
Other liabilities	2,188	(1,886)
Due to related parties	2,127	(351)
Investment contract liabilities	(2,072)	(1,790)
Insurance contract liabilities	6,006	2,718
Cash generated from/ (used in) operations	(354)	(9,755)
Income taxes (paid)	(26)	(69)
Interest received	1,924	1,260
Net cash generated from/ (used in) operating activities	**1,544**	**(8,564)**
Cash flows from investing activities		
Purchase of investments	(32,014)	(7,251)
Acquisition of fixed deposits	(727)	-
Maturity of fixed deposits	1,086	1,000
Proceeds from sales/maturities of investments	18,744	40,727
Investment property- additions	(64)	(40)
Acquisition of property and equipment	(2,200)	(1,185)
Proceeds from sale of property and equipment	199	-
Acquisition of intangible assets	(1,959)	(2,383)
Proceeds from sale of investment property	-	1,500
Net cash from/ (used in) investing activities	**(16,935)**	**32,368**
Cash flows from financing activities		
Cash dividends paid to shareholders	(3,966)	(1,930)
Share repurchase	(82)	(134)
Net cash used in financing activities	**(4,048)**	**(2,064)**
(Decrease)/ Increase in cash and cash equivalents	(19,439)	21,740
Cash and cash equivalents - beginning of year	68,007	46,267
Cash and cash equivalents - end of year (Note 6)	**48,568**	**68,007**

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 2022
(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.

The majority shareholder is 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 2022. The remaining 43.02% of the shares are widely held. The Company trades on the Barbados Stock Exchange.

On May 30, 2023 the Board of Directors approved the consolidated financial statements and authorised them for issue. The Board of Directors has the power to amend the financial statements after issue.

2. SIGNIFICANT ACCOUNTING POLICIES

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

A. Statement of Compliance

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

B. Basis of Preparation

i) Basis of measurement

The consolidated financial statements have been compiled on the going concern basis and prepared on the historical cost basis, as modified by the revaluation of financial assets at fair value through other comprehensive income (FVOCI), financial assets at fair value through profit and loss (FVTPL), 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 2022
(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, land and buildings 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**).

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 2022
(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 9A**.

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 2022
(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.

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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

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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.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

l. 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

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Financial Instruments (continued)

Impairment (continued)

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

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

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

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

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

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

Measurement of ECL

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

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

Credit-impaired financial assets

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

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Financial Instruments (continued)

Credit-impaired financial assets (continued)

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

Write-off

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

Investments

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

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- equity investment securities 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 2I** 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 October 2022. 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.

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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
- Furniture 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 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Leases (continued)

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

N. Intangible Assets

Software development costs

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

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

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

O. Insurance and Investment Contract Classification

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

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Insurance and Investment Contract Classification (continued)

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

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

P. Insurance Contract Liabilities

i) Life and health insurance contracts

These contracts, meaning insurance contract liabilities, (non-participating) include all forms of life, health and accident insurance and life contingent annuities sold to individuals and groups. A provision for life and health insurance liabilities is made which represents the amounts required, in addition to future premiums and investment income, to provide for future benefit payments, policyholder dividends, commission and policy administrative expenses for all in-force life insurance and annuity policies. These benefits are determined using generally accepted actuarial practices according to standards established by the Canadian Actuarial Standards Board (“ASB”). In accordance with these standards, the provisions have been determined using the Policy Premium Method (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 **4.50%** (2021 – 4.95%) based on estimated loss payout patterns. However, such liability is necessarily based on estimates and the ultimate liability may exceed the Group’s estimates.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Insurance Contract Liabilities (continued)

ii) Short-term insurance contracts (continued)

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

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

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

iv) Reinsurance contracts held related to insurance contracts

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

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

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

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

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

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Notes to Consolidated Financial Statements
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Insurance Contract Liabilities (continued)

v) Liability adequacy test
At the end of each reporting period, liability adequacy tests are performed on short-term insurance contracts to ensure the adequacy of the contract liabilities net of related DAC. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to the consolidated statement of income initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision). Any DAC written off as a result of this test cannot subsequently be reinstated.

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

Q. Investment Contracts

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

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Receivables and Payables Related to Insurance and Investment Contracts

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

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

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

S. Current and Deferred Income Tax

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

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

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

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

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

T. Employee Benefits

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

i) Pension obligations

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

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Employee Benefits (continued)

i) Pension obligations (continued)

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

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

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

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

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Employee Benefits (continued)

v) Share-based compensation

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

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

U. Revenue Recognition

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

i) Premium income

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

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

ii) Commission income

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

iii) Service contracts

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

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

V. Share Capital

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

W. Dividend Distribution

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

X. Earnings Per Share

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

Y. Related Party Transactions

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

3. NEW AND REVISED ACCOUNTING STANDARDS

A. New and Revised Accounting Standards Adopted in 2022

The Company has applied the following amendments for its annual reporting period commencing 1 January 2022:

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

- *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 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 2022 (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 amendment is effective for annual reporting periods beginning on or after 1 January 2022. Adoption of this amendment did not 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. Adoption of this amendment did not have a significant impact to the Company.

B. New and Revised Accounting Standards to be Adopted in 2023 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 <u>material</u> accounting policies were made to the standard. Adoption of these amendments is not expected to have a significant impact to the Company.

- *IAS 1 - Presentation of Financial Statements ("IAS 1")* - On 15 July 2020, the IASB issued 'Classification of Liabilities as Current or Non-current- Deferral of Effective Date (Amendments to IAS 1)'. The amendment defers the effective date of the January 2020 amendments by one year, so that entities would be required to apply the amendment for annual periods beginning on or after 1 January 2024. Adoption of this amendment is not expected to have a significant impact to the Company.

- *IAS 1 - Presentation of Financial Statements ("IAS 1")* - On 31 October 2022, the IASB issued 'Non-current liabilities with covenants' effective for annual reporting periods beginning on or after 1 January 2024. The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. Adoption of this amendment is not expected to have a significant impact to the Company.

- Narrow scope amendments to *IAS 1 Presentation of Financial Statements*, IFRS Practice statement 2 and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, (effective for annual periods beginning on or after January 1, 2023). On 12 February 2021, the IASB made these amendments aimed at improving accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. Adoption of this amendment 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 2023 or Later (continued)

- *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. Adoption of this amendment is not expected to have a significant impact to the Company.

- *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. Adoption of this amendment is not expected to have a significant impact to the Company.

- *IFRS 16- Leases ("IFRS 16")* - On 22 September 2022, an amendment was made to clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. This amendment is effective for annual reporting periods beginning on or after 1 January 2024. Adoption of this amendment is not expected to have a significant impact to the Company.

- *IFRS 17 - Insurance Contracts ("IFRS 17")* - This new standard was issued in May 2017 and supersedes IFRS 4 and related interpretations and is effective for periods beginning on or after 1 January 2023. Whereas IFRS 4 allows insurance entities to use their local Generally Accepted Accounting Principles when accounting for insurance contracts, IFRS 17 defines rules with the aim to increase the comparability of financial statements.

  All contracts classified as insurance under IFRS 4 will continue to be defined as such under IFRS 17, and similarly, all contracts that meet the definition of an insurance contract under IFRS 17 also had done so under IFRS 4. The definition of insurance risk will also be maintained, except to add that benefits payable is determined on a present value basis. Further, there was no significant impact on the recognition and derecognition of insurance contracts under IFRS 4 as compared with IFRS 17.

  The Group, having previously applied IFRS 9, is permitted to change its classification and designation of financial assets. This reassessment is relevant only to eligible financial assets held in connection with insurance contracts under the scope of IFRS 17. Any designation will be based on facts and circumstances that exist at the date of initial application of IFRS 17 and will be applied on that date. When applying the IFRS 9 transitional requirements, the date of initial application is considered the date of initial application of IFRS 17. Some financial assets will be reclassified upon implementation of IFRS 17.

