Audited Financial Statements

CG Atlantic General Insurance Ltd.
Year Ended December 31, 2022
With Independent Auditor's Report

Ernst & Young Ltd.

Building a better working world

CG Atlantic General Insurance Ltd.

Audited Financial Statements

Year Ended December 31, 2022

Contents

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Independent Auditor's Report

To the Shareholders of
CG Atlantic General Insurance Ltd.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CG Atlantic General Insurance Ltd. (the Company), which comprise the statement of financial position as at December 31, 2022, and the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in The Bahamas, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's 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 the Board of Directors 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.

Ernst & Young Ltd.

April 14, 2023

CG Atlantic General Insurance Ltd.
Statement of Financial Position

(Expressed in thousands of Bahamian Dollars)

	December 31 2022		December 31 2021	
Assets				
Cash and cash equivalents *(Note 3)*	$	**3,883**	$	3,241
Financial assets *(Notes 4 and 11)*		**17,376**		16,838
Accrued interest *(Note 4)*		**241**		227
Amounts due from related parties *(Notes 9 and 11)*		**714**		803
Insurance balances receivable *(Notes 5 and 9)*		**7,194**		6,152
Reinsurance balances receivable *(Note 9)*		**333**		617
Losses recoverable from reinsurers *(Notes 6 and 9)*		**3,863**		1,244
Prepaid reinsurance premiums		**14,657**		9,938
Other assets and prepaid expenses		**241**		291
Deferred acquisition costs		**3,202**		2,525
Property and equipment *(Notes 7 and 12)*		**298**		354
Intangible assets *(Note 8)*		**85**		124
Total assets	$	**52,087**	$	42,354
Liabilities				
Lease liabilities *(Note 12)*	$	**103**	$	124
Amounts due to related parties *(Notes 9 and 11)*		**460**		455
Reinsurance balances payable		**4,268**		3,398
Outstanding losses and loss expenses *(Note 6)*		**8,656**		5,123
Accounts payable and other liabilities		**637**		756
Unearned premiums		**20,716**		16,239
Deferred commission income		**3,296**		2,180
Total liabilities		**38,136**		28,275
Shareholders' equity				
Share capital *(Note 10)*		**12,750**		12,750
Retained earnings		**1,242**		1,355
Other comprehensive loss *(Note 4)*		**(41)**		(26)
Total shareholders' equity		**13,951**		14,079
Total liabilities and shareholders' equity	$	**52,087**	$	42,354

See accompanying notes.

On behalf of the Board of Directors:

Director Date: April 14, 2023

G. C. Culmer
Director Date: April 14, 2023

CG Atlantic General Insurance Ltd.
Statement of Comprehensive Income

(Expressed in thousands of Bahamian Dollars)

	Year Ended December 31 2022	2021
Premiums written	**$ 44,960**	$ 37,088
Change in unearned premiums written	**(4,477)**	(1,913)
Total premiums earned	**40,483**	35,175
Reinsurance premiums ceded:	**(35,623)**	(27,359)
Change in prepaid reinsurance premiums	**4,718**	2,235
Premiums ceded	**(30,905)**	(25,124)
Net premiums earned	**9,578**	10,051
Claims paid *(Note 6)*	**(5,665)**	(5,152)
Change in outstanding loss provisions *(Note 6)*	**(3,533)**	792
Claims recovered and recoverable from reinsurers *(Notes 6 and 9)*	**4,007**	582
Net claims incurred	**(5,191)**	(3,778)
Commissions earned	**6,367**	5,032
Commission expensed *(Note 11)*	**(6,091)**	(5,389)
Other underwriting expenses	**(104)**	(111)
Net underwriting income	**4,559**	5,805
Net investment income *(Note 14)*	**606**	497
General and administrative expenses *(Notes 11 and 13)*	**(5,035)**	(4,886)
Net income for the year	**130**	1,416
Other comprehensive loss:		
Change in unrealized loss on financial assets	**(15)**	(36)
Total comprehensive income for the year	**$ 115**	$ 1,380

See accompanying notes.

CG Atlantic General Insurance Ltd.
Statement of Changes in Shareholders' Equity

(Expressed in thousands of Bahamian Dollars)

	Number of Shares	Share Capital	Retained Earnings	Other Comprehensive (Loss) Income	Total
Balance at December 31, 2020	$ 5,750	$ 12,750	$ 182	$ 10	$ 12,942
Dividends *(Note 16)*	–	–	(243)	–	(243)
Net income for the year	–	–	1,416	–	1,416
Change in other comprehensive loss	–	–	–	(36)	(36)
Balance at December 31, 2021	5,750	12,750	1,355	(26)	14,079
Dividends *(Note 16)*	**–**	**–**	**(243)**	**–**	**(243)**
Net income for the year	**–**	**–**	**130**	**–**	**130**
Change in other comprehensive loss	**–**	**–**	**–**	**(15)**	**(15)**
Balance at December 31, 2022	**$ 5,750**	**$ 12,750**	**$ 1,242**	**$ (41)**	**$ 13,951**

See accompanying notes.

CG Atlantic General Insurance Ltd.
Statement of Cash Flows

(Expressed in thousands of Bahamian Dollars)

	Year Ended December 31 2022	2021
Operating activities		
Net income	**$ 130**	$ 1,416
Adjustments for:		
Depreciation and amortization *(Notes 7 and 8)*	**160**	178
Interest income *(Note 14)*	**(699)**	(674)
Bond amortization *(Note 14)*	**49**	121
Interest on lease liability *(Note 12)*	**6**	5
Operating cash flow before changes in operating working capital	**(354)**	1,046
Change in operating working capital *(Note 15)*	**1,140**	(891)
Cash flows provided by operating activities	**786**	155
Investing activities		
Proceeds from sale of investments	**3,664**	2,765
Purchase of investments	**(4,266)**	(3,902)
Additions to intangible assets *(Note 8)*	**(22)**	(20)
Additions to property, plant, and equipment *(Note 7)*	**(43)**	(221)
Interest received *(Note 14)*	**699**	674
Amounts due to (from) related parties	**94**	(1,142)
Cash provided by/(used in) investing activities	**126**	(1,846)
Financing activities		
Dividend paid	**(243)**	(243)
Payment of lease liability *(Note 12)*	**(27)**	(20)
Net cash used in financing activities	**(270)**	(263)
Net increase (decrease) in cash	**642**	(1,954)
Cash at beginning of year	**3,241**	5,195
Cash at end of year	**$ 3,883**	$ 3,241

	Year Ended December 31 2022	2021
Cash and cash equivalents	**$ 3,383**	$ 2,741
Restricted cash *(Note 3)*	**500**	500
Cash available for use	**$ 3,883**	$ 3,241

See accompanying notes.

1. General

CG Atlantic General Insurance Ltd. (the Company), was incorporated under the Companies Act of the Commonwealth of The Bahamas on January 9, 1990, and commenced operations on February 1, 1990. The Company is licensed to operate as a property and casualty insurance company under the Insurance Act, 2005. The registered office of the Company is situated at the offices of The Alexander Corporate Group Limited, One Millars Court, Nassau, Bahamas. With effect from November 3, 2021, the Company changed its corporate legal name, as well as its trading name to CG Atlantic General Insurance Ltd.

The Company operates in The Bahamas and the Turks and Caicos Islands. The Company obtained a license to conduct business in the Turks and Caicos Islands as a licensed insurer in 2007 and in January 2007 the Company commenced writing business through a local agent. The Company is 70% owned by Coralisle Group Ltd. (the Group), Majority Shareholder, a holding company in Bermuda. Coralisle Group Ltd. is fully owned by Edmund Gibbons Limited, an entity domiciled in Bermuda.

