Sagicor
GENERAL

ANNUAL REPORT 2022

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MISSION

Our mission is to become the leading P&C provider in the Caribbean. We will achieve this by crafting a customer centric organization driven by inspired and engaged people.

VISIO N

To be a great company committed to improving the lives of people in the communities in which we operate.

CORPORATE OVERVIEW

We have been in existence for over 140 years offering a comprehensive range of general insurance solutions to individuals and companies. In July 2003, a Special Resolution was passed by the shareholders authorising an amendment to the Articles of Incorporation to change the name of the company from Barbados Fire and Commercial Insurance Company Limited to Sagicor General Insurance Inc.

Sagicor General has a financial rating of A - (Excellent) issued by A. M. Best after a thorough quantitative and qualitative review of the company, taking into consideration financial performance, balance sheet strength, as well as underwriting and claims philosophies.

Our product lines include Commercial Fire, Residential, Motor, Engineering, Bonds, Marine, Liability and various Miscellaneous classes.

Our main premium revenue is realised from the Property portfolio which accounts for approximately 53% of revenue. Motor is 35% while the Marine and Accident portfolios account for 12%.

Sagicor General is continuing on an expansion drive to increase its market share, either through organic growth or by way of mergers or acquisitions. We will also extend our reach into other territories.

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DR. PATRICIA DOWNES-GRANT
CHAIRMAN

CHAIRMAN & CEO'S REPORT

KESTON HOWELL
PRESIDENT & CEO

CHAIRMAN & CEO'S REPORT

2022 marked a resumption of "business as usual" as regional economies emerged from the burden of lockdowns and restrictions fashioned by the Covid 19 pandemic. The lifting of these protective measures facilitated economic recovery as economic activity gradually increased across the region.

Economist Intelligence Unit (EIU) estimates of GDP growth reflected relatively robust growth in most of the markets in which we operate. GDP growth in Barbados was estimated at 10.4% up from 1.4% in 2021. The Eastern Caribbean also showed encouraging signs of recovery in 2022 with Antigua, St. Lucia and Dominica all recording growth estimated by the EIU at 6.5%, 7% and 6.7% respectively. Trinidad & Tobago experienced the lowest growth rate with EIU estimates of GDP growth at 3.9%.

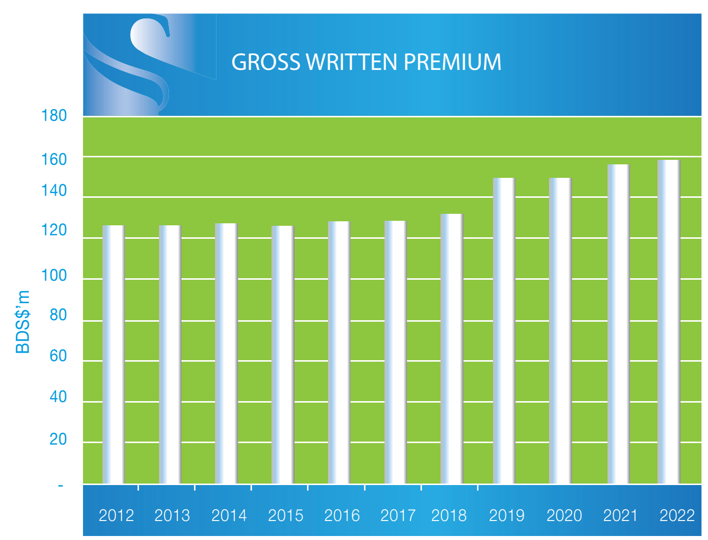
For the planning period 2022 to 2024 our strategic objectives are to engage employees, delight our customers, preserve capital, improve efficiencies and grow market share. We continued to reap the benefits of our focus on these initiatives as 2022 was another profitable year with the company enjoying a 16% return on equity.

UNDERWRITING

Gross Written Premium for 2022 was BBD$158.3 million up from BBD$156.1 million in 2021. Barbados was the main contributor with a 2.4% increase over 2021. The EC territories achieved a 13.6% increase, while Trinidad & Tobago experienced a 2.1% growth over 2021. We continue to be encouraged by our growth in the Eastern Caribbean given our efforts at strengthening the management structure in those islands. There was no premium income from Bahamas in 2022 as the portfolio ran off at the end of September 2021.

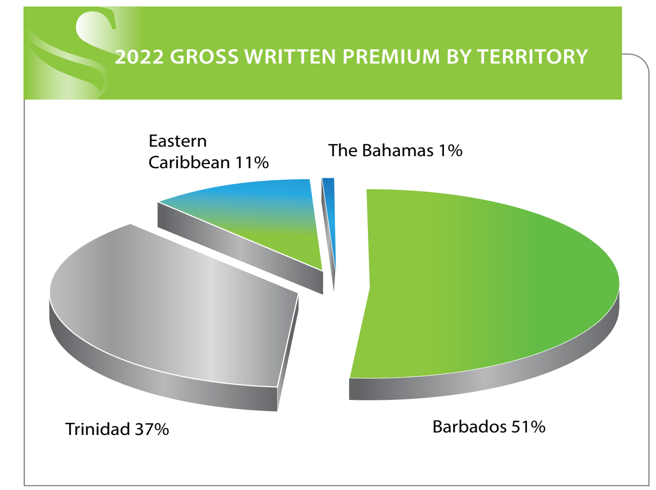
The largest growth in dollar terms came from our property business which was 2.3% over 2021. Our Motor line of business struggled in 2022 and was 2.5% lower than 2021. New business represented 13.7% of total GWP as the business benefited from a retention ratio of 90% in 2022.

