THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2022

KPMG
Chartered Accountants
P.O. Box 436
6 Duke Street
Kingston
Jamaica, W.I.
+1 (876) 922 6640
firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Shareholder of
THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Insurance Company of the West Indies Limited ("the company"), set out on pages 5 to 69, which comprise the statement of financial position as at December 31, 2022, the statements of profit or loss and other comprehensive income, changes in shareholder's equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We 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), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the Shareholder of
THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Report on the Audit of the Financial Statements (cont'd)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with IFRS Standards and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

To the Shareholder of
THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Report on the Audit of the Financial Statements (cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also (cont'd):

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Shareholder of
THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Report on Additional Matters as Required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

KPMG

Chartered Accountants
Kingston, Jamaica

March 31, 2023

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Statement of Financial Position
December 31, 2022

	Notes	2022 $'000	2021 $'000
ASSETS			
Property, plant and equipment	6	588,072	634,574
Right-of-use assets	7(i)(a)	169,266	191,505
Investment properties	8	73,500	66,752
Investment in subsidiary	9	4,013	4,013
Due from immediate parent company	10(a)(i)	320,556	364,767
Due from fellow subsidiaries	10(a)(ii)	77,525	60,988
Due from related company	10(a)(iii)	34,742	34,522
Deferred taxation	20	72,974	66,352
Investments	11	2,293,807	1,929,420
Securities purchased under resale agreements	12	1,372,459	1,399,179
Reinsurance assets	13(a)	3,161,795	3,239,428
Taxation recoverable		86,959	48,163
Insurance receivables	14	524,988	453,897
Deferred commission expense	15	337,599	315,509
Other accounts receivables and prepayments	16	71,766	71,838
Accrued investment income		25,255	19,644
Cash and cash equivalents	17	763,933	1,044,584
Total assets		9,979,209	9,945,135
LIABILITIES AND SHAREHOLDER'S EQUITY			
Other payables and accrued charges	18	428,970	441,597
Insurance payables	19	892,575	788,621
Insurance contract provisions	13	5,964,161	5,936,027
Lease liabilities	7(i)(b)	185,023	206,250
Due to fellow subsidiaries	10(iv)	-	2,611
Employee benefit obligation	21(a)(i)	113,400	157,788
		7,584,129	7,532,894
Share capital	22(a)	260,237	260,237
Share premium	22(b)	66,763	66,763
Capital reserve	22(c)	2,662	2,662
Investment revaluation reserve	22(d)	3,483	12,156
Retained earnings		2,061,935	2,070,423
		2,395,080	2,412,241
Total liabilities and equity		9,979,209	9,945,135

The financial statements on pages 5 to 69 were approved by the Board of Directors on March 31, 2023 and signed on its behalf by:

Diane Bean Chairman
Diane Bean

Mark Roberts Director
Mark Roberts

The accompanying notes form an integral part of the financial statements.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Statement of Profit or Loss and Other Comprehensive Income
Year ended December 31, 2022

	Notes	2022 $'000	2021 $'000
Gross premiums written	13(c)	6,852,616	6,393,834
Change in gross provision for unearned premiums		(155,750)	(232,895)
Gross insurance premium written	13(c)	6,696,866	6,160,939
Written premiums ceded to reinsurers	13(c)	(3,979,573)	(3,680,829)
Reinsurers' share of change in provision for unearned premiums		87,264	138,712
Net underwriting income	13(c)	2,804,557	2,618,822
Claims expenses incurred	13(b)	(3,081,123)	(3,137,287)
Reinsurers' share of claims	13(b)	1,420,919	1,739,962
Net insurance claims	13(b)	(1,660,204)	(1,397,325)
Commission income	19	1,308,535	1,329,933
Commission expenses	15	(761,580)	(703,853)
Net commission income		546,955	626,080
		1,691,308	1,847,577
Operating expenses	23(b)	(1,820,675)	(1,811,260)
Underwriting (loss)/profit before other income, other expenses and taxation		(129,367)	36,317
Lease expense on lease liabilities	7(i)(c)	(20,741)	(22,722)
Investment income	24(a)	129,910	102,497
Foreign exchange (loss)/gain		(67,898)	144,212
Change in fair value of investment properties	8	6,748	3,800
Gain/(loss) on disposals of property, plant and equipment		27	(55)
Other income	24(b)	45,023	45,630
(Loss)/profit before taxation		(36,298)	309,679
Taxation	25	(9,093)	(66,365)
(Loss)/profit for the year		(45,391)	243,314
Other comprehensive income			
Items that may be reclassified to profit or loss			
Net change in fair value of available-for-sale investments		(8,673)	7,424
Items that will not be reclassified to profit or loss			
Remeasurement gain/(loss) on employee benefit obligation	21(a)(i)	55,355	(8,401)
Deferred tax	20	(18,452)	2,800
		36,903	(5,601)
Other comprehensive income for the year, net of tax		28,230	1,823
Total comprehensive (loss)/income for the year		(17,161)	245,137

The accompanying notes form an integral part of the financial statements.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Statement of Changes in Shareholder's Equity
Year ended December 31, 2022

	Share capital $'000 [note 22(a)]	Share premium $'000 [note 22(b)]	Capital reserve $'000 [note 22(c)]	Investment revaluation reserve $'000 [note 22(d)]	Retained earnings $'000	Total $'000
Balances at December 31, 2020	260,237	66,763	2,662	4,732	1,832,710	2,167,104
Total comprehensive income:						
Profit for the year	-	-	-	-	243,314	243,314
Other comprehensive income:						
Net change in fair value of available-for-sale investments	-	-	-	7,424	-	7,424
Remeasurement loss on employee benefit obligation, net of taxes	-	-	-	-	(5,601)	(5,601)
Total comprehensive income for the year	-	-	-	7,424	237,713	245,137
Balances at December 31, 2021	260,237	66,763	2,662	12,156	2,070,423	2,412,241
Total comprehensive loss:						
Loss for the year	-	-	-	-	(45,391)	(45,391)
Other comprehensive income:						
Net change in fair value of available-for-sale investments	-	-	-	(8,673)	-	(8,673)
Remeasurement gain on employee benefit obligation, net of taxes	-	-	-	-	36,903	36,903
Total comprehensive loss for the year	-	-	-	(8,673)	(8,488)	(17,161)
Balances at December 31, 2022	260,237	66,763	2,662	3,483	2,061,935	2,395,080

The accompanying notes form an integral part of the financial statements.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Statement of Cash Flows
Year ended December 31, 2022

	Notes	2022 $'000	2021 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit for the year		(45,391)	243,314
Adjustments for:			
Depreciation on property, plant and equipment	6	65,080	82,111
Depreciation on right-of-use assets	7(i)(a)	106,227	101,406
(Gain)/loss on disposals of property, plant and equipment		(27)	55
Write-off of property, plant and equipment	6	-	89
Increase in fair value of investment properties	8	(6,748)	(3,800)
Reinsurance assets		77,633	(527,930)
Insurance contract provisions		28,134	690,229
Employee benefit obligation	21(a)(i)	16,310	15,831
Interest income	24(a)	(125,991)	(98,352)
Foreign exchange (loss)/gain		67,898	(144,212)
Interest expense on lease liabilities	7(i)(c)	20,741	22,722
Taxation	25	9,093	66,365
		212,959	447,828
Changes in:			
Insurance receivables		(72,233)	(29,693)
Deferred commission expenses		(22,090)	(19,217)
Other accounts receivables and prepayments		72	1,232
Other payables and accrued charges		(24,767)	11,917
Insurance payables		89,574	54,286
		183,515	466,353
Tax paid		(50,318)	(33,473)
Benefits paid	21(a)(i)	(5,342)	(4,707)
Withholding tax		(22,646)	(15,887)
Net cash provided by operating activities		105,209	412,286
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	6	(18,969)	(49,657)
Proceeds from sale of property, plant and equipment		418	1,566
Interest received		120,380	96,807
Investments		(371,528)	154,580
Net cash (used by)/provided in investing activities		(269,699)	203,296
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities	7(i)(d)	(125,956)	(122,120)
Due from immediate parent company		44,211	(23,723)
Due to/from fellow subsidiaries and other related parties, net		(22,193)	(91,463)
Net cash used in financing activities		(103,938)	(237,306)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(268,428)	378,276
Effect of movement in exchange rates on cash held		(12,223)	30,916
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,044,584	635,392
CASH AND CASH EQUIVALENTS AT END OF YEAR		763,933	1,044,584

The accompanying notes form an integral part of the financial statements.

1. Corporate structure and nature of business

The Insurance Company of the West Indies Limited ('the company'), is incorporated in Jamaica under the Companies Act, is domiciled in Jamaica and is a wholly owned subsidiary of ICWI Group Limited (immediate parent), which is also incorporated in Jamaica. The ultimate holding company is Atlantic and Caribbean Sea Development Company Limited which is owned by Caribbean Sea Development Limited and Hon. Dennis Lalor O.J. and it is controlled by Hon. Dennis Lalor O.J.

The principal activity of the company is underwriting general insurance business. The company also leases its investment properties to third parties. See note 7(ii). The registered office of the company is located at 2 St. Lucia Avenue, Kingston 5.

On July 2, 2014, the company received approval from The Insurance Commission of the Bahamas to convert The Insurance Company of the West Indies (Bahamas) Limited ("ICWI Bahamas") to a branch of the company. ICWI Bahamas is licensed under the Bahamas Insurance Act, 2005 to underwrite general insurance business.

On August 14, 2014, the company received a license from the Central Bank of Trinidad and Tobago to operate a Branch in Trinidad and Tobago writing Motor and other than long-term insurance business.

On September 27, 2019, the company registered a branch of the company in the Commonwealth of Dominica ("ICWI Dominica"). On September 30, 2019, the company received a license from the Commonwealth of Dominica Ministry of Finance, Financial Services Unit to conduct insurance business in Dominica. ICWI Dominica is registered under the Dominica Insurance Act 2012 to underwrite general insurance business.

The company is authorised to transact business in the following Caribbean Islands:

- Jamaica
- Trinidad and Tobago
- Bahamas
- Dominica

2. Insurance licence

The company is registered under the Insurance Act 2001 (the Act).

3. Roles of the actuary and auditors

The actuary has been appointed by the Board of Directors pursuant to the Insurance Act, 2001. With respect to the preparation of financial statements, the actuary is required to carry out an actuarial valuation of management's estimate of the company's policy liabilities and report thereon to the shareholder. Actuarially determined policy liabilities consist of the provisions for, and reinsurance recovery of, unpaid claims and adjustment expenses on insurance policies in force, including provisions for salvage and subrogation, and future obligations on the unearned portion of insurance policies in force, including deferred policy acquisition costs.

3. Roles of the actuary and auditors (cont'd)

The valuation is made in accordance with accepted actuarial practice, as well as any other matter specified in any directive that may be made by regulatory authorities. The actuary's report outlines the scope of his work and opinion. An actuarial valuation is prepared annually. The external auditors have been appointed by the shareholder, pursuant to the Jamaican Companies Act, to conduct an independent audit of the financial statements of the company in accordance with International Standards on Auditing, and to report thereon to the shareholder. In carrying out their audit, the auditors also make use of the work of the actuary and his report on the company's actuarially determined insurance contract provision. The auditors' report outlines the scope of their audit and their opinion.