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements, including all notes, were authorized for issue by the Board of Directors on April 14, 2023.

Basis of Measurement

The financial statements have been compiled on the going concern basis and prepared on the historical cost basis, except for certain assets and liabilities, which are measured at fair value or amortized cost. The statement of financial position is presented in order of liquidity.

2. Summary of Significant Accounting Policies (continued)

Functional and Presentation Currency

The financial statements are presented in Bahamian dollars, the Company's functional currency.

Foreign Currency Translation

Transactions involving currencies other than the Bahamian dollar are translated at exchange rates ruling at the time of those transactions. All monetary assets and liabilities originating in such currencies are translated at the rates ruling at the statement of financial position date. Any profits or losses on exchange are included in the statement of comprehensive income.

Use of Estimates and Judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, and the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in the Notes 4, 6, and 9.

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurement

Fair value is determined based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value is measured using the assumptions that market participants would use when pricing an asset or liability. The Company determines fair value by using quoted prices in active markets for identical or similar assets or liabilities. When quoted prices in active markets are not available, fair value is determined using valuation techniques that maximize the use of observable inputs. When observable valuation inputs are not available, significant judgment is required to determine fair value by assessing the valuation techniques and valuation inputs. The use of alternative valuation techniques or valuation inputs may result in a different fair value. A description of the fair value methodologies and assumptions by type of asset is included in Note 4.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Company considers all cash on hand, time deposits with an original maturity of three months or less and money market funds which can be redeemed without penalty as equivalent to cash. Additionally, the Company holds restricted cash in a statutory deposit account, which is a requirement for business operations.

Financial Assets

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

2. Summary of Significant Accounting Policies (continued)

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)
- Financial assets at fair value through profit or loss

2. Summary of Significant Accounting Policies (continued)

Financial Assets Carried at Amortized Cost

The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets classified as investments at amortized cost include term deposits and Bahamas government treasury notes.

Financial Assets at Fair Value Through OCI (Debt Instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of comprehensive income (loss) and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon de-recognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

2. Summary of Significant Accounting Policies (continued)

Financial assets classified as FVOCI include any holdings in Bahamian Government bonds.

Financial Assets at Fair Value Through OCI (Equity Instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments*: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of comprehensive income (loss) when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company has not designated any financial assets under this classification.

Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of comprehensive income (loss).

2. Summary of Significant Accounting Policies (continued)

This category includes listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the statement of comprehensive income (loss) when the right of payment has been established.

The Company has not designated any financial assets under this classification.

De-recognition

A financial asset is de-recognized when the Company's rights to contractual cash flows expires, when the Company transfers substantially all its risks and rewards of ownership or when the Company no longer retains control.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of Financial Assets

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2. Summary of Significant Accounting Policies (continued)

The Company's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

- The Company's criteria for assessing if there has been a significant increase in credit risk, and so allowances for financial assets should be measured on a Lifetime ECL (LTECL) basis and the qualitative assessment

- The segmentation of financial assets when their ECL is assessed on a collective basis

- Development of ECL models, including the various formulas and the choice of inputs

- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, Exposure at Default (EAD) and Loss Given Defaults (LGD)

- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

Under the general approach expected credit losses are categorized into one of three stages. Under stage 1 of the general approach, each financial asset or financial asset grouping will be measured for expected credit losses that result from default events that are possible within the 12 months subsequent to the current fiscal period (12-month ECL). Under stage 2 and 3 of the general approach, the financial asset or financial asset group must recognize an expected credit loss allowance for possible default events that may take place over the remaining life of the instrument (lifetime ECL). The categorization of an individual asset or asset group into stage 1, stage 2 or stage 3 is determined by whether there was a significant increase in credit risk since the initial recognition to the reporting date, with the exception that of an asset that is categorized as low credit risk.

The stage 1 ECL classification is used for low credit risk assets or assets that have shown significant improvement in credit quality and is reclassified from stage 2 or has had no significant change in credit risk since initial recognition.

2. Summary of Significant Accounting Policies (continued)

The stage 2 ECL classification is used for assets for which there has been a significant decrease in credit quality since initial recognition, or stage 3 assets that have shown significant improvement in credit quality. The stage 3 ECL is reserved for assets considered to be credit impaired.

The Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. Further, the Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of Non-Financial Assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Company bases its impairment calculation on detailed budgets and forecast calculations.

2. Summary of Significant Accounting Policies (continued)

Impairment losses are recognized in the statement of comprehensive income (loss). Impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Insurance

Insurance contracts are those contracts where the Company has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its term, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Premiums

The Company's insurance premiums are earned pro rata over the term of the applicable risk period specified in the insurance policy. The Company's insurance policies cover losses occurring or claims made during the term of the policy. Generally, the Company receives a fixed premium which is identified in the policy and is recorded on the inception date of the contract and earned evenly over the policy term. Net premiums represent gross premiums, net of the share ceded to reinsurers for insuring part of the risk. Unearned premiums represent the portion of premiums written applicable to the unexpired terms of policies in force.

Receivable and Payable Related to Insurance Contracts

Receivables and payables related to insurance contracts are recognized when due. These include amounts due to and from insurance contract holders, brokers and agents. Premiums receivable are recorded at amounts due less any allowance for estimated uncollectible premiums receivable.

2. Summary of Significant Accounting Policies (continued)

Deferred Acquisition Costs

Deferred acquisition costs represent the cost of acquiring new business, consisting of commission expenses, policy issuance and other costs, which are directly related to the production of new business. Acquisition costs on insurance business are deferred and amortized to income over the period in which the premiums are earned.

Reinsurance Contracts Held

The Company uses reinsurance in the normal course of business to manage its risk exposure. Insurance ceded to a reinsurer does not relieve the Company from its obligations to policyholders. The Company remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet its obligations for reinsurance ceded to it under the reinsurance agreements.

Reinsurance assets represent the benefit derived from reinsurance agreements in force at the reporting date, taking into account the financial condition of the reinsurer. Amounts recoverable from reinsurers are estimated in accordance with the terms of the relevant reinsurance contract.

Premiums ceded and claims reimbursed are presented on a gross basis on the statements of comprehensive income (loss). Reinsurance assets are not offset against the related insurance contract liabilities and are presented separately on the statements of financial position.

Reinsurance profit commission is calculated based on past underwriting results and in accordance with the terms of the reinsurance contracts, and is received from the reinsurers. The reinsurance profit commission is recorded on an accrual basis.

2. Summary of Significant Accounting Policies (continued)

Outstanding Losses and Loss Expenses

Unpaid losses and loss expenses in the statement of financial position include (i) reserves for reported unpaid losses and loss expenses and (ii) for losses incurred but not reported (referred to as "IBNR" reserves).

(i) Reserves for reported unpaid losses

The reserve for reported unpaid losses and loss expenses is established for losses that have been reported, but not yet paid. The reserve for reported unpaid losses and loss expenses is estimated based on claims reported from insureds or amounts reported from ceding companies, and represent the estimated ultimate cost of events or conditions that have been reported to or specifically identified by the Company.

(ii) IBNR reserves

IBNR reserves represents a provision for claims that have been incurred but not yet reported to the Company, as well as future losses development on losses already reported, in excess of the reserve for reported unpaid losses and loss expenses. The Company's appointed actuary is responsible for determining the amount of the IBNR reserves. The Company's actuary employs a variety of generally accepted methodologies to determine estimated ultimate loss reserves, including the "Bornhuetter-Ferguson incurred loss method" and frequency and severity approaches.