  The Group will adopt IFRS 17 retrospectively, applying alternative transition methods where the full retrospective approach was impracticable. The full retrospective approach will mostly be applied to the insurance contracts in force at the transition date that were originated less than 3-5 years prior to transition. Where the full retrospective approach was determined to be impracticable, the fair value approach was applied.

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3. NEW AND REVISED ACCOUNTING STANDARDS (continued)

B. New and Revised Accounting Standards to be Adopted in 2023 or Later (continued)

IFRS 17 requires the identification of group of onerous contracts. When these groups are identified, the Group is required to recognise a loss immediately in profit or loss along with an increase in the insurance contract liability known as a loss component. Where the Group has reasonable and supportable information to conclude that a set of contracts will all be in the same profitability group for IFRS 17, these contracts are evaluated together based on aggregate expected profitability to determine if the insurance contracts are onerous in the reporting period in which they are first effective.

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 standard introduces three measurement models:-
1) The General Measurement Model ("GMM")
2) The Variable Fee Approach ("VFA") and
3) The Premium Allocation Approach ("PAA").

IFRS 17 requires that the Group:-

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

- Aggregates the insurance and reinsurance contracts into groups of portfolios it will recognise and measure. Portfolios of contracts are generally identified based on contracts subject to similar risks and managed together. The portfolios are then divided into groups based on expected profitability. The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group.

- Recognises and measures groups of insurance contracts at: A risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all available information about the fulfilment cash flows in a way that is consistent with observable market information.

Plus:
The contractual service margin (CSM) which is an amount representing the unearned profit in the group of contracts is recognised in profit or loss to reflect services provided in each year. The CSM is only applicable to the GMM and VFA.

- Recognises insurance revenue from a group of insurance contracts over each period the Group provides insurance contract services, as the Group is released from risk. If a group of contracts is expected to be onerous (i.e. loss-making) over the remaining coverage period, the Group recognises the loss immediately.

- Recognises an asset for insurance acquisition cash flows in respect of acquisition cash flows paid, or incurred, before the related group of insurance contracts is recognised. Such an asset is derecognised when the insurance acquisition cash flows are included in the measurement of the related group of insurance contracts.

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3. NEW AND REVISED ACCOUNTING STANDARDS (continued)

B. New and Revised Accounting Standards to be Adopted in 2023 or Later (continued)

Under IFRS 17, the discount rates used to present value future cash flows under IFRS 17 are based on the characteristics of the insurance contracts rather than the portfolio of assets supporting the insurance contract liabilities which is permitted under IFRS 4.

The new standard also includes a policy option, applied at the portfolio level, which allows for the impacts from changes in financial variables (e.g. discount rate) to be disaggregated between OCI and the P&L (OCI option) or to flow through the P&L (P&L option). The Group may elect to use the P&L option.

Additionally, with IFRS 17 the risk adjustment which is incorporated measures the compensation required for uncertainty related to non-financial risk, such as mortality, morbidity, surrender and expenses. There is no amount provided for asset-liability mismatch, and the provisions for uncertainty related to financial risks, are included in the present value of future cash flows. In comparison, under IFRS 4, amounts provided for the risks identified are reflected in a provision for adverse deviations included in insurance contract liabilities.

The Group started its journey to implement IFRS 17 back in 2020 with the establishment of an Executive sponsored project team and established workstreams for accounting, actuarial and technology. The Group continues to assess the overall impact of IFRS 17, which is expected to be significant, on the timing of earnings recognition, as well as presentation and disclosure, of its insurance and reinsurance contracts. The Group is expecting that the establishment of the CSM and other measurement changes will result in a reduction to opening equity upon transition to IFRS 17 at 1 January 2022. The impact on the timing of earnings recognition or presentation and disclosure does not impact the cash flows generated by the Group; as a result, IFRS 17 is not expected to have a material impact on the Group's business strategies. The Group also continues to monitor the associated impact on its regulatory capital requirements. The preparation of comparative information beginning 1 January 2022 under IFRS 17 is in progress and will be reported in June 2023 interim financial reporting.

The group will apply GMM for its life and annuity products and any related reinsurance. Similarly, the PAA approach will be used for its short-term products where the contract boundary has been identified as one year or less. Under PAA, insurance contracts are measured based on unearned profits and the accounting is broadly similar to the Group's current approach under IFRS 4.

Overall, the evaluation of the effect of the standard on the Group's consolidated financial statements and the refinement of the new accounting policies, assumptions, judgements and estimation techniques employed continues. These areas remain subject to change and may be revised as further analysis is completed prior to presentation of financial information for periods including the date of initial application.

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;

INSURANCE CORPORATION OF BARBADOS LIMITED

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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; and
- 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 Group'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.

	2022 $	2021 $
Cash and cash equivalents	48,568	68,007
Fixed deposits	16,718	12,839
Regulatory deposits	998	988
Fixed income securities	89,587	78,733
Mortgages & other loans	12,482	15,865
Insurance receivables and other assets	37,065	33,949
Due from related parties	3	1,470
Restricted cash	11,062	13,073
	216,483	**224,924**

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 $50,201 (2021 - $48,182) and $1,659 (2021 - $5,459) respectively; and U.S Treasury Bills in the amount of $21,871 (2021 - $nil)

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

	2022 $	2021 $
Bonds and fixed income securities issued or guaranteed by:		
Government	84,620	67,638
Aviation	2,025	-
Mining	-	8,166
Construction	973	961
Other	1,969	1,968
Total bonds and fixed income securities	**89,587**	**78,733**

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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)

	2022 $	2021 $
Barbados	59,295	60,108
Caribbean	8,421	10,459
International	21,871	8,166
Total bonds and fixed income securities	**89,587**	**78,733**

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

	2022 $	2021 $
Barbados	12,482	15,865
Total mortgages and loans	**12,482**	**15,865**

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*	2022
Cash and cash equivalents	-	3,379	32,178	-	12,999	12	48,568
Fixed deposits	-	-	-	-	-	16,718	16,718
Regulatory deposits	-	-	-	-	998	-	998
Fixed income securities	-	-	21,871	139	61,730	5,847	89,587
Insurance receivables and other assets	5,458	-	-	-	-	31,607	37,065
Mortgages and other loans	-	-	-	-	-	12,482	12,482
Due from related parties	-	-	-	-	-	3	3
Restricted cash	-	-	6,220	-	4,842	-	11,062
Total	**5,458**	**3,379**	**60,269**	**139**	**80,569**	**66,669**	**216,483**

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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	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**

* 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**.*

	2022			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL not credit impaired	**POCI**	**Total**
Fixed income securities				
BBB+/BBB	23,899	6,440	-	30,339
BB+	-	-	-	-
B-	4,335	3,420	45,917	53,672
Unrated	2,000	4,087	-	6,087
	30,234	13,947	45,917	90,098
ECL provision	(83)	(428)	-	(511)
Amortised cost	**30,151**	**13,519**	**45,917**	**89,587**

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)

		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**

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 2022 is $68 (2021 - $409).

		2022	
	Stage 2 Lifetime ECL not credit impaired	Stage 3 Lifetime ECL Credit impaired	Total
Mortgages and other loans	10,717	1,833	12,550
Loss allowance	(16)	(52)	(68)
Amortised cost	**10,701**	**1,781**	**12,482**

		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**

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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 2I**.

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

	Best $	Base $	2022 Worst $
Fixed income securities	556	725	1,000
Mortgages and other loans	12	15	39

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

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 2I**.