4. Statement of compliance and basis of preparation

(a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and their interpretations issued by the International Accounting Standards Board, and comply with the provisions of the Jamaican Companies Act ('the Act").

New and amended standards that came into effect during the current financial year:

Certain new and amended standards and interpretations came into effect during the current financial year, none of which had any significant impact on these financial statements.

New and amended standards and interpretations not yet effective:

At the date of authorisation of these financial statements, certain new and amended standards and interpretations which were in issue were not effective at the reporting date and have not been early-adopted by the company.

- The company is required to adopt IFRS 17, *Insurance Contracts* from January 1, 2023. The standard replaces IFRS 4, *Insurance Contracts* and establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts.

  Measurement

  IFRS 17 introduces three measurement models based on the estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a contractual service margin. The premium allocation approach (PAA) is an optional simplified measurement model in IFRS 17 that is available for insurance and reinsurance contracts that meet the eligibility criteria. The Company will apply the PAA to contracts that are automatically eligible and will test all the remining contracts for PAA eligibility.

4. Statement of compliance and basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

New and amended standards and interpretations not yet effective (cont'd):

- IFRS 17, *Insurance Contracts* (cont'd):

  Presentation and disclosure

  The presentation and disclosure differences under IFRS 17 are expected to be significant. The below analyses are the impacts on the company's main statements:

  - The statements of profit or loss and other comprehensive income will include an insurance service result comprising of insurance revenue, insurance service expenses. Written premiums will no longer be disclosed in the statement of profit or loss and other comprehensive income.

  - Insurance contract liabilities will be presented under the headings of liability for remaining coverage and liability for incurred claims in the statement of financial position, and will consist of premiums receivable, deferred policy acquisition cash flows, unearned premiums, discounted and risk-adjusted claim liabilities, and other related liabilities.

  - Reinsurance contract assets will be separately presented in the Statement of financial position and will include amounts expected to be recovered from reinsurers and an allocation of the reinsurance premiums paid. The reclassification of amounts on the Statement of financial position will result in a reduction in assets and liabilities of the Company.

  Transition

  Changes in accounting policies resulting from the adoption of IFRS 17 will be applied using a full retrospective approach to the extent practicable. Under the full retrospective approach, at January 1, 2022 the company will:

  - identify, recognise and measure each group of insurance contracts and reinsurance contracts as if IFRS 17 had always been applied;

  - identify, recognise and measure any assets for insurance acquisition cash flows as if IFRS 17 had always been applied, except that they will not be tested for recoverability before January 1, 2022;

  - derecognise previously reported balances that would not have existed if IFRS 17 had always been applied (including some deferred acquisition costs); and

  - recognise any resulting net difference in equity.

4. Statement of compliance and basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

New and amended standards and interpretations not yet effective (cont'd):

- IFRS 17, *Insurance Contracts* (cont'd):

  Transition (cont'd)

  The company has completed a gap analysis and continues to assess and refine the new accounting processes and internal controls under IFRS 17 to quantify the impact of adopting the new standard.

  The key principles in IFRS 17 are that an entity:

  - Identifies insurance contracts as those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
  - Separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts.
  - Recognises and measures groups of insurance contracts at:

  a) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset); and

  b) an amount representing the unearned profit in the group of contracts (the contractual service margin).

  - Recognises the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group contract is or becomes loss making, an entity recognises the loss immediately.
  - Many of the disclosures of IFRS 4 are kept in IFRS 17. The general model requires disclosure and reconciliation of the expected present value of future cash flows, risk adjustment and contractual service margin. No reconciliation is required under the variable fee approach.

4. Statement of compliance and basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

New and amended standards and interpretations not yet effective (cont'd):

- IFRS 17, *Insurance Contracts* (cont'd):

  - In measuring the contractual service margin; companies will choose to apply either a 'period-to-period' or 'year-to-date' approach, allowing greater opportunity for consistency with current practice and for subsidiaries to align reporting with their parent. Revenue and profit emergence will better reflect performance of the wide range of insurance products and the services they provide to customers. Allocating insurance acquisition cash flows to future renewal groups reduces the risk of groups becoming onerous solely from acquisition expenses paid relating to future renewals. The allocation is revised at each reporting period to reflect any changes in assumptions that determine the inputs to the method of allocation used, until all contracts have been added to the group and companies now need to assess for each period, the recoverability of insurance acquisition cash flow assets usually on a more granular level than applied today.

  - Upon transition, companies may be able to account for acquired contracts before the transition date as liabilities for incurred claims. In many cases, companies will be required to identify and recognise an asset for insurance acquisition cash flows incurred prior to transition. Companies are not required to perform a recoverability assessment for periods prior to transition.

  - For reinsurance contracts, companies will be able to offset losses on initial recognition of direct insurance contracts based on a prescribed formula if they are covered by reinsurance contracts held, reducing accounting mismatches.

  - There is relief for companies to present (re)insurance contract assets and liabilities at a portfolio level, instead of group level in the statement of financial position and income taxes specifically charged to policyholders may now be included in fulfilment cash flows, better reflecting local practice in certain jurisdictions.

- The company is required to adopt IFRS 9, *Financial Instruments* effective January 1, 2023. The standard replaces IAS 39 Financial Instruments: Recognition and Measurement and sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

4. Statement of compliance and basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

New and amended standards and interpretations not yet effective (cont'd):

- IFRS 9, *Financial Instruments (cont'd)*

  Classification and measurement

  IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Accordingly, the basis of measurement for the company's financial assets may change. The standard contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

  The company does not expect the implementation to result in a significant change in the classification and measurement of the company's financial assets.

  Impairment

  The adoption of IFRS 9 will have a significant impact on the company's impairment methodology. IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model

  This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The probability weighted outcome considers multiple scenarios based on reasonable and supportable forecasts. The new impairment model will apply to financial assets measured at amortised cost or FVOCI.

  Under IFRS 9, loss allowances will be measured on either of the following stages, based on the extent of credit deterioration since origination:

  - Stage 1 - 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date. This stage 1 approach differs from the current approach which estimates a collective allowance to recognise losses that have been incurred but not reported on performing loans.

  - Stage 2 - Lifetime ECLs: these are ECLs that result from all possible default event over the expected life of a financial instrument. Provisions are higher at this stage because of an increase in risk and the impact of a longer time horizon being compared to 12 months in Stage 1; and

4. Statement of compliance and basis of preparation (cont'd)

(b) Statement of compliance (cont'd)

New and amended standards and interpretations not yet effective (cont'd):

- IFRS 9, *Financial Instruments* (cont'd):

  Impairment (cont'd)

  - Stage 3 - Financial assets that have objective evidence of impairment will be included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime expected credit losses.

  Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for short-term receivables without a significant financing component.

  Transition impact

  Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as follows:

  The company will determine the business model within which a financial asset is held based on the facts and circumstances that exist at the date of initial application.

  The company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement as well as impairment changes. Differences in the carrying amounts of financial instruments resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at January 1, 2023.

- Amendments to IAS 1 *Presentation of Financial Statements* are effective for annual periods beginning on or after January 1, 2023 and may be applied earlier. The amendments help companies provide useful accounting policy disclosures.

  The key amendments to IAS 1 include:

  - requiring companies to disclose their *material* accounting policies rather than their *significant* accounting policies;

  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

4. Statement of compliance and basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

New and amended standards and interpretations not yet effective (cont'd):

- Amendments to IAS 1 *Presentation of Financial Statements* (cont'd):

  The key amendments to IAS 1 include (cont'd):

  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

  The amendments are consistent with the refined definition of material:

  "Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements".

- Amendments *to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* are effective for periods beginning on or after January 1, 2023, with early adoption permitted. The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

  The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

  Developing an accounting estimate includes both:

  - selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 *Financial Instruments*; and

  - choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

  The effects of changes in such inputs or measurement techniques are changes in accounting estimates.

- Amendments to IAS 12 *Income Taxes* are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The amendments clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions.

4. Statement of compliance and basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

New and amended standards and interpretations not yet effective (cont'd):

- Amendments to IAS 12 *Income Taxes (cont'd)*

  The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

  For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If a company previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

  For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

- Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after 1 January 2023. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

  Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

4. Statement of compliance and basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

New and amended standards and interpretations not yet effective (cont'd):

- Amendments to IAS 1 *Presentation of Financial Statements* (cont'd)

  With the amendments, convertible instruments may become current. In light of this, the amendments clarify how a company classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of the company's own equity instruments, these would affect its classification as current or non-current. It has now been clarified that a company can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

(b) Basis of preparation and measurement:

The financial statements are prepared on the historical cost basis, except for investment properties [see note 5(b)] and available-for-sale investments [see note 5(c)], which are measured at fair value and employee benefit obligation which is measured as the present value of the defined-benefit obligation as explained in note 5(l).

(c) Basis of non-consolidation

The company elects not to prepare consolidated financial statements including its subsidiary Insurance Company of Jamaica Limited on the basis that consolidated financial statements are prepared by Atlantic & Caribbean Sea Development Limited.

(d) Functional and presentation currency

These financial statements are presented in Jamaica dollars, the company's functional currency. The values presented in the financial statements have been rounded to the nearest thousands ($'000) unless otherwise stated.

(e) Use of estimates and judgement:

The preparation of the financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, contingent assets and contingent liabilities at the reporting date, and the income and expense for the year then ended. Actual amounts could differ from these estimates.

4. Statement of compliance and basis of preparation (cont'd)

(e) Use of estimates and judgement (cont'd):

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

Information about assumptions and estimation uncertainties at December 31, 2022 that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included below:

(i) Outstanding claims [see note 5(o)(i)].

(ii) Post-retirement health and life insurance benefits:

The amounts recognised in profit or loss for post-retirement health and life insurance benefits to certain pensioners, are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include the discount rate used to determine the present value of estimated future cash flows required to settle the pension and other post-retirement medical obligations and the expected rate of increase in medical costs for post-retirement medical benefits.

The discount rate is determined based on the estimate of yield on long-term government securities that have maturity dates approximating the terms of the company's obligation; in the absence of such instruments in Jamaica, it has been necessary to estimate the rate by extrapolating from the longest tenor security on the market. The estimate of expected rate of increase in medical costs is determined based on inflationary factors. Any changes in these assumptions will impact the amounts recorded in the financial statements for these obligations.

(iii) Fair value of investment properties:

Investment properties are carried in the statement of financial position at market value. It is the company's policy to use independent qualified property appraisers to value its investment properties, generally using the open market value.

This approach takes into consideration various assumptions and factors, including the level of current and future occupancy, the rate of annual rent increases, the rate of inflation of direct expenses, the appropriate discount rate, and the current condition of the properties together with an estimate of future maintenance and capital expenditures. Reference is also made to recent comparable sales. A change in any of these assumptions and factors could have a significant impact on the valuation of investment properties.

5. Significant accounting policies

The company has consistently applied the accounting policies as set out below to all periods presented in these financial statements.