The Company's outstanding loss and loss expense reserves are reviewed regularly, and adjustments, if any, are reflected in earnings in the period in which they become known.

2. Summary of Significant Accounting Policies (continued)

The establishment of new loss and loss expense reserves or the adjustment of previously recorded loss and loss expense reserves could result in significant positive or negative changes to the Company's financial condition for any particular period. While management believes the Company's estimate of loss and loss expense reserves is reasonable, the ultimate loss experience may not be reliably predicted, and it is possible losses and loss expenses may be materially different than the total reserve for losses and loss expenses recorded by the Company.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses. The cost of replacing a component of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized as incurred in general and administrative expenses on the statement of comprehensive income.

Depreciation is charged to general and administrative expenses in the statement of comprehensive income on a straight-line basis over the estimated useful life of the asset. The estimated useful lives are as follows:

Computer hardware	5 years
Furniture and office equipment	5 – 15 years
Motor vehicles	5 years
Leasehold improvements	5 – 10 years

The right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the asset as follows:

Right-of-use asset	6 years

2. Summary of Significant Accounting Policies (continued)

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Identifiable Intangible Assets

Finite-life intangible assets are amortized on a straight-line basis over their useful life. The Company has classified software costs as intangible assets if they are not an integral part of the computer equipment. Costs associated with maintaining computer software programs are recognized as an expense as incurred. Finite intangible assets are recorded at cost less accumulated amortization. Amortization is provided for on a straight-line basis over the following estimated useful lives.

Computer software	5 years

Commission Income

Commission income is recorded on an accruals basis and represents reinsurance commission income. These commissions vary according to the related insurance contract and are deferred and amortized over the terms of the policies as premiums are expensed.

Investment Income

Interest on cash and debt securities is recorded on an accrual basis. Dividend income is recognized when the right to receive it is established. For loans and receivables reported at amortized cost, interest income is calculated using the effective interest rate method and is reported in the income statement. Rental income from investment properties is reported in the statement of comprehensive income linearly according to the term of the lease.

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.

2. Summary of Significant Accounting Policies (continued)

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-Use Assets

The Company recognizes 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 measured at cost, 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 recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

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.

The right-of-use assets are also subject to impairment.

Lease Liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance 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 recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

2. Summary of Significant Accounting Policies (continued)

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. 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 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.

Short-Term Leases

The Company applies the short-term lease recognition exemption to its short-term leases of property (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 recognized as expense in the statement of comprehensive income on a straight-line basis over the lease term.

Defined Contribution Plan

Contributions to the defined contribution plan are recognized as an expense in net income or loss in the statement of comprehensive income as incurred. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient funds to pay all employees the benefits relating to employee service in current and prior periods.

Post-Retirement Benefits

The Company's employees are a part of the Edmond Gibbons Limited Retirees Pension and Health Insurance benefits (EGL Plan) whereby, the retirees will be reimbursed by the Company for a portion of the basic medical plan premium from 25% – 100%, depending on the number of years of service. There is no contractual agreement or stated policy with the provider for charging the Company its share of net defined benefit cost and therefore, the portion of premium paid for the eligible retiree is included in expenses.

2. Summary of Significant Accounting Policies (continued)

Taxation

Premium tax is charged by the Government of The Bahamas on gross written premiums at a rate of 3% for the year ended December 31, 2022 (2021 – 3%). Premium tax is charged by the Government of Turks & Caicos Islands on gross written premiums at a rate of 2.5% for the year ended December 31, 2022 (2021 – 2.5%).

The rate of Value Added Tax (VAT) is 10% (2021 – 12%) and is payable on gross written premium plus premium tax on business written in The Bahamas. There is no related VAT exposure on business written in the Turks & Caicos Islands.

The premiums written are disclosed net of premium tax and VAT in the statement of comprehensive income.

New Standards, Interpretations and Amendments to Published Standards

New Standards, Amendments and Interpretations Issued But Not Yet Effective From the Financial Year Beginning January 1, 2022, and Not Early Adopted

IFRS 17, Insurance Contracts, issued in May 2017, specifies the financial reporting for insurance contracts. The new standard replaces IFRS 4, Insurance Contracts, and is effective for annual accounting periods beginning on or after January 1, 2023, and will significantly change the accounting for, valuation of, and presentation of insurance contracts. Contracts that transfer significant insurance risk at the inception of the contract are accounted for as insurance contracts. Contracts that do not transfer significant insurance risk are accounted for as investment contracts under IFRS 9. The adoption of IFRS 17 will not change the classification of the Company's insurance contracts. Before recognizing an insurance contract based on the guidance in IFRS 17, management analyses whether the contract contains components that must be separated. IFRS 17 distinguishes three categories of components that must be accounted for separately:

- Cash flows relating to embedded derivatives that are required to be separated.
- Cash flows relating to distinct investment components.
- Promises to transfer distinct goods or distinct non-insurance services.

2. Summary of Significant Accounting Policies (continued)

The Company applies IFRS 17 to all remaining components of the contract. Where contracts contain multiple insurance components that meet the requirements for separation, these are separated and accounted for as standalone contracts.

Level of Aggregation

The Company manages insurance contracts issued by class of business within an operating segment. Classes of business are then aggregated into portfolios of contracts that are subject to similar risks and managed together. Each portfolio is further disaggregated into groups of contracts that are issued within a financial year (annual cohorts) and are (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts. These groups represent the level of aggregation at which insurance contracts are initially recognized and measured. Such groups are not subsequently reconsidered. The Company assumes there are no contracts in the portfolio that are onerous at initial recognition, unless there are facts and circumstances which may indicate otherwise. Management considers the following to determine whether there are facts and circumstances that mean a group of contracts are onerous:

- Pricing information.
- Results of similar contracts it has recognized.
- External factors, e.g., a change in market experience or regulations.

Measurement Model

Under IFRS 17, the Company's insurance contracts issued and reinsurance contracts held are substantially all eligible to be measured by applying the Premium Allocation Approach ("PAA"). The PAA simplifies the measurement of insurance contracts in comparison with the General Measurement Model under IFRS 17.

2. Summary of Significant Accounting Policies (continued)

The measurement principles of the PAA differ from the 'earned premium approach' used under IFRS 4 in the following key areas:

- The liability for remaining coverage reflects premiums received less deferred acquisition expenses less amounts recognized in revenue for insurance services provided.
- If contracts are assessed as being onerous, a loss component is recognized.
- The recognition of insurance acquisition cash flows includes an allocation of acquisition-related operating expenses incurred in the period. All acquisition related cash flows are deferred and amortized over the coverage period of the group of contracts.
- Measurement of the liability for incurred claims (previously losses and loss adjustment expenses) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk.

Significant Judgements and Estimates

The Company will estimate the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. They reflect current estimates from the perspective of the entity and include an explicit adjustment for non-financial risk (the risk adjustment). The liability for incurred claims is discounted using market-based yield curves promulgated by the BMA. The Company will determine yield curves by leveraging the bottom-up approach of applying a liquidity premium to a risk-free yield curve to reflect the differences between the liquidity characteristics of the risk-free rate and the liquidity characteristics of the insurance liabilities. This liquidity premium is also calculated by the BMA, under its "Standard Approach" yield curve. The Company intends to use the cost of capital approach to calculate the risk adjustment.