All markets continue to be very competitive but particularly in the motor line of business as industry premiums slowly adjust to the challenges of inflation in this segment.

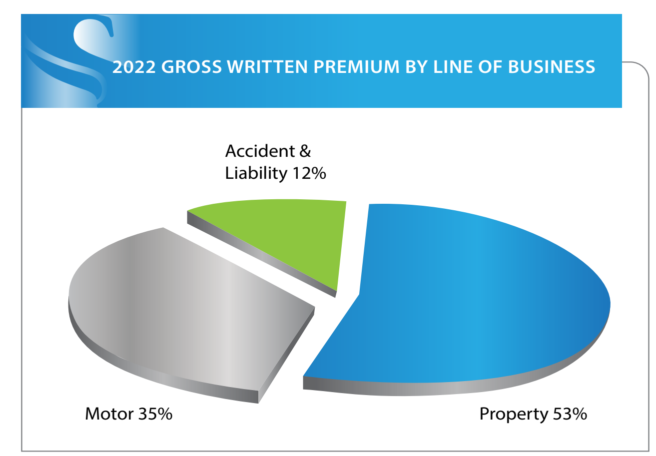


Barbados' share of the total premiums remained at 51%. Trinidad also remained at 37% of the total business. The Eastern Caribbean operations in St. Lucia, Antigua, Dominica saw growth over 2021 and now accounts for 11% of the total business.

CHAIRMAN & CEO'S REPORT



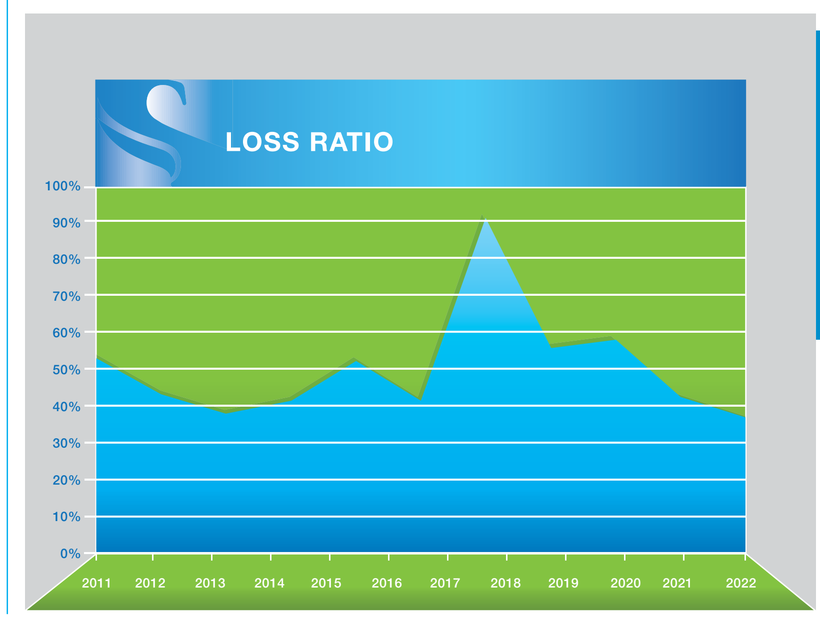
The property portfolio now represents 53% of the total premiums. Motor fell to 35%, while Accident and Liability contributed the remaining 12%.



Reinsurance costs continued to rise resulting in a reduction in net premiums from BBD$73.4 million to BBD$72.2 million. Overall Total Revenue declined from BBD$100.5 million to BBD$100.3 million.

CLAIMS

Net Claims Incurred increased from BBD$27.2 million to BBD$33.8 million. The company ended the year with a loss ratio of 46.8% up from 37% of the prior year. The deterioration in the loss ratio was primarily attributed to an increase in motor claims as driving activity increased as lockdowns and other restrictive measures were discontinued.



CHAIRMAN & CEO'S REPORT

EXPENSES

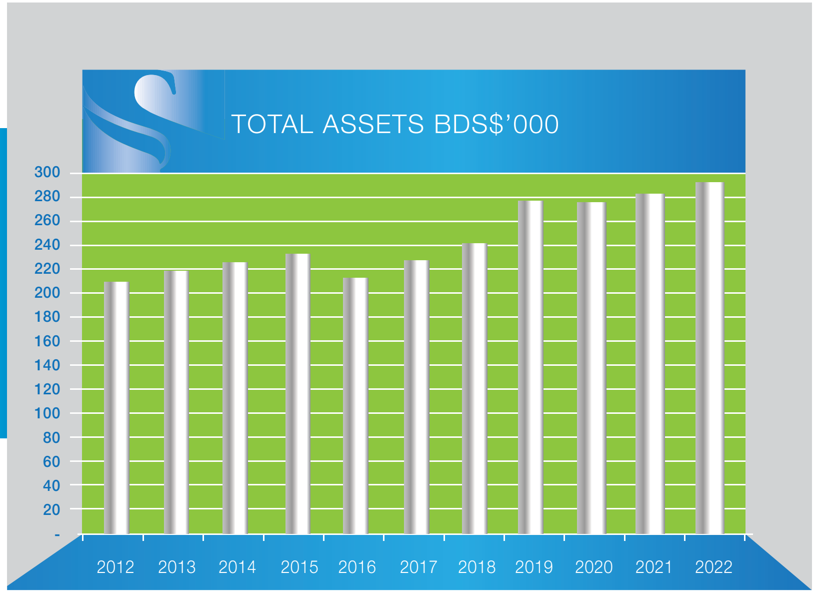
As the company continues to focus on improving operational efficiencies, we were able to reduce total expenses from BBD$56.7 million to BBD$55.4 million.