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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)

2022

	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	583	361	-	944
Net re-measurement of loss allowance	2	68)	-	70
New financial assets acquired	52	-	-	52
Financial assets derecognized	(554)	(1)	-	(555)
Balance at 31 December	**83**	**428**	**-**	**511**

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**

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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)

		2022 $	
Mortgages and other loans	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Balance at 1 January	24	385	409
Transferred from stage 3 to stage 2	237	(237)	-
Net re-measurement of loss allowance	(8)	(96)	(104)
Financial asset derecognised	(237)	-	(237)
Balance at 31 December	**16**	**52**	**68**

		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**

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 2022 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	48,568	-	-	-	48,568	0.00%- 0.03%
Restricted cash	11,062	-	-	-	11,062	0.00%- 0.0093%
Fixed deposits	16,718	-	-	-	16,718	0.05%- 2.25%
Regulatory deposits	-	-	-	998	998	0.06%
Mortgages and other loans	-	201	456	11,825	12,482	4.00%- 7.00%
Fixed income securities	24,954	3,863	2,024	58,746	89,587	1.50%- 7.29%
Insurance receivables and other assets	35,558	583	795	129	37,065	N/A
Due from related parties	3	-	-	-	3	N/A
Reinsurance assets	43,091	-	-	2,225	45,316	N/A
	179,954	**4,647**	**3,275**	**73,923**	**261,799**	0.00%- 0.05%
Percent of total	**64%**	**8%**	**0%**	**28%**	**100%**	

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	N/A
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%**	

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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 2022 is as follows:

	Within 1 year	1-5 years	Over 5 years	Total
	$	$	$	$
Other liabilities	31,210	-	-	31,210
Due to related parties	1,779	-	-	1,779
Investment contract liabilities	68,820	-	-	68,820
Insurance contract liabilities	101,581	8,152	27,066	136,799
Total	**203,390**	**8,152**	**27,066**	**238,608**
Percent of total	**85%**	**4%**	**11%**	**100%**

The Company notes a shortfall of $23,436 in the maturity profile of total assets $179,954 (compared to total liabilities $203,390 due "Within 1 year". Investment contract liabilities of $68,820 can be contractually settled utilising a combination of assets having maturities in excess of 1 year ("1 - 5 years" and "Over 5 years"). As at 31 December 2022, the Company had $46,627 of total assets in excess of total liabilities maturing in excess of 1 year.

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%**

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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 $509 (2021 - $598). 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 $3,048 (2021 - $3,306). 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 the 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.

		2022			2021	
	Gross $	**Reinsurance $**	**Net $**	**Gross $**	**Reinsurance $**	**Net $**
Barbados	37,135	(2,333)	34,802	35,739	(1,299)	34,440
	37,135	**(2,333)**	**34,802**	**35,739**	**(1,299)**	**34,440**

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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 $81 (2021 - $76). 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 (2021 - $12).

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 $126 (2021 - $122).

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 $2,741 (2021 - $2,789). 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 $3,696 (2021 - $3,831).

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 $807 (2021 - $820).

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 $647 (2021 - $597).

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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 30% (2021 - 29%) 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 2022

Territory		Property $	Motor $	All others $	Total $
Barbados					
	Gross	3,793	50,380	15,946	70,119
	Net	235	31,259	9,992	41,486

31 December 2021

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

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 2022 supports a discounted net property and casualty reserve of $41,486 (2021 - $40,504).

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 $5,458 as of 31 December 2022 (2021 - $4,741). 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 $273 (2021 - $237). This represents 3% (2021 - 1%) of the Company's pre-tax net loss.

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 $41,486 (2021 - $40,504) (based on a gross 6.05 % yield rate assumption (2021 - 6.10%). If the assumed yield rate drops to 5.05% (2021 - 5.10%) then the discounted reserves would increase by approximately $1,000 (2021 - $986). This represents approximately 0.82% (2021 - 0.71%) of equity, and 10.7% (2021 - 4.6%) of pre-tax net loss.

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	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
Estimate of ultimate claims cost:	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
At the end of accident year	32,728	33,591	36,012	33,344	34,439	28,392	28,083	20,129	20,074	21,807	
One year later	33,801	31,428	33,815	32,695	34,129	32,533	28,574	21,557	20,949	-	
Two years later	31,007	29,907	33,243	33,518	33,159	33,056	28,354	21,187	-	-	
Three years later	30,483	28,901	32,939	32,009	33,109	34,573	28,787	-	-	-	
Four years later	31,052	28,557	33,205	32,376	32,805	35,900	-	-	-	-	
Five years later	31,431	28,833	33,442	33,774	33,771	-	-	-	-	-	
Six years later	32,261	29,982	33,693	35,302	-	-	-	-	-	-	
Seven years later	32,639	30,147	34,789	-	-	-	-	-	-	-	
Eight years later	32,765	31,674	-	-	-	-	-	-	-	-	
Nine years later	32,755	-	-	-	-	-	-	-	-	-	
Current estimates of cumulative claims	32,755	31,674	34,789	35,302	33,771	35,900	28,787	21,187	20,949	21,807	296,921
Cumulative payments to date	(30,713)	(29,126)	(31,605)	(31,434)	(29,685)	(24,481)	(23,942)	(16,365)	(14,915)	(9,351)	(241,617)
Gross liability recognised in the consolidated statement of financial position	2,042	2,548	3,184	3,868	4,086	11,419	4,845	4,822	6,034	12,456	55,304
Gross reserve in respect of prior years											14,373
Gross liability - Unallocated loss adjustment expense											442
Total gross reserve included in the consolidated statement of financial position											70,119

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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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Estimate of ultimate claims cost:	$	$	$	$	$	$	$	$	$	$	$
At the end of accident year	22,531	23,622	25,128	24,416	21,698	19,701	19,211	13,606	13,049	13,573	
One year later	22,462	22,438	23,357	23,660	22,237	19,364	19,525	14,316	13,749		
Two years later	21,214	20,954	22,843	24,434	21,714	19,890	18,926	14,211			
Three years later	20,890	20,135	22,819	23,553	21,613	20,041	19,290				
Four years later	21,211	20,019	23,337	24,030	21,176	21,144					
Five years later	21,517	20,455	23,641	25,334	22,083						
Six years later	22,421	21,647	23,996	26,290							
Seven years later	22,849	21,982	25,114								
Eight years later	23,222	23,427									
Nine years later	23,276										
Current estimates of cumulative claims	23,276	23,427	25,114	26,290	22,083	21,144	19,290	14,211	13,749	13,573	202,157
Cumulative payments to date	(21,739)	(21,093)	(22,446)	(23,196)	(19,868)	(17,610)	(16,183)	(10,680)	(10,199)	(6,281)	(169,295)
Net liability recognised in the consolidated statement of financial position	1,537	2,334	2,668	3,094	2,215	3,534	3,107	3,531	3,550	7,292	32,862
Net reserve in respect of prior years											8,182
Net liability - Unallocated Loss Adjustment expenses											442
Total net reserve included in the consolidated statement of financial position											41,486

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 emphasise 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 $17,533 (2021 - $17,851) 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 2022 (2021 - $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 Chief Executive Officer (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.