(a) Property, plant and equipment:

(i) Property, plant and equipment are measured at cost or deemed cost, less accumulated depreciation and impairment losses [see accounting policy 5(k)].

Freehold land and buildings that had been revalued to fair value prior to January 1, 2002, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

(ii) Depreciation:

Property, plant and equipment with the exception of freehold land and work-in-progress, on which no depreciation is provided, are depreciated using the straight-line method at annual rates estimated to write-off the property, plant and equipment over their estimated residual values at the end of their expected useful lives.

The annual depreciation rates are as follows:

Buildings	2½%
Leasehold improvements	10%
Furniture, fixtures and equipment	10% & 20%
Motor vehicles	20%
Computers	20%
Computer equipment	33⅓%
Right-of-use assets	Over the lease term

The depreciation methods, useful lives and residual values are reassessed annually at each reporting date and adjusted as appropriate.

(b) Investment properties:

Investment properties are initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

Any gain or loss on disposal of investment properties (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Rental income from the lease of investment properties is recognised as a component of ‘investment income’ on a straight-line basis over the term of the lease.

5. Significant accounting policies (cont'd)

(b) Investment properties (cont'd):

Investment properties are carried at fair value using valuations performed every three years by independent appraisers and the intervening years by the directors, based on professional advice received. Fair value is based on current prices for properties similar in location and conditions.

(c) Investments:

Available-for-sale investments are measured at fair value, except where fair value cannot be reliably determined, in which case they are stated at cost, with any movements in fair value included in investment revaluation reserve. Investments with fixed or determinable payments and which are not quoted in an active market are classified as loans and receivables and are measured at amortised cost less impairment losses.

The fair value of available-for-sale investments is based on their quoted market bid price at the reporting date. Where a quoted market price is not available, fair value is estimated using discounted cash flow techniques.

Change in fair value is recognised in other comprehensive income. Any gain or loss on disposal of available-for-sale investments is recognised in profit or loss.

Available-for-sale investments are recognised or derecognised by the company on the date they commit to purchase or sell the investments.

Other investments are recognised or derecognised on the day they are transferred to/by the company.

(d) Securities purchased under resale agreements:

Securities purchased under resale agreements ("reverse repos") are short-term transactions whereby an entity buys securities and simultaneously agrees to resell the securities on a specified date and at a specified price. Title to the security is not actually transferred unless the counterparty fails to comply with the terms of the contract.

Reverse repos are accounted for as short-term collateralised lending, classified as loans and receivables and measured at amortised cost.

The difference between the sale and repurchase considerations is recognised on an accrual basis over the period of the transaction and is included in interest income.

Any gain or loss on disposal of securities purchased under resale agreement is recognised in profit or loss.

5. Significant accounting policies (cont'd)

(e) Related parties:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 – *Related Party Disclosures* as the "reporting entity").

An entity is related to a reporting entity if any of the following conditions applies:

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity or any member of a group which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

5. Significant accounting policies (cont'd)

(e) Related parties (cont'd):

The company has a related party relationship with its ultimate and intermediate holding companies and their subsidiaries, the directors of the company and those of its holding companies, its key management personnel, companies with common directors, its subsidiary and pension plans established for the benefit of its employees. "Key management personnel" represents certain senior officers of the company.

(f) Insurance and other accounts receivables:

Insurance and other accounts receivables are measured at cost less impairment losses [see accounting policy 5(k)].

(g) Cash and cash equivalents:

Cash and cash equivalents comprise cash and bank balances measured at amortised cost.

(h) Insurance and other payables:

Insurance and other payables are measured at amortised cost.

(i) Provisions:

A provision is recognised in the statement of financial position when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligations.

(j) Foreign currencies:

Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Jamaica dollars at the rates of exchange ruling on that date. Gains and losses arising from fluctuations in exchange rates are recognised in profit or loss.

(k) Impairment:

Objective evidence that financial assets are impaired can include default or delinquency by a customer, indications that a customer will enter bankruptcy and changes in the payment status of customers. The carrying amount of the company's assets is reviewed at each reporting date to determine whether there is any indication of impairment.

5. Significant accounting policies (cont'd)

(k) Impairment (cont'd):

If any such indication exists, the asset's recoverable amount is estimated at the reporting date. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income is recognised in profit or loss even though the financial asset has not been derecognised.

The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less impairment loss on that financial asset previously recognised in profit or loss.

(i) Calculation of recoverable amount:

The recoverable amount of the company's loans and receivables is calculated as the present value of the expected future cash flows, discounted at the original effective interest rate inherent in the assets.

Receivables with a short duration are not discounted. Impairment losses in respect of an available-for-sale investment is calculated by reference to its current fair value.

The recoverable amount of the other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted at their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversal of impairment:

An impairment loss in respect of loans and receivables is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale investment recognised previously in other comprehensive income is transferred to profit or loss. For available-for-sale equity securities, the reversal is recognised in other comprehensive income.

In respect of other assets, an impairment loss is reversed if there is an indication that the impairment loss no longer exists and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

5. Significant accounting policies (cont'd)

(l) Employee benefits:

Employee benefits are all forms of consideration given by the company in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, statutory contributions, annual vacation leave and non-monetary benefits such as post-employment benefits related to pension and health and life insurance.

Employee benefits that are earned as a result of past or current service are recognised in the following manner:

(i) Post retirement health and life insurance benefits:

Employee benefits comprising post-employment medical benefits included in these financial statements have been actuarially determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion.

The actuarial valuations were conducted in accordance with IAS 19, and the financial statements reflect the company's post-employment benefit obligations as computed by the actuary. In carrying out their audit, the auditors have relied on the work of the actuary and the actuary's report.

The company provides post retirement health and life insurance benefits to retirees. In 2006, the company revised its policy to provide post retirement health and life insurance benefits to persons employed on or before April 20, 2006.

The company's net obligation in respect of post retirement health and life insurance benefits is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of any plan assets is deducted.

The discount rate is determined based on the estimate of yield at the reporting date on long-term government securities that have maturity dates approximating the terms of the company's obligations. The calculation is performed by a qualified actuary using the Projected Unit Credit Method.

Re-measurements of the net employee benefit liability, which comprise actuarial gains and losses are recognised immediately in other comprehensive income. The company determines the net interest expense/(income) on the net employee benefit liability for the period by applying the discount rate used to measure the employee benefit obligation at the beginning of the annual period to the then-net employee benefit liability, taking into account any changes in the net employee benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other post-retirement obligations expenses are recognised in profit or loss.

5. Significant accounting policies (cont'd)

(l) Employee benefits (cont'd)

(i) Post retirement health and life insurance benefits (cont'd)

When the benefits of a plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The company recognises gains and losses on the settlement of an employee benefit plan when the settlement occurs.

(ii) Defined contribution pension plan:

The company participates in a defined contribution pension plan, the assets of which are held separately from those of the company. The plan does not expose the company to actuarial risk, and as such, pension contributions are expensed as and when incurred.

(iii) Short-term employee benefits:

Short-term employee benefits are expressed as the related service is provided. Employee entitlements to leave are recognised when they accrue to employees. A provision is made for the estimated liability for vacation leave, as a result of services rendered by employees up to the reporting date. The company recognises a provision for bonuses and other short-term employee benefits based on contractual or constructive obligations to pay these amounts as a result of past services provided by the employee and the obligation can be estimated reliably.

(m) Taxation:

Taxation on profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date. For investment properties that are measured at fair value, the presumption that the carrying amount of the investment properties will be recovered through sale has not been rebutted.

5. Significant accounting policies (cont'd)

(m) Taxation (cont'd):

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

(n) Revenue recognition:

Revenue is recognised in the statement of profit or loss when the significant risks and rewards of ownership have been transferred to the policyholder. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

Revenue comprises the following:

(i) Gross premiums written:

The accounting policy for the recognition of revenue from insurance contracts is disclosed in note 5(o)(i).

(ii) Reinsurance assumed:

The accounting policy for the recognition of reinsurance assumed is disclosed in note 5(o)(i).

(iii) Commission income:

Reinsurance commission is recognised on a basis that is consistent with the recognition of the costs incurred on the acquisition of the underlying insurance contracts [see note 5(o)(i)]. Profit commission in respect of reinsurance contracts is recognised on the accrual basis.

(iv) Investment income:

Investment income arises from financial assets and is comprised of interest and dividends and realised gains/losses on financial assets. Dividend income is recognised when the irrevocable right to receive income is established. Usually this is the ex-dividend date for equity securities. Rental income from investment properties under operating leases is recognised in profit or loss on a straight-line basis over the term of each lease.

5. Significant accounting policies (cont'd)

(o) Insurance contract recognition and measurement:

(i) Insurance contracts:

Insurance contracts are accounted for in compliance with recommendations and practices of the insurance industry, and comply with provisions of the Insurance Act, 2001. The underwriting results are determined after making provision for, inter alia, unearned premiums, outstanding claims, deferred commission expense and deferred commission income.

Short term insurance contracts consist of property, liability, motor and marine insurance contracts.

Gross premiums written:

Gross premiums reflect business written during the year and include adjustments to premiums written in previous years. The earned portion of premiums is recognised as revenue. Premiums are earned from the effective date of the policy.

Reinsurance assumed:

The company assumes reinsurance risk on insurance contracts issued by a related party. Premiums and claims assumed on reinsurance contracts are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Unearned premiums:

Unearned premiums represent that proportion of the premiums written up to the reporting date which is attributable to subsequent periods and is calculated on the "three sixty fifth" basis on the total premiums written.

Outstanding claims:

Outstanding claims represents insurance contract provisions on the statement of financial position, which comprise estimates of the amount of reported losses and loss expenses plus a provision for losses incurred but not reported based on the historical experience of the company. The loss and loss expense reserves have been estimated by the company's actuary using the past loss experience of the company and industry data. Amounts recoverable in respect of claims from reinsurers are estimated in a manner consistent with the underlying liabilities.

Management believes, based on the analysis completed by the actuary, that the provision for outstanding losses and loss expenses will be adequate to cover the ultimate net cost of losses incurred up to the reporting date. However, the provision is necessarily an estimate and may ultimately be settled for a significantly greater or lesser amount. Any subsequent differences are recorded in the period in which they are determined.

5. Significant accounting policies (cont'd)

(o) Insurance contract recognition and measurement (cont'd):

(i) Insurance contracts (cont'd):

Deferred acquisition cost and deferred commission income:

Commission income and expense are deferred on a basis consistent with that used for deferring premium income.

(ii) Reinsurance assets:

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with reinsured policy. Unearned reinsurance premiums on business ceded up to the accounting date which are attributable to subsequent periods are calculated substantially on the "three sixty fifth" basis on the total premiums ceded.

In the normal course of business, the company seeks to reduce the loss that may result from catastrophe or other events that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers (see note 27). Reinsurance ceded does not discharge the company's liability as the principal insurer. Failure of reinsurers to honour their obligations could result in losses to the company. Consequently, a contingent liability exists in the event that an assuming reinsurer is unable to meet its obligations.

Reinsurance assets are assessed for impairment at each reporting date. A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the company may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the company will receive from the reinsurer. Impairment losses on reinsurance assets are recognised in profit or loss.