NET INCOME AND COMPREHENSIVE INCOME

Net income after taxes was BBD$9 million down from BBD$13.1 million the prior year. This reduction was primarily due to higher loss ratios in the motor line of business.

FINANCIAL POSITION

The company's financial position remains strong, with shareholders' equity at $57.2 million. Dividends of BBD$10.1 million were declared during the year. At the end of the year assets totaled BBD$290.9 million up from BBD$281.6 million.



During the year, A.M. Best conducted their annual review and reaffirmed the company's A- (Excellent) financial rating. This rating is the outcome of a due diligence on the company's financial and operating performance and reflects the rater's assessment of the company's financial strength, inclusive of the backing of its parent company Sagicor Life Inc. The rating also takes into consideration the structure of our comprehensive reinsurance program which is backed by quality reinsurers.

RESTRUCTURING EXERCISE

In February 2023 the company completed a restructuring exercise to ensure compliance with the Insurance Act in Trinidad & Tobago. The Insurance Act, 2018 and the Insurance (Amendment) Act, 2020 came into effect on January 1, 2021. This Act has created new compliance obligations for us as insurers, inclusive of the requirement that we incorporate our insurance businesses in Trinidad and Tobago. This process involved a legal transfer of all business from Sagicor General Insurance Inc to Sagicor General Insurance Trinidad & Tobago Limited. This was achieved via a transfer scheme where all assets and liabilities of the Trinidad & Tobago branch were transferred to the new entity. As part of the restructure Sagicor General Insurance Trinidad & Tobago Limited will be owned by Sagicor Life Insurance Trinidad & Tobago Limited.

IFRS 17

The company will adopt IFRS 17 - Insurance Contracts ("IFRS 17") for the first time on January 1, 2023. IFRS 17 replaces IFRS 4 - Insurance Contracts ("IFRS 4"). IFRS 17, as amended, is effective for annual reporting periods beginning on or after January 1, 2023 and is to be applied retrospectively. The adoption of this new standard will lead to a different presentation of the financial statements but is not expected to lead to any significant change in how the company's operating results are determined.

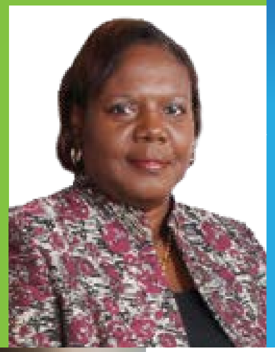
LOOKING AHEAD

We continue to make good progress with our digital transformation journey as we look for additional ways to make it easier for our customers and intermediaries to do business with us while simultaneously improving our operating efficiencies.

We expect that the industry will continue to be buffeted by higher reinsurance costs, lower reinsurance capacity, inflation (economic and social), increase in reported motor claims and more frequent and severe weather events. This portends an increase in premium rates which may not be applied equally by different players within the industry. 2023 is expected to be a challenging year for the industry. From our perspective we will continue to act responsibly and balance the objective of revenue growth with the objective of ensuring the company's ability to honor its obligations and protect our reputation for the prompt settlement of claims.

On behalf of the Board of Sagicor General, we wish to thank our policyholders, clients, management, staff, insurance advisors and business partners for their continued and valued support and wise counsel.

BOARD OF DIRECTORS



DR. PATRICIA DOWNES-GRANT
CHAIRMAN

KESTON HOWELL
DIRECTOR

Dr. Downes-Grant joined Sagicor Life Inc. in 1991 where she held several senior positions, including Group Chief Operating Officer, Treasurer and Executive Vice President (Finance and Investments) before being appointed as Chief Executive Officer and President on January 1, 2006. In 2018, she was appointed Group Executive Director of Sagicor Financial Corporation Limited. She retired as an Executive from the Sagicor Group on December 31, 2019.

Dr. Downes-Grant holds an MBA in Finance, an MA in Economics, and a Doctorate in Business Administration (Finance). Prior to joining Sagicor, Dr. Downes-Grant was a Senior Manager in the Management, Consulting and Insolvency Division of Coopers & Lybrand (now PricewaterhouseCoopers).

Dr. Downes-Grant has more than 25 years of work experience in insurance, banking and asset management. She is a former Chairman of the Barbados Stock Exchange and Barbados Central Securities Depository and a Director of several companies within the Sagicor Group and the private sector of Barbados. In 2014, Dr. Downes-Grant was honored for her services to the financial industry and awarded a Commander of the Most Excellent Order of the British Empire (CBE) and conferred with an Honorary Doctor of Laws degree by the University of the West Indies.

Mr. Keston Howell is the President and Chief Executive Officer of Sagicor General Insurance Inc., a position he assumed on October 1, 2017.

Mr. Howell has been a member of Sagicor Life Inc.'s (SLI) executive management team since 2005.

Prior to assuming the role of the CEO of Sagicor General, he held the post of Executive Vice President and General Manager, SLI with responsibility for the Dutch Caribbean, (Aruba, Curacao, St. Maarten) Belize and Panama. He currently serves as a Director on the Boards of Sagicor Finance Inc., Sagicor Asset Management Inc., Sagicor Funds Inc. and Sagicor Investments Trinidad and Tobago Limited.

