FAMILY GUARDIAN INSURANCE COMPANY LIMITED

Financial Statements
31 December 2022

FAMILY GUARDIAN INSURANCE COMPANY LIMITED

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APPOINTED ACTUARY'S REPORT

To the Board of Directors of Family Guardian Insurance Company Limited

I have valued the actuarial liabilities and other policy liabilities of Family Guardian Insurance Company Limited for its statement of financial position at 31 December 2022 and the change in the statement of comprehensive income for the year ended 31 December 2022 in accordance with generally accepted actuarial practice including selection of appropriate assumptions and methods.

In my opinion, the amount of the actuarial and other policy liabilities makes appropriate provision for all policyholder obligations and the financial statements of Family Guardian Insurance Company Limited fairly represent the results of the valuation.

Jean Mongrain
Fellow, Canadian Institute of Actuaries
Fellow, Society of Actuaries
Member, Caribbean Actuarial Association
13 February, 2023

Independent auditors' report

To the Shareholder of Family Guardian Insurance Company Limited

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Family Guardian Insurance Company Limited (the Company) as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the 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 *Auditors' responsibilities for the audit of the 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 Company 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.

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

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

Other matter

This report, including the opinion, has been prepared for and only for the Shareholder in accordance with the terms of our engagement letter and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

Chartered Accountants
Nassau, Bahamas

1 May 2023

Family Guardian Insurance Company Limited
(Incorporated under the laws of the Commonwealth of The Bahamas)

Statement of Financial Position
As at 31 December 2022
(Expressed in Bahamian dollars)

	2022 $	2021 $
ASSETS		
Cash on hand and at banks	12,741,832	12,373,485
Receivables and other assets, net (Notes 7 and 22)	15,052,961	18,190,808
Financial investment assets: (Note 6)		
Fair value through profit or loss	17,098,470	18,528,713
Available-for-sale	11,760,659	10,624,555
Held-to-maturity	224,248,518	202,823,459
Loans, net	70,575,386	77,270,823
	323,683,033	309,247,550
Reinsurance assets (Note 9)	2,725,772	1,500,648
Property and equipment, net (Note 8)	26,226,022	27,441,430
Intangible assets (Note 8)	10,116,232	6,409,214
Right-of-use assets (Note 17)	570,830	617,743
Total assets	**391,116,682**	**375,780,878**
LIABILITIES		
Policy liabilities:		
Reserves for future policyholders' benefits (Note 9)	253,125,284	241,133,613
Other policyholders' funds (Note 10)	23,842,044	25,758,186
	276,967,328	266,891,799
Payables and accruals (Note 11, 22 and 23)	10,277,781	10,530,967
Lease liabilities (Note 17)	619,772	656,229
Total liabilities	**287,864,881**	**278,078,995**
EQUITY		
Ordinary shares (Note 14)	1,707,462	1,707,462
Share premium (Note 14)	11,401,314	11,401,314
Revaluation reserve (Note 13)	9,247,456	8,111,438
Retained earnings	80,895,569	76,481,669
Total equity	**103,251,801**	**97,701,883**
Total liabilities and equity	**391,116,682**	**375,780,878**

These financial statements were approved by the Board of Directors on 17 April 2023, and signed on its behalf by:

Director **Director**

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

Family Guardian Insurance Company Limited

Statement of Comprehensive Income
For the Year Ended 31 December 2022
(Expressed in Bahamian dollars)

	2022 $	2021 $
INCOME		
Gross premium income (Note 15)	113,913,168	112,842,456
Premium ceded to reinsurers (Notes 15 and 22)	(11,725,879)	(11,517,832)
Net premium income (Note 15)	102,187,289	101,324,624
Annuity and sundry deposits	10,852,782	16,525,300
Net premium income and deposits	**113,040,071**	**117,849,924**
Interest income	16,823,008	15,833,315
Dividend income	702,534	751,995
Net unrealised loss on financial assets (Note 6)	(543,034)	(107,265)
Net realised loss on financial assets	(3,727)	-
Other operating income	1,145,327	1,116,762
Total income	**131,164,179**	**135,444,731**
BENEFITS AND EXPENSES		
Benefits		
Policyholders' benefits (Note 16)	72,695,499	78,009,679
Reinsurance recoveries (Notes 16 and 22)	(3,710,342)	(5,670,044)
Net policyholders' benefits	68,985,157	72,339,635
Increase in reserves for future policyholders' benefits (Note 9)	10,766,548	11,806,005
Total benefits	**79,751,705**	**84,145,640**
Expenses		
Operating expenses (Notes 18, 19, 20 and 22)	22,232,466	21,326,975
Commissions (Note 22)	14,028,147	13,328,349
Depreciation expense (Notes 8 and 17)	1,462,574	2,028,328
Amortisation intangible assets (Note 8)	1,663,760	1,805,157
Bad debt expense, net (Notes 6 and 7)	829,812	1,276,172
Interest expense (Note 17)	41,178	43,397
Total expenses	40,257,937	39,808,378
Total benefits and expenses	120,009,642	123,954,018
NET INCOME	**11,154,537**	**11,490,713**

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

Family Guardian Insurance Company Limited

Statement of Comprehensive Income
For the Year Ended 31 December 2022
(Expressed in Bahamian dollars)
(Continued)

	2022 $	2021 $
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to net income:		
Net change in fair value on available-for-sale financial assets (Note 13)	1,136,018	277,758
Revaluation of property and equipment (Note 13)	-	397,993
Items that will not be reclassified subsequently to net income:		
Remeasurement of defined benefit obligation (Note 23)	259,363	2,163
Total other comprehensive income	1,395,381	677,914
Total comprehensive income	**12,549,918**	**12,168,627**

Family Guardian Insurance Company Limited

Statement of Changes in Equity
For the Year Ended 31 December 2022
(Expressed in Bahamian dollars)

	Notes	Ordinary Shares (Note 14)	Share Premium (Note 14)	Revaluation Reserve (Note 13)	Retained Earnings	Total
		$	$	$	$	$
Balance as at 31 December 2020		**1,707,462**	**11,401,314**	**7,435,687**	**69,045,968**	**89,590,431**
Comprehensive income						
Net income		-	-	-	11,490,713	11,490,713
Other comprehensive income	13, 23	-	-	675,751	2,163	677,914
Total comprehensive income		-	-	675,751	11,492,876	12,168,627
Transaction with owners						
Dividends declared and paid - ordinary shares ($2.38 per share)		-	-	-	(4,057,175)	(4,057,175)
Total transaction with owners		-	-	-	(4,057,175)	(4,057,175)
Balance as at 31 December 2021		**1,707,462**	**11,401,314**	**8,111,438**	**76,481,669**	**97,701,883**
Comprehensive income						
Net income		-	-	-	11,154,537	11,154,537
Other comprehensive income	13, 23	-	-	1,136,018	259,363	1,395,381
Total comprehensive income		-	-	1,136,018	11,413,900	12,549,918
Transaction with owners						
Dividends declared and paid - ordinary shares ($4.10 per share)		-	-	-	(7,000,000)	(7,000,000)
Total transaction with owners		-	-	-	(7,000,000)	(7,000,000)
Balance as at 31 December 2022		**1,707,462**	**11,401,314**	**9,247,456**	**80,895,569**	**103,251,801**

Family Guardian Insurance Company Limited

Statement of Cash Flows
For the Year Ended 31 December 2022
(Expressed in Bahamian dollars)

	2022 $	2021 $
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	11,154,537	11,490,713
Adjustments for:		
Depreciation expense (Note 8)	1,462,574	2,028,328
Amortisation of intangible asset (Note 9)	1,663,760	1,805,157
Net unrealised loss on financial assets (Note 6)	543,034	107,265
Loss on disposal of property and equipment (Note 8)	-	81,599
Realised loss on disposal of intangible asset (Note 8)	-	5,743
Net realised loss on redemption of forfeitures (Note 6)	3,727	-
(Increase)/decrease in reinsurance assets	(1,225,124)	950,567
Net increase in provisions (Note 6, 7)	561,817	1,207,536
Change in reserves for policyholders' benefits	11,991,671	10,855,438
Interest income	(16,823,008)	(15,833,315)
Dividend income	(702,534)	(751,995)
Interest expense (Note 17)	41,178	43,397
Operating income before working capital changes	8,671,632	11,990,433
Decrease/(increase) in receivables and other assets	712,847	(1,475,009)
Decrease in payables and accruals	(286,542)	(290,010)
(Decrease)/increase in other policyholders' funds	(1,916,142)	1,483,514
Net cash from operating activities	**7,181,795**	**11,708,928**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of corporate bonds (Note 6)	(18,332)	-
Redemption of corporate bonds (Note 6)	641,351	651,351
Purchase of preference shares (Note 6)	-	(1,000,000)
Redemption of preference shares (Note 6)	17,260	2,697,546
Purchase of government bonds & notes (Note 6)	(32,774,800)	(28,483,631)
Maturity of government bonds & notes (Note 6)	10,962,293	989,200
Pension forfeitures reinvested (Note 6)	(178,153)	(95,091)
Pension forfeitures redemptions (Note 6)	1,486,635	-
Net loans issued	6,004,993	4,472,047
Purchase of property and equipment (Note 8)	(438,148)	(963,670)
Purchase of intangible asset (Note 9)	(5,078,059)	(907,144)
Interest received	16,932,560	14,993,002
Dividends received	702,448	751,995
Net cash used in investing activities	**(1,739,952)**	**(6,894,395)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Lease repayments	(34,220)	(31,838)
Interest paid	(39,276)	(43,397)
Loan to parent	-	(5,000,000)
Proceeds from repayment of loan to Parent	2,000,000	-
Dividends paid on ordinary shares	(7,000,000)	(4,057,175)
Net cash used in financing activities	**(5,073,496)**	**(9,132,410)**
Net increase/(decrease) in cash and cash equivalents	368,347	(4,317,877)
Cash and cash equivalents, beginning of year	12,373,485	16,691,362
Cash and cash equivalents, end of year	**12,741,832**	**12,373,485**

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

Family Guardian Insurance Company Limited

Notes to the Financial Statements
31 December 2022
(Expressed in Bahamian dollars)

1. General Information

Family Guardian Insurance Company Limited (the "Company") is incorporated under the Companies Act, 1992 of the Commonwealth of The Bahamas to sell life insurance, health insurance and annuities and is a wholly owned subsidiary of FamGuard Corporation Limited ("FamGuard" or the Parent), also incorporated in The Bahamas. The Company is licensed as an insurance company under the Insurance Companies Act, 2005.

The registered office of the Company is located at the offices of E. Dawson Roberts & Co., Parliament and Shirley Streets, Nassau, The Bahamas.

2. New and Amended International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS)

New standards, amendments and interpretations adopted by the Company

Standards, amendments, and interpretations to published standards, that became effective for the Company's financial year, beginning on 1 January 2022, were not relevant or not significant to the Company's operations and accordingly did not have a material impact on the Company's accounting policies or consolidated financial statements.

New standards, amendments and interpretations issued but not yet effective

With the exception of IFRS 9 *Financial Instruments* (IFRS 9) and IFRS 17 *Insurance Contracts* (IFRS 17), the application of new standards and amendments and interpretations to existing standards that have been published but are not yet effective are not expected to have a material impact on the Company's accounting policies or financial statements in the financial period of initial application.

IFRS 9 Financial Instruments

IFRS 9 became effective for the Company's financial year beginning on 1 January 2018 but was deferred under options provided by the International Accounting Standards Board (IASB) and accordingly are not reflected in the Company's accounting policies or financial statements.

Under the Amendments to IFRS 4, the IASB approved a proposal to allow a temporary deferral of IFRS 9 implementation until the effective date of the new insurance contracts standard.

The temporary exemption permits companies whose activities are predominately connected with insurance to defer the application of IFRS 9 until the earlier of: (a) the application of the forthcoming insurance contracts standard; or (b) 1 January 2023. These entities will continue to apply IAS 39 during this period and will be required to make additional disclosures to enable users of the financial statements to make comparisons with entities applying IFRS 9.

Family Guardian Insurance Company Limited

Notes to the Financial Statements
31 December 2022
(Expressed in Bahamian dollars)
(Continued)

2. New and Amended International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) (Continued)

New standards, amendments and interpretations issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

A company's activities are predominantly connected with insurance if, and only if: (a) the amount of its insurance liabilities is significant compared with its total amount of liabilities; and (b) the percentage of its liabilities connected with insurance relative to its total amount of liabilities is: (i) greater than 90 per cent; or (ii) less than or equal to 90 per cent but greater than 80 per cent, and the company does not engage in a significant activity unconnected with insurance. Liabilities connected with insurance include investment contracts measured at fair value through profit or loss (FVTPL), and liabilities that arise because the insurer issues, or fulfils obligations arising from, these contracts (such as deferred tax liabilities arising on its insurance contracts).