2. Summary of Significant Accounting Policies (continued)

Presentation and Disclosure

Presentation and disclosure will change significantly. The balance sheet will continue to contain related assets and liabilities for insurance business, but in a different, more condensed form. The most significant change will be in the presentation of the statement of comprehensive loss where premiums and claims related line items will be replaced by insurance revenue and insurance service expenses. Certain commissions on insurance contracts issued which were previously presented as acquisition expenses will now be presented as a deduction to revenue under IFRS 17. Commissions on insurance contracts that are dependent on claims will be treated as claims cash flows and presented as part of insurance service expenses. All insurance contract assets and liabilities will be monetary items with any revaluation adjustments being recognized in the statement of comprehensive loss.

Under IFRS 17, changes in the carrying amounts of groups of contracts arising from the effects of the time value of money are presented as insurance finance income or expenses. The Company has elected not to disaggregate insurance finance income or expenses and will present the total amount in the statement of comprehensive loss.

Transition and Estimated Impact of the Adoption of IFRS 17

The Company will adopt the full retrospective approach for all changes in accounting policies due to the implementation of IFRS 17. Management is still performing assessments of the initial application of IFRS 17 impact on its financial statements.

Several other amendments and interpretations apply for the first time in 2022, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

There were no other such standards, interpretations or amendments to existing standards that are expected to have a significant impact on the Company.

(Expressed in thousands of Bahamian Dollars)

3. Cash and Cash Equivalents

Cash comprises the following:

		December 31 2022		2021
Current accounts and cash on hand		**3,383**		2,741
Restricted Cash[1]		**500**		500
Balance at end of the year	**$**	**3,883**	$	3,241

4. Financial Assets

At the statement of financial position date, financial assets are classified as follows:

	2022				2021			
		Carrying Value		Cost		Carrying Value		Cost
At Fair Value Through OCI	**$**	**16,610**	**$**	**16,897**	$	16,081	$	16,289
Amortized Cost		**766**		**777**		757		757
	$	**17,376**	**$**	**17,674**	$	16,838	$	17,046

For all securities, regardless of classification, the Company's largest concentration in any one investee, or group of investees, is 100% (2021 – 100%). The investee is the Bahamas Government.

[1] As at December 31, 2022, the Company had $500 (2021 – $500) of restricted cash. This restricted cash is a requirement to operate a business in the Turks & Caicos Islands and is held in a statutory deposit account with the Company's local attorney in accordance with the provisions of the Insurance Ordinance 1989 as amended.

(Expressed in thousands of Bahamian Dollars)

4. Financial Assets (continued)

At Fair Value Through Other Comprehensive Income (FVTOCI)

	2022	**2021**
Bahamas Government Registered Stock	**$ 16,610**	$ 16,081
	$ 16,610	$ 16,081

The Bahamas Government Registered Securities bear interest at rates varying between prime rate plus 0.0273% and 5.55% (2021 – prime rate plus 0.0273% and 5.55%) per annum and mature between May 2023 and April 2049 (2021 – September 2024 and April 2049).

Included in accounts receivable and accrued interest in the statement of financial position is accrued interest totaling $235 (2021 – $221) on financial assets at FVTOCI.

The Bahamas Government Registered Stock (BGRS) is traded on the Bahamas International Securities Exchange - a securities market in The Bahamas. As a result of active trading on this market, the Company recorded an unrealized loss of $(15) (2021 – $(36)) through Other Comprehensive Income.

As at December 31, 2022, the Company had $1,000 (2021 – $1,000) of BGRS with maturity dates of March 28, 2026 and 2027, in trust by Butterfield Bank to meet requirements of the Insurance Act 2005 (Bahamas), and as such this amount is not available for general corporate use.

Included in investment income is an impairment of $(74) (2021 – $145) related to expected credit losses on BGRS.

(Expressed in thousands of Bahamian Dollars)

4. Financial Assets (continued)

Amortized Cost Investments

Investments held at amortized cost include term deposits which are held for more than three months from date of acquisition and have the following maturities and interest rates:

	2022		2021	
	Interest Rate	**Carrying**	**Interest Rate**	**Carrying**
Six months to one year	**2.5%**	**$ 766**	2.5%	$ 757
		$ 766		$ 757

The fair value of these investments at the statement of financial position date is $766 (2021 – $757).

Included in the accounts receivable and accrued interest amounts in the statement of financial position is accrued interest totaling $6 (2021 – $6).

Fair Value Hierarchy

The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical instruments.

Level 2 – Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates, credit risks, etc.) and inputs that are derived from or corroborated by observable market data. Most debt securities are classified within Level 2.

(Expressed in thousands of Bahamian Dollars)

4. Financial Assets (continued)

Level 3 – Model derived valuations in which one or more significant inputs or significant value drivers are unobservable. These measurements include circumstances in which there is little, if any, market activity for the asset or liability. In making the assessment, the Company considers factors specific to the asset or liability and such an assessment will involve significant management judgment. Because of the inherent uncertainty in the valuation of these Level 3 investments, fair values of such investments may differ from the values that would have been used had a ready market for these investments existed, and the differences could be material.

The following table presents the Company's fair value hierarchy for those assets or liabilities measured at fair value and for which fair values are disclosed as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Assets for which fair values are disclosed				
Financial assets at FVTOCI	**$ –**	**$ 16,610**	**$ –**	**$ 16,610**
Financial assets at amortized cost	**–**	**766**	**–**	**766**
Total	**$ –**	**$ 17,376**	**$ –**	**$ 17,376**

The following table presents the Company's fair value hierarchy for those assets or liabilities measured at fair value and for which fair values are disclosed as of December 31, 2021:

	Level 1	Level 2	Level 3	Total
Assets for which fair values are disclosed				
Financial assets at FVTOCI	$ –	$ 16,081	$ –	$ 16,081
Financial assets at amortized cost	–	757	–	757
Total	$ –	$ 16,838	$ –	$ 16,838

There were no reclassifications of investments between Level 1, Level 2, or Level 3 during the year ended December 31, 2022 and December 31, 2021.

4. Financial Assets (continued)

(a) Financial Assets in Level 1

The fair value of investments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These investments are included in Level 1. There are currently no investments in Level 1.

(b) Financial Assets in Level 2 and Level 3

The fair value of investments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Specific valuation techniques include market standard valuation methodologies, which include discounted cash flow analysis, consensus pricing from various broker dealers that are typically the market makers, or other similar techniques. The assumptions and valuation inputs in applying these market standard valuation methodologies are determined primarily using observable market inputs, which include, but are not limited to, benchmark yields, reported trades of identical or similar instruments, broker-dealer quotes, issuer spreads, bid prices and reference data including market research publications. In limited circumstances, non-binding broker quotes are used. If all significant inputs required to fair value an investment are observable, the investment is included in Level 2. Investments included in Level 2 is comprised BGRS and term deposits.

Fair values of the Company's interests in unquoted investments are based upon the Net Asset Values of the underlying investment as reported by the investment managers or their independent administrators. The Company's ability to redeem its investments at the reported net asset value per share (or its equivalent) determines whether the investment is categorized within Level 2 or Level 3 of the fair value hierarchy. If the investment can be redeemed within a time period of 3 months with no gates or other redemption restrictions it is classified within Level 2. Otherwise, the investment is classified within Level 3. There are currently no Level 3 investments.

(Expressed in thousands of Bahamian Dollars)

4. Financial Assets (continued)

A review of the fair value hierarchy classifications is conducted on an ongoing basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets and liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in/out of the Level 3 category as of the beginning of the period in which the reclassifications occur.

5. Insurance Balances Receivable

Insurance balances receivable is presented net of an allowance for doubtful accounts of $1,316 (2021 – $1,316).