His career includes key roles in the financial services sector in Trinidad and Tobago where he held senior positions in the commercial banking sector. He is a past President of the Securities Dealers Association of Trinidad and Tobago and currently serves as a Director of the Association of Trinidad and Tobago Insurance Companies.

Mr. Howell has over 18 years in the banking and insurance industries. He holds a B.Sc. Management Studies (Hons.) from The University of the West Indies, St. Augustine Campus, and an MBA Banking (Merit), from the University of London, London, England.

BOARD OF DIRECTORS

Mr. Edward Clarke was appointed to the position of Director of Strategic Projects for Sagicor Life Inc in August, 2020. Prior to this, he held the position of Executive Vice President of Sagicor Life Inc and General Manager of Sagicor's Barbados Operations. Mr. Clarke is a Fellow of the Association of Chartered Certified Accountants and is a Certified Internal Auditor with more than 40 years' experience in the field of auditing and finance. He retired as an Executive from Sagicor on June 30, 2020.

Mr. Clarke began his accounting career at Pannell Fitzpatrick & Company Chartered Accountants (now Ernst & Young). He later joined Texaco and served as a senior member of its finance team in Barbados, Nigeria and the USA. Before joining Sagicor, Mr. Clarke was the Chief Finance Officer of Goddard Enterprises Limited.

Mr. Clarke is the Immediate Past Chairman of the Barbados Private Sector Association, and a former President of the Barbados Chamber of Commerce and Industry. He is also the former Co-Chairman of the Barbados Economic Recovery and Transformation (BERT) Monitoring Committee (2018-2021).

Additionally, Mr. Clarke is a Director of the following companies: Barbados Farms Ltd., Sagicor Funds Inc., Sagicor Asset Management Inc., Sagicor General Insurance Inc. and The Estates Group of Companies.

Mr. Peter Clarke serves as a director of Sagicor Financial Company Ltd., Sagicor Life Inc., Sagicor Group Jamaica Limited and Sagicor Life Jamaica Limited.

Mr. Clarke is a Financial Consultant who practiced as a Barrister-at-Law before embarking on a 22-year career in stockbroking. From 1984-2000, he was the Managing Director of Money Managers Limited, and served as the Chief Executive of West Indies Stockbrokers Limited from 2001 to 2005, when he retired. From 2002 to 2005 he was also a director of the Trinidad and Tobago Chamber of Industry and Commerce. From 1995 to 1999 he was Chairman of the Trinidad and Tobago Stock Exchange, and he is currently a director of that organisation. From 1992 to 1995 Mr. Clarke served as Deputy Chairman of the Trinidad and Tobago Free Zones Company, and he is currently the Chairman of Guardian Media Limited in Trinidad and Tobago.

He is a member of the Finance Council of the Roman Catholic Archdiocese of Port of Spain and sits on the board of several other companies.

He obtained the Bachelor of Arts degree from Yale University, and a law degree from Downing College, Cambridge University. Mr. Clarke was called to the Bar as a member of Gray's Inn in London in 1979, and to the Bar of Trinidad and Tobago in 1980.

BOARD OF DIRECTORS

Mrs. C. Natasha Small was appointed to the position of Chief Financial Officer of Goddard Enterprises Limited effective January 1, 2008 having joined the Group in September, 2000.

As CFO of the Goddards Group, she is responsible for the development and execution of the Group's finance strategy, ensuring that adequate resources are available to accomplish the Group's business objectives, planning and coordinating the Group's investing and financing activities and managing the Corporate Finance and accounting functions. Mrs. Small's responsibilities span over 60 operational and 30 holding companies in Barbados, the Caribbean and Latin and South America. Natasha currently sits on a number of Boards within the Goddards Group including Hipac Limited, Goddard Shipping (Barbados) Limited, McBride (Caribbean) Limited, M&C Limited in St. Lucia and Ecuakao Group Limited in Ecuador.

Prior to joining the Goddards Group, she worked at Ernst & Young as an auditor and UWI as a part-time tutor/lecturer. She has a passion for teaching and taught at the University for 12 consecutive years from 1998 until 2010.

Mrs. Small is currently a member of the Cave Hill School of Business Board and an Independent Director of the Barbados Private Sector Association Board.

Mr. David Wright is an independent non-executive Director.

A UK qualified accountant, he is the Chief Executive Officer of the HBW Group and has over 35 years experience in the international financial services sector with expertise in insurance, investment management, financial risk management, corporate restructuring, tax planning and trading in securities and precious metals.

He is also trained in information and communications technology with emphasis on implementing process and productivity improvements.

Mr. Wright has served on several Boards and Committees in the international financial services sector and in the areas of anti-money laundering and securities legislation.

Mr. Wright is also a director of Sagicor Life Inc. and other companies within the Sagicor Group.

He is an avid golfer and sports enthusiast and has a keen interest in the practical applications of science and technology.

FINANCIAL STATEMENTS

Independent auditor's report

To the Shareholders of Sagicor General Insurance Inc.