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 Chief Executive Officer (CEO) for the reportable segments for the year ended 31 December 2022 is as follows:

2022	Property & Casualty $	Life and Health $	Asset Management $	Eliminating $	Total $
Income					
Gross premiums written	77,682	27,530	-	(171)	105,041
Reinsurance ceded	(45,042)	(2,059)	-	-	(47,101)
Net premium written	32,640	25,471	-	(171)	57,940
Net change in unearned premiums	418	(48)	-	-	370
Net premium earned	33,058	25,423	-	(171)	58,310
Investment income	-	-	(7,001)	-	(7,001)
Commissions and other income	16,808	302	2,488	(101)	19,497
Fair value adjustment on investment properties	(100)	-	(564)	-	(664)
Rental income	27	-	2,015	-	2,042
Total income	**49,793**	**25,725**	**(3,062)**	**(272)**	**72,184**
Expenses					
Insurance contracts benefits and expenses					
Life and health policy benefits	-	12,043	-	-	12,043
Short term claim and adjustments expenses	19,920	-	-	-	19,920
Commission and acquisition expense	5,345	3,504	-	-	8,849
Operating expenses	30,806	3,412	3,871	(272)	37,817
Amortisation and depreciation expense	2,487	230	47	-	2,764
Total benefits and expenses	**58,558**	**19,189**	**3,918**	**(272)**	**81,393**
Income/(loss) before income taxes	**(8,765)**	**6,536**	**(6,980)**	**-**	**(9,209)**
Income taxes	**54**	**-**	**-**	**-**	**54**
Net income/(loss)	**(8,819)**	**6,536**	**(6,980)**	**-**	**(9,263)**

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5. SEGMENTAL INFORMATION (continued)

The segmental information below reflects the reportable segments for year ended 31 December 2021

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 provided to the Chief Executive Officer (CEO) for the reportable segments for the year ended 31 December 2022 is as follows:

2022	**Property & Casualty $**	**Life and Health $**	**Asset Management $**	**Eliminating $**	**Total $**
Total assets	223,379	45,155	108,574	(14,343)	**362,765**
Total liabilities	151,301	11,452	75,789	66	**238,608**

The segmental information below reflects the reportable segments for year ended 31 December 2021

2021	**Property & Casualty $**	**Life and Health $**	**Asset Management $**	**Eliminating $**	**Total $**
Total assets	230,489	46,651	106,386	(14,260)	**369,266**
Total liabilities	134,385	20,506	74,075	224	**229,190**

Segment assets consist of investments that match insurance and other liabilities, intangible assets and working capital. They exclude deferred income taxes.

Segment liabilities comprise insurance liabilities, financial liabilities arising mainly from investment contracts and borrowing arrangements. They exclude retirement benefit liabilities.

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6. CASH AND CASH EQUIVALENTS

	2022 $	2021 $
Cash at bank and in hand	48,205	67,512
Short-term bank deposits	363	495
Total	**48,568**	**68,007**

The effective interest rate on short-term bank deposits was 0.01% (2021 - 0.02%). These deposits have an average maturity of 91 days (2021 - 91 days).

7. REGULATORY DEPOSITS, FIXED DEPOSITS AND RESTRICTED CASH

	2022 $	2021 $
Fixed deposits	16,718	12,839

Fixed deposits of $16,718 (2021 - $12,839) 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 1.19% (2021 - 1.46%).

	2022 $	2021 $
Regulatory deposits	998	988

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.

	2022 $	2021 $
Restricted cash	11,062	13,073

Restricted cash of $11,062 (2021 - $13,073) 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:

	2022 Carrying amount $	2022 Fair value $
Measured at amortised cost		
- Fixed income securities	89,587	87,252
- Mortgages and other loans	12,482	11,364
	102,069	**98,616**
- Equities - Designated as at FVOCI	10,188	10,188
- Equities - FVTPL	30,477	30,477
	40,665	**40,665**
Totals	**142,734**	**139,281**

	2021 Carrying amount $	2021 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**

Included in investments are securities in the amount of $52,132 (2021 - $51,173) at carrying value, and fair value $50,375 (2021 - $49,132), 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 2 - 6 years $26,190 (2021 - $33,020). Additionally, as at 31 December 2022 commitments under investment agreements totalling $1,740 (2021 - $2,969) were entered into by the Group.

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8. INVESTMENTS (continued)

B. Investment Income

	2022 $	2021 $
Interest income		
Fixed income securities	1,614	2,743
Mortgages and other loans	734	978
	2,348	3,721
Dividend income		
Equities - FVOCI	179	211
	179	211
Gains/(Losses) on disposal		
Fixed income securities	30	(1800)
Equities - FVOCI	(2)	4
	28	(1796)
Realised gains - Equities- FVTPL	422	1,242
Unrealised (losses)/gains - Equities- FVTPL	(10,733)	19,638
Impairments and deductions		
Less: ECL/Impairment gain on fixed income securities	416	1,311
Less: ECL/Impairment gain/(loss) on mortgages and other loans	339	(356)
	755	955
Gross investment (loss)/income	(7,001)	23,971
Less investment expenses	-	(526)
Total	**(7,001)**	**23,445**

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 3½ 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 5.00% 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 October 2022. 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, categorised by level under the fair value hierarchy as at 31 December 2022:

	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Assets				
Designated as FVOCI	10,110	78	-	10,188
FVTPL	9	7,200	23,268	30,477
Investment properties	-	-	28,550	28,550
Total assets	**10,119**	**7,278**	**51,818**	**69,215**

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 2021:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Designated as FVOCI	10,454	1,136	-	11,590
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.

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

	Equities - FVTPL	Investment Properties	2022	2021
	$	$	$	$
Opening balance	33,020	29,150	62,170	44,685
Additions	988	64	1,052	2,213
Disposal	(245)	-	(245)	(5,278)
Fair value adjustment	(10,495)	(664)	(11,159)	20,550
Total assets	**23,268**	**28,550**	**51,818**	**62,170**

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 2022	Decrease 2022	Increase 2021	Decrease 2021
50bp change in discount rate	(740)	725	(845)	659
100bp change in discount rate	(1,425)	1,508	(1,548)	1,463

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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 2022:

	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Cash and cash equivalents	48,568	-	-	48,568
Fixed deposits	16,718	-	-	16,718
Regulatory deposits	998	-	-	998
Restricted cash	11,062	-	-	11,062
Financial assets - Amortised cost				
Fixed income securities	21,871	3,838	61,543	87,252
Mortgages and other loans	-	-	11,364	11,364
Total assets	**99,217**	**3,838**	**72,907**	**175,962**
Liabilities				
Investment contract liabilities	-	68,820	-	68,820
Total liabilities	**-**	**68,820**	**-**	**68,820**

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:

	2022 $	2021 $
100 basis points lower	5,644	7,648
100 basis points higher	(6,141)	(5,109)

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 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**

10. INSURANCE RECEIVABLES AND OTHER ASSETS

	2022 $	2021 $
Insurance receivables	24,766	23,925
Provision for doubtful debts	(6,514)	(6,064)
Insurance receivable (net)	18,252	17,861
Accounts receivable	18,813	15,735
Accrued investment income	-	353
Total	**37,065**	**33,949**

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

	2022 $	2021 $
Balance at 1 January 2022	6,064	5,847
Provision made during the year	590	218
Provision reversed during the year	(140)	(1)
Balance at 31 December 2022	**6,514**	**6,064**

For 2022, the provision of $6,514 (2021 - $6,064) includes an ECL provision on Broker receivables of $2,302 (2021 - $2,090) (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:

	2022 $	2021 $
At 1 January	1,960	2,002
Recognised deferred acquisition costs	6,687	3,237
Amortisation charge through income	(6,602)	(3,279)
At 31 December	**2,045**	**1,960**

12. REINSURANCE ASSETS

Reinsurance assets are comprised of the following:

	2022 $	2021 $
Short-term insurance contracts:		
Claims reported and adjustment expenses	27,165	24,300
Unearned premiums ceded	14,350	13,619
Claims incurred but not reported	1,468	1,019
Total short-term insurance contracts	**42,983**	**38,938**
Life and health insurance contracts:		
Non-participating		
Individual life	199	(302)
Group life	2,026	1,495
Health and accident	108	105
Total life and health insurance contracts	**2,333**	**1,298**
Total reinsurance assets	**45,316**	**40,236**

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13. INVESTMENT PROPERTIES

	2022 $	2021 $
Year ended 31 December		
At beginning of year	29,150	29,525
Additions to property	64	40
Disposals	-	(1,350)
Fair value adjustment	(664)	935
Closing net book amount	**28,550**	**29,150**

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.