(iii) Insurance receivables and insurance payables:

Amounts due from and to policyholders, brokers, agents and reinsurers are financial instruments and are included in insurance receivables and payables and not in insurance contract provisions or reinsurance assets.

(iv) Temporary exemption to defer the implementation of IFRS 9 *Financial Instruments:*

The company has applied the temporary exemption to defer the implementation of IFRS 9 *Financial Instruments*, as its activities met the requirements to demonstrate that they are predominantly connected with issuing insurance contracts within the scope of IFRS 17 *Insurance contracts*.

5. Significant accounting policies (cont'd)

(o) Insurance contract recognition and measurement (cont'd):

(iv) Temporary exemption to defer the implementation of IFRS 9 *Financial Instruments (cont'd):*

The company evaluated its liabilities at December 31, 2015, the prescribed date of assessment under the temporary exemption provisions and concluded that all of the liabilities were predominantly connected with insurance. Eighty-two percent (82%) of the company's liabilities at December 31, 2015 were liabilities that arose from contracts within the scope of IFRS 17 and nine percent (9%) of the company's liabilities at December 31, 2015 were liabilities that arose because the company issues insurance contracts and fulfils obligations arising from insurance contracts. Additionally, the company has not previously applied any version of IFRS 9. Therefore, the company is an eligible insurer that qualifies for optional relief from the application of IFRS 9.

As at December 31, 2022, there has been no change in the company's activities.

(p) Leases:

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company uses the definition of a lease in IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the company by the end of the lease term.

5. Significant accounting policies (cont'd)

(p) Leases (cont'd):

As a lessee (cont'd)

In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate.

The company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the company is reasonably certain to exercise, lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company presents right-of-use assets and lease liabilities separately in the statement of financial position.

Short-term leases and leases of low-value assets

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and low-value assets. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

5. Significant accounting policies (cont'd)

(p) Leases (cont'd):

As a lessor

At inception or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The company recognises lease payments received under operating leases as rental income on a straight- line basis over the lease term as part of 'investment income'.

Generally, the accounting policies applicable to the company as a lessor in the comparative period were not different from IFRS 16.

(q) Financial instruments:

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of these financial statements, financial assets have been determined to include cash and cash equivalents, investments, securities purchased under resale agreements and insurance receivables, other accounts receivables (excluding prepayments), amounts due from other insurance companies, reinsurance assets (excluding unearned premium reserves) and related party balances. Financial liabilities include other payables and accrued charges, amounts due to other insurance companies, insurance contract provisions (excluding unearned premium reserves) related party balances and lease liabilities.

(r) Determination of fair value:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Some financial instruments lack an available trading market. These instruments have been valued using present value or other valuation techniques and the fair value shown may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

5. Significant accounting policies (cont'd)

(s) Share capital:

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

(t) Dividends:

Dividends are recognised as a liability and a reduction of equity in the period in which they are declared.

(u) Expenses:

Expenses are recognised in profit or loss on the accrual basis.

6. Property, plant and equipment

	Land, buildings and leasehold improvement $'000	Furniture, fixtures, equipment and computers $'000	Motor vehicles $'000	Work-in-progress $'000	Total $'000
At cost or deemed cost:					
December 31, 2020	609,961	402,651	65,346	10,077	1,088,035
Additions	3,312	17,051	1,650	27,644	49,657
Transfers	24,508	6,570	-	(31,078)	-
Disposals	(13,977)	(4,191)	(399)	-	(18,567)
Write-off	-	-	-	(89)	(89)
December 31, 2021	623,804	422,081	66,597	6,554	1,119,036
Additions	9,427	8,856	686	-	18,969
Transfers	-	287	-	(287)	-
Disposals	-	(1,371)	(316)	-	(1,687)
December 31, 2022	633,231	429,853	66,967	6,267	1,136,318
Depreciation:					
December 31, 2020	144,404	242,011	32,882	-	419,297
Charge for the year	29,285	42,424	10,402	-	82,111
Eliminated on disposals	(13,977)	(2,969)	-	-	(16,946)
December 31, 2021	159,712	281,466	43,284	-	484,462
Charge for the year	14,372	40,352	10,356	-	65,080
Eliminated on disposals	-	(980)	(316)	-	(1,296)
December 31, 2022	174,084	320,838	53,324	-	548,246

6. Property, plant and equipment (cont'd)

	Land, buildings and leasehold improvement	Furniture, fixtures, equipment and computers	Motor vehicles	Work-in-progress	Total
	$'000	$'000	$'000	$'000	$'000
Net book values:					
December 31, 2022	459,147	109,015	13,643	6,267	588,072
December 31, 2021	464,092	140,615	23,313	6,554	634,574

Freehold land and buildings were revalued on October 28, 1997, at an open market valuation of $12,400,000 by Sagicor Property Management Limited. The revalued amounts have been deemed to be the assets' cost upon first-time adoption of IFRS in 2002. The previously reported surplus arising on revaluation is included in capital reserve [see note 22(c)].

Land, buildings and leasehold improvement include freehold land at a deemed cost/cost of $178,500,000 (2021: $178,500,000).

Furniture, fixtures and equipment were revalued at January 1, 1994, at an open market valuation of $63,056,000 by Sagicor Property Management Limited. The revalued amount was deemed to be the assets' cost upon first-time adoption of IFRS in 2002. The previously reported surplus arising on revaluation is included in capital reserve [see note 22(c)].

7. Leases

The company leases properties for its branch operations. The term of the leases run for the period of one (1) to five (5) years, with an option to renew after that date. Lease payments are renegotiated to reflect market rates. The company elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and/or short-term leases.

Information about leases for which the company is a lessee is presented below:

i. Leases as lessee

(a) Right-of-use assets

	2022	2021
	$'000	$'000
Balance at January 1	424,998	381,446
Additions to right-of-use assets	83,988	76,897
De-recognition of right-of-use assets	(51,311)	(33,345)
Balance at December 31	457,675	424,998
Depreciation at January 1	233,493	149,811
Depreciation charge for the year	106,227	101,406
Eliminated on de-recognition	(51,311)	(17,724)
Balance at December 31	288,409	233,493
Carrying amount of right-of-use assets	169,266	191,505

7. Leases (cont'd)

i. Leases as lessee (cont'd)

(b) Lease liabilities

Maturity analysis – contractual undiscounted cash flows:

	2022 $'000	2021 $'000
Less than one year	126,415	101,460
One to five years	79,740	125,887
Total undiscounted lease liabilities at December 31	206,155	227,347
Less: future interest expense	(21,132)	(21,097)
Carrying amount of lease liabilities	185,023	206,250
Current	115,691	82,887
Non-current	69,332	123,363
	185,023	206,250

Included in the above is a lease with a related party amounting to $60,627,000 (2021: $ Nil).

(c) Amount recognised in profit or loss

	2022 $'000	2021 $'000
Interest on lease liabilities	20,741	22,722
Expenses relating to lease of low-value assets [note 23(b)]	1,223	-

(d) Amounts recognised in the statement of cash flows

	2022 $'000	2021 $'000
Total cash outflow for leases	125,956	122,120

(e) Extension options

Certain property leases includes extension options exercisable by the company up to one year before the end of the non-cancellable contract period. Where practicable, the company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the company and not by the lessors. The company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

7. Leases (cont'd)

ii. Leases as lessor

The company leases out its investment properties consisting of its owned commercial properties. All leases are classified as operating leases from a lessor perspective, because they do not transfer substantially all of the risk and rewards incidental to the ownership of the assets. Note 8 sets out information about the operating leases of investment properties.

The following table sets out a maturity analysis of the lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2022 $'000	2021 $'000
Less than one year	2,256	2,224
One to two years	2,256	2,224
Two to three years	2,256	2,224
Three to four years	2,256	2,224
Four to five years	2,256	2,224
Total	11,280	11,120

8. Investment properties

	2022 $'000	2021 $'000
Balance at January 1	66,752	62,952
Change in fair value recognised in profit or loss	6,748	3,800
Balance at December 31	73,500	66,752

Investment properties comprise commercial properties that are leased to third parties and land held for capital appreciation. Investment properties are valued every three years by an independent professional valuer and in the intervening years by the directors, based on professional advice received.

Each of these leases contains an initial non-cancellable period of three years. Subsequent renewals are negotiated with the lessors and historically, the average renewal period is three years. Further information about these leases is included in note 7(ii).

8. Investment properties (cont'd)

Investment properties were valued in March 2023 (2021: December 2022 and February 2022) by D.C. Tavares & Finson Realty Ltd. The significant underlying assumptions considered is the comparable prices for similar properties in the area, the level of current and future occupancy, the rate of annual rent changes, the rate of inflation of direct expenses, the appropriate discount rate, and the current condition of the properties together with an estimate of future maintenance and capital expenditures.

The rental income earned on the properties during the year amounted to $2,256,000 (2021: $2,224,000) and the related expenses totalled $203,000 (2021: $419,000).

Changes in fair values are recognised as gains in profit or loss and included in 'investment income'. All gains are unrealised.

The fair value measurement for investment properties of $73,500,000 (2021: $66,752,000) has been categorised as a level 3 in the fair value hierarchy. The following table shows the valuation technique used in measuring fair value as well as the significant unobservable inputs used.

Valuation techniques	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Market based approach: The approach is based on the principle of substitution whereby the purchaser with perfect knowledge of the property market pays no more for the subject property than the cost of acquiring an existing comparable property, assuming no cost delay in making the substitution. The approach requires comparison of the subject property with others of similar design and utility, inter alia, which were sold in the recent past. However as no two properties are exactly alike, adjustment is made for the difference between the property subject to valuation and comparable properties.	• Details of the sales of comparable properties. • Conditions influencing the sale of the comparable properties. • Comparability adjustment.	The estimated fair value would increase/(decrease) if: • Sale value of comparable properties were higher/(lower). • Comparability adjustment were higher/(lower).

9. Investment in subsidiary

	2022 $'000	2021 $'000
Shares, at cost	4,013	4,013

The subsidiary, which is incorporated in Jamaica, and is non-trading, is as follows:

	% of equity capital held	
	2022	2021
Insurance Company of Jamaica Limited	100	100

10. Related party balances/transactions

(a) The statement of financial position includes balances, arising in the ordinary course of business with related parties, as follows:

	2022 $'000	2021 $'000
(i) Due from immediate parent company:		
ICWI Group Limited	320,556	364,767
(ii) Due from fellow subsidiaries:		
Turks & Caicos First Insurance Company Limited	543	-
The Great Northern Insurance Company Ltd.	47,336	47,900
The Insurance Company of the West Indies (Cayman) Limited	27,909	11,332
The Insurance Company of the West Indies (Bahamas) Limited	-	41
The Insurance Company of the West Indies (Sint Maarten) B.V.	94	84
GPI Limited	1,643	1,631
	77,525	60,988
(iii) Due from related company:		
REACT Limited – common director	34,742	34,522
(iv) Due to fellow subsidiaries:		
Turks & Caicos First Insurance Co, Ltd	-	2,611

Related party balances are interest free, unsecured and are repayable on demand.