Our opinion

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

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2022;
- the statement of income for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

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

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

PricewaterhouseCoopers SRL, The Financial Services Centre, Bishop's Court Hill, P.O. Box 111, St. Michael, BB14004, Barbados, West Indies
T: (246) 626 6700, F: (246) 436 1275, www.pwc.com/bb

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.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

Other matter

This report is made solely to the Company's shareholders, as a body, in accordance with Section 147 of the Companies Act of Barbados. Our audit work has been undertaken so that we might state to the Company' shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to any enactment or rule of law to the contrary, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

PricewaterhouseCoopers SRL

Bridgetown, Barbados
April 28, 2023

Amounts expressed in Barbados dollars $000's

	Notes	2022	2021
ASSETS			
Property, plant and equipment	5	961	5,084
Intangible assets	6	3,470	3,948
Financial investments	7	133,015	124,793
Reinsurance assets	8	46,154	44,158
Income tax assets	9	3,746	2,733
Amounts payable by related parties		1	-
Premiums receivable and deferred acquisition costs	10	40,101	39,434
Pension assets	21	3,128	2,782
Miscellaneous assets and receivables	11	1,184	1,407
Cash and cash equivalents		59,174	57,291
Total assets		**290,934**	**281,630**
LIABILITIES			
Policyholders' liabilities	12	151,817	147,891
Due to reinsurers, deferrals and premium tax payable	13	22,765	24,416
Amounts payable to related parties	29	12,102	1,519
Lease liabilities	33	138	292
Loan payable	27	12,933	16,378
Note payable	28	25,000	25,000
Income tax liabilities	9	356	381
Accounts payable and accrued liabilities		8,586	7,401
Total liabilities		**233,697**	**223,278**
EQUITY			
Share capital	14	3,705	3,705
Reserves	15	30,702	30,288
Retained earnings		22,830	24,359
Total equity		**57,237**	**58,352**
Total equity and liabilities		**290,934**	**281,630**

These financial statements have been approved for issue by the Board of Directors on April 27, 2023.

______________ Director ______________ Director

Amounts expressed in Barbados dollars $000's

	Notes	2022	2021
REVENUE			
Premium revenue	16	158,295	156,058
Reinsurance expense	16	(86,047)	(82,627)
Net premium revenue		72,248	73,431
Gain/(loss) on derecognition of amortised cost investments		65	(291)
Interest income earned from financial assets measured at amortised cost and FVOCI	17	4,339	3,846
Other investment income, net	17	614	712
Credit impairment gain		101	1,081
Fees and other revenue	18	22,979	21,765
Total revenue		**100,346**	**100,544**
CLAIMS INCURRED			
Claims incurred	19	41,239	35,881
Claims reinsured	19	(7,422)	(8,711)
Net claims incurred		**33,817**	**27,170**
EXPENSES			
Administrative expenses		30,180	32,031
Commissions and related compensation	10	18,152	17,750
Net premium taxes		2,352	2,257
Interest expense		545	686
Depreciation and amortisation	5, 6	4,217	4,022
Total expenses		**55,446**	**56,746**
INCOME BEFORE TAXES		11,083	16,628
Income taxes	22	(2,038)	(3,554)
NET INCOME FOR THE YEAR		**9,045**	**13,074**

Amounts expressed in Barbados dollars $000's

	Notes	2022	2021
NET INCOME FOR THE YEAR		**9,045**	**13,074**
OTHER COMPREHENSIVE INCOME			
Items net of tax that may be reclassified subsequently to income:			
Retranslation of foreign currency operations	25	101	(161)
		101	(161)
Items net of tax that will not be reclassified subsequently to income:			
Unrealised gain/(loss) arising on revaluation of owner-occupied property		92	(594)
Losses on defined benefit plans	25	(283)	(615)
		(191)	(1,209)
Other comprehensive loss for the year		**(90)**	**(1,370)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**8,955**	**11,704**

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

Amounts expressed in Barbados dollars $000's

	Share capital Note 14	Reserves Note 15	Retained earnings	Total
	Year ended December 31, 2022			
Balance, December 31, 2021	**3,705**	**30,288**	**24,359**	**58,352**
Total comprehensive income	-	193	8,762	**8,955**
Dividends declared	-	-	(10,070)	**(10,070)**
Transfers and other movements	-	221	(221)	**-**
Balance, December 31, 2022	**3,705**	**30,702**	**22,830**	**57,237**

	Share capital Note 14	Reserves Note 15	Retained earnings	Total
	Year ended December 31, 2021			
Balance, December 31, 2020	**3,705**	**29,417**	**13,526**	**46,648**
Total comprehensive income	-	(755)	12,459	11,704
Transfers and other movements	-	1,626	(1,626)	-
Balance, December 31, 2021	**3,705**	**30,288**	**24,359**	**58,352**

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

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before taxation		11,083	16,628
Adjustments for non-cash items, interest and dividends	26	(1,454)	1,081
Interest and dividends received		4,066	2,575
Interest received from Sagicor Group companies		197	-
Interest paid		(562)	(301)
Income taxes paid		(3,352)	(3,006)
Changes in operating assets	26	(7,670)	(9,825)
Changes in operating liabilities	26	2,509	(3,226)
Net cash from operating activities		**4,817**	**3,926**
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipment, net	26	951	(542)
Intangible assets, net		(240)	-
Net cash used in investing activities		**711**	**(542)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan payments		(3,428)	(3,430)
Lease liability principal payments		(278)	(463)
Net cash used in financing activities		**(3,706)**	**(3,893)**
Effects of exchange rate differences		**61**	**56**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,883**	**(453)**
Cash and cash equivalents, beginning of year		57,291	57,744
CASH AND CASH EQUIVALENTS, END OF YEAR		**59,174**	**57,291**

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

1. INCORPORATION AND PRINCIPAL ACTIVITIES

The company is incorporated in Barbados and carries on general insurance business in Barbados and certain other Caribbean Islands. The company's ultimate parent company is Sagicor Financial Corporation Limited. which is incorporated in Bermuda.