Rental income generated from these investment properties during the year amounted to $2,042 (2021 - $2,102). Operating expenses incurred in support of generating rental income from investment properties was $1,555 (2021 - $1,657).

Investment properties in the amount of $22,791 (2021 - $23,725) 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 October 2022. (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 2021				
Cost/Valuation	15,557	14,850	1,364	31,771
Accumulated depreciation	(472)	(10,395)	(971)	(11,838)
	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)
Disposals – accumulated depreciation	335	10	74	419
Adjustments	-	15	-	15
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**
Year ended 31 December 2022				
Opening net amount	14,890	4,229	328	19,447
Additions	1,578	506	116	2,200
Disposals	-	(3,974)	(640)	(4,614)
Disposals – accumulated depreciation	-	3,942	580	4,522
Depreciation charge	(305)	(1,163)	(153)	(1,621)
Revaluation	175	-	-	175
Adjustment	-	(27)	-	(27)
Impairment	-	(31)	-	(31)
Closing net book amount	**16,338**	**3,482**	**231**	**20,051**
At 31 December 2022				
Cost/Valuation	16,344	12,198	891	29,433
Accumulated depreciation	(6)	(8,716)	(660)	(9,382)
Net book amount	**16,338**	**3,482**	**231**	**20,051**

The Company revalued its freehold property at Roebuck Street as at 31 October 2022 based on an appraisal done by an independent, qualified professional firm of certified valuers. During 2022, the Company acquired land in St. Lucy for $1,300.

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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:

	2022 $	2021 $
Right-of-Use Assets		
Motor Vehicle	144	135
	144	**135**
Lease Liabilities		
Other liabilities	148	142

ii) Amounts recognised in the consolidated statement of income:

	2022 $	2021 $
Amortisation charge of Right-of-Use Assets		
Building	-	20
Motor Vehicle	113	112
	113	**132**
Interest Expense	7	11
Expense relating to short- term leases (included in operating expenses)	132	254

15. INCOME TAXES

A. Income Tax

The income tax expense comprises:

	2022 $	2021 $
Current tax	24	80
Deferred tax	30	(24)
Total income tax expense	**54**	**56**

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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:

	2022 $	2021 $
Income before income taxes	(9,209)	21,280
Tax calculated at effective rate of 2% (2021 - 2%)	(184)	426
Deductions allowed	(8)	(17)
Effect of different tax rates on taxable income	24	80
Income not subject to tax	(7)	(465)
Expenses not deductible for tax	208	9
Under/(over) accrual of taxes	21	23
Total income tax expense	**54**	**56**

Investment income of the Company is subject to tax at a rate of 15% (2021 - 15%). The tax rate for the Group is 2% (2021 - 2%).

B. Deferred Taxes

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

	2022 $	2021 $
Deferred tax (asset)/liability:		
Accelerated tax depreciation	181	131
Net pension plan asset	(40)	(46)
Tax losses carried forward	(331)	(305)
Deferred tax asset	**(190)**	**(220)**

The Group has accumulated tax losses amounting to $16,564 (2021 - $15,943). These losses are due to expire as follows: 1.) 2024 - $4,187; 2.) 2025 - $5,513; 3.) 2026 - $2,245; 4.) 2028 - $3,998; 5) 2029 - $621. The deferred tax asset of $331 (2021 - $305) 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

	2022 $	2021 $
Tax recoverable at beginning of year	539	793
Tax payments made	26	68
Current tax expense for year	(24)	(80)
Refunds received	-	(242)
Other	3	-
Tax recoverable at end of year	**544**	**539**

D. Tax Credit relating to Other Comprehensive Income

	2022 Before tax $	Tax credit $	After tax $
Re-measurements of post-employment benefit obligations	15	-	15
Investments classified as FVOCI	2,520	-	2,520
Change in property valuation	(175)	-	(175)
Other comprehensive income	**2,360**	**-**	**(2,360)**

	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)**

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16. INTANGIBLE ASSETS

The carrying amounts of intangible assets are as follows:

	2022 $	2021 $
Cost: beginning of year	13,063	10,680
Additions	1,959	2,383
Impairment	(61)	-
Cost: end of year	14,961	13,063
Accumulated amortisation: beginning	(4,707)	(3,677)
Amortisation	(1,143)	(1,030)
Accumulated amortisation: ending	(5,850)	(4,707)
Net book value: end of year	**9,111**	**8,356**

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

	2022 $	2021 $
These include:		
Dividend payable	1,397	705
Payables and accrued expenses	16,511	16,551
Lease liabilities	148	142
Insurance balances payable	9,685	8,123
Deferred commission income	3,469	3,501
Total	**31,210**	**29,022**

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 $223 (2021 - $239) 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 2022 were $29 (2021 - $29).

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 2022 were $808 (2021 - $822).

The Company measures the fair value of assets and the accrued benefit obligations as of 31 December 2022. 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 2022.

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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 2022 and 2021:

	Defined benefit pension plans		Medical benefit plans	
	2022 $	2021 $	2022 $	2021 $
Accrued benefit obligation				
Balance - beginning of year	28,932	30,880	357	401
Current service cost	290	327	-	-
Interest expense	2,352	2,336	28	30
Employee contributions	8	4	-	-
	2,650	**2,667**	**28**	**30**
Re-measurement gains				
Actuarial gains and losses arising from changes in financial assumptions	(1,097)	(2,469)	(67)	(45)
	(1,097)	**(2,469)**	**(67)**	**(45)**
Payments from plans:				
Benefit payments	(1,431)	(2,147)	(29)	(29)
Balance - End of year	**29,054**	**28,931**	**289**	**357**

	Defined benefit pension plans		Medical benefit plans	
	2022 $	2021 $	2022 $	2021 $
Plan assets				
Fair value - beginning of year	32,450	33,324	-	-
	32,450	33,324	-	-
Re-measurement				
Return on plan assets	613	497	-	-
	613	**497**	**-**	**-**
Contributions:				
Employer	808	822	29	29
Employee	8	4	-	-
Payments from plans				
Administration	(72)	(50)	-	-
Benefit payments	(1,431)	(2,147)	(29)	(29)
Fair value - end of year	**32,376**	**32,450**	**-**	**-**
Effect of asset ceiling	(5,025)	(5,432)	-	-
	27,351	**27,018**	**-**	**-**
Net benefit liability - end of year	**1,703**	**1,913**	**289**	**357**

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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	
	2022 $	**2021 $**	**2022 $**	**2021 $**
Current service cost	290	327	-	-
Past service cost		-	-	-
Net interest on the net defined benefit	(297)	(196)	28	30
Administration and other non-plan investment management	72	50	-	-
Interest on effect of asset ceiling	448	231	-	-
Components of defined benefit costs (income) recorded in profit or loss	**513**	**412**	**28**	**30**
Re-measurement on the net defined benefit liability				
Expected return on plan assets	2,649	2,531	-	-
Actual return on plan assets	(613)	(497)	-	-
Actuarial gains and losses arising from changes in financial assumptions	(1,097)	(2,469)	(70)	(45)
Effect of IFRIC 14	(854)	2,225	-	-
Components of defined benefits cost (income) recorded in OCI	**85**	**1,790**	**(70)**	**(45)**

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:

	2022				2021			
	Quoted	Unquoted	Total	%	Quoted	Unquoted	Total	%
Equity instruments								
Financial services	225	299	**524**	**1.55**	192	-	**192**	**0.56**
Mutual funds	1,400	-	**1,400**	**4.16**	1,432	-	**1,432**	**4.20**
Fixed income instruments								
Government	-	12,914	**12,914**	**38.32**	-	12,335	**12,335**	**36.15**
Corporate bonds	-	4,220	**4,220**	**12.52**	-	2,641	**2,641**	**7.74**
Term deposits	-	7,327	**7,327**	**21.74**	-	4,903	**4,903**	**14.37**
Cash and cash equivalents	-	7,266	**7,266**	**21.56**	-	12,541	**12,541**	**36.76**
Other	-	50	**50**	**0.15**	-	74	**74**	**0.22**
Total	**1,625**	**32,076**	**33,701**	**100.00**	**1,624**	**32,494**	**34,118**	**100.00**

The Plan had recorded liabilities of $1,359 as at 31 December 2022 (2021 - $1,668).