The Company has assessed its insurance liabilities and concluded that its activities are predominantly connected with insurance contracts. In this regard, management has assessed the following:

- The Company has not previously applied any version of IFRS 9.
- The total carrying amount of liabilities arising from contracts within the scope of IFRS 4 for the year ended 31 December 2015 (the date which precedes the issuance of the amendment to IFRS 4), represents 95% of total liabilities, which is considered significant.
- The total carrying amount of liabilities connected with insurance, which includes liabilities under IFRS 4 and investment contract liabilities measured at fair value under IAS 39, for the year ended 31 December 2015 is equivalent to 95% of total liabilities.

As a result, the Company qualifies for the temporary exemption from IFRS 9 and has applied IAS 39 rather than IFRS 9 to all of its financial assets. There has been no change in the Company's activities that warrant a reassessment of the above information.

The Amendment of IFRS 4 requires entities to disclose the fair value at the end of the reporting period and the change in fair value during the period for groups of financial assets with contractual cash flows that are solely payments of principal and interest ("SPPI") and other financial assets separately.

The Company has assessed that the following financial assets have contractual cash flows that meet the SPPI criteria:

- Government bonds
- Corporate bonds
- Preference shares
- Loans
- Receivables and other assets

Family Guardian Insurance Company Limited

Notes to the Financial Statements
31 December 2022
(Expressed in Bahamian dollars)
(Continued)

2. New and Amended International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) (Continued)

New standards, amendments and interpretations issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

The fair value and change in fair value of the groups of financial assets are disclosed in the following table:

	Amortised Cost $	FVOCI $	FVTPL $	Total (1) $	Other financial Instruments (2) $
Government bonds	201,108,673	-	-	201,108,673	-
Corporate bonds	17,255,846	-	-	17,255,846	-
Preference shares	5,883,998	-	-	5,883,998	1,194,040
Loans	70,575,386	-	-	70,575,386	-
Receivables & other assets	14,214,650	-	-	14,214,650	-
Mutual funds & equities	-	-	-	-	27,665,089
Total fair value of financial assets (excluding cash on hand and at banks)	**309,038,553**	**-**	**-**	**309,038,553**	**28,859,129**

(1) For financial assets which pass the SPPI test, there was a fair value change of $ NIL.
(2) For other financial instruments, the change in fair value for the year $543,034.

<u>Credit risk exposure for assets that pass the SPPI test</u>

The following table represents the entity's exposure to credit risk on financial assets that meet the SPPI criteria:

	2022 Credit Rating						
Exposure to credit risk	**AAA** **$**	**AA** **$**	**A** **$**	**BBB** **$**	**Below BBB** **$**	**Unrated** **$**	**Total** **$**
Government bonds	-	-	-	-	201,108,673	-	201,108,673
Corporate bonds	-	-	-	-	15,255,846	2,000,000	17,255,846
Preference shares	-	-	-	-	5,883,998	-	5,883,998
Loans	-	-	-	-	-	70,575,386	70,575,386
Receivables & other assets	-	3,047,022	179,362	1,284,729	-	9,703,537	14,214,650
	-	**3,047,022**	**179,362**	**1,284,729**	**222,248,517**	**82,278,923**	**309,038,553**

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities, and replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39) that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, FVTPL and FVOCI. The determination is made at initial recognition, and the basis of classification depends on the Company's business model for managing its financial assets and the contractual cash flow characteristics of the financial asset.

Family Guardian Insurance Company Limited

Notes to the Financial Statements
31 December 2022
(Expressed in Bahamian dollars)
(Continued)

2. New and Amended International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) (Continued)

New standards, amendments and interpretations issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

In addition, IFRS 9 will require the impairment of financial assets to be calculated using an expected credit loss model that replaces the incurred loss impairment model required by IAS 39. For financial liabilities, there were no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income (OCI) for financial liabilities designated at FVTPL. The Company has not yet assessed the full impact of adopting IFRS 9, which is effective for financial periods beginning on or after 1 January 2023 as described above.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued an extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

Under IFRS 17, contracts are measured using the building blocks of:

- discounted probability-weighted cash flows,
- an explicit risk adjustment, and
- a contractual service margin (“CSM”) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

Family Guardian Insurance Company Limited

Notes to the Financial Statements
31 December 2022
(Expressed in Bahamian dollars)
(Continued)

2. New and Amended International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) (Continued)

New standards, amendments and interpretations issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

IFRS 17 outlines a general measurement model, which uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees. A modification of the general measurement model, described as the variable fee approach, is available for insurance contracts with direct participation features. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts which are often written by non-life insurers.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

The Company's management has been working together with third party experts and it is expected that the change in the accounting systems, accounting policies and the preparation of the financial statements in accordance with IFRS 17 and IFRS 9 would be completed before the reporting timeline of the first quarter of 2023. Management is also in the process of ascertaining a reasonable estimate of the financial impact on the net income for the year ended 31 December 2022 and total equity as at 1 January 2022 and 31 December 2022. Accordingly, the comparative information for the year 2022 will be restated due to the adoption of these changes.

The nature of the changes in accounting policies for IFRS 17 is summarised, as follows:

Scope

IFRS 17 introduces scope exemptions for specific types of contracts. The Company does not expect significant change in the scope of insurance contracts between IFRS 4 and IFRS 17.

Family Guardian Insurance Company Limited

Notes to the Financial Statements
31 December 2022
(Expressed in Bahamian dollars)
(Continued)

2. New and Amended International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) (Continued)

New standards, amendments and interpretations issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

Level of Aggregation

IFRS 17 requires groups of contracts to be aggregated and measured based on contracts subject to similar risks and managed together, profitability, and contracts issued not more than one year apart. As such, the Company determines its portfolios of contracts subject to similar risks and managed together based on product lines. The Company will organise its new insurance contracts issued into annual cohorts. The cohort will be further divided into groups based on their expected profitability on the date of initial recognition.

IFRS 17 does not permit the offsetting of gains and losses between groups of insurance contracts issued. Any gains upon recognition of a group of non-onerous contracts are deferred via the Contractual Service Margin (CSM). Conversely, any losses upon recognition of the group of onerous contracts are recognised immediately. This does not apply to groups of reinsurance contracts held, which are permitted to recognise net gains or losses in their CSM.

Contract Boundaries

Under IFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. Compared with the current accounting, the Company expects that for certain contracts the IFRS 17 contract boundary requirements will change the scope of cash flows to be included in the measurement of existing recognised contracts, as opposed to future unrecognizes contracts. The period covered by the premiums within the contract boundary is the ‘coverage period’, which is relevant when applying a number of requirements in IFRS 17.

Measurement Models

IFRS 17 introduces a default measurement model based on the estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM.

General Measurement Model

On initial recognition, the Company will measure a group of contracts as the total of (a) the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the CSM. The fulfilment cash flows of a group of contracts do not reflect the Company’s non-performance risk.

Family Guardian Insurance Company Limited

Notes to the Financial Statements
31 December 2022
(Expressed in Bahamian dollars)
(Continued)

2. New and Amended International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) (Continued)

New standards, amendments and interpretations issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

Measurement Models (continued)

General Measurement Model (continued)

The Company's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario will be discounted and weighted by the estimated probability of that outcome to derive an expected present value.

All cash flows will be discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and liquidity characteristics of the contracts.

The risk adjustment for non-financial risk for a group of contracts, determined separately from the other estimates, is the compensation that the Company would require for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

The CSM of a group of contracts represents the unearned profit that the Company will recognize as it provides services under those contracts. On initial recognition of a group of contracts, the group is not onerous if the total of the following is a net inflow:

a. The fulfilment cash flows;
b. Any cash flows arising at that date; and
c. Any amount arising from the derecognition of any assets or liabilities previously recognized for cash flows related to the group (including assets for insurance acquisition cash flows).

Subsequently, the carrying amount of a group of contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

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2. New and Amended International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) (Continued)

New standards, amendments and interpretations issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

Measurement Models (continued)

General Measurement Model (continued)

The fulfilment cash flows of groups of contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk.

The CSM is adjusted subsequently only for changes in fulfilment cash flows that related to future services and other specified amounts and is recognized in profit or loss as services are provided. The CSM at each reporting date represents the profit in the group of contracts that has not yet been recognized in profit or loss because it relates to future services.

Premium Allocation Approach ("PAA")

The PAA is an optional simplified measurement model in IFRS 17 that is available for insurance and reinsurance contracts that meet the eligibility criteria. The Company expects that certain segments will be measured using the PAA.

When measuring the liabilities remaining coverage, the PAA is similar to the Company's previous accounting treatment for short duration contracts and therefore the Company does not expect a significant impact to measurement. Certain segments within the Company primarily issue insurance contracts with a coverage period of 12 months or less, which automatically qualify for the Premium allocation approach (PAA).

For these types of contracts, the Company will expense insurance acquisition cash flows as they are incurred. For insurance contracts with greater than 12 months of coverage, the Company has established a methodology for assessing whether the measurement of the liability for remaining coverage differs significantly than the measurement under the GMM to determine whether they qualify for the PAA. The PAA does not have the concept of a contractual service margin and therefore, upon transition, the insurance contract liabilities and reinsurance held assets will be recorded on a fully retrospective basis.

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2. New and Amended International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) (Continued)

New standards, amendments and interpretations issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

Estimates of future cash flows

In estimating future cash flows, the Company will incorporate, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

When estimating future cash flows, the Company will take into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts will not be taken into account until such change in legislation is substantively enacted.

Cash flows within the boundary of a contract are those that relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts. Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Discount rates

The Company will generally determine risk-free discount rates from the observed market prices of The Bahamas Government Registered Stock as quoted by the Central Bank of The Bahamas and adjusted for the sovereign risk. The yield curve will be interpolated between available market data points and to the ultimate risk-free rate, which reflects long-term real interest rate and inflation expectations.

To reflect the liquidity characteristics of the contracts, the risk-free yield curves will be adjusted by an illiquidity premium. Illiquidity premiums will generally be determined by comparing the spreads on the Company’s mortgages after adjusting for expected and unexpected future credit allowances.

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2. New and Amended International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) (Continued)

New standards, amendments and interpretations issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

Risk adjustments for non-financial risk

Risk adjustments for non-financial risk will be determined to reflect the compensation that the Company would require for bearing non-financial risk and its degree of risk aversion. More specifically, the Company will employ the liability margins approach to all of its contracts.

To determine the risk adjustments for non financial risk for reinsurance contracts held, the Company will apply the liability margins on the net of reinsurance basis and subsequently derive the gross and ceded amounts of risk from the same margins.

The confidence interval will be determined for the Company applying the Canadian Life Insurance Capital Adequacy Test (LICAT) framework. The framework applies the insurance solvency factors from the Canadian insurance regulatory framework to calibrate a risk distribution from which the Company's risk adjustments for non-financial risk percentile level can be ascertained. Based on Canadian industry guidance, the LICAT solvency provision is generally calibrated to a confidence level at the 85th percentile. Diversification within the risk adjustments for non-financial risks will be implicitly reflected via the liability margins selection.

Insurance acquisition cash flows: Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Under IFRS 17, insurance acquisition cash flows are allocated to groups of contracts using systematic and rational methods.

Onerous contracts: IFRS 17 requires the identification of groups of onerous contracts when facts and circumstances indicate a net fulfilment cash outflow. When onerous contracts are identified, the Company is required to recognise a loss immediately in the consolidated statement of comprehensive income along with an increase in the insurance contract liability known as a "loss component" to appropriately reflect the timing of losses. The amount of loss from onerous contracts written in a year is a required disclosure. The Company is finalising its evaluation of onerous contracts initially recognised in 2022 and has established a mechanism for identifying onerous contracts beyond the transition date.

Reinsurance contracts held: The Company will determine the appropriate measurement model (either PAA or GMM) for portfolios of reinsurance contracts held independently of the direct contract's measurement model. The asset for incurred claims will include any risk of non-performance of the reinsurer.