On November 27, 2018 Sagicor Financial Corporation Limited entered into a definitive arrangement agreement as amended on January 28, 2019 with Alignvest Acquisition II Corporation pursuant to which on December 6, 2019, Alignvest Acquisition II Corporation acquired all the shares of Sagicor Financial Corporation Limited by way of a scheme of arrangement under the laws of Bermuda under the name change of Sagicor Financial Company Ltd.

2. ACCOUNTING POLICIES

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

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention except as modified by the revaluation of owner-occupied property, financial assets at fair value through other comprehensive income, financial assets and liabilities held at fair value through income, actuarial liabilities and associated reinsurance assets.

All amounts in these financial statements are shown in thousands of Barbados dollars, unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

<u>Amendments to existing IFRS effective periods beginning on or after April 1, 2021 and amendments to existing IFRS and IAS effective January 1, 2022</u>

The company has adopted the amendments to IFRS and IAS set out in the following tables. None of these amendments have a material effect on the company's financial statements.

2. ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Standard	Description of amendment
IFRS 16 - Leases; COVID-19 related rent concessions (beginning on or after April 1, 2021)	This amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. Lessees can elect to account for such rent concessions in the same way they would if they were not lease modifications.
IFRS 3 - Business combinations (effective January 1, 2022)	These amendments update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
Amendments to IAS 16 - Property, plant and equipment (effective January 1, 2022)	The amendments prohibit a company from deducting from the cost of property, plant and equipment, amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
Amendments to IAS 37 - Provisions, contingent liabilities and contingent assets (effective January 1, 2022)	These amendments specify which costs a company includes when assessing whether a contract will be loss-making.

<u>IFRS IC clarification on Lessor Forgiveness of Lease Payments (IFRS 9 and IFRS 16)</u>

In October 2022, the IASB finalised the IFRS IC agenda decision addressing a request for clarification on how the lessor, in an operating lease, accounts for a rent concession which involves only the forgiveness of lease payments from the lessee under the following scenarios:

i) The lessor has recorded receivables and income relating to lease payments which are contractually due but unpaid.
ii) There are lease payments which are not yet contractually due.

2. ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Standard	Description of impact
IFRS 9 - Financial instruments	Where there is forgiveness of lease payments relating to recorded receivables, the lessor is required to apply the impairment requirements using the Expected Credit Losses (ECL) model in IFRS 9 to the gross carrying amounts of the operating lease receivables from the date of recognition of the amounts receivable. For lessors that previously applied IFRS 16 to forgiveness of lease payments relating to recorded receivables, the guidance will represent a change in accounting policy.
IFRS 16 - Leases	Forgiveness of lease payments which are not yet contractually due is accounted for as a lease modification under IFRS 16, as a new lease. The revised future lease payments (including any prepaid or accrued lease payments relating to the original lease) under the new lease are subsequently recognised as income on a straight-line or another systematic basis.

The IFRS IC agenda decision does not have a material effect on the company's financial statements.

The annual improvements set out below are effective January 1, 2022. None of these amendments have a material effect on the company's financial statements.

Standard	Description of amendment
IFRS 1 - First-time Adoption of International Financial Reporting Standards	To simplify the application of IFRS 1 by a subsidiary that becomes a first-time adopter of IFRSs after its parent company has already adopted them. The amendment relates to the measurement of cumulative translation differences.
IFRS 9 - Financial Instruments	To clarify the fees a company includes in assessing the terms of a new or modified financial liability to determine whether to derecognise a financial liability.
Illustrative Examples accompanying IFRS 16 Leases	To remove the potential for confusion regarding lease incentives by amending an Illustrative Example accompanying IFRS 16.

2. ACCOUNTING POLICIES (continued)

2.2 Foreign currency translation

(a) Functional and presentational currency

Items included in the financial statements of each branch of the company are measured using the currency of the primary economic environment in which the branch operates (the functional currency).

These financial statements are presented in thousands of Barbados dollars, which is the company's presentational currency.

The results and financial position of all branches that have a functional currency other than the presentational currency are translated into the presentational currency as follows:

- Income, other comprehensive income, movements in equity and cash flows are translated at average exchange rates for the year.
- Assets and liabilities are translated at the exchange rates ruling on December 31.
- Resulting exchange differences are recognised in other comprehensive income.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses, which result from the settlement of foreign currency transactions and from the re-translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Non-monetary assets and liabilities, primarily deferred policy acquisition costs and unearned premiums, are maintained at the transaction rates of exchange.

The foregoing exchange gains and losses which are recognised in the income statement are included in other revenue.

Exchange differences on the re-translation of the fair value of non-monetary items such as equities held at fair value through income are reported as part of the fair value gain or loss. Exchange differences on the re-translation of the fair value of non-monetary items such as equities held as fair value through other comprehensive income (FVOCI) are reported as part of the fair value gain or loss in other comprehensive income.

2. ACCOUNTING POLICIES (continued)

2.3 Property, plant and equipment

Property, plant and equipment are recorded initially at cost. Subsequent expenditure is capitalised when it will result in future economic benefits to the company.