6. Outstanding Losses and Loss Expenses and Reinsurance Assets

Outstanding losses and loss expenses are reported gross of reinsurance ceded and the ceded liabilities are reported separately as a reinsurance asset. Outstanding losses and loss expenses include (i) reserves for reported unpaid losses and loss expenses and (ii) losses incurred but not reported.

The reserves for outstanding losses and loss expenses comprise the following:

	December 31			
		2022		**2021**
Reserves for reported unpaid losses:				
Property and other*	**$**	**4,678**	$	1,543
Motor		**3,364**		2,855
Total reserves for reported unpaid losses	**$**	**8,042**	$	4,398
Reserve for losses incurred but not reported:				
Property and other*	**$**	**155**	$	174
Motor		**459**		551
Total reserve for losses incurred but not reported	**$**	**614**	$	725
Total reserves for outstanding losses and loss expenses:				
Property and other*	**$**	**4,833**	$	1,717
Motor		**3,823**		3,406
	$	**8,656**	$	5,123

*Other lines of business include marine cover, directors' and officers' liability cover and professional indemnity. These lines are generally not significant to the Company's operations.

(Expressed in thousands of Bahamian Dollars)

6. Outstanding Losses and Loss Expenses and Reinsurance Assets (continued)

Movements in insurance liabilities and reinsurance assets are as follows:

	2022			2021		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Loss reserves						
Notified claims	**$ 4,398**	**$ 998**	**$ 3,400**	$ 5,515	$ 190	$ 5,325
Incurred but not reported	**725**	**246**	**479**	400	–	400
Total at beginning of period	**$ 5,123**	**$ 1,244**	**$ 3,879**	$ 5,915	$ 190	$ 5,725
Movements during the year						
Claims incurred:						
Current year	**8,899**	**3,990**	**4,909**	5,392	1,633	3,759
Prior years	**299**	**17**	**282**	(1,032)	(1,051)	19
Total claims incurred	**9,198**	**4,007**	**5,191**	4,360	582	3,778
Claims settled:						
Current year	**4,217**	**(1,261)**	**5,478**	2,898	390	2,508
Prior years	**1,448**	**2,649**	**(1,201)**	2,254	(862)	3,116
Total claims settled	**$ 5,665**	**$ 1,388**	**$ 4,277**	$ 5,152	$ (472)	$ 5,624
Total at end of period	**$ 8,656**	**$ 3,863**	**$ 4,793**	$ 5,123	$ 1,244	$ 3,879
Notified claims	**$ 8,042**	**$ 3,685**	**$ 4,357**	$ 4,398	$ 998	$ 3,400
Incurred but not reported	**614**	**178**	**436**	725	246	479
Total at end of period	**$ 8,656**	**$ 3,863**	**$ 4,793**	$ 5,123	$ 1,244	$ 3,879

(Expressed in thousands of Bahamian Dollars)

6. Outstanding Losses and Loss Expenses and Reinsurance Assets (continued)

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The top half of the table below illustrates how the Company's estimate of net retained total claims outstanding for each accident year has changed at successive year ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the statement of financial position.

Reporting Year/Period Ended	2016	2017	2018	2019	2020	2021	2022	Total
Estimate of ultimate claims costs at end of reporting year	$ 10,141	$ 10,656	$ 4,691	$ 24,508	$ 3,140	$ 4,294	**$ 5,316**	
One year later	9,651	9,031	4,696	21,406	3,220	3,939	**–**	
Two years later	9,424	8,878	4,358	20,840	3,356	–	**–**	
Three years later	9,324	8,729	4,182	20,826	–	–	**–**	
Four years later	9,206	8,735	4,159	–	–	–	**–**	
Five years later	9,285	8,699	–	–	–	–	**–**	
Six years later	9,374	–	–	–	–	–	**–**	
Current estimate of cumulative claims	$ 9,374	$ 8,699	$ 4,159	$ 20,826	$ 3,356	**$** 3,939	**$ 5,316**	**$ 55,669**
Cumulative payments to date	$ (8,968)	$ (8,433)	$ (3,961)	$ (20,513)	$ (2,796)	**$** (3,328)	**$ (2,877)**	**$ (50,876)**
Liability recognized in the statement of financial position	$ 406	$ 266	$ 198	$ 313	$ 560	**$** 611	**$ 2,439**	**$ 4,793**
Add: applicable reinsurance recoverable								**$ 3,863**
Total reserves for reported claims at December 31, 2022								**$ 8,656**

(Expressed in thousands of Bahamian Dollars)

7. Property and Equipment

Property, plant and equipment as at December 31, 2022 and 2021, are detailed below:

	January 1, 2022	Additions	Disposals	December 31, 2022
Cost				
Furniture and fixtures	**$ 760**	**$ 10**	**$ –**	**$ 770**
Computer equipment	**1,353**	**13**	**–**	**1,366**
Leasehold improvements	**383**	**20**	**–**	**403**
Machinery and equipment	**237**	**–**	**–**	**237**
Right-of-use assets	**182**	**–**	**–**	**181**
Motor vehicles	**104**	**–**	**–**	**104**
	$ 3,019	**$ 43**	**$ –**	**$ 3,062**

	January 1, 2022	Depreciation	Disposals	December 31, 2022
Accumulated depreciation				
Furniture and fixtures	**$ 716**	**$ 10**	**$ –**	**$ 726**
Computer equipment	**1,262**	**41**	**–**	**1,303**
Leasehold improvements	**374**	**3**	**–**	**377**
Machinery and equipment	**233**	**1**	**–**	**234**
Right-of-use assets	**59**	**23**	**–**	**82**
Motor vehicles	**21**	**21**	**–**	**42**
	$ 2,665	**$ 99**	**$ –**	**$ 2,764**
Net book value	**$ 354**			**$ 298**

	January 1, 2021	Additions	Disposals	December 31, 2021
Cost				
Furniture and fixtures	$ 745	$ 15	$ –	$ 760
Computer equipment	1,327	26	–	1,353
Leasehold improvements	374	9	–	383
Machinery and equipment	233	4	–	237
Right-of-use assets	42	140	–	182
Motor vehicles	77	27	–	104
	$ 2,798	$ 221	$ –	$ 3,019

	January 1, 2021	Depreciation	Disposals	December 31, 2021
Accumulated depreciation				
Furniture and fixtures	$ 710	$ 6	$ –	$ 716
Computer equipment	1,212	50	–	1,262
Leasehold improvements	373	1	–	374
Machinery and equipment	233	–	–	233
Right-of-use assets	42	17	–	59
Motor vehicles	2	19	–	21
	$ 2,572	$ 93	$ –	$ 2,665
Net book value	$ 226			$ 354

Included in property, plant and equipment are fully amortized assets of $2,454 (2021 – $2,277), which are still in use.

(Expressed in thousands of Bahamian Dollars)

8. Intangible Assets

Intangible assets comprising computer software as at December 31, 2022 and 2021, are detailed below:

	January 1, 2022	Additions	Disposals	December 31, 2022
Cost				
Computer software	**$ 843**	**$ 22**	$ –	**$ 865**
	$ 843	**$ 22**	$ –	**$ 865**

	January 1, 2022	Amortization Expense	Disposals	December 31, 2022
Accumulated amortization				
Computer software	**$ 719**	**$ 61**	$ –	**$ 780**
	$ 719	**$ 61**	$ –	**$ 780**
Net book value	**$ 124**			**$ 85**

	January 1, 2021	Additions	Disposals	December 31, 2021
Cost				
Computer software	$ 823	$ 20	$ –	$ 843
	$ 823	$ 20	$ –	$ 843

	January 1, 2021	Amortization Expense	Disposals	December 31, 2021
Accumulated amortization				
Computer software	$ 634	$ 85	$ –	$ 719
	$ 634	$ 85	$ –	$ 719
Net book value	$ 189			$ 124

Included in intangible assets are fully amortized assets of $395 (2021 – $395), which are still in use.