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 2022 and 2021:

	Defined benefit pension plans		Medical benefit plans	
	2022	2021	2022	2021
	%	%	%	%
Benefit cost during the year:				
Discount rate	8.25	8.25	8.25	8.25
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	8.25	8.25	8.25
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 2022 $	Decrease 2022 $	Increase 2022 $	Decrease 2022 $
Discount rate (1% p.a.)	(2,902)	3,499	(19)	22
Salary (1% p.a.)	904	(803)	-	-
Medical premium/ (1% p.a.) Medical claims inflation	-	-	21	(19)
Average life expectancy (1 year)	754	-	10	-

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 2023 are $648 (2022 - $808). The weighted average duration of the defined benefit obligation is 11.02 years (2021 - 11.57 years).

19. INVESTMENT CONTRACT LIABILITIES

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

	2022 $	2021 $
Investment contract liabilities	68,820	68,256
Total investment contract liabilities	**68,820**	**68,256**

Investment contract liabilities carried at amortised cost

	2022 $	2021 $
At 1 January	68,256	68,893
Pension contributions	12,534	11,330
Net investment income	2,072	1,790
Benefits paid	(13,286)	(13,076)
Management fees deducted	(616)	(603)
Net transfer out	(140)	(78)
At 31 December	**68,820**	**68,256**

Assets which back these liabilities consists of cash of $6,496 (2021 - $9,765); fixed deposits of $13,994 (2021 - $9,902); equities of $2,144 (2021 - $2,216) and fixed income securities of $ 49,988 (2021 - $48,957).

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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

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20. INSURANCE CONTRACT LIABILITIES (continued)

A. Assumptions and Methodology (continued)

i) Life and health insurance contracts (continued)

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

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

ii) Short-term insurance contract liabilities

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

B. Composition of Insurance Contract Liabilities

	2022 $	2021 $
Gross		
Short-term insurance contracts:		
Claims reported and loss adjustment expenses	63,054	60,184
Unearned premiums	29,545	29,231
Claims incurred but not reported	7,065	5,639
Total short-term insurance contracts	**99,664**	**95,054**
Life and health insurance contracts:		
Non-participating		
Individual life	10,860	9,712
Individual annuities	8,152	8,124
Group life	16,206	16,039
Health and accident	1,917	1,864
Total life and health insurance contracts	**37,135**	**35,739**
Total insurance contract liabilities - gross	**136,799**	**130,793**

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20. INSURANCE CONTRACT LIABILITIES (continued)

B. Composition of Insurance Contract Liabilities (continued)

Net	2022 $	2021 $
Short-term insurance contracts:		
Claims reported and loss adjustment expenses	35,889	35,884
Unearned premiums	15,195	15,612
Claims incurred but not reported	5,597	4,620
Total short-term insurance contracts	**56,681**	**56,116**
Life and health insurance contracts:		
Non-participating		
Individual life	10,661	10,013
Individual annuities	8,152	8,124
Group life	14,180	14,544
Health and accident	1,809	1,759
Total life and health insurance contracts	**34,802**	**34,440**
Total insurance contract liabilities - net	**91,483**	**90,556**

C. Changes In Short Term Insurance Contract Liabilities

	2022			2021		
	Gross $	Reinsurance $	Net $	Gross $	Reinsurance $	Net $
At 1 January						
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 1 January	65,823	(25,319)	40,504	68,295	(25,487)	42,808
Cash paid for claims settled in year	(25,559)	6,621	(18,938)	(29,205)	8,592	(20,613)
Increase in liabilities:						
Arising from current year claims	21,886	(8,574)	13,312	20,103	(7,067)	13,036
Arising from prior year claims	7,969	(1,361)	6,608	6,630	(1,357)	5,273
Total at 31 December	**70,119**	**(28,633)**	**41,486**	**65,823**	**(25,319)**	**40,504**
Claims and adjustment expenses	63,054	(27,165)	35,889	60,184	(24,300)	35,884
Claims incurred but not reported	7,065	(1,468)	5,597	5,639	(1,019)	4,620
Total at 31 December	**70,119**	**(28,633)**	**41,486**	**65,823**	**(25,319)**	**40,504**

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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 4.5 % (2021 - 4.95%). 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 $47,580 (2021 - $47,067) is $46,021 (2021 - $44,154). The fair value is calculated by the Company's actuaries.

D. Unearned Premium Liability

	2022			2021		
	Gross $	Reinsurance $	Net $	Gross $	Reinsurance $	Net $
At 1 January	**29,342**	**(13,678)**	**15,664**	**29,983**	**(13,295)**	**16,688**
Premium written during the year	105,041	(47,101)	57,940	102,197	(45,245)	56,952
Premium earned during the year	(104,664)	46,354	(58,310)	(102,838)	44,862	(57,976)
Total at 31 December	**29,719**	**(14,425)**	**15,294**	**29,342**	**(13,678)**	**15,664**
Movement during the year, net of acquisition	**377)**	**(747)**	**(370)**	**(641)**	**(383)**	**(1,024)**

E. Changes in Life and Health Insurance Contract Liabilities

	2022			2021		
	Gross $	Reinsurance $	Net $	Gross $	Reinsurance $	Net $
Life and health insurance contract liabilities - 1 January	**35,739**	**(1,299)**	**34,440**	**29,791**	**(871)**	**28,920**
Change in provision for policy benefits:						
Aging and changes in balances on in-force policies	1,732	(499)	1,233	5,145	(403)	4,742
Changes in portfolio and yields	(1,543)	(57)	(1,600)	714	24	738
Future mortality improvements	1	-	1	-	-	-
Lapse	9	1	10	-	-	-
Changes in assumptions:						
Mortality	(355)	(1)	(356)	(160)	50	(110)
Default	530	21	551	-	-	-
Other changes	1,022	(499)	523	249	(99)	150
	1,396	**(1,034)**	**362**	**5,948**	**(428)**	**5,520**
Life and health insurance contract liabilities - 31 December	**37,135**	**(2,333)**	**34,802**	**35,739**	**(1,299)**	**34,440**

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

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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:

2022	Fixed income securities $	Mortgages and other loans $	Cash and term deposits $	Investment Property $	Total $
Non-participating					
Individual life	9,870	-	-	791	10,661
Individual annuities	469	2,818	4,950	(85)	8,152
Group life	9,256	-	-	4,924	14,180
Health and accident	-	-	4,753	(2,944)	1,809
	19,595	**2,818**	**9,703**	**2,686**	**34,802**

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**

21. SHARE CAPITAL

	2022 Number of Shares	2022 $	2021 Number of Shares	2021 $
Balance - beginning of year	39,272,782	39,682	39,346,682	39,816
Repurchase of shares	-	(82)	(73,900)	(134)
Balance - end of year	**39,272,782**	**39,600**	**39,272,782**	**39,682**

The Company is authorised to issue an unlimited number of common shares at no par value. During the year, 45,658 shares were repurchased by the Company.