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2. New and Amended International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) (Continued)

New standards, amendments and interpretations issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

Risk adjustments for non-financial risk (continued)

Presentation and disclosure: IFRS 17 introduces changes to the way in which the Company will present and disclose financial results. Insurance contract liabilities presented in the consolidated statement of financial position will consist of premiums receivable, deferred policy acquisition cash flows, unearned premiums, onerous loss component (if applicable), discounted and risk adjusted claim liabilities, and other related liabilities. Reinsurance contract assets will be separately presented in the consolidated statement of financial position and will include amounts expected to be recovered from reinsurers and an allocation of the reinsurance premiums paid. The reclassification of amounts on the consolidated statement of financial position are expected to result in a reduction in assets and liabilities of the Company. The consolidated statement of comprehensive income will no longer include premiums written, instead it will include an insurance service result comprising insurance revenue and insurance service expenses. Insurance finance income or expense will be presented within investment result. There will be significant insurance contract roll-forward schedules, discount rates, effects of newly recognised contracts and information on the expected CSM emergence pattern as well as disclosures about significant judgements made when applying IFRS 17.

Transition: Changes in accounting policies resulting from the adoption of IFRS 17 will be applied using a full retrospective approach to the extent practicable, except as described below. Under the full retrospective approach, at 1 January 2019 the Company will:

- Identify, recognise and measure each group of insurance contracts and reinsurance contracts as if IFRS17 had always been applied;
- Derecognise previously reported balances that would not have existed if IFRS17 had always been applied (including some deferred acquisition costs);
- Recognise any resulting net difference in equity.

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2. New and Amended International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) (Continued)

New standards, amendments and interpretations issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

Risk adjustments for non-financial risk (continued)

If it is impracticable to apply a full retrospective approach to a group of contracts or to an asset for insurance acquisition cash flows, then the Company will choose between the modified retrospective approach and fair value approach. However, if the Company cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it will apply the fair value approach.

The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

3. Significant Accounting Policies

(a) Basis of preparation

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

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed separately in Note 4 to the financial statements.

The financial statements have been prepared on a historical cost basis, except for financial assets at FVTPL, available-for-sale (AFS) financial assets and certain classes of property and equipment measured at fair value.

(b) Going Concern

The directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Family Guardian Insurance Company Limited

Notes to the Financial Statements
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(Continued)

3. Significant Accounting Policies (Continue)

(c) Foreign currency translation

i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (functional currency), the Bahamian dollar. The financial statements are presented in Bahamian dollars, which is also the Company's functional currency.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the statement of comprehensive income. Translation differences on monetary financial assets measured at FVTPL are included as part of the fair value gains and losses.

(d) Cash and cash equivalents

For purposes of presentation in the statement of cash flows, cash and cash equivalents consist of cash on hand, demand balances with banks and bank term deposits with contractual maturities of three months or less from the date of acquisition.

(e) Receivables and other assets

Receivables and other assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other assets are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet identified. For these receivables, the estimated impairment losses are recognised in a separate provision for impairment. The Company considers that there is evidence of impairment if any of the following indicators are present: significant financial difficulties of the debtor; probability that the debtor will enter bankruptcy or financial reorganisation; and default or delinquency in payments (more than 30 days overdue).

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash. Impairment losses are recognised in the statement of comprehensive income within the provision for doubtful accounts.

Subsequent recoveries of amounts previously written off are credited against the provision for doubtful accounts.

Family Guardian Insurance Company Limited

Notes to the Financial Statements
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3. Significant Accounting Policies (Continued)

(f) Investments and other financial assets

Classification

The Company classifies its financial assets into the following categories: (i) financial assets at FVTPL, (ii) HTM, (iii) loans and receivables and (iv) AFS. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as HTM, re-evaluates this designation at the end of each reporting period.

i) Financial assets at fair value through profit or loss

Financial assets are classified at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL at initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

ii) Held-to-maturity

The Company classifies investments as HTM if: they are non-derivative financial assets; they are quoted in an active market; they have fixed or determinable payments and fixed maturities; and the Company intends to, and is able to, hold them to maturity.

iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market, other than those that the Company intends to sell in the short term. If collection of the amounts is expected in one year or less they are

Family Guardian Insurance Company Limited

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3. Significant Accounting Policies (Continued)

(f) Investments and other financial assets (continued)

Classification (continued)

iii) Loans and receivables (continued)

classified as current assets. Accounts receivables are generally due for settlement within 30 days and therefore are all classified as current.

iv) Available-for-sale

Investments are designated as AFS financial assets if they are non-derivative financial assets, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVTPL, loans and receivables or HTM investments) are also included in the AFS category.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

When securities classified as AFS are sold, the accumulated fair value adjustments recognised in OCI are reclassified to net income as net realized gains or losses on financial assets.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are
directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in net income.

Loans and receivables and HTM investments are subsequently carried at amortised cost using the effective interest method.

AFS financial assets and financial assets at FVTPL are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for ‘financial assets at FVTPL’ – in net income within unrealised gains on investment assets at FVTPL; and
- for AFS financial assets – in OCI.

Family Guardian Insurance Company Limited

Notes to the Financial Statements
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(Continued)

3. Significant Accounting Policies (Continued)

(f) Investments and other financial assets (continued)

Measurement (continued)

Dividends on financial assets at FVTPL and AFS equity instruments are recognised in the statement of comprehensive income as part of dividend income when the Company's right to receive payments is established.

Interest on AFS securities, HTM investments and loans and receivables calculated using the effective interest method is recognised in the statement of comprehensive income as part of interest income.

Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired. In consideration of these factors, Management's policy defines a significant decline as a decline in value of more than forty percent (40%) and a prolonged decline as a decline in value for more than 24 months.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in net income. If a loan or HTM investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in net income. Impairment testing of trade receivables is described in Note 4(e).

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Notes to the Financial Statements
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3. Significant Accounting Policies (Continued)

(g) Loans

Policy loans

Policy loans arise when the Company extends money to the policyholder. Automatic premium loans arise under the terms of a life insurance contract should the premium become past due on the contract.

Policy loans and automatic premium loans are measured at amortised cost. Management assesses provisions at each reporting date, based on the difference between the cash surrender value and the outstanding loan balance (principal plus accrued interest).

Mortgages

Mortgage and commercial loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money directly to a borrower with no intention of trading the receivable. Mortgage loans are secured by first demand mortgages and provide for monthly repayments at variable interest rates over periods of up to thirty years on residential loans and up to twenty years on commercial loans.

Mortgage and commercial loans are measured at amortised cost, less specific and collective provisions on certain non-current loans, and deferred commitment fees. Specific provisions are made on non-current loans for mortgages over three months in arrears, based on management's evaluation of the respective loans. A specific provision for current loans and non-current loans less than three months in arrears is established if there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the mortgage loan. Significant financial difficulties of the borrower, probability that the borrower will enter financial reorganisation, and default or delinquency in payments are considered indicators that the mortgage loan is impaired.

The amount of the specific provision for loans is the difference between the loan's carrying amount and the recoverable amount, being the present value of estimated future cash flows, including recoveries from guarantees and collateral, discounted at the effective interest rate at inception of the loan.

For the purpose of a collective evaluation of impairment, mortgage and commercial loans are grouped together on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

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3. Significant Accounting Policies (Continued)

(g) Loans (continued)

Mortgages (continued)

The amount of the provision for loan loss is recognised in the statement of comprehensive income. If the amount of the provision subsequently decreases due to an event occurring after the write-down, the release of the provision is recognised in the statement of comprehensive income. Payments on loans past due are first applied to the interest outstanding. Accrued interest on non-performing loans is fully provided for.

(h) Property and equipment

Freehold land and buildings are shown at fair value, based on periodic, normally triennial, valuations by external independent appraisers, less accumulated depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is adjusted to the revalued amount of the asset. All other property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of comprehensive income during the reporting period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised in OCI and accumulated in revaluation reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in net income, the increase is first recognised in net income. Decreases that reverse previous increases of the same asset are first recognised in OCI to the extent of the remaining surplus attributable to the asset; all other decreases are charged to net income.

Depreciation is calculated using the straight-line method to allocate the assets' cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

Freehold buildings	2.5% per annum
Freehold building improvements	5% - 20% per annum
Freehold land improvements	10% per annum
Furniture and equipment	10% - 20% per annum
Motor vehicles	25% per annum
Computer hardware	20% - 33% per annum
Leasehold improvements	Shorter of period of the leases and estimated economic life of the improvements

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Notes to the Financial Statements
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3. Significant Accounting Policies (Continued)

(h) Property and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Right of use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease term transfers ownership of the underlying asset or the cost of the right of use asset reflects that the Company expects to exercise a purchase option, the related right of use asset is depreciated over the useful life of the underlying asset.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income. When revalued assets are sold, it is Company policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(i) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Acquired computer software licenses and website development costs are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs directly associated with the development of identifiable and unique software products controlled by the Company, and which will generate economic benefits exceeding costs beyond one year, are also recognised as intangible assets.

Amortisation is recognised on a straight-line basis over their estimated useful lives as follows:

Computer software	10% - 20% per annum

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

(j) Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets

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3. Significant Accounting Policies (Continued)

(j) Impairment of non-financial assets (continued)

or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(k) Financial liabilities

Financial liabilities are classified at initial recognition, as financial liabilities at FVTPL, loans and borrowings or trade and other payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans, borrowings and insurance payables, net of directly attributable transaction costs.

The Company's financial liabilities include insurance contracts without a Discretionary Participation Feature (DPF), trade and other payables.

Subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at FVTPL includes financial liabilities held for trading and financial liabilities designated upon initial recognition at FVTPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Company has designated insurance contracts without DPF as financial liabilities at FVTPL upon initial recognition.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net income when the liabilities are derecognised as well as through the effective interest amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest. The effective interest amortisation is included in interest expense in the statement of comprehensive income.

Trade and other payables, including balances due to insurer, represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

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3. Significant Accounting Policies (Continued)

(l) Other provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(m) Employee benefits

i) Pension obligations

The Company has a defined contribution pension plan for eligible agents and employees whereby the Company pays contributions to a pension plan separately administered by the Company. The Company has no further payment obligations once the contributions have been paid. The plan requires participants to contribute 5% of their gross earnings and commissions and the Company contributes 5% of eligible earnings. The Company's contributions to the defined contribution pension plan are recognised in the statement of comprehensive income in the year to which they relate.

ii) Post-retirement medical benefit plan

The Company provides supplementary health insurance benefits to qualifying employees upon retirement. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The benefits under this plan are contributory. For the post-retirement medical benefit plan, the cost of providing benefits is determined using the projected unit credit method, with independent actuarial valuations being carried out at the end of each annual reporting period. The post-retirement plan is a contributory plan. Retirees are assumed to pay the full retiree costs, less the Company's subsidy. The employee's subsidy for medical costs is set to a fixed dollar amount.

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3. Significant Accounting Policies (Continued)

(m) Employee benefits (continued)

ii) Post-retirement medical benefit plan (continued)

Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement.

The Company presents the first two components of the defined benefit costs in the statement of comprehensive income in operating expenses. Curtailment gains and losses are accounted for as past service costs. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Remeasurement, comprising actuarial gains and losses, is reflected immediately in the statement of financial position with a charge or credit recognised in OCI in the period in which they occur. Remeasurement recognised in OCI is reflected immediately in retained earnings and will not be reclassified to net income.

Past service cost is recognised in net income in the period of a plan amendment. The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plan.

(n) Share capital

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

(o) Product classification

Insurance contracts are defined as those containing significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire. Contracts can be reclassified as insurance contracts after inception if insurance risk becomes significant. Any contracts not considered to be insurance contracts under IFRS are classified as investment contracts.

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3. Significant Accounting Policies (Continued)

(p) Reserves for insurance contracts

The provisions for actuarial liabilities of long-term insurance contracts is determined using accepted actuarial practices established by the Canadian Institute of Actuaries ("CIA") and are determined by the Company's Appointed Actuary. These liabilities consist of the amounts that, together with future premiums and investment income, are required to provide for future policy benefits and expenses on insurance and annuity contracts.

The Company uses the Canadian Asset Liability Method ("CALM") in computing its actuarial reserves on long-term contracts. CALM involves the projection of future interest rate scenarios in order to determine the amount of assets needed to provide for all future obligations.

Projected net cash flows from these assets and the policy liabilities being supported by these assets are combined with projected cash flows from future asset purchases to determine expected rates of return on these assets for future years. Investment strategies are based on the target investment policies for the segment and the reinvestment returns are derived from current and projected market rates for fixed income investments. Investment return assumptions for each asset class make provision for expected future asset credit loss, expected investment management expenses and a margin for adverse deviation.