Amortization expense of $61 (2021 – $85) is included within general and administrative expenses in the statement of comprehensive income.

(Expressed in thousands of Bahamian Dollars)

9. Risk Management and Financial Instruments

Insurance Risk

The Company writes motor vehicle, motor cycle, property, marine and general liability risks in The Bahamas with the following per risk treaty limits:

		Per Risk
Property	$	10,000
Motor liability	$	10,000
General liability	$	5,000
Marine hull liability	$	1,000
Engineering	$	11,200

The majority of the insurance risk to which the Company is exposed is of a short-tail nature. Policies generally cover a 12-month period. The duration of claims liability varies as presented below:

	2022	2021
Net short-term insurance liabilities –property risk	**8 months**	11 months
Net short-term insurance liabilities –casualty risk	**7 months to 1 year, 3 months**	10 months to 1 year, 4 months

Insurance contract risk is the risk that a loss arises from the following reasons:

- fluctuation in the timing, frequency and severity of claims relative to expectations;
- inadequate reinsurance protection; and
- large unexpected losses arising from a single event such as a catastrophe.

9. Risk Management and Financial Instruments (continued)

Insured events can occur at any time during the coverage period and can generate losses of variable amounts. An objective of the Company is to ensure that sufficient claims liabilities are established to cover future insurance claim payments related to past insured events. The Company's success depends upon its ability to accurately assess the risk associated with the insurance contracts underwritten by the Company. The Company establishes claims liabilities to cover the estimated liability for the payment of all losses, including loss adjustment expenses incurred with respect to insurance contracts underwritten by the Company. Claims liabilities do not represent an exact calculation of the liability. Rather, claims liabilities are the Company's best estimates of its expected ultimate cost of resolution and administration of claims.

The composition of the Company's insurance risk, as well as the methods employed to mitigate risks, are described below.

Risk Related to the Timing, Frequency and Severity of Claims

The occurrence of claims being unforeseeable, the Company is exposed to the risk that the number and the severity of claims would exceed the estimates.

Strict claim review policies are in place to assess all new and ongoing claims. Regular detailed reviews of claims handling procedures and frequent investigations of possible fraudulent claims reduce the Company's risk exposure. Further, the Company enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that could negatively impact the business.

Reinsurance Protection

In the normal course of business, the Company limits the amount of loss on any one policy by reinsuring certain levels of risk with other insurers. Reinsurance ceded does not discharge the Company's liability as the primary insurer. In the event that the reinsurers are unable to meet their obligations under the reinsurance agreements, the Company would also be liable for the reinsured amount.

9. Risk Management and Financial Instruments (continued)

The Company reinsures its property risks under a property quota share treaty whereby 70% (2021 – 70%) of each risk up to $6,000 is ceded to reinsurers. The event limit is $273,700 (2021 – $273,700). The Company also has a surplus treaty for property risks where the limit is $4,000 on a per risk basis. The event limit is $37,500 (2021 – $31,900). For larger individual property risks the Company obtains the additional coverage by way of prearranged facilities and facultative reinsurance. The Company also purchases property catastrophe reinsurance – the coverage and cost is shared by all property and casualty companies in the Group – for per occurrence exposures in excess of $7,000 (2021 – $7,000) for the first event and $3,500 (2021 – $3,500) for the second event up to a maximum of $170,000 (2021 – $150,000). A company related through common control provides cover to reduce the treaty deductible down to $2,000 (2021 – $2,000).

The Company has a combination of self-insurance and purchases excess of loss reinsurance protection for the motor and general liability program. The combination of purchased reinsurance and self-insurance limits losses to $500 (2021 – $500) per occurrence. The Company purchases reinsurance for marine risks under a risk and excess of loss treaty which limits marine losses to $125 (2021 – $125) per risk.

Catastrophe Risk

Catastrophe risk is the risk of occurrence of a catastrophe defined as any one claim, or group of claims related to a single event such as large fires, hurricanes or wind storms. Catastrophes can have a significant impact on the underwriting income of an insurer.

The Company has limited its exposure to catastrophe risk by imposing maximum claim amounts on certain contracts, as well as by using reinsurance arrangements. The placement of ceded reinsurance is almost exclusively on an excess-of-loss basis (per event or per risk). Retention limits for the excess-of-loss reinsurance vary by product line.

(Expressed in thousands of Bahamian Dollars)

9. Risk Management and Financial Instruments (continued)

Exposure to Insurance Risk

Key Assumptions

The principal assumption underlying the unpaid claim estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Sensitivities

The non-life insurance claim liabilities are sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

December 31, 2022	**Change in Assumptions**	**Increase/ (Decrease) in Gross Liabilities**	**Increase/ (Decrease) in Net Liabilities**	**(Decrease)/ Increase in Profit Before Tax**	**(Decrease)/ Increase on Equity**
Average claim cost	**+10%**	**866**	**479**	**(479)**	**(479)**
Average number of claims	**+10%**	**866**	**479**	**(479)**	**(479)**
Average claim cost	**-10%**	**(866)**	**(479)**	**479**	**479**
Average number of claims	**-10%**	**(866)**	**(479)**	**479**	**479**

9. Risk Management and Financial Instruments (continued)

The Company predominantly funds its net insurance liabilities (net of reinsurance recoveries) through its cash in the normal course of its operations. In the event of a catastrophe, the net insurance liabilities may require to be funded through the disposal of the Company's portfolio of investments.

Financial Risk

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

- credit risk
- liquidity risk
- market risk

The nature and extent of the financial instruments outstanding at the statement of financial position date and the risk management policies of the Company are discussed below:

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Company's maximum credit risk exposure is the carrying value of assets less any provisions for irrecoverable amounts. The Company is exposed to credit risk in the following areas:

Cash and Investments

All cash is held with a reputable financial institution in The Bahamas and Turks & Caicos Islands. Investments in debt securities expose the Company to the risk that the issuer will default on payment of interest, principal or both. The Company seeks to mitigate credit risk on debt securities by adhering to investment guidelines established by management. Details of concentrations of cash and cash equivalents and investments are disclosed in Notes 3 and 4.

9. Risk Management and Financial Instruments (continued)

Insurance Balances Receivable

The Company's exposure to credit risk is influenced by the financial stability of entities and individuals purchasing insurance products. This credit risk is controlled by monitoring the aging of all amounts outstanding on an ongoing basis and monitoring the customers' financial health by reference to the media and discussions with the customers. A provision is made for non-recovery if considered necessary.

Collateral is not held against any of the outstanding balances; however, the Company has the right to cancel the policy for non-payment. Cancellation or extension of the terms of credit is instituted on a case by case basis.

Reinsurance Balances Receivable

Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company; consequently, allowances are established for amounts deemed uncollectible. The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of its reinsurers to minimize the exposure to significant losses from reinsurer insolvencies.

The Company reviews the creditworthiness of reinsurers on an annual basis and only enters and maintains contracts with reinsurers that (1) have been rated as A- or higher by the AM Best credit rating agency and (2) have in excess of $500 million in capital and surplus. Current financial statements for the reinsurers are reviewed annually. Based on the individual reinsurance agreements, the Company may have the right to offset amounts due to reinsurers against any amounts due from reinsurers.