10. Related party balances/transactions (cont'd)

(b) The statement of profit or loss includes the following income earned from, and expenses incurred in, transactions with related parties. The transactions were in the ordinary course of business.

		2022 $'000	2021 $'000
Corporate office expenses	- immediate parent company [note 23(b)]	30,000	30,000
Other charges	- related company (common director)	40,618	40,941
Lease expense	- related company (common director)	8,181	5,461
Gross premiums written	- related company (common director)	(2,377)	(3,292)
	- related parties (directors and common director)	(13,066)	(6,699)
Claims expenses	- related parties (directors and common director)	(1,384)	2,950
Commission expense	- fellow subsidiary	162,102	168,877

(c) Key management personnel compensation is as follows:

	2022 $'000	2021 $'000
Short term employment benefits:		
Salary and related costs (excluding directors' fees)	117,079	114,918
Pension contributions [see note 5(l)]	1,783	1,633
	118,862	116,551

11. Investments

	2022 $'000	2021 $'000
Loans and receivables:		
Certificates of deposit	1,953,390	1,493,180
Government of Jamaica Securities:		
- Bonds	30,000	30,000
Government of Trinidad and Tobago Securities:		
- Bonds	-	97,313
	1,983,390	1,620,493
Available-for-sale investments:		
Corporate bonds	200,000	200,000
Unquoted investments	599	599
Quoted investments	109,818	108,328
	310,417	308,927
	2,293,807	1,929,420

11. Investments (cont'd)

Investments, excluding interest receivable, are due from the reporting date as follows:

	2022 $'000	2021 $'000
Certificates of deposit:		
Within 3 months	1,285,563	669,056
From 3 months to 1 year	667,827	824,124
	1,953,390	1,493,180

	2022 $'000	2021 $'000
Government of Jamaica Securities:		
From 1 year to 5 years	20,000	20,000
Over 5 years	10,000	10,000
	30,000	30,000
Government of Trinidad and Tobago Securities:		
From 3 months to 1 year	-	97,313
	-	97,313
Corporate Bonds:		
From 3 months to 1 year	200,000	200,000
No specific maturity	110,417	108,927
	2,293,807	1,929,420

The fair value of the Government of Jamaica and Government of Trinidad and Tobago Bonds classified under loans and receivables above amounts to $33,843,000 (2021: $130,981,000).

Government of Trinidad and Tobago Securities and certificates of deposits classified under loans and receivables above include amounts held in statutory fund or pledged funds as follows:

	2022 $'000	2021 $'000
Bahamas (BAH$)	4,139	3,424
Dominica (EC$)	4,000	3,000
Trinidad and Tobago (TT$)	15,084	14,616

11. Investments (cont'd)

The following table presents the fair value and the amount of change in the fair value of the company's financial assets as at and for the year ended December 31, 2022 and 2021, showing separately the fair value of financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") and the fair value of financial assets that do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("non-SPPI"):

	2022				
Financial assets	Total carrying value	SPPI financial assets		Non-SPPI financial assets	
		Fair value	Change in fair value	Fair value	Change in fair value
	$'000	$'000	$'000	$'000	$'000
Securities purchased under resale agreement (note 12)	1,372,459	1,372,459	-	-	-
Certificates of deposit	1,953,390	1,953,390	-	-	-
Corporate and government bonds	230,000	233,843	3,843	-	-
Quoted investments	109,818	-	-	109,818	(8,673)
Unquoted investments	599	-	-	599	-
	3,666,266	3,559,692	3,843	110,417	(8,673)

	2021				
Financial assets	Total carrying value	SPPI financial assets		Non-SPPI financial assets	
		Fair value	Change in fair value	Fair value	Change in fair value
	$'000	$'000	$'000	$'000	$'000
Securities purchased under resale agreement (note 12)	1,399,179	1,399,179	-	-	-
Certificates of deposit	1,493,180	1,493,180	-	-	-
Corporate and government bonds	327,313	330,981	3,668	-	-
Quoted investments	108,328	-	-	108,328	7,424
Unquoted investments	599	-	-	599	-
	3,328,599	3,223,340	3,668	108,927	7,424

Notes to the Financial Statements (Continued)
December 31, 2022

11. Investments (cont'd)

The following table presents the credit risk ratings of SPPI financial assets as at December 31, 2022 and 2021:

Credit rating	2022 Carrying value amount $'000	2022 Fair value $'000	2022 % of fair value
Corporate and government bonds and certificates of deposits:			
Ba3	7,04,000	704,000	32%
Ba2	111,625	111,625	5%
B2	1,030,655	1,030,655	47%
Caa1	337,110	337,110	16%
	2,183,390	2,183,390	100%

Credit rating	2022 Carrying value amount $'000	2022 Fair value $'000	2022 % of fair value
Securities purchased under resale agreement:			
Ba2	146,099	146,099	11%
B2	1,226,360	1,226,360	89 %
	1,372,459	1,372,459	100%

Credit rating	2021 Carrying value amount $'000	2021 Fair value $'000	2021 % of fair value
Corporate and government bonds and certificates of deposits:			
Ba3	621,655	621,655	34%
Ba2	137,258	137,258	7%
B2	776,337	776,337	43%
Caa1	285,243	285,243	16%
	1,820,493	1,820,493	100%

Credit rating	2021 Carrying value amount $'000	2021 Fair value $'000	2021 % of fair value
Securities purchased under resale agreement:			
Ba2	145,993	145,993	10%
B2	1,253,186	1,253,186	90%
	1,399,179	1,399,179	100%

12. Securities purchased under resale agreements

	2022	2021
	$'000	$'000
Denominated in Jamaica dollars	816,069	914,226
Denominated in United States dollars [US$2,704,640 (2021: US$2,200,601)]	410,292	338,960
Denominated in Trinidad and Tobago dollars [TT$6,515,593(2021: TT$6,406,021)]	146,098	145,993
	1,372,459	1,399,179

Securities purchased under resale agreements denominated in Jamaica dollar include $45,000,000 (2021: $45,000,000) held to the order of the Financial Services Commission as required by the Insurance Act 2001 and $2,607,000 (2021: $2,525,000) that are pledged to a commercial bank in Jamaica.

The company received the benefit of the renewal rights to an insurance portfolio in Trinidad and Tobago which was acquired by its immediate parent and the company made agreements with an ultimate right of set off with an investment company not exceeding US$1,500,000 and J$63,000,000 (2021: US$1,509,000 and J$63,000,000) in relation to two loan facilities to its immediate parent which relate primarily to the acquisition of the portfolio. The loan is secured by resale agreements denominated in Jamaica dollars of $73,053,000 and resale agreements denominated in United States dollars of $1,670,000 respectively.

The fair value of the underlying securities, in respect of securities purchased under resale agreements, amount to $1,404,992,000 (2021: $1,549,705,000).

13. Reinsurance assets and insurance contract provisions

(a) Analysis of movements in reinsurance assets and insurance contract provisions:

	2022			2021		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Claims outstanding	3,135,588	1,601,891	1,533,697	3,263,204	1,766,788	1,496,416
Unearned premiums	2,828,573	1,559,904	1,268,669	2,672,823	1,472,640	1,200,183
	5,964,161	3,161,795	2,802,366	5,936,027	3,239,428	2,696,599

(b) Claims outstanding:

	2022			2021		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Claims notified	2,022,705	1,071,514	951,191	1,780,346	888,743	891,603
Claims incurred but not yet reported	1,240,499	695,274	545,225	1,025,524	488,827	536,697
Balance at January 1	3,263,204	1,766,788	1,496,416	2,805,870	1,377,570	1,428,300
Claims expenses incurred	3,081,123	1,420,919	1,660,204	3,137,287	1,739,962	1,397,325
Claims paid in the year	(3,208,739)	(1,585,816)	(1,622,923)	(2,679,953)	(1,350,744)	(1,329,209)
Change in outstanding claims provision	(127,616)	(164,897)	37,281	457,334	389,218	68,116
Balance at December 31	3,135,588	1,601,891	1,533,697	3,263,204	1,766,788	1,496,416
Claims notified	1,866,502	962,765	903,737	2,022,705	1,071,514	951,191
Claims incurred but not reported	1,269,086	639,126	629,960	1,240,499	695,274	545,225
Balance at December 31	3,135,588	1,601,891	1,533,697	3,263,204	1,766,788	1,496,416

(c) Unearned premiums:

	2022			2021		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Balance at January 1	2,672,823	1,472,640	1,200,183	2,439,928	1,333,928	1,106,000
Premiums written during the year	6,852,616	3,979,573	2,873,043	6,393,834	3,680,829	2,713,005
Premiums earned during the year	(6,696,866)	(3,892,309)	(2,804,557)	(6,160,939)	(3,542,117)	(2,618,822)
Balance at December 31	2,828,573	1,559,904	1,268,669	2,672,823	1,472,640	1,200,183

13. Reinsurance assets and insurance contract provisions (cont'd)

(d) Gross unearned premiums are analysed as follows:

	2022 $'000	2021 $'000
Accident	14,785	10,755
Liability, engineering, bond and guarantee	51,241	67,008
Marine, aviation and transportation	1,851	5,060
Motor vehicle	2,339,477	2,202,621
Fire	421,219	387,379
	2,828,573	2,672,823

(e) Insurance contract provisions include an estimate of $99,371,000 (2021: $94,030,000) in respect of unallocated loss adjustment expense.

14. Insurance receivables

	2022 $'000	2021 $'000
Premiums receivable	524,988	453,897

Premiums receivable is stated net of commission and after allowance for impairment of $7,681,000 (2021: $8,780,000). See note 28(a)(iv). Premium receivables are due to be recovered within twelve months.

15. Deferred commission expense

	2022 $'000	2021 $'000
Balance at January 1	315,509	296,292
Commission paid during the year	783,670	723,070
Amounts recognised in profit or loss during the year	(761,580)	(703,853)
Balance at December 31	337,599	315,509

16. Other accounts receivable and prepayments

	2022 $'000	2021 $'000
Prepayments	36,091	31,072
Staff loans	24,130	26,246
Other	11,545	14,520
	71,766	71,838

No impairment losses have been recognised in profit or loss relating to other accounts receivables and prepayments. Other accounts receivables are due to be recovered within twelve months.