Liabilities for deferred annuity policies with a 5% minimum interest rate guarantee are calculated using CALM. Liabilities for other deferred annuities are computed as the value of accrued invested funds. Reserves for immediate payout annuities are calculated using CALM.

Claims reserves for group health policies are estimated from incurred claims and the history of prior claim payments. Liabilities for other short-term health policies, renewable at the option of the Company, comprise unearned premiums plus a contingency reserve for claims.

(q) Insurance contracts

i) Classification

Insurance contracts comprises of life and health insurance contracts which include term, whole life and universal life insurance contracts, group life insurance policies, health insurance contracts and annuities. The Company issues contracts that transfer insurance risk, financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

A number of insurance contracts contain a Discretionary Participation Feature (DPF). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

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3. Significant Accounting Policies (Continued)

(q) Insurance contracts (continued)

ii) Recognition and measurement (continued)

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Company; and
- that are contractually based on:

(i) the performance or a specified pool of contracts or a specified type of contract; and
(ii) realised and/or unrealised investment returns on a specified pool of assets held by the Company.

The amount and timing of the distribution to individual contract holders is at the discretion of the Company, subject to the advice of the Appointed Actuary.

iii) Recognition and measurement

Insurance contracts, including those with a DPF, are classified into four main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

Short-term insurance contracts

These contracts are group and individual health and hospitalisation contracts, and short-duration life insurance contracts. These contracts protect policyholders from the consequences of events (such as death, disability or sickness) that would affect the ability of the policyholder or his/her dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or are linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

Premiums are recognised as revenue proportionately over the period of coverage. Claims and loss adjustment expenses are recognised in the statement of comprehensive income as incurred, based on the estimated liability for compensation owed to policyholders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the statement of financial position date, even if they have not yet been reported to the Company. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported.

Long-term insurance contracts with fixed and guaranteed terms

These contracts insure events associated with human life (for example death, or survival) over a long duration. Premiums are recognised as revenue when they become payable by the policyholder. Premiums are shown before deduction of commission.

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3. Significant Accounting Policies (Continued)

(q) Insurance contracts (continued)

iii) Recognition and measurement (continued)

Long-term insurance contracts with fixed and guaranteed terms (continued)

Benefits payable to beneficiaries are recorded as an expense when they are incurred. A liability for contractual benefits that are expected to be incurred is recorded when the premiums are recognised. The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income. A margin for adverse deviations is included in the assumptions.

Long-term insurance contracts without fixed and guaranteed terms

These contracts insure events associated with human life (for example death, or survival) over a long duration. Premiums are recognised as revenue when they become payable by the policyholder. These liabilities, however, are increased by credited interest (in the case of universal life contracts) or change in the unit prices (in the case of unit-linked contracts) and are decreased by policy administration fees, mortality and surrender charges and any withdrawals. Premiums are shown before deduction of commission.

Benefits payable to beneficiaries are recorded as an expense when they are incurred.

Liabilities for universal life policies, including unit-linked contracts and deferred annuities with a 5% minimum interest rate guarantee, are based on assumptions as to future mortality, persistency, maintenance expenses, investment income, and crediting interest rates. A margin for adverse deviations is included in the assumptions. Liabilities for other deferred annuities are computed as the value of accrued invested funds.

Long-term insurance contracts with fixed and guaranteed terms and with DPF

These contracts insure events associated with human life (for example death, or survival) over a long duration. Premiums are recognised as revenue when they become payable by the policyholder. Premiums are shown before deduction of commission.

Benefits payable to beneficiaries are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred is recorded when the premiums are recognised. The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income. A margin for adverse deviations is included in the assumptions.

In addition, these contracts also participate in the profits of the Company. As the Company declares the bonus to be paid, it is credited to the individual policyholders.

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3. Significant Accounting Policies (Continued)

(r) Reinsurance transactions

In the normal course of its life and health insurance business, the Company seeks to limit its exposure to loss on any single insured and to recover benefits paid, by ceding premiums to reinsurers under excess coverage and quota share contracts. Contracts entered into that meet the classification requirements for insurance contracts in Note 3(o) are classified as reinsurance contracts held.

The benefits to which the Company is entitled under reinsurance contracts held are recognised as reinsurance recoveries. These assets consist of short-term balances due from reinsurers and are classified within receivables and other assets. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

Reinsurance payables are recorded in accounts payable and accruals in the statement of financial position.

(s) Non-premium revenue recognition

Fee and non-insurance commission income are recognised on an accrual basis when the service has been provided and the performance obligation met. Commissions earned on insurance policies are recognised when the policies are written and the Group has no further significant service obligations associated with the policy. The recognition of profit commissions is dependent on the loss experience underlying the relevant policies.

Dividend income from investments is recognised when the shareholder's right to receive payments has been established, provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Income which forms an integral part of the effective interest rate of a loan (i.e. commitment fees) is deferred and recognised as income over the life of the loan.

All other non-premium income is recognised on an accrual basis of accounting when the service has been provided and the performance obligation met.

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3. Significant Accounting Policies (Continued)

(t) Commission expense

Commission expense is comprised of commissions earned by the Company's sales force, external agents and brokers on insurance and investment products sold. Commission expense is recognised when incurred.

(u) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially recognised at the present value of the lease liability, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments, including insubstance fixed payments, less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. Refer to Note 4(i) for how the Company determines the rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a

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3. Significant Accounting Policies (Continued)

(u) Leases (continued)

ii) Lease liabilities (continued)

change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are presented on the statement of financial position (see Note 17).

iii) Short-term leases

The Company applies the short-term lease recognition exemption to its short-term leases of office space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

(v) Policy dividends on deposits

Policy dividends on deposits comprise dividends declared on policies, together with accrued interest, but not withdrawn from the Company.

(w) Taxation

Under the current laws of The Bahamas, the country of domicile of the Company, there are no income, capital gains or other corporate taxes imposed. The Company is subject to tax on gross premium income at a rate of 3% and Value Added Taxes, applied at a rate of 10% on goods and services purchased.

(x) Earnings per share

Basic earnings per share is calculated by dividing net income available to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Group and held as treasury shares. There are no dilutive transactions that would have an impact on earnings per share.

(y) Dividend distribution

Dividend distribution to the Company's shareholders is recognised in the financial statements in the year in which the dividends are declared by the Board of Directors. Dividends declared after the year end, but before the approval of the financial statements, are disclosed as a subsequent event.

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3. Significant Accounting Policies (Continued)

(z) Related parties

Related parties are defined as follows:

(i) Controlling shareholders;
(ii) Subsidiaries;
(iii) Associates;
(iv) Individuals owning, directly or indirectly, an interest in the voting power that gives them significant influence over the enterprise, i.e. normally more than 20% of shares (plus close family members of such individuals);
(v) Key management personnel - persons who have authority for planning, directing and controlling the enterprise (plus close family members of such individuals);
(vi) Directors; and
(vii) Enterprises owned by the individuals described in (i), (iv), (v), and (vi).

(aa) Corresponding Figures

Where necessary, comparative figures have been adjusted to conform with the current year presentation. These adjustments had no impact on the Group's net income or total equity. Hence a third balance sheet is not required for presentation of the adjusted comparative figures.

i) Investment fees totaling $113,887 included in operating expenses has been reclassified to Finance cost.

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Critical judgments in applying the Company's accounting policies

In the process of applying the Company's accounting policies, which are described above, judgement made by management that have the most significant effect on the amounts recognised in the financial statements are discussed below.

Classification of insurance contracts

The classification of contracts with policyholders is dependent on critical judgements made by the Company. Insurance contracts are defined as those containing significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance, at inception of the contract. A contract is classified as an insurance contract if it transfers significant risk.

As a general rule, the Company defines as a significant insurance risk, the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Family Guardian Insurance Company Limited

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4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty-critical accounting estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Certain amounts included in or affecting the Company's financial statements and related disclosure must be estimated, requiring the Company to make assumptions with respect to values or conditions which cannot be known with certainty at the time the financial statements are prepared. A ''critical accounting estimate'' is one which is both important to the portrayal of the Company's financial condition and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

The Company evaluates such estimates on an ongoing basis, based upon historical results and experience, prevailing market prices, current financial information and audited statements, changes in market conditions, consultation with experts, trends and other methods considered reasonable in the particular circumstances, as well as the forecasts as to how these might change in the future.

a. *Estimates of future payments and premiums arising from long-term insurance contracts.*

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Appointed Actuary. Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk. The Company bases these estimates on mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Company's own experience. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics and wide-ranging lifestyle changes, such as changes in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Company has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Company is exposed to longevity risk.

b. *Estimates of future payments arising from short-term insurance contracts.*

The determination of the liabilities under short-term insurance contracts is dependent on estimates made by the Company. Estimates are made for the expected cost of claims incurred but not yet reported (IBNR) at the statement of financial position date.

A significant period of time can pass before a claim cost can be established with certainty. As a result, the claim cost is estimated using various actuarial claims projection echniques. The main assumption used in applying these techniques is the Company's past claims experience, which is used to project future claims cost.

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4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty-critical accounting estimates (continued)

c. *Impairment of non-financial assets*

The Company has made significant investments in non-financial assets. These assets are tested for impairment when circumstances indicate there may be potential impairment. Factors considered important which could trigger an impairment review include the following: significant fall in market values; significant underperformance relative to historical or projected future operating results; significant changes in the use of the assets or the strategy for the overall business, including assets that are decided to be phased out or replaced and assets that are damaged or taken out of use; significant negative industry or economic trends; and significant cost overruns in the development of assets.

Estimating recoverable amounts of assets must, in part, be based on management evaluations, including estimates of future performance, revenue generating capacity of the assets, assumptions of the future market conditions and the success in marketing of new products and services. Changes in circumstances and in management's evaluations and assumptions may give rise to impairment losses in the relevant periods.

d. *Revaluation of property and equipment*

The Company measures its land and buildings at revalued amounts triennially, with changes in fair value being recognised in the revaluation reserve in the statement of financial position. An independent valuation of the Company's land and buildings is performed to determine the fair value with reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location, and the condition of the respective property.

e. *Loan loss provision*

To cover any shortfalls from mortgage loans, the Company records specific provisions on non-current loans, based on the assessed value of the underlying collateral and other determinants of net realisable value, including independent appraisal and an assessment of the forced sale value of the underlying collateral. The methods used to calculate collective impairment allowance on homogenous groups of loans which are past due but not impaired are disclosed in Note 3(g).

f. *Impairment of financial assets*

The Company determines that financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates, among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

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4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty-critical accounting estimates (continued)

g. Retirement benefit obligation

The Company's retirement benefit obligation is discounted at a rate determined by reference to market yields at the end of the reporting period on high quality Government bonds. Significant judgment is required when determining the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include whether there is a deep market in the bonds, quality of the bonds and the identification of outliers which are excluded.

Other key assumptions for retirement benefit obligations include medical, dental and vision cost trend rates and mortality rates. Medical rates are determined by the current year's average per capita costs for all participants. Average per capita costs for retirees was estimated by age groupings.

The Company bases the estimates for mortality on tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Company's own experience.

h. Fair value of securities not quoted in an active market

The fair value of securities not quoted in an active market may be determined by the Company based on historical experience and other factors that are considered to be relevant. Where no market data is available, the Company may value positions using its own models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. The inputs into these models are primarily recent similar arm's length market transactions if available, and reference to the current fair value of another instrument that is substantially the same.

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

i. Leases - Estimation of incremental borrowing rate

The Company is unable to readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

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4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty-critical accounting estimates (continued)

j. Leases - estimation of incremental borrowing rate (continued)

The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

5. Management of Insurance and Financial Risk

The Company issues contracts that transfer insurance risk, financial risk or both. The Company's activities expose it to a variety of financial risks, including the effects of changes in equity market prices and interest rates. The Company's overall risk management approach focuses on the unpredictability of insured events and financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

a. Fair value of financial assets and liabilities

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

In the opinion of management, the estimated fair value of financial assets and financial liabilities at the statement of financial position date were not materially different from their carrying values.