Owner-occupied property is re-valued at least every three years to its fair value as determined by independent valuers. Fair value represents the price (or estimates thereof) that would be agreed upon in an orderly transaction between market participants at valuation date. Revaluation of a property may be conducted more frequently if circumstances indicate that a significant change in fair value has occurred.

Movements in fair value are reported in other comprehensive income. Accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset. On disposal of owner-occupied property, the amount included in the fair value reserve is transferred to retained earnings.

Depreciation is calculated on the straight-line method to write down the cost or fair value of assets to their residual values over their estimated useful lives. The rates used are as follows:

Asset	Estimated useful life
Buildings	50 years
Furnishings	10 years
Computers & Office equipment	3 to 5 years
Motor vehicles	5 years
Right-of-use assets	Lease term (1.5 to 12 years)

Land is not depreciated.

The carrying amount of an asset is written down immediately through the depreciation account if the carrying amount is greater than its estimated recoverable amount.

Gains or losses recognised in income on the disposal of property, plant and equipment are determined by comparing the net sale proceeds to the carrying value.

2.4 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash balances, call deposits and other liquid balances with original maturities of three months or less from the acquisition date. Cash and cash equivalents do not include balances principally of an investment nature or funds held to meet statutory requirements. Cash equivalents are subject to an insignificant risk of change in value.

2. ACCOUNTING POLICIES (continued)

2.5 Insurance contracts

(a) <u>Classification</u>
The company issues contracts that transfer insurance risk. Insurance contracts transfer insurance risk and may also transfer financial risk. The company defines insurance risk as an insured event which could cause an insurer to pay significant additional benefits in a scenario that has a discernible effect on the economics of the transaction.

(b) <u>Recognition and measurement</u>
The insurance contracts issued by the company are summarised below.

(i) Property and casualty insurance contracts

Property and casualty insurance contracts are generally one-year renewable contracts issued by the company covering insurance risks over property, motor, accident and marine.

Property insurance contracts provide coverage for the risk of property damage or of loss of property. For commercial policyholders' insurance may include coverage for loss of earnings arising from the inability to use property which has been damaged or lost.

Casualty insurance contracts provide coverage for the risk of causing physical harm to third parties. Personal accident, employers' liability and public liability are common types of casualty insurance.

Premium revenue is recognised as earned on a pro-rata basis over the term of the respective policy coverage. The provision for unearned premiums represents the portion of premiums written relating to the unexpired terms of coverage.

Claims and loss adjustment expenses are recorded as incurred. Claim reserves represent estimates of future payments of reported and unreported claims and related expenses with respect to insured events that have occurred up to the balance sheet date.

Reserving involves uncertainty and the use of statistical techniques of estimation. These techniques generally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be experienced, having regard to variations in business written and the underlying terms and conditions. The claim reserve is not discounted and is included in policyholders' liabilities.

Liability adequacy tests are performed at the date of the financial statements to ensure the adequacy of insurance contract liabilities using current estimates of the related expected future cash flows. If a test indicates that the carrying value of insurance contract liabilities is inadequate, then the liabilities are adjusted to correct the deficiency. The deficiency is included in the income statement under claims incurred.

2. ACCOUNTING POLICIES (continued)

2.5 Insurance contracts (continued)

The company obtains reinsurance coverage for its property and casualty insurance risks. The reinsurance ceded premium is expensed on a pro-rata basis over the term of the respective policy coverage. Reinsurance claim recoveries are established at the time of recording of the claim liability. Profit sharing commission due to the company is recognised only when there is reasonable certainty of collectability, at which time it is recorded as commission income.

Commission income and expense are recognised on the same basis as earned premiums ceded to reinsurers and earned premiums respectively. Deferred commission income includes commission on the unexpired portion of reinsurance ceded and deferred acquisition costs include commission on the unexpired portion of premiums written.

Premium tax and premium tax recovered are recognised as premiums are earned and reinsurance premiums are expensed respectively. Premium tax is deferred on the unexpired portion of reinsurance ceded and the unexpired portion of premiums written.

(ii) Reinsurance contracts held

A reinsurance contract is an insurance contract in which an insurance entity cedes assumed risks to another insurance entity.

As noted in section (i) above, the company may obtain reinsurance coverage for insurance risks underwritten. The company cedes insurance premiums and risk in the normal course of business in order to limit the potential for losses arising from its exposures. Reinsurance does not relieve the company of its liability.

Reinsurance contracts held by an insurer are recognised and measured in a similar manner to the originating insurance contracts and in accordance with the contract terms. Reinsurance premium ceded and reinsurance recoveries on claims are offset against premium revenue and policy benefits in the income statement.

The benefits to which the company is entitled under its reinsurance contracts held are recognised as reinsurance assets or receivables. Reinsurance assets and receivables are assessed for impairment. If there is evidence that the asset or receivable is impaired, it is recorded in the statement of income. The obligations of the company under reinsurance contracts held are recognised as reinsurance liabilities or payables.

Reinsurance balances are measured consistently with the insurance liabilities to which they relate. Reinsurance is recorded gross in the balance sheet unless a right of offset exists.

2. ACCOUNTING POLICIES (continued)

2.6 Financial assets

(a) Classification of financial assets

The company utilises a principles-based approach to the classification of financial assets. Debt instruments, including hybrid contracts, are measured at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or amortized cost based on the nature of the cash flows of these assets and the company's business model. Equity instruments are measured at FVTPL, unless they are not held for trading purposes, in which case an irrevocable election can be made on initial recognition to measure them at FVOCI with no subsequent reclassification to profit or loss.