Amounts due from reinsurers are assessed regularly, for any indication of impairment. At December 31, 2022, $333 was due from four reinsurers (2021 – $617) who all have an A.M. Best rating of at least A. At year-end, there is no significant credit risk associated with any of the Company's reinsurers.

(Expressed in thousands of Bahamian Dollars)

9. Risk Management and Financial Instruments (continued)

Related-Party and Other Receivables

Amounts due from related parties and other receivables are assessed and monitored on a monthly basis for any indication of impairment. As at December 31, 2022, all amounts are considered to be collectible.

The following table analyses the aging of the Company's receivables as at December 31, 2022:

	Insurance Balances Receivable	Reinsurance Balances Receivable	Losses Recoverable from Reinsurers	Amounts due from Related Parties	Total
Amounts not currently due	**$ 4,544**	**$ –**	**$ 3,863**	**$ 714**	**$ 9,121**
Up to 30 days	**1,123**	**182**	**–**	**–**	**1,305**
31 – 60 days	**989**	**77**	**–**	**–**	**1,066**
61 – 90 days	**332**	**72**	**–**	**–**	**404**
Over 90 days	**206**	**2**	**–**	**–**	**208**
Total	**$ 7,194**	**$ 333**	**$ 3,863**	**$ 714**	**$ 12,104**

The following table analyses the aging of the Company's receivables as at December 31, 2021:

	Insurance Balances Receivable	Reinsurance Balances Receivable	Losses Recoverable from Reinsurers	Amounts due from Related Parties	Total
Amounts not currently due	$ 3,231	$ –	$ 1,244	$ 803	$ 5,278
Up to 30 days	999	317	–	–	1,316
31 – 60 days	1,137	11	–	–	1,148
61 – 90 days	268	14	–	–	282
Over 90 days	517	275	–	–	792
Total	$ 6,152	$ 617	$ 1,244	$ 803	$ 8,816

Included in insurance balances receivable are amounts past due of $2,651 (2021 – $2,921) that are not considered to be impaired.

(Expressed in thousands of Bahamian Dollars)

9. Risk Management and Financial Instruments (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company is exposed to daily calls on its available cash resources for the payment of claims and operating expenses. In order to manage liquidity, management seeks to maintain levels of cash and short-term deposits sufficient to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following summarizes the contractual recovery or settlement of other assets held (within 12 months from the statement of financial position date) and the maturity profile of the Company's liabilities relating to financial instruments and insurance contracts:

	2022			2021		
	Current	**Non-Current**	**Total**	**Current**	**Non-Current**	**Total**
Financial assets						
Cash and cash equivalents	**$ 3,883**	$ –	**$ 3,883**	$ 3,241	$ –	$ 3,241
Financial assets	**16,376**	**1,000**	**17,376**	15,838	1,000	16,838
Accrued interest	**241**	–	**241**	227	–	227
Insurance balances receivable	**7,194**	–	**7,194**	6,152	–	6,152
Reinsurance balances receivable	**333**	–	**333**	617	–	617
Losses recoverable from reinsurers	**3,863**	–	**3,863**	1,244	–	1,244
Amounts due from related parties	**714**	–	**714**	803	–	803
Total	**$ 32,604**	**$ 1,000**	**$ 33,604**	$ 28,122	$ 1,000	$ 29,122
Financial liabilities						
Outstanding losses and loss expenses	**$ 8,656**	$ –	**$ 8,656**	$ 5,123	$ –	$ 5,123
Reinsurance balances payable	**4,268**	–	**4,268**	3,398	–	3,398
Amounts due to related parties	**460**	–	**460**	455	–	455
Accounts payable and other liabilities	**637**	–	**637**	756	–	756
Lease liabilities	**103**	–	**103**	124	–	124
Total	**$ 14,124**	$ –	**$ 14,124**	$ 9,856	$ –	$ 9,856
Liquidity margin	**$ 18,480**	**$ 1,000**	**$ 19,480**	$ 18,266	$ 1,000	$ 19,266

9. Risk Management and Financial Instruments (continued)

Market Risk

Market risk is the risk that changes in market prices such as equity prices, interest rates, and foreign exchange rates will affect the Company's income or the value of its holdings of financial instruments. The objective of the Company's market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Interest-Rate Risk

The Company invests in fixed interest debt securities and investment funds, the fair values of which are affected by changes in interest rates. The coupon rates associated with the fixed interest debt securities held by the Company are from 3.2% to 6.3%. (2021 – 4.2% to 6.2%). None of the Company's insurance products expose it to interest rate risk. At the statement of financial position date, management estimates that a 1% increase in interest rates, with all other variables held constant, would increase net income by approximately $174. A 1% decrease in interest rates would have a correspondent decrease in net income.

Currency Risk

The majority of the Company's financial assets and liabilities are denominated in Bahamian dollars therefore the Company is not normally exposed to significant currency risk.

Limitations of Sensitivity Analysis

The sensitivity information included in this note demonstrates the estimated impact of a change in a major input assumption while other assumptions remain unchanged. In reality, there are normally significant levels of correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results. Furthermore, estimates of sensitivity may become less reliable in unusual market conditions such as instances when risk free interest rates fall towards zero.

(Expressed in thousands of Bahamian Dollars)

10. Capital Management and Statutory Requirements

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to comply with the insurance capital requirements stipulated within the Insurance Act of The Bahamas (2005) and with regulations mandated by the Insurance Commission of The Bahamas which stipulate a minimum capital requirement of $4,730 (2021 – $4,353). This is based on $2,000 plus 20% of net premiums up to $10,000 and 18% of net premiums exceeding $10,000. The Company has met this requirement as the available capital is $10,747 (2021 – $10,618). The calculated margin of solvency is therefore $6,017 for 2022 (2021 – $6,265).

The Company's capital base consists of common shares and retained earnings.

Common Shares

	December 31	
	2022	**2021**
Authorized, share capital:		
12,000,000 shares of $1.00 each	**$ 12,000**	$ 12,000
Issued and fully paid ordinary shares:		
5,750,000 shares of $1.00 each	**$ 5,750**	$ 5,750
500,000 8.5% redeemable cumulative preference shares of $1.00 each	**500**	500
3,000,000 2% redeemable convertible non-cumulative preference shares of $1.00 each	**3,000**	3,000
3,500 4% redeemable cumulative preference shares of $1,000 each	**3,500**	3,500
	$ 12,750	$ 12,750

(Expressed in thousands of Bahamian Dollars)

10. Capital Management and Statutory Requirements (continued)

The preference shares are redeemable at the option of the Company or convertible at the option of the preference shareholder at the earlier of the following events:

- the accumulated deficit being eliminated;
- the occasion of the merger or association of the Company with another company, the effect of which satisfies the regulatory requirements of the Bahamian Government Authorities.