The following table depicts the classification of financial assets and financial liabilities:

			2022			
	FVTPL	**Loans and Receivables**	**Held-To-Maturity**	**Available-For-Sale**	**All Other Financial Liabilities**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
FINANCIAL ASSETS						
Cash on hand and at banks	-	12,741,832	-	-	-	12,741,832
Financial investment assets	17,098,470	70,575,386	224,248,518	11,760,659	-	323,683,033
Reinsurance assets	-	2,725,772	-	-	-	2,725,772
Receivables and other assets	-	14,214,650	-	-	-	14,214,650
Total financial assets	**17,098,470**	**100,257,640**	**224,248,518**	**11,760,659**	**-**	**353,365,287**
FINANCIAL LIABILITIES						
Other policyholders' funds	-	-	-	-	23,842,044	23,842,044
Payables and accruals	-	-	-	-	10,277,781	10,277,781
Lease liabilities	-	-	-	-	619,772	619,772
Total financial liabilities	**-**	**-**	**-**	**-**	**34,739,597**	**34,739,597**

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5. Management of Insurance and Financial Risk (Continued)

a. Fair value of financial assets and liabilities (continued)

	2021					
	FVTPL	**Loans and Receivables**	**Held-To-Maturity**	**Available-For-Sale**	**All Other Financial Liabilities**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
FINANCIAL ASSETS						
Cash on hand and at banks	-	12,373,485	-	-	-	12,373,485
Financial investment assets	18,528,713	77,270,823	202,823,459	10,624,555	-	309,247,550
Reinsurance assets	-	1,500,648	-	-	-	1,500,648
Receivables and other assets	-	17,470,347	-	-	-	17,470,347
Total financial assets	**18,528,713**	**108,615,303**	**202,823,459**	**10,624,555**	**-**	**340,592,030**
FINANCIAL LIABILITIES						
Other policyholders' funds	-	-	-	-	25,758,186	25,758,186
Payables and accruals	-	-	-	-	10,530,967	10,530,967
Lease liabilities	-	-	-	-	656,229	656,229
Total financial liabilities	**-**	**-**	**-**	**-**	**36,945,382**	**36,945,382**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value or for which fair value is disclosed, grouped into levels 1 to 3 based on the degree to which the fair value is observable. These instruments are reported at fair value on a recurring basis (i.e., at the end of each reporting period).

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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5. Management of Insurance and Financial Risk (Continued)

a. Fair value of financial assets and liabilities (continued)

		2022		
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial Assets				
FVTPL	16,673,470	-	425,000	17,098,470
AFS	-	11,760,659	-	11,760,659
	16,673,470	**11,760,659**	**425,000**	**28,859,129**

		2021		
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial Assets				
FVTPL	18,528,713	-	-	18,528,713
AFS	-	10,624,555	-	10,624,555
	18,528,713	**10,624,555**	**-**	**29,153,268**

The Company's financial investment assets which are carried at amortised cost predominantly have interest rates which reset to market rates and accordingly their fair values approximate their carrying values.

All other financial instruments are short-term in nature and accordingly their values approximate their carrying values.

b. 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. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts, where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than expected. Insurance events are random and the actual number and amounts of claims and benefits will vary from year to year from the estimate established via statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

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5. Management of Insurance and Financial Risk (Continued)

b. Insurance risk (continued)

The Company seeks to limit its exposure to loss on any single insured and to recover benefits paid, by ceding premiums to reinsurers under excess coverage and quota share contracts. Under the excess coverage contracts, the Company retains a range of $75,000 to $100,000 (2021: $75,000 to $100,000) coverage per individual life and individual accidental death benefit. The Company also seeks to limit the exposure to catastrophic loss on the portfolio of insureds by ceding premiums to a reinsurer. The Company retains coverage up to $500,000 under this policy.

Under the quota share contracts, the Company retains 50% of the face amount per individual life and accidental death benefit to a maximum of $100,000 on any one life insured. Individual and group medical retention limit is retained at $300,000 (2021: $300,000) per member.

Long-term insurance contracts

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency and severity of claims are epidemics and wide ranging lifestyle changes, such as changes in eating, smoking and exercise habits resulting in earlier or more claims than expected.

The Company manages these risks through its underwriting strategy and reinsurance arrangements. The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type and level of insured benefits.

The Company's underwriting strategy includes medical selection with benefits limited to reflect the health condition of applicants and retention limits on any single life insured.

The table below indicates the concentration of insured benefits across five bands of insured benefits per coverage insured.

	2022	**2021**
$	**$**	**$**
0 - 9,999	125,276,446	122,599,711
10,000 - 24,999	390,572,805	373,782,233
25,000 - 49,999	160,691,271	147,814,431
50,000 - 299,999	973,597,170	1,016,867,979
300,000 and over	94,022,114	105,778,246
	1,744,159,806	**1,766,842,600**

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5. Management of Insurance and Financial Risk (Continued)

b. Insurance risk (continued)

Short-term insurance contracts

The following tables show the estimate of claims by calendar year, net of reinsurance, for the past 10 years. The top half of the table shows how the estimate of total incurred claims for each calendar year varies based on when the estimate is made. Generally, the estimate becomes closer to the final reality in each subsequent year, as a smaller percentage of claims remain unpaid. The lower portion of the table reconciles the current estimate of incurred claims (less those claims already paid) with the amount included in the statement of financial position as at 31 December 2022.

Year claim is incurred

	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Estimate of ultimate gross claims											
End of year incurred	34,811	36,567	43,834	39,830	45,109	55,709	60,896	38,946	45,496	50,364	451,562
One year later	34,136	35,711	43,971	40,703	46,899	55,583	60,052	39,815	46,276		
Two years later	33,913	35,885	43,968	40,820	46,966	55,660	60,026	39,940			
Three years later	33,954	35,888	44,072	40,825	46,970	55,640	59,987				
Four years later	33,914	35,900	44,066	40,828	46,967	55,645					
Current (31 December 2022) estimate of ultimate claims	33,914	35,900	44,066	40,828	46,967	55,645	59,987	39,940	46,276	50,364	453,887
Cumulative payments (through 31 December 2022)	33,914	35,900	44,066	40,828	46,967	55,644	59,984	39,935	46,225	42,659	446,122
Current (31 December 2022) statement of financial position liability	**-**	**-**	**-**	**-**	**-**	**1**	**3**	**5**	**51**	**7,705**	**7,765**

Family Guardian Insurance Company Limited

Notes to the Financial Statements
31 December 2022
(Expressed in Bahamian dollars)
(Continued)

5. Management of Insurance and Financial Risk (Continued)

b. Insurance risk (continued)

Short-term insurance contracts (continued)

	Year claim is incurred										
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Estimate of ultimate net claims											
End of year incurred	32,832	34,718	41,712	38,260	42,528	51,055	53,468	37,993	43,964	48,912	425,442
One year later	31,617	33,682	41,296	38,927	42,846	50,290	52,374	39,014	44,573		
Two years later	31,496	33,807	41,294	39,024	42,897	50,371	52,326	39,146			
Three years later	31,533	33,812	41,397	39,028	42,901	50,354	52,286				
Four years later	31,495	33,824	41,392	39,032	42,898	50,359					
Current (31 December 2022) estimate of ultimate claims	31,495	33,824	41,392	39,032	42,898	50,359	52,286	39,146	44,573	48,912	423,917
Cumulative payments (through 31 December 2022)	31,495	33,824	41,392	39,032	42,898	50,357	52,284	39,142	44,524	41,483	416,431
Current (31 December 2022) statement of financial position liability	**-**	**-**	**-**	**-**	**-**	**2**	**2**	**4**	**49**	**7,429**	**7,486**

Family Guardian Insurance Company Limited

Notes to the Financial Statements
31 December 2022
(Expressed in Bahamian dollars)
(Continued)

5. Management of Insurance and Financial Risk (Continued)

c. Market risk

Cash flow and fair value interest rate risk

Cash flow risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

The Board sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored regularly.

Mortgage loans and HTM financial assets are subject to floating interest rates. If future interest rates were increased or decreased by 1%, interest income in the statement of comprehensive income would increase or decrease by $2,755,552 (2021: $2,589,754).

d. Price risk

Price risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security, its issuer or factors affecting all securities traded in the market. The Company manages its risk through the Investment Committee, which monitors the price movement of securities on The Bahamas International Securities Exchange (BISX).

If future market prices for equity securities measured through OCI and FVTPL were to increase or decrease by 10% this would result in an increase or decrease in OCI of $1,176,066 (2021: $943,060) and net income of $1,709,847 (2021: $1,852,871), respectively. Management mitigates this risk by diversification of its portfolio.

Family Guardian Insurance Company Limited

Notes to the Financial Statements
31 December 2022
(Expressed in Bahamian dollars)
(Continued)

5. Management of Insurance and Financial Risk (Continued)

e. Credit risk

The Company has exposure to credit risk, which is the risk that a counter-party will be unable to pay amounts in full when due. Key areas represented by aggregate amounts disclosed on the face of the statement of financial position where the Company is exposed to credit risk are:

- Cash and term deposits placed with banks
- Mortgage loans and loans to policyholders
- Amounts due from insurance policyholders
- Amounts due from reinsurers
- Debt instruments
- Intercompany receivables

Credit risk arising from balances held with banks is managed by placing deposits with approved financial institutions and within credit limits as approved by the Board Investment Risk Committee. Credit limits are reviewed by the Company's Board of Directors on an annual basis.

The Company manages and controls credit risk on mortgage loans by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits. The Company has established a credit quality review process to provide early identification of possible changes in the credit worthiness of counterparties. The credit quality review process aims to allow the Company to assess the potential loss as a result of the risks to which it is exposed and take corrective actions. Mortgage loans are fully collateralised by real estate and the approval loan limit is 75% to 90% of the collateral value.

Policy loans are advanced on the security of the underlying insurance policy cash values at a maximum of 80% of the cash value. These loans are fully collateralised by the cash surrender value of the policy.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their publicly available financial information prior to finalisation of any contract. The Company has one main reinsurer for its long-term insurance contracts, a large multinational corporation that has an AM Best Rating of A+ and a Standard & Poors (S&P) rating of AA-.

The Company invests in debt instruments which have been issued or guaranteed by The Government of the Bahamas and companies that are in good standing and have had no history of default on payment of principal or interest. The Company minimises its exposure to credit risk by holding a diversified portfolio of debt instruments with established maximum holding limits for each investment asset group. The Company also has established limits on investments held with any one institution.

Family Guardian Insurance Company Limited

Notes to the Financial Statements
31 December 2022
(Expressed in Bahamian dollars)
(Continued)

5. Management of Insurance and Financial Risk (Continued)

f. Liquidity risk

The Company is exposed to daily calls on its available cash resources from claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost.

The Company maintains sufficient liquidity (cash and marketable securities) to meet all contractual liabilities as they fall due. The following table shows the undiscounted payout pattern, net of premiums, of the actuarial liabilities.

2022

	Not Classified $	Up to 1 year $	1 to 5 years $	6 to 10 years $	Over 10 years $	Total $
Short- term insurance contracts	-	9,226,561	-	-	-	9,226,561
Long- term with fixed and guaranteed terms	750,332	(7,435,092)	(11,832,976)	12,923,045	432,998,005	427,403,314
Long- term without fixed and guaranteed terms	88,306,680	1,722,701	9,840,412	15,306,915	75,422,110	190,598,818
Long- term without fixed and guaranteed terms and with DPF	-	471,456	3,677,176	7,609,928	66,553,727	78,312,287
Total	**89,057,012**	**3,985,626**	**1,684,612**	**35,839,888**	**574,973,842**	**705,540,980**

2021

	Not Classified $	Up to 1 year $	1 to 5 years $	6 to 10 years $	Over 10 years $	Total $
Short- term insurance contracts	-	7,272,061	-	-	-	7,272,061
Long- term with fixed and guaranteed terms	739,600	(7,096,067)	(9,408,543)	14,692,706	381,868,395	380,796,091
Long- term without fixed and guaranteed terms	81,175,304	2,157,387	11,050,268	15,048,779	72,485,483	181,917,221
Long- term without fixed and guaranteed terms and with DPF	-	602,683	4,149,717	7,920,511	58,300,312	70,973,223
Total	**81,914,904**	**2,936,064**	**5,791,442**	**37,661,996**	**512,654,190**	**640,958,596**

Amounts not classified consist mainly of deferred annuity fund balances.