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21. SHARE CAPITAL (continued)

Employee share purchase plan

There were no shares issued in 2022 and 2021.

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 $17,533 (2021 - $17,851) 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 2022 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 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**
Transfer to catastrophe reserve	201	-	201
Balance as at 31 December 2022	**17,466**	**37,388**	**54,854**

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.

	2022 $	2021 $
Income attributable to the Company's equity holders	(9,551)	20,336
Weighted average number of ordinary shares in issue ('000s)	39,273	39,338
Basic and fully diluted earnings per share	**(0.24)**	**0.52**

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22. ACCUMULATED OTHER COMPREHENSIVE INCOME

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

	2022 $	2021 $
Items that will not be subsequently reclassified to profit or loss		
Re-measurement of post-employment benefit obligation	(11,026)	(11,011)
Changes in the fair value of FVOCI investments	3,774	6,294
Change in property valuation	175	-
Total	**(7,077)**	**(4,717)**

	FVOCI Investments $	Retirement benefit obligation $	Property $	Total $
At 31 December 2021	6,294	(11,011)	-	(4,717)
Change in retirement benefit obligation	-	(15)	-	(15)
Change in FVOCI investments	(2,520)	-	-	(2,520)
Change in property valuation	-	-	175	175
At 31 December 2022	**3,774**	**(11,026)**	**175**	**(7,077)**

	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)**

23. COMMISSION AND OTHER INCOME

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

	2022 $	2021 $
Commission income	15,150	14,579
Other income	4,347	4,311
Total	**19,497**	**18,890**

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24. INSURANCE CONTRACTS BENEFITS AND EXPENSES

	2022	2021
	$	$
Gross life and health claims and benefits paid	12,728	12,240
Reinsurance recoveries	(564)	(1,145)
Change in insurance contract liabilities	(121)	5,182
Total life and health policy benefits	**12,043**	**16,277**
Gross short-term claim and adjustment expenses paid	25,559	29,607
Reinsurance recoveries	(6,621)	(8,410)
Change in insurance contract liabilities	4,296	(2,464)
Change in reinsurance assets	(3,314)	168
Other	-	(9)
Total short-term claim and adjustment expenses	**19,920**	**18,892**
Total insurance contract benefits and expenses	**31,963**	**35,169**

25. OPERATING EXPENSES

	2022	2021
	$	$
Wages and salaries	18,438	17,353
Professional and consulting fees	4,453	3,415
Post-retirement benefits	706	621
IT maintenance contracts	3,996	4,302
Advertising and business development	544	441
Bank charges and foreign currency purchase tax	1,340	1,567
Office rent, building and utility cost	2,713	2,674
Office and administration expenses (See also **Note 26**)	3,546	4,214
Bad debts	266	36
ECL adjustments	212	188
Other	1,603	878
Total	**37,817**	**35,689**

INSURANCE CORPORATION OF BARBADOS LIMITED

Notes to Consolidated Financial Statements
For the year ended 31 December 2022
(in thousands of Barbados dollars)

26. RELATED PARTY TRANSACTIONS

At 31 December 2022, the Company had a net indebtedness to its affiliate companies for dividends and management services provided to the Company. The dividends were paid subsequent to year end.

Parent and affiliate entities	Amounts due from related parties		Amounts due to related parties	
	2022 $	2021 $	2022 $	2021 $
Hamilton Financial Limited - (dividends payable)	-	-	(1,119)	(1,119)
JPK Capital (affiliate)	3	1,470	(660)	-
Total	**3**	**1,470**	**(1,779)**	**(1,119)**

The Company entered into a management services agreement with JPK Capital where $2,383 (2021- $3,161) was incurred and are disclosed within “office and administrative expenses”. (See **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.

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

	2022 $	2021 $
Sales of insurance contracts and pension services:		
- Key management	44	57
Purchase of services:		
- Key management	74	86

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:

	2022 $	2021 $
Salaries, directors’ fees and other short-term employee benefits	4,137	3,272
Post-employment benefits	129	136
Total	**4,266**	**3,408**

The total interests of all directors and officers in the common shares of the Company at 31 December 2022 were 5,000 (2021 - 4,652) 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 2022

(in thousands of Barbados dollars)

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 2022 there were no loan commitments to members of key management (2021 - nil).

	2022 **$**	**2021** **$**
At 1 January	2,812	2,935
Loan advances	-	2,861
Loan repayments	(430)	(3,129)
Interest charges	135	145
Total as at 31 December	**2,517**	**2,812**

D. Management Fees

Included in other income were management fees as follows:

	2022 **$**	**2021** **$**
Mortgage Insurance Fund	61	59
Staff Pension Funds	298	280
Total	**359**	339

INSURANCE CORPORATION OF BARBADOS LIMITED
Notes to Consolidated Financial Statements
For the year ended 31 December 2022
(in thousands of Barbados dollars)

27. COMMITMENTS AND CONTINGENCIES

A. Operating Leases

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

	2022 $	2021 $
No later than 1 year	1,902	2,047
Total	**1,902**	**2,047**

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

	2022 $	2021 $
No later than 1 year	146	364
Later than 1 year and no later than 5 years	116	539
Total	**262**	**903**

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 2022, commitments under loan agreements amount to $79 (2021 - $321) and under investment agreements amount to $1,740 (2021 - $2,969) (see also **Note 8A**).

C. Contingencies

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

28. DIVIDENDS

	2022 $	2021 $
Interim dividend 2022 - $0.05 per share (2021 - $0.05 per share)	2,002	1,930
Final dividend 2022 - $0.05 per share (2021 - $0.05 per share)	1,964	-
Total	**3,966**	**1,930**

icbl™

Always there
when you need us most

CORPORATE INFORMATION

• Shareholder Information
• Statement of Corporate Governance Practices

SHAREHOLDER INFORMATION

ICBL Director Shareholdings as at 21 June, 2023

SHAREHOLDERS	SHARES	NO. OF SHARES HELD NON-BENEFICIALLY
Mr. Jonathan Poulin*	Nil	Nil
Mr. Geoffrey Scott**	Nil	Nil
Mr. Goulbourne Alleyne	Nil	Nil
Mr. Vicky Bathija	Nil	Nil
Mr. James Edghill	1,500	Nil
Mr. Rawle Knight***	2,500	Nil

** Mr. Jonathan Poulin is the ultimate beneficial owner of 22,376,622 shares held in ICBL by Hamilton Financial Limited.*
*** Mr. Geoffrey Scott served as a director until July 26, 2022.*
**** Mr. Rawle Knight served as a director from November 9, 2022.*

ICBL - Shareholders owning more than 5% as at 21 June, 2023

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 21 June, 2023

COUNTRY	SHAREHOLDERS	% OF SHAREHOLDERS	SHARES	% OF SHARES
ANTIGUA AND BARBUDA	1	0.05	3,000	0.01
AUSTRALIA	1	0.05	5,000	0.01
BELGIUM	1	0.05	2,000	0.01
BERMUDA	6	0.31	10,950	0.03
BARBADOS	1,837	94.53	16,658,054	42.47
CANADA	19	0.98	64,204	0.16
UNITED KINGDOM	20	0.98	75,560	0.13
SAINT LUCIA	1	0.05	22,376,622	56.98
TRINIDAD AND TOBAGO	2	0.10	2,700	0.01
UNITED STATES OF AMERICA	55	2.85	74,192	0.19
VIRGIN ISLANDS (BRITISH)	1	0.05	500	0.00
	1,944	**100.00**	**39,272,782**	**100.00**