17. Cash and cash equivalents

Cash and cash equivalents include amounts denominated in foreign currencies as follows:

	2022 $'000	2021 $'000
United States dollars	696	1,309
Cayman Islands dollars	5	5
Bahamas dollars	684	1,377
Trinidad and Tobago dollars	14,354	18,378
Great Britain Pound sterling	13	13
Eastern Caribbean dollars	1,684	1,384

18. Other payables and accrued charges

	2022 $'000	2021 $'000
Accrued charges	75,963	103,388
Other payables	353,007	338,209
	428,970	441,597

19. Insurance payables

	2022 $'000	2021 $'000
Due to reinsurers	371,800	293,347
Deferred commission income	520,775	495,274
	892,575	788,621

The analysis of the movement in deferred commission income is as follows:

	2022 $'000	2021 $'000
Balance January 1	495,274	452,092
Commission received during the year	1,334,036	1,373,115
Amounts recognised in profit or loss during the year	(1,308,535)	(1,329,933)
Balance December 31	520,775	495,274

20. Deferred taxation

Deferred tax asset is attributable to the following:

	2020	Recognised in income	Recognised in other comprehensive income	2021	Recognised in income	Recognised in other comprehensive income	2022
	$'000	$'000 [note 25(a)]	$'000	$'000	$'000 [note 25(a)]	$'000	$'000
Property, plant and equipment	22,230	3,149	-	25,379	1,851	-	27,230
Investment properties	535	(105)	-	430	(103)	-	327
Other accounts receivables and prepayments	(5,432)	(289)	-	(5,721)	(1,627)	-	(7,348)
Other payables and accruals	484	(283)	-	201	-	-	201
Net lease liabilities	4,007	468	-	4,475	277	-	4,752
Employee benefit obligation	46,088	3,708	2,800	52,596	3,656	(18,452)	37,800
Unrealised exchange difference	392	(11,399)	-	(11,007)	21,019	-	10,012
	68,304	(4,751)	2,800	66,353	25,073	(18,452)	72,974

21. Employee benefit obligation and pensions

(a) Employee benefit obligation:

The employee benefit obligation represents the present value of the company's constructive obligation to provide post-employment health and life insurance benefits for pensioners as follows:

(i) Employee benefit obligation recognised in the statement of financial position:

	2022 $'000	2021 $'000
Balance at January 1	157,788	138,263
Included in profit or loss:		
Current service costs	3,612	3,302
Interest costs	12,697	12,529
	16,309	15,831
Included in other comprehensive income:		
Actuarial gains:		
Experience losses/(gains)	8,336	(551)
Remeasurement (gains)/losses	(63,691)	8,952
	(55,355)	8,401
Benefits paid	(5,342)	(4,707)
Balance at December 31	113,400	157,788

21. Employee benefit obligation and pensions (cont'd)

(a) Employee benefit obligation (cont'd):

(ii) Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2022 %	2021 %
Discount rate	13.5	8.0
Long term inflation rate	5.5	5.0
Health claims growth	5.5	4.5

Assumptions regarding future mortality are based on 1994 Group annuitants mortality table.

At December 31, 2022, the weighted average duration of employee benefit obligation was 11 years (2021: 17 years).

The calculation of the projected benefit obligation is sensitive to the assumptions used. The table below summarizes how the projected benefit obligation measured at the end of the reporting period would have increased/(decreased) as a result of a change in the health care and life insurance cost trend rates by one percentage point. In preparing the analyses for each assumption, all others were held constant.

	One percentage point increase		One percentage point decrease	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Effect on the employee benefit obligation	7,689	15,016	(6,596)	(12,462)

(iii) The company is expected to contribute $5,734,100 towards the health and life benefit plan in the subsequent reporting period (2021: $6,920,600).

(b) Pensions:

The company is a participating employer in The Insurance Company of the West Indies Limited Defined Contribution Pension Fund, which was approved with effect from January 1, 2005. The pension fund is administered and managed by Proven Wealth Limited. The benefits are restricted to employee and employer contributions made during the course of employment together with accumulated interest, and therefore, the company has no liability beyond its annual contributions for funding benefits.

The fund is subject to triennial actuarial valuations for funding purposes.

The company's contributions to the fund for the year ended December 31, 2022, aggregated $35,932,000 (2021: $31,335,000) [see note 23(b)].

Notes to the Financial Statements (Continued)
December 31, 2022

22. Capital and reserves

(a) Share capital

	2022		2021	
	$'000	Number of shares	$'000	Number of shares
Stated capital:				
In issue at December 31 – fully paid ordinary shares of no par value	260,237	260,237,000	260,237	260,237,000

There is no maximum limit to the authorised shares that the company can issue.

	2022 $'000	2021 $'000
(b) Share premium		
Share premium	66,763	66,763

The issued shared capital does not include the above premium on shares, in accordance with section 39 (7) of the Companies Act of Jamaica. This has been retained in the share premium account.

(c) Capital reserve

The capital reserves comprise revaluation surplus on certain property, plant and equipment (see note 6).

(d) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale investments until the assets are derecognised or impaired.

23. Disclosure of income and expenses

(a) Underwriting profit before other income, expenses and taxation for the year is stated after charging:

	2022 $'000	2021 $'000
Depreciation [note 23(b)]	171,307	183,517
Directors' remuneration - fees	6,944	6,505
- management [note 10(c)]	118,862	116,551
Auditors' remuneration	17,480	16,212

23. Disclosure of income and expenses (cont'd)

(b) Operating expenses:

	2022 $'000	2021 $'000
Audit and accounting fees	41,121	25,984
Advertising and promotion	101,675	91,315
Bad debt	4,128	12,914
Bank interest and related charges	47,308	44,732
Corporate office expenses [note 10(b)]	30,000	30,000
Data maintenance	33,408	34,274
Depreciation - Property, plant and equipment (note 6)	65,080	82,111
- Right-of-use assets (note 7)	106,227	101,406
Donations	6,912	6,626
Insurance	14,762	12,975
Legal and professional fees	37,638	32,638
Office rental [note 7(c)]	1,223	1,908
Other administrative expenses	39,947	77,878
Other staff related costs	309,051	307,398
Premium tax	28,162	24,489
Registration fee	26,599	21,926
Pension contributions [note 21(b)]	35,932	31,335
Property maintenance	60,332	71,217
Post-employment health and life insurance benefits [note 21(a)(i)]	16,310	15,831
Printing and stationary	12,257	9,790
Repairs and maintenance	63,925	78,617
Salaries and wages	734,255	684,436
Travelling and entertainment	4,423	11,460
	1,820,675	1,811,260

24. Investment and other income

	2022 $'000	2021 $'000
(a) Interest income:		
Loans and receivables	124,779	97,890
Cash and cash equivalents	1,212	462
	125,991	98,352
Rental income	3,919	4,145
	129,910	102,497

(b) Other income:

	2022 $'000	2021 $'000
Credit balances and other deposits written off	26,463	35,652
Other	18,560	9,978
	45,023	45,630

25. Taxation

(a) Taxation is based on the profit for the year adjusted for tax purposes and is made up as follows:

	2022 $'000	2021 $'000
Current tax expense:		
Income tax – current year	34,166	61,614
Deferred tax expense:		
Origination and reversal of temporary differences (note 20)	(25,073)	4,751
Total taxation expense	9,093	66,365

(b) Reconciliation of expected tax expense and actual tax expense

The effective tax rate was 25.1% (2021: 21.4%) of pre-tax profits compared to a statutory tax rate of 33⅓% for Jamaica, 25% for Trinidad and Tobago and Dominica and nil for Bahamas. The actual tax expense differed from the "expected" tax expense for the year as follows:

	2022 $'000	2021 $'000
(Loss)/profit before taxation	(36,298)	309,679
Computed "expected" tax (credit)/expense @ 33⅓%/25%	(12,213)	103,384
Difference between (loss)/profit for financial statements and tax reporting purposes on		
Depreciation charge and capital allowances	31,636	25,716
Income/expense not allowed for tax purposes	(14,434)	(65,657)
Green business levy	4,104	2,922
	9,093	66,365

(d) A deferred tax asset of $56 million (2021: $47 million) has not been recognised for the Trinidad and Tobago branch as management does not believe that the asset will be realised in the foreseeable future. At December 31, 2022, taxation losses amounting to $228 million (2021: $195 million) are available for set-off against future taxable profits for the Trinidad and Tobago branch, subject to agreement by Trinidad and Tobago tax authorities.

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26. Reinsurance ceded

The company limits its exposure to a maximum amount on any one loss as detailed below:

	Jamaica	Bahamas	Trinidad	Dominica
Liability	J$1,000,000	US$100,000	US$100,000	US$125,000
Marine Hull	US$ 50,000	US$50,000	US$50,000	US$50,000
Marine Cargo	US$ 33,333	US$33,333	US$33,333	US$33,333
Engineering	US$ 30,000	US$30,000	US$30,000	US$30,000
Property	US$ 8,750	US$22,500	US$22,500	US$ 5,000
Motor	J$10,000,000	US$100,000	US$100,000	US$125,000
Bonds and Fidelity Guarantee	US$ 125,000	US$125,000	US$125,000	US$125,000
Cash	US$ 18,750	US$18,750	US$18,750	US$18,750
Burglary	US$ 25,000	US$25,000	US$25,000	US$25,000
All risk	US$ 50,000	US$50,000	US$50,000	US$50,000

In addition, the company has catastrophe reinsurance on which its liability on each event is limited to US$225,000.

27. Insurance risk management

Risk management objectives and policies for mitigating insurance risk:

The company's management of insurance risk is a critical aspect of the business. The primary insurance activity carried out by the company is the transfer of risk from persons or entities that are directly subject to the risk, by means of the sale of insurance policies. As such, the company is exposed to uncertainty surrounding the timing, frequency and severity of claims under these policies.

The principal types of policy written by the company are as follows:

Motor insurance
Property insurance
Liability insurance

The company manages its insurance risk through its underwriting policy that includes, *inter alia*, authority limits, approval procedures for transactions that exceed set limits, pricing guidelines and the centralised management of reinsurance.

The company actively monitors insurance risk exposures both for individual and portfolio types of risks. These methods include internal risk measurement, portfolio modelling and scenario analyses.

27. Insurance risk management (cont'd)

Underwriting strategy:

The company seeks to underwrite a balanced portfolio of risks at rates and terms that will produce underwriting results consistent with its long term objectives.

The board of directors approves the underwriting strategy which is set out in an annual business plan and management is responsible for the attainment of the established objectives.

Reinsurance strategy:

The company reinsures a portion of the risks it underwrites in order to protect capital resources and to limit its exposure to variations in the projected frequency and severity of losses.

Ceded reinsurance includes credit risk, and the company monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. The board of directors is responsible for setting the minimum security criteria for accepting reinsurance and monitoring the purchase of reinsurance against those criteria. They also monitor its adequacy on an ongoing basis. Credit risk on reinsurance is addressed in more detail in note 28.

Terms and conditions of general insurance contracts:

The table below provides an overview of the terms and conditions of general insurance contracts written by the company and the key factors upon which the timing and uncertainty of future cash flows of these contracts depend.

Type contract	**Terms and conditions**	**Key factors affecting future cash flows**
Motor	Motor insurance contracts provide cover in respect of policyholders' motor vehicles and their liability to third parties in respect of damage to property and injury. The exposure on motor insurance contracts is normally limited to the market value of the vehicle and policy limits in respect of third party damage and bodily injury.	In general, claims reporting lags are minor and claim complexity is relatively low. The frequency of claims is affected by excessive speeding, the condition of the road network, failure by some motorists to obey traffic signals and an overall increase in the incidence of motor vehicle theft. The number of claims is also correlated with economic activity, which also affects the amount of traffic activity. Although majority of bodily injury claims have a relatively long tail, the majority of the claims incurred by the company are settled in the short term. In general, these claims involve higher estimation uncertainty.