Family Guardian Insurance Company Limited

Notes to the Financial Statements
31 December 2022
(Expressed in Bahamian dollars)
(Continued)

5. Management of Insurance and Financial Risk (Continued)

f. Liquidity risk (continued)

The following table shows the expected recovery or settlement of financial assets and liabilities:

	2022					
	Not Classified	**Up to 1 year**	**1 to 5 years**	**6 to 10 years**	**Over 10 years**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
ASSETS						
Cash on hand & at bank	-	12,741,832	-	-	-	12,741,832
Reinsurance assets	2,725,772	-	-	-	-	2,725,772
Receivables & other assets	9,623,433	4,591,217	-	-	-	14,214,650
FVTPL securities	17,098,470	-	-	-	-	17,098,470
AFS Securities	11,760,659	-	-	-	-	11,760,659
HTM Securities	-	18,940,298	17,204,680	39,053,973	149,049,567	224,248,518
Loans	16,199,295	978,777	2,187,186	8,917,807	42,292,321	70,575,386
	57,407,629	**37,252,124**	**19,391,866**	**47,971,780**	**191,341,888**	**353,365,287**
LIABILITIES						
Other policyholders' funds	-	23,842,044	-	-	-	23,842,044
Payables and accruals	-	10,277,784	-	-	-	10,277,784
Lease liabilities	-	40,574	579,198	-	-	619,772
	-	**34,160,402**	**579,198**	**-**	**-**	**34,739,600**

Family Guardian Insurance Company Limited

Notes to the Financial Statements
31 December 2022
(Expressed in Bahamian dollars)
(Continued)

5. Management of Insurance and Financial Risk (Continued)

f. Liquidity risk (continued)

	2021					
	Not Classified	**Up to 1 year**	**1 to 5 years**	**6 to 10 years**	**Over 10 years**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
ASSETS						
Cash on hand & at bank	-	12,373,485	-	-	-	12,373,485
Reinsurance assets	1,500,648	-	-	-	-	1,500,648
Receivables & other assets	13,038,573	4,431,774	-	-	-	17,470,347
FVTPL securities	-	18,528,713	-	-	-	18,528,713
AFS Securities	-	10,624,555	-	-	-	10,624,555
HTM Securities	-	10,888,339	22,401,683	22,683,583	146,849,854	202,823,459
Loans	19,381,024	1,906,174	2,198,354	7,796,844	45,988,427	77,270,823
	33,920,245	**58,753,040**	**24,600,037**	**30,480,427**	**192,838,281**	**340,592,030**
LIABILITIES						
Other policyholders' funds	-	25,758,186	-	-	-	25,758,186
Payables and accruals	-	10,530,967	-	-	-	10,530,967
Lease liabilities	-	36,457	619,772	-	-	656,229
	-	**36,325,610**	**619,772**	**-**	**-**	**36,945,382**

Family Guardian Insurance Company Limited

Notes to the Financial Statements
31 December 2022
(Expressed in Bahamian dollars)
(Continued)

5. Management of Insurance and Financial Risk (Continued)

g. Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from 2021.

External capital requirements are enforced and regulated by the Insurance Commission of The Bahamas. These requirements are established to ensure sufficient solvency margins are maintained. The Company exceeded both the statutory margin and minimum ratio requirements of qualified admissible assets.

Family Guardian Insurance Company Limited

Notes to the Financial Statements
31 December 2022
(Expressed in Bahamian dollars)
(Continued)

6. Financial Investment Assets

Financial investment assets comprise the following:

	2022 $	2021 $
(a) Fair value through profit or loss (FVTPL):		
At beginning of year	18,528,713	18,540,887
Purchase of mutual fund	425,000	
Pension forfeitures reinvested	178,153	95,091
Pension forfeitures redeemed	(1,490,362)	-
Net change in unrealized loss on investments at FVTPL	(543,034)	(107,265)
At end of year	**17,098,470**	**18,528,713**
(b) Available-for-sale (AFS):		
At beginning of year	9,430,601	9,152,843
Net change in fair value on AFS financial assets	1,136,018	277,758
	10,566,619	9,430,601
Investment in redeemable preferred shares	1,170,000	1,170,000
Add: Accrued interest receivable and due	24,040	23,954
	1,194,040	1,193,954
At end of year	**11,760,659**	**10,624,555**

Family Guardian Insurance Company Limited

Notes to the Financial Statements
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(Expressed in Bahamian dollars)
(Continued)

6. Financial Investment Assets (Continued)

The Company has interests in various structured entities that are not consolidated. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. The Company has an interest in a structured entity when it has a contractual or non-contractual involvement that exposes the Company to variable returns from the performance of the entity. The Company's interest includes investments in mutual funds that are listed on The Bahamas International Securities Exchange ("BISX"). Maximum exposure to loss is equal to the carrying amount disclosed in Note 6 of the financial statements.

HTM securities have interest rates ranging from 3% to 10% per annum (2021: 4% to 10%) and scheduled maturities between 2023 and 2052 (2021: 2022 and 2051).

	2022	**2021**
	$	**$**
(c) Held-to-maturity (HTM):		
Bahamas Government bonds	176,870,769	161,031,737
Bahamas Government treasury notes	5,957,107	-
Bahamas Mortgage Corporation bonds	9,300,000	9,300,000
Education Loan Authority bonds	3,800,000	3,800,000
Clifton Heritage bonds	2,004,800	2,004,800
Bridge Authority bonds	307,400	307,400
Government bonds, at amortised cost	198,240,076	176,443,937
Add: Accrued interest receivable	2,868,598	2,720,889
	201,108,674	179,164,826
Redeemable preferred shares, at amortised cost	5,876,920	5,894,180
Add: Accrued interest receivable	7,078	49,463
	5,883,998	5,943,643
Corporate bonds, at amortised cost	17,089,400	17,583,072
Add: Accrued interest receivable	166,446	131,918
	17,255,846	17,714,990
At end of year	**224,248,518**	**202,823,459**

In 2011, in accordance with the Insurance Act 2005 (Amended), the Company established a Trust Account (the "Family Guardian Statutory Deposit Trust") in which $2,000,000 of Bahamas Government Registered Stocks have been placed in Trust. This amount, which is included in HTM financial investment assets, is restricted for regulatory purposes; however, the interest income on these stocks accrues to the Company.

Family Guardian Insurance Company Limited

Notes to the Financial Statements
31 December 2022
(Expressed in Bahamian dollars)
(Continued)

6. Financial Investment Assets (Continued)

In accordance with amendments dated 13 October 2008 to IAS 39 and IFRS 7 *Financial Instruments: Disclosures*, the Company opted to reclassify its investment in equities at that date from FVTPL to AFS with effect from 1 July 2008.

The carrying value of the investments in the reclassified equities is equivalent to the fair value and as at 31 December 2022 is $9,237,918 (2021: $8,035,132). The accumulated gain or fair value loss that would have been recognised in net income since the reclassification, had the investment in equities not been reclassified, is $2,875,961 (2021: $1,673,175 gain) taking into consideration impairment losses previously transferred to net income.

	2022 $	2021 $
(d) Loans:		
(i) Policy loans comprise:		
Policy loans	14,721,287	16,242,133
Automatic premium loans	4,459,922	4,366,324
	19,181,209	20,608,457
Less: Specific provision for credit risk	(1,119,828)	(1,227,422)
Add: Accrued interest receivable	991,718	1,055,051
	19,053,099	20,436,086
(ii) Mortgage loans comprise:		
Commercial:		
Current	78,634	37,678
Past due but not impaired	-	167,388
Over 90 days	487,838	434,549
Residential:		
Current	41,812,128	45,991,412
Past due but not impaired	7,497,923	6,738,633
Over 90 days	4,472,323	5,684,512
	54,348,846	59,054,172
Less: Specific provision for credit risk	(2,480,574)	(2,334,387)
General provision for credit risk	(1,170,000)	(696,757)
Deferred commitment fees	(161,732)	(361,767)
	50,536,540	55,661,261
Add: Accrued interest receivable	188,977	304,252
	50,725,517	55,965,513
(iii) Margin loans	796,770	869,224
Total loans	**70,575,386**	**77,270,823**

Family Guardian Insurance Company Limited

Notes to the Financial Statements
31 December 2022
(Expressed in Bahamian dollars)
(Continued)

6. Financial Investment Assets (Continued)

Policy loans and automatic premium loans (APLs) are allowed on Ordinary Life policies. An interest rate ranging from 7.75% to 11% (2021: 7.75% to 11%) per annum is charged on policy loans and APLs.

Movements in the mortgage loan loss provisions are as follows:

	$
Balance as at 31 December 2020	2,644,224
Bad debt expense	501,719
Recovery of bad debt	(114,799)
Balance as at 31 December 2021	3,031,144
Bad debt expense	642,339
Recovery of bad debt	(22,909)
Balance as at 31 December 2022	**3,650,574**

An interest rate of 5.25% per annum (2021: 5.25%) is charged on residential mortgage loans to directors, officers and staff with two or more years of service. Included in total loans are mortgages to related parties which carry interest rates between 5.00% to 5.25% (2021: 5.00% to 5.75%) in the amount of $411,166 (2021: $455,174).

Related party interest income from mortgages for the year ended 31 December 2022 is $18,923 (2021: $26,611) and related party interest receivable on mortgages as at 31 December 2022 is $937 (2021: $1,077).

As at 31 December 2022, the Company had non-performing mortgage loans of $4,960,161 (2021: $6,119,061) for which interest of $1,715,360 (2021: $1,464,876) had not been recognised in the statement of comprehensive income. Management has determined that mortgage loans totaling $7,497,923 (2021: $6,906,021) are past due but not considered impaired.

During the year, the Company sold properties under power of sale. The fair value of the collateral sold under power of sale was $191,679 (2021: $139,000). The unrecoverable portion of the principal was provided for and is included in bad debt expense in the statement of comprehensive income.

Family Guardian Insurance Company Limited

Notes to the Financial Statements
31 December 2022
(Expressed in Bahamian dollars)
(Continued)

6. Financial Investment Assets (Continued)

A collective provision is assessed by the Company on the basis of similar credit risk, which was determined by the grouping of past due status, as all loans have similar characteristics and are based in The Bahamas. The collective provision considered the future cash flows based on the Company's historical loss experience for the assets with credit risk characteristics similar to those in the group.

7. Receivables and Other Assets

Receivables and other assets comprise:

	2022	2021
	$	$
Reinsurance recoveries	4,756,427	4,777,522
Intercompany receivables (Note 22)	4,867,006	6,315,599
Premium receivables	4,049,420	5,052,976
Other receivables and other assets	1,212,980	1,945,452
Prepayments and deposits	838,311	720,461
	15,724,144	18,812,010
Less: allowance for doubtful accounts	(671,183)	(621,202)
	15,052,961	**18,190,808**

The movement in allowance for doubtful accounts is as follows:

	2022	2021
	$	$
Balance, beginning of year	621,202	201,482
Bad debt expense	49,981	419,720
Recovery of bad debt	-	-
Balance, end of year	**671,183**	**621,202**

The amounts due from related parties represent the net result of transactions between these parties. The balances are unsecured, non-interest bearing and have no fixed terms of repayment.

Due to the short-term nature of the accounts receivable, their carrying amounts are considered to approximate their fair values.

Management has deemed $1,627,529 (2021: $2,997,288) of premium receivables from customers to be past due but not impaired.

Family Guardian Insurance Company Limited

Notes to the Financial Statements
31 December 2022
(Expressed in Bahamian dollars)
(Continued)

8(a). Property and Equipment

The movement of property and equipment for the year ended 31 December is as follows:

	2022							
	Freehold Land & Improvements $	**Freehold Buildings & Improvements** $	**Furniture & Equipment** $	**Motor Vehicles** $	**Computer Hardware** $	**Leasehold Improvements** $	**Work in Progress** $	**Total** $
Year ended 31 December 2022								
Opening net book amount	7,436,831	18,738,215	254,723	13,973	777,255	37,393	183,040	27,441,430
Additions	-	-	26,704	-	86,075	-	325,369	438,148
Revaluations	-	-	-	-	-	-	-	-
Transfers/Adjustments	19,400	10,489	25,632	-	-	23,805	(317,221)	(237,895)
Disposals	-	-	-	-	-	-	-	-
Depreciation charge	(19,398)	(998,236)	(89,844)	(2,045)	(285,325)	(20,813)	-	(1,415,661)
Closing net book amount	**7,436,833**	**17,750,468**	**217,215**	**11,928**	**578,005**	**40,385**	**191,188**	**26,226,022**
As at 31 December 2022								
Cost or revaluation	7,469,225	19,747,628	5,551,519	98,691	3,135,045	1,160,144	-	37,162,252
Work in progress	-	-	-	-	-	-	191,188	191,188
Accumulated depreciation	(32,392)	(1,997,160)	(5,334,304)	(86,763)	(2,557,040)	(1,119,759)	-	(11,127,418)
Net book amount	**7,436,833**	**17,750,468**	**217,215**	**11,928**	**578,005**	**40,385**	**191,188**	**26,226,022**

Fully depreciated assets amounting to $5,692 (2021: $Nil) were written off from computer hardware.