ICBL Shareholdings - Category Analysis as at 21 June, 2023

CATEGORY	SHAREHOLDERS	RECORD COUNT	# OF SHARES
C	Company	64	30,547,917
I	Individual	1,870	5,073,221
M	Nominee Account (No Tax)	6	3,641,614
N	Nominee Account (Taxed 12.5%)	2	2,630
X	Charity	2	7,400
		1,944	**39,272,782**

ICBL Shareholdings per account basis - Range Analysis as at 21 June, 2023

SHAREHOLDERS	# OF SHAREHOLDERS	% OF SHAREHOLDERS	SHARES	% OF SHARES
01: Up to 200	97	5.01	11,235	0.03
02: 201 to 500	448	22.96	211,637	0.54
03: 501 to 1,000	485	24.97	439,695	1.12
04: 1,001 to 5,000	651	33.59	1,775,534	4.53
05: 5,001 to 10,000	161	8.26	1,288,166	3.26
06: 10,001 to 50,000	79	3.97	1,807,987	4.43
07: 50,001 to 100,000	7	0.41	517,662	1.51
08: 100,001 to 500,000	8	0.41	1,770,558	4.51
09: 500,001 to 2,000,000	7	0.36	9,073,686	23.10
10: Over 2,000,000	1	0.06	22,376,622	56.97
	1,944	**100.00**	**39,272,782**	**100.00**

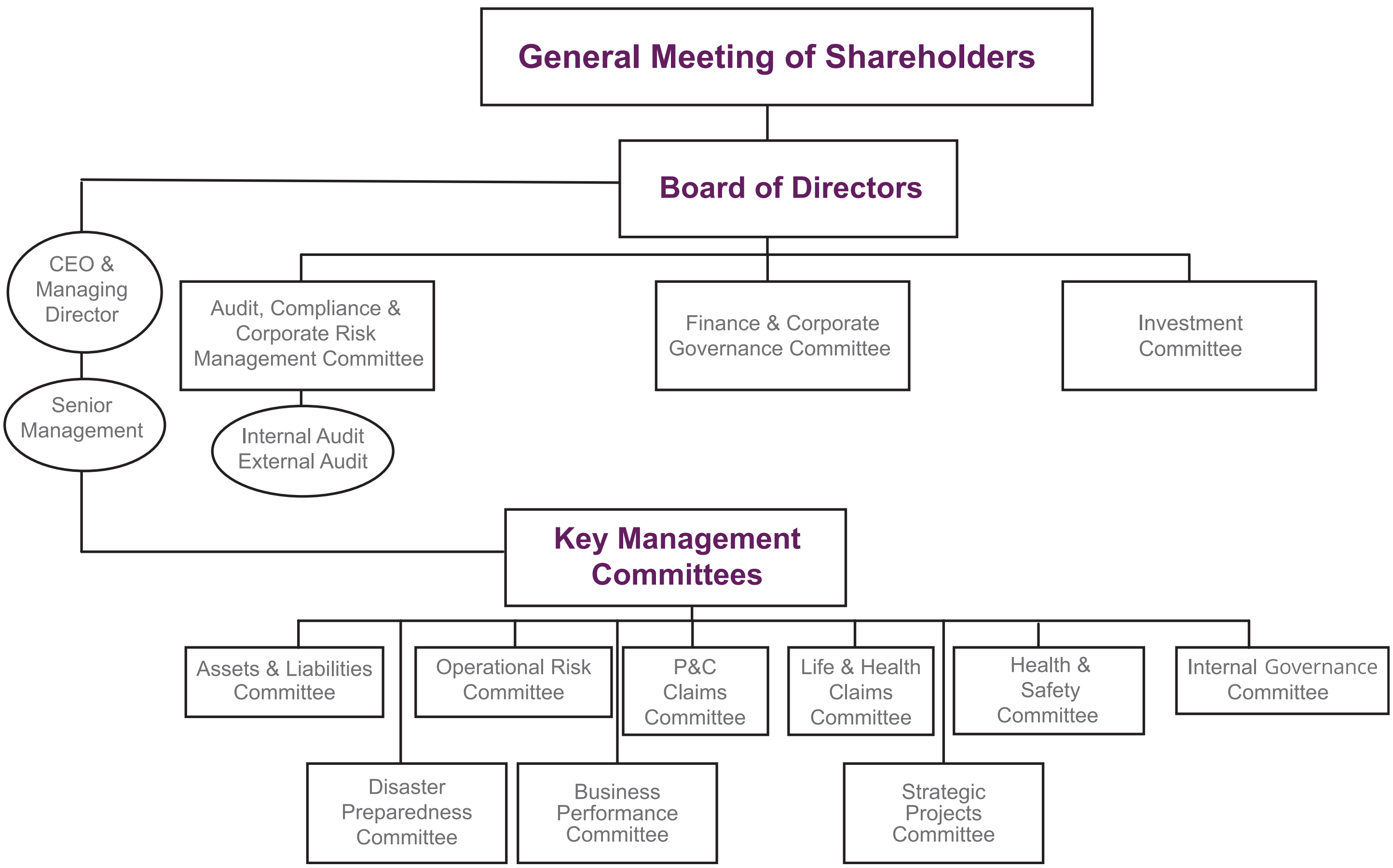
STATEMENT OF CORPORATE GOVERNANCE PRACTICES

(Company No. 9228)

The Board of Directors of ICBL has the ultimate responsibility for the quality of corporate governance practised within ICBL.

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

CORPORATE GOVERNANCE FRAMEWORK



The existing written guidelines, policies and procedures of ICBL as at June 21, 2023 include the following:

- Restated and Amended 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
  - 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.

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 2022

The Barbados Stock Exchange ("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, 2022

Name of Director	Board of Directors	Audit Committee	Finance Committee	Investment Committee
Mr. Goulbourne Alleyne	100% (3/3)	N/A	N/A	N/A
Mr. Geoffrey Scott * Until July 26, 2022	100% (2/2)	N/A	N/A	N/A
Mr. Rawle Knight * From November 9, 2022	100% (1/1)	N/A	N/A	N/A
Mr. Jonathan Poulin	100% (3/3)	N/A	100% (3/3)	100% (3/3)
Mr. Vicky Bathija	100% (3/3)	100% (4/4)	N/A	N/A
Mr. James Edghill	100% (3/3)	100% (4/4)	100% (3/3)	100% (3/3)

Attendance record reflects the number of meetings a director attended out of the total number of 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.

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 section 72(1) of the Companies Act, Cap. 308 of the Laws of Barbados as well as in accordance with section 4.3. of ICBL's By-Laws.

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. ICBL is currently in the process of identifying suitable candidates to fill the role of director.

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 of Barbados. The Company Secretary is a Fellow of the Chartered Governance Institute of 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.

The membership of the Committees as at December 31, 2022 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)	-	-	C * Until July 26, 2022	-
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
6.	Rawle Knight (Non-Independent and Executive)	-	-	M	-

C = Committee chair M = Committee member
* 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 2022, this Committee met three (3) 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 2022, this Committee met four (4) 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 2022, this Committee met three (3) times.

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

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

1. 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.
2. Mr. Vicky Bathija (Non-Executive and non-independent Director)	Mr. Vicky Bathija has fifteen 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, 2022, Directors' compensation to non-executive directors amounted to $51,300.

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 21, 2023, the aggregate shareholding of ICBL's senior executives was 9,204 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 by ICBL's internal audit department. 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, 2022 was $597,810 excluding VAT.

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 Financial Services Commission "FSC" and the Corporate Governance Recommendations issued by the BSE.

icbl

Always there
when you need us most

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