11. Related-Party Balances and Transactions

The following transactions were carried out with related parties:

(a) Year-end Balances

Due from related parties	December 31 2022	December 31 2021
Gibbons Management Services Ltd.	**$ 698**	$ 664
Coralisle Insurance Brokers (TCI) Ltd.	**16**	139
	$ 714	$ 803

Due to related parties	December 31 2022	December 31 2021
Coralisle Insurance Company Ltd.	**$ (35)**	$ (376)
Coralisle Group Ltd.	**(80)**	(8)
CG Atlantic Medical & Life Insurance Ltd.	**(68)**	(36)
Coralisle Pension Services (Bahamas) Ltd.	**(3)**	(3)
CG Atlantic Insurance Agents & Brokers Ltd.	**(274)**	(29)
British Caymanian Insurance Company Limited	–	(3)
	$ (460)	$ (455)

(Expressed in thousands of Bahamian Dollars)

11. Related-Party Balances and Transactions (continued)

(b) Income and Expenses

	2022 Income (Expense)	2021 Income (Expense)
Premiums written[2]	**$ 1**	$ 7
Commission expense[3]	**(2,473)**	(2,060)
Staff cost[4]	**(77)**	(75)
Management fee expense[5]	**32**	32
Reimbursement of administrative expenses[5]	**1,236**	1,297
Management fee expense[6]	**(300)**	(300)
Reimbursement of expenses under Management agreement[6]	**(3,742)**	(4,096)
Rent[7]	**(154)**	(154)

[2] The Company provided insurance coverage on the premises owned by CG Atlantic Medical & Life Insurance Ltd. (CGAML), a company related through common control. For the year ended December 31, 2022, the premiums received totaled $188 (2021 – $181). The Company also engaged CGAML for medical coverage for its employees and paid a total premium for 2022 of $187 (2021 – $174).

[3] The Company pays commissions to cover allocated expenses of CG Atlantic Insurance Agents & Brokers Ltd. (CGAA) and Coralisle Insurance Brokers (TCI) Ltd. (CIB) relating to sale of the Company's insurance products. Commission expense for CGAA totaled $2,189 (2021 – $1,767) and $284 (2021 – $295) for CIB.

[4] The Company participates in a defined contribution pension plan controlled and operated by a Trust Fund. The administration of the plan is provided by Coralisle Pensions Services (Bahamas) Ltd., a company related through common ownership. The employees make a 5% salary contribution, with an equal amount being contributed by the Company, which is its maximum constructive obligation under the scheme. Consequently, the actuarial risk and investment risk fall on the employee. The contributions are paid into a deposit account administered by Butterfield Trust (Bahamas) Limited.

[5] The Company has a management agreement with CGAA effective January 1, 2012, whereby the Company provides management functions to CGAA for a fee of $32. The Company also reimbursed for all costs incurred in the operations of CGAA. [6] The Company, effective January 1, 1995, entered in the agreement with Coralisle Insurance Company Ltd. (CIC) for the provision of all functions and services necessary and incidental to the successful management of the Company for an annual fee of $300,000. In addition to this, CIC is reimbursed for all related costs incurred in the performance of this management agreement.

[6] The Company, effective January 1, 1995, entered in the agreement with Coralisle Insurance Company Ltd. (CIC) for the provision of all functions and services necessary and incidental to the successful management of the Company for an annual fee of $300,000. In addition to this, CIC is reimbursed for all related costs incurred in the performance of this management agreement.

[7] The Company rents office space from CGAML, a company related through common control. All services are bought and sold from/to companies related through common control on normal commercial terms and conditions.

(Expressed in thousands of Bahamian Dollars)

11. Related-Party Balances and Transactions (continued)

The amounts due to and from companies related through common control are unsecured and due on demand. No provisions are held against amounts due from related parties (2021 – $Nil). Balances due to/from Coralisle Insurance Company Ltd. bear interest at 3% (2021 – 3%), CGAA at 3% (2021 – 3%) and Gibbons Management Services Limited at 5% (2021 – 5%). Balances with all other related parties are non-interest bearing.

During the year, the Company paid interest expense of $26 (2021 – $39) under the arrangement with Coralisle Insurance Company Ltd. and $1 (2021 – $5) under the arrangement with CGAA. The Company also received interest income of $34 (2021 – $33) under the arrangement with GMSL. The net interest amount is included in net investment income on the statement of comprehensive income.

(c) Investments

Coralisle Pension Services (Bahamas) Ltd., which is a company related through common control, acts in the capacity of a fiduciary in providing investment advisory services to the Company and charged a management fee of $47 (2021 – $46) which is included in net investment income on the statement of comprehensive income.

(d) Key Management Compensation

Compensation to key management employees deemed to be related parties under IAS 24 was as follows:

	December 31	
	2022	**2021**
Short term employee benefits	**$ 605**	$ 609
Defined contribution pension and medical insurance expenses	**81**	81
	$ 686	$ 690

(Expressed in thousands of Bahamian Dollars)

11. Related-Party Balances and Transactions (continued)

Non – executive directors were paid directors' fees of $48 (2021 – $48) which is included in the total directors expense of $84 within professional and legal fees in general and administrative expenses on the statement of comprehensive income. As at December 31, 2022, prepaid director fees totaled $74 (2021 – $74).

12. Leases

The Company has a lease contract for a building with three-year terms with an option to renew for a further three years. Set out below are the carrying amounts of lease liabilities and movements for the lease contract during the period:

		2022
Present Value of cash flows as at January 1	**$**	**124**
Principal lease payments		**(27)**
Interest expense		**6**
Ending balance as at December 31	**$**	**103**

Minimum annual lease and occupancy charge commitments as of December 31, 2022**,** are as follows:

Within one year	$	22
One to five years	$	81

The following are the amounts recognized in the statement of comprehensive income:

		2022
Depreciation expense on right-of-use assets	**$**	**23**
Interest expense on lease liabilities		**6**
Total amount recognized in profit or loss	**$**	**29**

(Expressed in thousands of Bahamian Dollars)

13. General and Administrative Expenses

Administrative expenses comprise of:

	December 31	
	2022	**2021**
Staff costs	**$ 2,178**	$ 2,170
Computer	**793**	836
Professional and legal fees	**532**	515
Rent *(Note 11)*	**471**	449
Marketing	**482**	410
Depreciation and amortization *(Notes 7 and 8)*	**160**	178
Communication	**70**	99
Office	**69**	78
Travel and entertainment	**129**	34
Donations	**–**	5
Memberships and subscriptions	**2**	1
Other expenses	**149**	111
Total administrative expenses	**$ 5,035**	$ 4,886

14. Net Investment Income

Net investment income comprises:

	December 31	
	2022	**2021**
Interest on investments	**$ 699**	$ 674
Bank and other interest	**3**	5
Interest on related-party balances *(Note 11)*	**8**	(12)
Investment advisory fees *(Note 11)*	**(55)**	(50)
Bond amortization	**(49)**	(121)
Net unrealized gain on financial assets *(Note 4)*	**–**	1
Total net investment income	**$ 606**	$ 497

(Expressed in thousands of Bahamian Dollars)

15. Change in Operating Working Capital

	December 31	
	2022	**2021**
(Increase) Decrease in:		
Insurance balances receivable	**$ (1,042)**	$ (358)
Reinsurance balances receivable	**284**	154
Prepaid reinsurance premiums	**(4,719)**	(2,235)
Losses recoverable from reinsurers	**(2,619)**	(1,054)
Other assets and prepaid expenses	**50**	37
Deferred acquisition costs	**(677)**	(185)
Accrued interest	**(14)**	4
(Decrease) Increase in:		
Accounts payable and other liabilities	**(119)**	100
Lease liability	**–**	140
Reinsurance balances payable	**870**	905
Unearned premiums	**4,477**	1,913
Deferred commission income	**1,116**	480
Outstanding losses and loss expenses	**3,533**	(792)
	$ 1,140	$ (891)

16. Dividends

During the year, dividends of $243 (2021 – $243) were declared and paid on the preference shares.

17. Comparative Figures

Certain reclassifications have been made to comparative information to confirm to current year's presentation. These changes in presentation had no effect on net income for the period.

18. Subsequent Events

The Company has completed its subsequent events evaluation for the period subsequent to the balance sheet through April 14, 2023, the date the financial statements were available to be issued.

There were no further subsequent events requiring disclosure or recognition in the audited financial statements.

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