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27. Insurance risk management (cont'd)

Terms and conditions of general insurance contracts (cont'd):

Type contract	**Terms and conditions**	**Key factors affecting future cash flows**
Property	Property insurance indemnifies, subject to any limits or excesses, the policyholders against the loss or damage to their own material property and business interruption arising from this damage.	The risk on any policy varies according to many factors such as location, safety measures in place and the age of the property. The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (as for fire and burglary) and the cause is easily determinable. Therefore, claims are generally notified promptly and can be settled without delay (property business is therefore classified as "short-tailed" and expense deterioration and investment return is of less importance in estimating provisions). The cost of repairing or rebuilding assets, of replacement or indemnity for contents and the time taken to restart or resume operations to original levels for business interruption losses are the key factors influencing the level of claims under these policies.
Liability	Under these contracts, compensation is paid for injury suffered by individuals, including employees or members of the public. The main liability exposures are in relation to bodily injury.	The timing of claim reporting and settlement is a function of factors such as the nature of the coverage and the policy provisions. Although majority of bodily injury claims have a relatively long tail, the majority of the claims incurred by the company are settled in the short term. In general, these claims involve higher estimation uncertainty.

Motor contracts:

The risks relating to motor contracts are managed primarily through the pricing process and reinsurance. The company monitors and reacts to changes in trends of injury awards, litigation and frequency of claims.

Property contracts:

The risks relating to property contracts are managed primarily through the pricing process and reinsurance. The company uses strict underwriting criteria to ensure that the risk of losses is acceptable. Furthermore, the company accepts property insurance risks for one year so that each contract can be re-priced on renewal to reflect the continually evolving risk profile.

27. Insurance risk management (cont'd)

Liability contracts:

Risks arising from liability insurance are managed primarily through pricing, product design, risk selection, adopting an appropriate investment strategy, rating and reinsurance. The company monitors and reacts to changes in the general economic and commercial environment in which it operates to ensure that only liability risks which meet its criteria for profitability are underwritten. In pricing contracts, the company makes assumptions that costs will increase in line with the latest available financial and actuarial forecasts.

Risk exposure and concentrations of risk:

The following table shows the company's exposure to general insurance risk (based on the carrying value of claims outstanding at the reporting date) per major category of business.

	Motor $'000	Property $'000	Liability $'000	Other $'000	Total $'000
At December 31, 2022					
Gross	2,924,117	146,761	50,953	13,757	3,135,588
Net of reinsurance	1,498,440	1,994	29,160	4,103	1,533,697
At December 31, 2021					
Gross	3,024,638	166,388	45,455	26,723	3,263,204
Net of reinsurance	1,463,821	818	25,951	5,826	1,496,416

Claims development:

Claims development information is disclosed in order to illustrate the insurance risk inherent in the company. The top part of the table shows how the estimates of total claims for each accident year develop over time. The estimates are increased or decreased as losses are paid and more information becomes known about the severity of unpaid claims. The lower part of the table provides a reconciliation of the total provision included in the statement of financial position and the estimate of cumulative claims.

Analysis of net claims development

	Accident year						
	2017 $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	Total $'000
Estimate of cumulative claims at end of accident year	1,416,201	953,403	1,083,056	1,223,711	1,218,056	1,422,554	7,316,981
-one year later	1,522,061	1,161,282	1,276,262	1,154,653	1,400,087	-	6,514,345
-two years later	1,434,688	1,150,847	1,337,986	1,203,352	-	-	5,126,873
-three years later	1,285,078	1,212,475	1,332,874	-	-	-	3,830,427
-four years later	1,410,030	1,216,780	-	-	-	-	2,626,810
-five years later	1,417,756	-	-	-	-	-	1,417,756
Estimate of cumulative claims	1,417,756	1,216,780	1,332,874	1,203,352	1,400,087	1,422,554	7,993,403
Cumulative payments to date	1,170,113	1,081,098	1,190,474	1,000,802	1,154,026	863,193	6,459,706
Net outstanding claims liabilities	247,643	135,682	142,400	202,550	246,061	559,361	1,533,697

28. Financial risk management

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

Credit risk
Liquidity risk
Market risk

Risk management framework

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the company's financial risk management framework. The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The focus of financial risk management for the company is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance and investment contracts. The goal of the investment management process is to optimise the net of taxes, risk- adjusted investment income and risk-adjusted total return by investing in a diversified portfolio of securities, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

The asset/liability matching process is largely influenced by estimates of the timing of payments required in terms of insurance. These estimates are re-evaluated on a regular basis. There are also criteria for ensuring the matching of assets and liabilities as investment markets change.

Firstly, the risk is managed through the establishment of an appropriate underwriting strategy and its implementation by means of the company's underwriting policy.

Secondly, the risk is managed through the use of reinsurance. The company arranges proportional reinsurance at the risk level and purchases excess of loss covers for motor, property and liability business. The company assesses the costs and benefits associated with the reinsurance programme on a regular basis.

(a) Credit risk

Credit risk is the risk of financial loss to the company if a counterparty fails to meet its contractual obligations.

28. Financial risk management (cont'd)

(a) Credit risk (cont'd)

The company's key areas of exposure to credit risk include:

- debt securities and cash and cash equivalents
- amounts due from policyholders
- amounts due from intermediaries (components of insurance receivables)
- reinsurers' share of insurance liabilities (components of insurance receivables)
- amounts due from reinsurers in respect of payments already made to policyholders
- amounts due from related parties

The nature of the company's exposure to credit risk and its objectives, policies and processes for managing credit risk have not changed significantly from the prior year.

Management of credit risk

The company manages its credit risk in respect of debt securities by placing limits on its exposure to a single counterparty, by reference to information available in the market place relating to the financial standing of the counterparty. The company has a policy of investing only in high quality corporate bonds and government issued debts.

Its exposure to individual policyholders and groups of policyholders is monitored as part of its credit control process. Financial analyses are conducted for significant exposures to individual policyholders or homogenous groups of policyholders.

All intermediaries must meet minimum requirements that are established and enforced by the company's management. The payment histories of intermediaries are monitored on a regular basis.

The company also operates a policy to manage its reinsurance counterparty exposures. The company assesses the credit worthiness of all reinsurers by reviewing public rating information and from internal investigations. The impact of reinsurer default is measured regularly and managed accordingly.

Cash and Cash equivalents is managed in line with the company's policy. Excess funds are invested for short periods of time, depending on the company's cash flow requirements. These surplus funds are placed with approved financial institutions with no concentration of funds being at any specific counterparty and thereby mitigating potential financial loss.

All related party transactions are pre-authorised and approved by management during the budgeting process and subsequently in the normal course of business.

(i) Exposure to credit risk:

Credit ratings are publicly available for certain assets with credit risk. The following table analyses the credit rating by investment grade of assets bearing credit risk.

28. Financial risk management (cont'd)

(a) Credit risk (cont'd):

Management of credit risk (cont'd):

(i) Exposure to credit risk (cont'd):

	2022						
	AA $'000	A $'000	Ba2 $'000	Ba3 $'000	B2 $'000	Not rated $'000	Total $'000
Financial assets							
Carrying amount	-	-	257,724	1,041,110	2,257,015	-	3,555,849
Reinsurance assets (excluding unearned premium reserve)							
Carrying amount	1,189,562	412,329	-	-	-	-	1,601,891
Insurance and other receivables (excluding prepayments)							
Neither past due nor Impaired	-	-	-	-	-	258,238	258,238
Past due but not impaired	-	-	-	-	-	294,744	294,744
Individually impaired	-	-	-	-	-	7,681	7,681
Gross amount						560,663	560,663
Allowance for impairment						(7,681)	(7,681)
Carrying amount	-	-	-	-	-	552,982	552,982
Cash and cash equivalents						763,933	763,933
	1,189,562	412,329	257,724	1,041,110	2,257,015	1,316,915	6,474,655

	2021						
	AA $'000	A $'000	Ba2 $'000	Ba3 $'000	B2 $'000	Not rated $'000	Total $'000
Financial assets							
Carrying amount	-	-	283,251	906,898	2,029,523	-	3,219,672
Reinsurance assets (excluding unearned premium reserve)							
Carrying amount	1,509,190	257,598	-	-	-	-	1,766,788
Insurance and other receivables (excluding prepayments)							
Neither past due nor impaired	-	-	-	-	-	284,264	284,264
Past due but not impaired	-	-	-	-	-	210,399	210,399
Individually impaired	-	-	-	-	-	8,780	8,780
Gross amount	-	-	-	-	-	503,443	503,443
Allowance for impairment	-	-	-	-	-	(8,780)	(8,780)
Carrying amount	-	-	-	-	-	494,663	494,663
Cash and cash equivalents	-	-	-	-	-	1,044,584	1,044,584
	1,509,190	257,598	283,251	906,898	2,029,523	1,539,247	6,525,707

The carrying amounts of financial assets and cash and cash equivalents do not include any other assets that are either past due or impaired.

28. Financial risk management (cont'd)

(a) Credit risk (cont'd):

Management of credit risk (cont'd):

(i) Exposure to credit risk (cont'd):

The company has no financial assets or reinsurance assets that would have been past due or impaired, whose terms have been renegotiated.

The company does not hold any collateral as security or any credit enhancements, credit derivatives and netting arrangements that do not qualify for offset.

(ii) Concentrations of credit risk

The specific concentration of risk from counterparties where receivables for any one counterparty is $10,000,000 or more at the year end is as follows:

	2022 $'000	2021 $'000
The Great Northern Insurance Company Ltd	47,336	47,900
The Insurance Company of the West Indies (Cayman) Limited	27,909	11,332
BCMG Insurance Brokers Limited	69,560	70,867
Allied Insurance Brokers Limited	39,501	36,330
Covenant Insurance Brokers Limited	10,530	10,904
CGM Gallagher Insurance Brokers Limited	17,482	-
ICWI Group Limited	320,556	364,767
Fraser Fontaine and Kong	41,181	36,428
REACT Limited	34,742	34,505

(iii) Assets that are past due

The company has insurance receivables other receivables (excluding prepayments) (see notes 14 and 16) that are past due but not impaired at the reporting date (as indicated by the overall credit risk exposure analysis). An aged analysis of the carrying amounts of these insurance receivables is presented below:

	Less than 46 days $'000	46 to 90 days $'000	More than 90 days $'000	Total $'000
December 31, 2022				
Receivables arising from insurance and reinsurance contracts agents, brokers, intermediates and other	258,238	123,680	178,745	560,663
Past due and impaired	-	-	(7,681)	(7,681)
	258,238	123,680	171,064	552,982

28. Financial risk management (cont'd)

(a) Credit risk (cont'd):

(iii) Assets that are past due (cont'd)

	Less than 46 days	46 to 90 days	More than 90 days	Total
	$'000	$'000	$'000	$'000
December 31, 2021				
Receivables arising from insurance and reinsurance contracts agents, brokers, intermediates and other	284,264	102,715	116,464	503,443
Past due and impaired	-	-	(8,780)	(8,780)
	284,264	102,715	107,684	494,663

(iv) Assets that are individually impaired

The analysis of overall credit risk exposure indicates that the company has insurance receivables that are impaired at the reporting date. The assets that are individually impaired are analysed below:

	2022		2021	
	Gross	Net	Gross	Net
	$'000	$'000	$'000	$'000
Insurance receivables	7,681	-	8,780	-

The above assets have been individually impaired after considering information such as the occurrence of significant changes in the counterparty's financial position, patterns of historical payment information and disputes with counterparties.