Family Guardian Insurance Company Limited

Notes to the Financial Statements
31 December 2022
(Expressed in Bahamian dollars)
(Continued)

8(a). Property and Equipment (Continued)

The movement of property and equipment for the year ended 31 December is as follows:

	2021							
	Freehold Land & Improvements $	**Freehold Buildings & Improvements $**	**Furniture & Equipment $**	**Motor Vehicles $**	**Computer Hardware $**	**Leasehold Improvements $**	**Work in Progress $**	**Total $**
Year ended 31 December 2021								
Opening net book amount	7,572,917	19,451,278	334,435	18,393	593,855	25,714	122,779	28,119,371
Additions	-	-	56,034	-	57,144	23,802	755,153	892,133
Revaluations	(196,000)	593,993	-	-	-	-	-	397,993
Transfers/Adjustments	70,525	89,194	49,194	-	554,085	3,430	(694,892)	71,536
Disposals	-	-	(34,633)	-	(46,966)	-		(81,599)
Depreciation charge	(10,611)	(1,396,250)	(150,307)	(4,420)	(380,863)	(15,553)	-	(1,958,004)
Closing net book amount	**7,436,831**	**18,738,215**	**254,723**	**13,973**	**777,255**	**37,393**	**183,040**	**27,441,430**
As at 31 December 2021								
Cost or revaluation	7,449,825	19,737,139	5,499,183	98,691	3,043,278	1,136,339	-	36,964,455
Work in progress	-	-	-	-	-	-	183,040	183,040
Accumulated depreciation	(12,994)	(998,924)	(5,244,460)	(84,718)	(2,266,023)	(1,098,946)	-	(9,706,065)
Net book amount	**7,436,831**	**18,738,215**	**254,723**	**13,973**	**777,255**	**37,393**	**183,040**	**27,441,430**

Family Guardian Insurance Company Limited

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31 December 2022
(Expressed in Bahamian dollars)
(Continued)

8(a). Property and Equipment (Continued)

On 1 December 2019, the Company acquired land and building from its Parent for a total consideration of $9,000,000.

The Company's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The last revaluation of the Company's land and buildings was performed 31 December 2020 and was performed by a qualified independent property appraiser.

The fair value of the land and buildings were determined based on valuations using the Income Capitalisation method, Sales method and the Cost method which were used to derive an "as is" value, which was determined to be the assets' highest and best use.

Had the Company's land and buildings been measured on a historical cost basis, their carrying amount would have been $4,823,448 (2021: $4,763,534) and $14,930,152 (2021: $16,252,193), respectively as at 31 December 2022.

Details of the Company's freehold land and buildings, as per the fair value hierarchy at 31 December 2022, is as follows:

		2022		
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Freehold land	-	-	7,436,833	7,436,833
Freehold buildings	-	-	17,750,468	17,750,468
	-	**-**	**25,187,301**	**25,187,301**

		2021		
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Freehold land	-	-	7,436,831	7,436,831
Freehold buildings	-	-	18,738,215	18,738,215
	-	**-**	**26,175,046**	**26,175,046**

The assets are required to be measured at fair value on a recurring basis. There were no transfers between the various levels during the year.

Family Guardian Insurance Company Limited

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8(b). Intangibles

The movement in the intangible asset is as follows:

	2022		
	Computer software	**Work in Progress**	**Total**
	$	**$**	**$**
Opening net book amount	4,573,751	1,835,463	6,409,214
Additions	22,424	5,348,354	5,370,778
Transfers/adjustments	-	-	-
Disposals	-	-	-
Amortisation	(1,663,760)	-	(1,663,760)
Closing net book amount	**2,932,415**	**7,183,817**	**10,116,232**
As at 31 December 2022			
Cost or revaluation	10,847,983	-	10,847,983
Work in progress	-	7,183,817	7,183,817
Accumulated amortisation	(7,915,568)	-	(7,915,568)
Net book amount	**2,932,415**	**7,183,817**	**10,116,232**

	2021		
	Computer software	**Work in Progress**	**Total**
	$	**$**	**$**
Opening net book amount	3,555,689	3,757,281	7,312,970
Additions	404,258	1,036,416	1,440,674
Transfers/adjustments	2,424,704	(2,958,234)	(533,530)
Disposals	(5,743)	-	(5,743)
Amortisation	(1,805,157)	-	(1,805,157)
Closing net book amount	**4,573,751**	**1,835,463**	**6,409,214**
As at 31 December 2021			
Cost or revaluation	10,830,419	-	10,830,419
Work in progress	-	1,835,463	1,835,463
Accumulated amortisation	(6,256,668)	-	(6,256,668)
Net book amount	**4,573,751**	**1,835,463**	**6,409,214**

Fully amortised as computer software amounting to $4,860 (2021: $Nil) were written off.

Family Guardian Insurance Company Limited

Notes to the Financial Statements
31 December 2022
(Expressed in Bahamian dollars)
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9. Reserves for Future Policyholders' Benefits

The Company uses the Canadian Asset Liability Method ("CALM") in computing its actuarial reserves on long-term contracts. CALM involves the projection of future interest rate scenarios in order to determine the amount of assets needed to provide for all future obligations.

As at 31 December 2022, the aggregate reserves for future policyholders' benefits and related insurances in-force are summarised as follows:

	Reserves			**Insurances in force**	
	2022	**2021**	**Change in reserves**	**2022**	**2021**
	$	**$**		**$**	**$**
Ordinary life	109,541,000	107,742,734	1,798,266	2,463,318,126	2,416,879,471
Annuities	94,516,713	87,420,839	7,095,874	-	-
Home service life	38,203,851	36,823,242	1,380,609	634,891,257	599,217,919
Accident and health	10,863,720	9,146,798	1,716,922	-	-
Gross liabilities	253,125,284	241,133,613	11,991,671	3,098,209,383	3,016,097,390
Reinsurance assets	(2,725,772)	(1,500,648)	(1,225,124)	-	-
	250,399,512	**239,632,965**	**10,766,547**	**3,098,209,383**	**3,016,097,390**

The reserves for future policyholders' benefits are determined annually by actuarial valuation and represent an estimate of the amount required, together with future premiums and investment income, to provide for future benefits and expenses payable on insurance and annuity contracts. The reserves are calculated using assumptions for future policy lapse rates, mortality, morbidity rates, maintenance expenses and interest rates. The assumptions also include provisions for adverse deviation to recognise uncertainty in establishing the assumptions and to allow for possible deterioration in experience. The process of determining the provision necessarily involves risks that the actual results will deviate from the assumptions made.

Policy liabilities are calculated using best estimate assumptions with margins for adverse deviation.

Family Guardian Insurance Company Limited

Notes to the Financial Statements
31 December 2022
(Expressed in Bahamian dollars)
(Continued)

9. Reserves for Future Policyholders' Benefits (Continued)

(i) *Mortality and Morbidity*

Assumptions for Home Service life business are based on Company experience. Assumptions for other business lines are based on industry experience, as the Company does not have sufficient of its own experience. A margin is added for adverse deviation equal to 15 per 1,000 divided by the expectation of life for mortality and 8% to 10% for morbidity. If future mortality and morbidity rates were to differ by 10% from that assumed, the liability would increase by $7,022,209 (2021: $6,053,594) or decrease by $7,237,230 (2021: $6,188,405).

(ii) *Investment Yields*

Assets are allocated to support the policyholder liabilities. Using CALM, policy liabilities are equal to the carrying value of assets whose cash flows, combined with cash flows from future investments, are sufficient to meet future obligations with respect to policies in effect as at the measurement date. Since future reinvestment rates cannot be accurately predicted, they are subject to sensitivity tests based on various scenarios, as required under CALM. The results used are those produced under the most adverse plausible scenario.

Under CALM, the rates of return on future investments are already subject to various sensitivity tests. The base scenario dictates a convergence toward a median historical interest rate curve, whereas the Company's most adverse plausible scenario assumes a future yield curve equal to 80% of the yield curve of the Base Scenario. If future interest rates were to differ by 100 basis points from that assumed, without changing the policyholder dividend scale, the liability would increase by $22,606,820 (2021: $20,681,546) or decrease by $30,125,760 (2021: $27,458,220).

(iii) *Persistency*

Lapse rates are based on the Company's experience where credible experience is available and industry experience is used where credible Company experience is not available. A margin for adverse deviation is added by increasing or decreasing lapse rates; whichever is adverse, by 20% on Home Service business and 15% on Ordinary business. If future lapse rates were to differ by 10% from that assumed, the liability would increase by $2,164,684 (2021: $2,147,801) or decrease by $2,541,957 (2021: $2,529,871).

(iv) *Expenses*

Expenses are based on best estimates of Company experience. Expenses are increased 10% as a margin for adverse deviation. Expenses are assumed to increase annually at a rate of 2% (2021: 2%) initially, decreasing to 1.75% (2021: 1.75%) over 20 years.

Family Guardian Insurance Company Limited

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(Expressed in Bahamian dollars)
(Continued)

9. Reserves for Future Policyholders' Benefits (Continued)

(iv) *Expenses (continued)*

If future expenses were to differ by 10% from that assumed, the liability would increase by $4,010,214 (2021: $3,834,816) or decrease by $3,996,142 (2021: $3,821,792).

(v) *Ongoing Review*

Actuarial assumptions are continuously reviewed based on emerging Company and industry experience and revised if appropriate and material.

(vi) *Margins for Adverse Deviation Assumptions*

The basic assumptions made in establishing policy liabilities are best estimates for a range of possible outcomes. To recognise the uncertainty in establishing these best estimates, to allow for possible deterioration in experience and to provide greater comfort that the reserves are adequate to pay future benefits, the Appointed Actuary is required to include a margin in each assumption.

The impact of these margins is to increase reserves and decrease the income that would be recognised on inception of the policy. The Canadian Institute of Actuaries prescribes a range of allowable margins. The Company uses assumptions at the conservative end of the range, taking into account the risk profiles of the business.

The movements in reserves for future policyholders' benefits and other policyholders benefits (namely insurance liabilities), by line of business, are summarised below:

a. Short-term insurance contracts:

	2022	**2021**
	$	**$**
Liabilities at beginning of year	7,272,061	8,775,058
Changes in Data, Methods, and Assumptions	(78)	(1,170,959)
Usual change in In-Force Business and New Business	1,954,577	(332,038)
Liabilities at end of year	**9,226,560**	**7,272,061**

Family Guardian Insurance Company Limited

Notes to the Financial Statements
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(Expressed in Bahamian dollars)
(Continued)

9. Reserves for Future Policyholders' Benefits (Continued)

b. Long-term insurance contracts with fixed and guaranteed terms:

	2022	2021
	$	$
Liabilities at beginning of year	83,227,902	81,369,455
Changes in Data, Methods, and Assumptions	(2,624,394)	(1,911,848)
New Business	(5,801,526)	(4,235,594)
Usual change in In-Force Business	10,913,668	8,005,889
Liabilities at end of year	**85,715,650**	**83,227,902**

c. Long-term insurance contracts without fixed and guaranteed terms:

	2022	2021
	$	$
Liabilities at beginning of year	124,234,536	113,180,001
Changes in Data, Methods, and Assumptions	(1,569,522)	(150,837)
New Business	5,633,317	9,554,703
Usual change in In-Force Business	2,177,441	1,650,669
Liabilities at end of year	**130,475,772**	**124,234,536**

d. Long-term insurance contracts with fixed and guaranteed terms and with Discretionary Participation Features (DPF):

	2022	2021
	$	$
Liabilities at beginning of year	24,898,466	24,502,446
Changes in Data, Methods, and Assumptions	(658,704)	(18,624)
New Business	(313,414)	(224,908)
Usual change in In-Force Business	1,055,182	639,552
Liabilities at end of year	**24,981,530**	**24,898,466**

Family Guardian Insurance Company Limited

Notes to the Financial Statements
31 December 2022
(Expressed in Bahamian dollars)
(Continued)

9. Reserves for Future Policyholders' Benefits (Continued)

Total for all lines of business

	2022 $	2021 $
Liabilities at beginning of year	239,632,965	227,826,960
Changes in Data, Methods, and Assumptions	(4,852,698)	(3,252,268)
New Business	(481,623)	5,094,201
Usual change in In-Force Business	16,100,868	9,964,072
Liabilities at end of year	**250,399,512**	**239,632,965**

10. Other Policyholders' Funds

Other policyholders' funds are comprised of the following:

	2022 $	2021 $
Benefits payable to policyholders	17,753,241	19,900,719
Accrued policyholder dividends	3,848,706	3,762,208
Advance premiums	1,215,235	1,116,153
Unapplied premiums	1,024,862	979,106
	23,842,044	**25,758,186**

11. Payables and Accruals

Payables and accruals are comprised of the following:

	2022 $	2021 $
Payables and accruals	5,084,896	3,936,724
Intercompany payables	306,351	528,198
Employee liabilities	3,815,806	4,746,377
Reinsurance payable	1,070,728	1,319,668
	10,277,781	**10,530,967**

12. Bank Overdraft Facilities

The Company has bank overdraft facilities of $250,000 (2021: $250,000). Amounts utilised under the facilities attract interest at Nassau prime rate of 4.25% plus 1.5% (2021:4.25% plus 1.5%).