Movement on provision for impairment of insurance receivables are as follows:

	2022	2021
	$'000	$'000
Balance at January 1	8,780	16,754
Decrease provision, net of recoveries	(1,099)	(7,974)
Balance at December 31	7,681	8,780

28. Financial risk management (cont'd)

(b) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations from its financial and insurance liabilities. The company is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts. Liquidity risk may arise from a number of potential areas, such as a duration mismatch between assets and liabilities and unexpectedly high levels of claims. The nature of the company's exposure to liquidity risk and its objectives, policies and processes for managing liquidity risk have not changed significantly from the prior year.

Management of liquidity risk

The company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. Consequently, the company invests in marketable securities that can be readily realised as its obligations under insurance contracts fall due and in the event of reasonably foreseeable abnormal circumstances. The company also manages this risk by keeping a substantial portion of its financial assets in liquid form, in accordance with regulatory guidelines. The company is subject to a liquidity limit imposed by the regulator. The key measurement used for assessing liquidity risk is the ratio of liquid assets (as defined) to total liabilities.

This ratio at the reporting date was 107% (2021: 107%). The level set by the regulator is 95%.

An analysis of the contractual maturities of the company's financial and insurance contract liabilities is presented below. The analysis provided is by estimating timing of the amounts recognised in the statement of financial position.

	2022					
		Contractual undiscounted cash flows				
	Carrying Amount $'000	Total cash outflow $'000	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	5-10 years $'000
Financial liabilities						
-Other payables and accrued charges	428,970	428,970	428,970		-	-
-Insurance payables	892,575	892,575	892,575		-	-
-Lease liabilities	185,023	206,155	126,415	41,325	38,415	-
Total financial liabilities	1,506,568	1,527,700	1,447,960	41,325	38,415	-
Insurance contract provisions						
-Claims outstanding	3,135,588	3,135,588	1,496,318	1,094,877	504,000	40,393
	4,642,156	4,663,288	2,944,278	1,136,202	542,415	40,393

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28. Financial risk management (cont'd)

(b) Liquidity risk (cont'd)

Management of liquidity risk (cont'd)

	2021					
	Contractual undiscounted cash flows					
	Carrying Amount $'000	Total cash outflow $'000	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	5-10 years $'000
Financial liabilities						
-Other payables and accrued charges	441,597	441,597	441,597	-	-	-
-Insurance payables	788,621	788,621	788,621	-	-	-
-Lease liabilities	206,250	227,347	101,460	88,631	37,256	-
-Due to fellow subsidiaries	2,611	2,611	2,611	-	-	-
Total financial liabilities	1,439,079	1,460,176	1,334,289	88,631	37,256	-
Insurance contract provisions						
-Claims outstanding	3,263,204	3,263,204	1,520,222	1,138,902	569,366	34,714
	4,702,283	4,723,380	2,854,511	1,227,533	606,622	34,714

(c) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the value of the company's assets, the amount of its liabilities and/or the company's income. Market risk arises in the company due to fluctuations in the value of liabilities and the value of investments held. The company is exposed to market risk on all of its financial assets.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The nature of the company's exposures to market risk and its objectives, policies and processes for managing market risk have not changed significantly from the prior year.

Management of market risk

The Investment Committee manages market risk in accordance with its asset/liability management framework. The Committee reports regularly to the Board of Directors on its activities. For each of the major components of market risk the company has policies and procedures in place which detail how each risk should be managed and monitored. The management of each of these major components of major risk and the exposure of the company at the reporting date to each major risk are addressed below.

28. Financial risk management (cont'd)

(c) Market risk (cont'd)

Management of market risk (cont'd)

The company manages its interest rate risk by matching, where possible, the duration and profile of assets and liabilities to minimise the impact of mismatches between the value of assets and liabilities from interest rate movements.

Interest-bearing financial assets are primarily represented by relatively short term investments, which have been contracted at fixed and floating interest rates for the duration of the term.

The nature of the company's exposures to interest rate risk and its objectives, policies and processes for managing interest rate risk have not changed significantly from the prior year.

(i) Interest rate risk:

At the reporting date the interest profile of the company's interest-bearing financial instruments was:

	Carrying amount	
	2022	2021
	$'000	$'000
Fixed rate instruments:		
Financial assets	3,535,849	3,199,672
Variable rate instruments:		
Financial assets	38,800	20,000

Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Increase/(decrease) in profit before taxation	
	2022	2021
	$'000	$'000
1% (2021: 3%) increase	388	600
0.5% (2021: 0.5%) decrease	(194)	(100)

28. Financial risk management (cont'd)

(c) Market risk (cont'd)

Management of market risk (cont'd)

(ii) Foreign currency risk:

The company incurs foreign currency risk on transactions that are denominated in a currency other than the Jamaica dollar. The currency giving rise to this risk is primarily the United States dollar, however there are other transactions denominated in Netherlands Antilles guilder, Bahamas dollar, Great Britain pound sterling, Cayman Islands dollar, Trinidad and Tobago dollar and Eastern Caribbean dollar as follows:

	2022 $'000	2021 $'000
United States dollars	3,782	3,717
Cayman Islands dollars	156	65
Bahamas dollars	6,035	5,983
Great Britain Pound sterling	97	13
Trinidad and Tobago dollars	28,735	33,717
Eastern Caribbean dollars	8,864	7,681

Sensitivity analysis

Movement of J$ against other currencies	Increase/(decrease) in profit before taxation	
	2022 $'000	2021 $'000
4% (2021: 8%) weakening	107,121	181,563
1% (2021: 2%) strengthening	(26,780)	(45,390)

Exchange rates at December 31:

	2022	2021
USD1 to JMD	151.70	154.03
BSD1 to JMD	151.70	154.03
XCD1 to JMD	56.19	57.05
KYD1 to JMD	185.00	187.84
TTD1 to JMD	22.42	22.79
GBP1 to JMD	181.92	202.92

(iii) Equity price risk

Equity price risk arises from available-for-sale equity securities held by the company as part of its investment portfolio. Management monitors the mix of debt and equity securities in its investment portfolio based on market expectations. The primary goal of the company's investment strategy is to maximise investment returns.

28. Financial risk management (cont'd)

(c) Market risk (cont'd)

Management of market risk (cont'd)

(iii) Equity price risk (cont'd)

A 6% (2021: 5%) increase in the market price at the reporting date would cause an increase in other comprehensive income of $5,473,000 (2021: $5,416,000). A 6% (2021: 5%) decrease would cause a decrease in other comprehensive income of $5,473,000 (2021 $5,416,000).

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, and from external factors other than financial risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to its reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the company's senior management team.

(e) Capital risk management

Capital risk is the risk that the company fails to comply with mandated regulatory requirements, resulting in a breach of its minimum asset ratios and the possible suspension or loss of its financial institution licence (see note 2). The company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the regulators
- To safeguard the company's ability to continue as a going concern so that it can continue to provide returns for the shareholder and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

General insurance companies must maintain a minimum level of assets, capital and surplus to meet the liabilities of the company. The regulator requires that the total capital available to a general insurance company is at least 175% (2021: 250%) of the capital required as calculated under the minimum capital test (MCT). At December 31, 2022 the company's capital available was 227% (2021: 294%) of the capital required under the MCT.

29. Fair value of financial instruments

Fair value amounts represent estimates of the arm's length consideration that would currently be agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Where quoted market prices are not available, the fair values of these instruments have been determined using a generally accepted alternative method.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value.

Financial instrument	Method
Government of Jamaica Securities, Government of Trinidad and Tobago Securities and other corporate bonds.	Discounting future cash flows of these securities at the estimated reporting date using yields published by a broker. Where prices are not available fair value is assumed to approximate amortised cost.
Cash and cash equivalents, securities purchased under resale agreements, insurance and other receivables (excluding prepayments), insurance and other payables, reinsurance assets (excluding unearned premium reserves) and insurance contract provisions (excluding unearned premium reserves).	Assumed to approximate their carrying values, due to their relative short-term nature (in some instance due on demand), or bears market rates of interest applicable to similar investments and no discount is anticipated on settlement.
Quoted equities	Bid prices published by the Jamaica Stock Exchange.
Mutual funds	Prices from fund managers

The Company considers relevant and observable market prices in its valuations where possible.

Notes to the Financial Statements (Continued)
December 31, 2022

29. Fair value of financial instruments (cont'd)

The following table sets out the fair value of the financial instruments using the valuation methods and assumption described below. The fair value disclosed does not reflect the value of assets and liabilities that are not considered financial instruments, such as property, plant and equipment.

	2022		2021	
	Carrying value $'000	Fair value $'000	Carrying value $'000	Fair value $'000
Financial assets:				
Investments	2,293,807	2,293,807	1,929,420	1,929,420
Cash and cash equivalents	763,933	763,933	1,044,584	1,044,584
Due from related entities	432,823	432,823	460,277	460,277
Accrued investment income	25,255	25,255	19,644	19,644
Securities purchased under resale agreements	1,372,459	1,372,459	1,399,179	1,399,179
Reinsurance assets (excluding unearned premium reserves)	1,601,891	1,601,891	1,766,788	1,766,788
Other accounts receivables (excluding prepayments)	35,675	35,675	40,766	40,766
Insurance receivables	524,988	524,988	453,897	453,897
	7,050,831	7,050,831	7,114,555	7,114,555

	2022		2021	
	Carrying value $'000	Fair value $'000	Carrying value $'000	Fair value $'000
Financial liabilities:				
Insurance contract Provisions (excluding unearned premium reserves)	3,135,588	3,135,588	3,263,204	3,263,204
Other payables and accrued charges	428,972	428,972	441,597	441,597
Due to fellow subsidiaries	-	-	2,611	2,611
Lease liabilities	185,023	185,023	206,250	206,250
Insurance payables	892,575	892,575	788,621	788,621
	4,642,158	4,642,158	4,702,283	4,702,283

29. Fair value of financial instruments (cont'd)

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy:

Level 1 - Quoted prices in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available.

The company considers relevant and observable market prices in its valuations where possible. The table below analyses available-for-sale financial instruments which are carried at fair value. All other financial assets and liabilities above are classified as level 2.

	2022			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Investment securities – available-for-sale	109,818	200,000	599	310,417

	2021			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Investment securities – available-for-sale	108,328	200,000	599	308,927

There were no movements between levels during the year.

30. Subsequent event

Effective February 1, 2023, the company converted its Trinidad and Tobago branch to a stand-alone operation in the name of The Insurance Company of the West Indies (Trinidad) Limited ("ICWI TT").

30. Subsequent event (cont'd)

On January 10, 2023, ICWI TT received a license from The Central Bank of Trinidad and Tobago to write Motor and other long-term insurance business in Trinidad and Tobago. On January 17, 2022, the company notified the Financial Services Commission of the planned conversion of the Trinidad and Tobago branch of the company into a stand-alone operation. Consequent on this transaction, ICWI TT became a wholly owned subsidiary of the company. The insurance portfolio and assets and liabilities of the Trinidad and Tobago branch of the company were transferred to ICWI TT with effect from February 1, 2023.