Family Guardian Insurance Company Limited

Notes to the Financial Statements
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(Expressed in Bahamian dollars)
(Continued)

13. Revaluation Reserve

Revaluation reserve is comprised of the following:

	Financial Investment Assets Revaluation $	Fixed Assets Revaluation $	Total Revaluation Reserve $
Balance as at 31 December 2020	**1,863,088**	**5,572,599**	**7,435,687**
Unrealised gain on AFS investments	277,758	-	277,758
Revaluation of property and equipment	-	397,993	397,993
Balance as at 31 December 2021	**2,140,846**	**5,970,592**	**8,111,438**
Unrealised gain on AFS investments	1,136,018	-	1,136,018
Balance as at 31 December 2022	**3,276,864**	**5,970,592**	**9,247,456**

14. Share Capital

The Company's share capital is comprised as follows:

	Ordinary Shares $1 each 2022 $	Ordinary Shares $1 each 2021 $
Authorised	**2,000,000**	**2,000,000**
Issued and fully paid	**1,707,462**	**1,707,462**

The excess of the issue and purchase price of the ordinary shares over the par value less the costs incurred with the tender offer have been credited to the share premium account.

Family Guardian Insurance Company Limited

Notes to the Financial Statements
31 December 2022
(Expressed in Bahamian dollars)
(Continued)

15. Net Premium Income

Net premium income is comprised of:

	2022 $	2021 $
Short-term insurance contracts	77,701,939	78,106,379
Long-term insurance contracts with fixed and guaranteed terms	27,813,573	25,918,476
Long-term insurance contracts without fixed and guaranteed terms	5,344,959	5,961,717
Long-term insurance contracts with fixed and guaranteed terms and with discretionary participation feature (DPF)	3,052,697	2,855,884
Premium revenue arising from insurance contracts	113,913,168	112,842,456
Premiums ceded for short-term and long-term to reinsurers	(11,725,879)	(11,517,832)
	102,187,289	**101,324,624**

Family Guardian Insurance Company Limited

Notes to the Financial Statements
31 December 2022
(Expressed in Bahamian dollars)
(Continued)

16. Policyholders' Benefits

Policyholders' benefits for the year ended 31 December 2022 by insurance contracts were as follows:

	2022			2021		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	$	**$**	**$**	**$**	**$**	**$**
Short-term insurance contracts	51,623,054	(2,229,517)	49,393,537	49,157,330	(1,705,608)	47,451,722
Long-term insurance contracts with fixed and guaranteed terms	7,375,299	(1,480,825)	5,894,474	12,630,506	(3,964,436)	8,666,070
Long-term insurance contracts without fixed and guaranteed terms	10,353,368	-	10,353,368	12,253,652	-	12,253,652
Long-term insurance contracts with fixed and guaranteed terms and with discretionary participation feature (DPF)	3,343,778	-	3,343,778	3,968,191	-	3,968,191
	72,695,499	**(3,710,342)**	**68,985,157**	**78,009,679**	**(5,670,044)**	**72,339,635**

Family Guardian Insurance Company Limited

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(Continued)

17. Leases

Amounts recognised in the statement of financial position:

	2022 $	2021 $
Right-of-use assets:		
Land & Buildings	570,830	617,743
Lease liabilities:		
Current	40,574	36,457
Non-Current	579,198	619,772
	619,772	656,229

Additions to the right-of-use assets during 2022 were $0 (2021: $0).

Amounts recognised in the statement of comprehensive income:

	2022 $	2021 $
Depreciation charge of right-of-use assets:		
Buildings	46,913	70,324
Interest expense on lease liability:		
Interest expense	41,178	43,397

The Company leases certain office premises under non-cancellable operating leases. Lease terms are negotiated on an individual basis and range from 12 months to 20 years. Right-of-use assets and lease liabilities that arise from leases are initially measured at present value.

Family Guardian Insurance Company Limited

Notes to the Financial Statements
31 December 2022
(Expressed in Bahamian dollars)
(Continued)

17. Leases (Continued)

Lease liabilities include the net present value of fixed payments, the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments are discounted using the incremental borrowing rate that the Company 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 uses recent third party financing received as a starting point and adjust the rate to reflect changes in financing conditions.

The Company is exposed to potential increases in future lease payments, which are not included in the lease liability. When adjustments to lease payments take effect, the lease liability is reassessed and adjusted against the right-of-use assets.

18. Taxation

There are no corporate, income or capital gains taxes levied in The Bahamas and the Company, therefore, pays no taxes on its net income. However, taxes based on gross premium income, levied at 3% for the year ended 31 December 2022 (2021: 3%), amounted to $3,417,395 (2021: $3,385,274) and is included within operating expenses in the statement of comprehensive income.

The Company is also subject to Value Added Tax ("VAT") on taxable supplies at a standard rate of 10%. The Company is eligible for input tax deductions, based on an apportionment formula using the premiums for standard rated taxable and exempt supplies. VAT incurred by the Company in excess of the input tax deductions is included in operating expenses in the statement of comprehensive income.

19. Pension Plan

The Company's pension costs, net of forfeitures in respect to the Plan for the year ended 31 December 2022, amounted to $685,984 (2021: $691,760) and are included in operating expenses in the statement of comprehensive income.

Family Guardian Insurance Company Limited

Notes to the Financial Statements
31 December 2022
(Expressed in Bahamian dollars)
(Continued)

20. Operating Expenses

Operating expenses consists of the following:

	2022	**2021**
	$	**$**
Salaries and benefits	12,177,196	11,168,818
Marketing and public relations	895,017	1,294,498
Premises and maintenance	1,352,039	2,043,000
Premium tax and statutory fees	3,792,931	3,808,227
Professional fees	3,339,736	1,683,119
Other expenses	675,547	1,329,313
Total	**22,232,466**	**21,326,975**

21. Commitments and Contingent Liabilities

Outstanding commitments to extend credit under mortgage loan agreements amounted to $1,029,047 as at 31 December 2022 (2021: $662,768).

The Company has also been named as a defendant in several legal actions arising in the normal course of its business affairs. Management believes that the resolution of these matters will not have a material impact on the Company's financial position. The Company is contingently liable for $5,000 (2021: $5,000) in respect of customs bonds and customs guarantees.

Family Guardian Insurance Company Limited

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22. Related Party Balances and Transactions

Related parties of the Company are those defined in Note 3(x).

Balances and transactions not disclosed elsewhere in these financial statement are disclosed below:

	2022	2021
	$	$
Related party transactions with the Parent:		
Rent expense	12,986	12,986
Related party transactions with the Parent:		
Loan	3,000,000	5,000,000
Related party transactions with affiliates:		
Expense allocation	(1,408,394)	(1,301,814)
Related party transactions with other related parties:		
Premiums ceded to reinsurer	2,606,556	2,674,699
Reinsurance recoveries	124,491	334,514
Administration fees	132,000	132,000
Related party balances with other related parties:		
Receivables and other assets	277,051	520,192
Payables and accruals	435,828	446,490
Compensation of key management personnel:		
Salaries and other short-term employee benefits	2,919,726	2,899,435
Commissions	272,736	319,900
	3,192,462	**3,219,335**

Family Guardian Insurance Company Limited

Notes to the Financial Statements
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(Continued)

22. Related Party Balances and Transactions (Continued)

Employees' incentive plan:

The Company sponsors a plan as an on-going incentive system for its key employees. The plan holds 33,500 shares (2021: 33,400 shares) of the Parent company and these shares are awarded to the plan participants on an annual basis for services rendered in the previous year or as special awards for a promotion or upon hiring at the executive level. The Company makes cash awards as the need arises to the plan and the plan purchases the shares as needed on the open market at market value. The shares vest over a period of years, depending on the type of award granted.

In October 2021, the Board approved a $5,000,000 non-interest bearing loan to the Company's Parent. The loan is to be repaid in ten equal installments of $500,000 over the next 2.5 years ending in March 2024.

23. Post-Retirement Medical Benefit

The Company introduced a post-retirement medical plan on 1 January 1999 for employees who retire after that date. Employees at age 65 or older with 10 or more years of service to the Company are eligible for subsidised post-retirement medical, dental and vision benefits. The Company's contributions will be provided as premium payments are due, for retired participants. Retirees are assumed to pay the full retiree costs, less the Company's subsidy. The employer contribution subsidy for medical costs is set to a fixed dollar amount.

The most recent actuarial valuation was carried out by an independent actuary. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Family Guardian Insurance Company Limited

Notes to the Financial Statements
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(Expressed in Bahamian dollars)
(Continued)

23. Post-Retirement Medical Benefit (Continued)

Amounts recognised in the statement of comprehensive income consists of:

	Other Post employment Benefits	
	2022	**2021**
	$	**$**
Components of benefit cost recognised in net income:		
Current service cost	166,175	157,065
Interest cost	95,364	89,311
Net benefit cost in recognised in comprehensive income	**261,539**	**246,376**

	2022	**2021**
	$	**$**
Components of benefit cost recognised in other comprehensive income:		
Remeasurement on the defined benefit liability:		
Actuarial gain due to experience	(144,587)	(2,163)
Actuarial gain due to demographic assumption changes	(114,776)	-
Actuarial gain on DBO	**(259,363)**	**(2,163)**

Family Guardian Insurance Company Limited

Notes to the Financial Statements
31 December 2022
(Expressed in Bahamian dollars)
(Continued)

23. Post-Retirement Medical Benefit (Continued)

	2022 $	2021 $
Total benefit cost recognised in the statement of comprehensive income		
Cost recognised in net income	261,539	246,376
Remeasurement effects recognised in other comprehensive income	(259,363)	(2,163)
Total benefit cost recognised in the statement of comprehensive income	**2,176**	**244,213**

The current service cost, interest expense and past service cost for the year are included in the employee benefits expense in the statement of comprehensive income. The re-measurement of the net defined benefit liability is included in OCI.

There are no assets associated with the Company's post-retirement medical benefit plan.

Funded Status

The funded status at the end of the year, and the related amounts recognised in the statement of financial position are as follows:

	Other Post employment Benefits	
	2022 $	2021 $
Funded status, end of year		
Benefit obligation, funded plans	(1,889,678)	(2,012,903)
Net amount recognised, end of year	**(1,889,678)**	**(2,012,903)**

Amounts recognised in the statement of financial position are as follows:

	2022 $	2021 $
Liability	**(1,889,678)**	**(2,012,903)**

Family Guardian Insurance Company Limited

Notes to the Financial Statements
31 December 2022
(Expressed in Bahamian dollars)
(Continued)

23. Post-Retirement Medical Benefit (continued)

Funded Status (continued)

	Other Post employment Benefits	
	2022	**2021**
	$	**$**
Experience adjustments		
DBO, end of year	(1,889,678)	(2,012,903)
Funded status	**(1,889,678)**	**(2,012,903)**

	Other Post employment Benefits	
	2022	**2021**
Change in plan assets	**$**	**$**
Fair value of plan assets, beginning of year		-
Employer contribution	125,401	118,390
Benefit payments	(125,401)	(118,390)
Fair value of plan assets, end of year	**-**	**-**

The weighted average assumptions used to determine the defined benefit obligation at the end of the year were as follows:

	2022	**2021**
Discount rate	4.50%	4.50%
Medical cost trend rate	N/A	N/A
Dental/Vision cost trend	0.00%	0.00%
Mortality	RP2000	RP2000

Expected employer contributions

The Company expects to contribute $132,173 (2021: $121,073) to the post-retirement benefits plan in 2022. This benefit is expected to be paid from corporate assets.

Family Guardian Insurance Company Limited

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24. Subsequent Events

i) On 13 February 2023, the Board of Directors declared a fourth quarter dividend of $0.88 (2021: $0.88) per share or $1,500,000 (2021: $1,500,000) to shareholders of record as of 27 February 2023 and which was paid on 3 March 2023.