Financial assets are measured on initial recognition at fair value and are classified as and subsequently measured either at amortised cost, at FVOCI or at FVTPL. Financial assets and liabilities are recognised when the company becomes a party to the contractual provision of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the company commits to purchase or sell the asset.

(b) Classification of debt instruments

Classification and subsequent measurement of debt instruments depend on:
- the company's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the company classifies its debt instruments into one of the following three measurement categories.

Measured at amortised cost

Debt instruments that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest, such as most loans and advances to banks and customers and some debt securities, are measured at amortised cost. In addition, most financial liabilities are measured at amortised cost. The carrying value of these financial assets at initial recognition includes any directly attributable transactions costs.

Measured at fair value through other comprehensive income (FVOCI)

Debt instruments held for a business model that is achieved by both collecting contractual cash flows and selling and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. These comprise primarily debt securities.

2. ACCOUNTING POLICIES (continued)

2.6 Financial assets (continued)

Measured at fair value through profit and loss (FVTPL)

Debt instruments are classified in this category if they meet one or more of the criteria set out below and are so designated irrevocably at inception:

- the use of the designation removes or significantly reduces an accounting mismatch;
- when the performance of a group of financial assets is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
- when the debt instruments are held for trading and are acquired principally for the purpose of selling in the short-term or if they form part of a portfolio of financial assets in which there is evidence of short-term profit taking.

Business model assessment

Business models are determined at the level which best reflects how the company manages portfolios of assets to achieve business objectives. Judgement is used in determining business models, which is supported by relevant, objective evidence including:

- The nature of liabilities, if any, funding a portfolio of assets;
- The nature of the market of the assets in the country of origination of a portfolio of assets;
- How the company intends to generate profits from holding a portfolio of assets;
- The historical and future expectations of asset sales within a portfolio.

Solely payments of principal and interest ("SPPI")

Where the business model is hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the company assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the company considers whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial assets are classified and measured at FVTPL.

2. ACCOUNTING POLICIES (continued)

2.6 Financial assets (continued)

(c) Impairment of financial assets measured at amortized cost and FVOCI

At initial recognition, allowance (or provision in the case of some loan commitments and financial guarantees) is required for ECL resulting from default events that are possible within the next 12 months (or less, where the remaining life is less than 12 months) ('12-month ECL').

In the event of a significant increase in credit risk (SICR), an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL are recognised are defined as 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment are defined as being in default or otherwise credit-impaired are in 'stage 3'. Purchased or originated credit-impaired financial assets ("POCI") are treated differently as set out below.

To determine whether the life-time credit risk has increased significantly since initial recognition, the company considers reasonable and supportable information that is available including information from the past and forward-looking information. Factors such as whether payments of principal and interest are in default, an adverse change in credit rating of the borrower and adverse changes in the borrower's industry and economic environment are considered in determining whether there has been a significant increase in the credit risk of the borrower.

(d) Purchased or originated credit-impaired assets (POCI)

Financial assets that are purchased or originated at a deep discount that reflects the incurred credit losses are defined considered to be POCI. These financial assets are credit impaired on initial recognition. The company calculates the credit-adjusted effective interest rate, which is calculated based on the fair value origination of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows. The ECL of these assets is always measured on a lifetime basis.

At each reporting date, the company shall recognise in profit or loss the amount of the change in lifetime expected credit losses as an impairment gain or loss. The company will recognise favourable changes in lifetime expected credit losses as an impairment gain, the gain occurs when the lifetime expected credit losses are less than the amount of expected credit losses that were included in the estimated cash flows on initial recognition.

2. ACCOUNTING POLICIES (continued)

2.6 Financial assets (continued)

(e) Definition of default

The company determines that a financial instrument is credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for 90 days or more;
- there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
- the financial asset is otherwise considered to be in default.

If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due.

(f) Write-off

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

(g) The general approach to recognising and measuring ECL

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Measurement

Expected credit losses are calculated by multiplying three main components, being the probability of default ("PD"), loss given default ("LGD") and the exposure at default ("EAD"), discounted at the original effective interest rate. Management has calculated these inputs based on the historical experience of the portfolios adjusted for the current point in time. A simplified approach to calculating the ECL is applied to contract and other receivables which do not contain a significant financing component. Generally, these receivables are due within 12 months unless there are extenuating circumstances. Under this approach, an estimate is made of the life-time ECL on initial recognition (i.e. Stage 3). For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

2. ACCOUNTING POLICIES (continued)

2.6 Financial assets (continued)

The PD, LGD and EAD models which support these determinations are reviewed regularly in light of differences between loss estimates and actual loss experience; but given that IFRS 9 requirements have only been applied since January 1, 2019, the company has been unable to make these comparisons. Therefore, the underlying models and their calibration, including how they react to forward-looking economic conditions remain subject to review and refinement. This is particularly relevant for lifetime PDs, which have not been previously used in regulatory modelling and for the incorporation of 'downside scenarios' which have not generally been subject to experience gained through stress testing. The exercise of judgement in making estimations requires the use of assumptions which are highly subjective and sensitive to the risk factors, and particularly to changes in economic and credit conditions across wide geographical areas. Many of the factors have a high degree of interdependency and there is no single factor to which loan impairment allowances are sensitive. Therefore, sensitivities are considered in relation to key portfolios which are particularly sensitive to a few factors and the results should not be further extrapolated.

The main difference between Stage 1 and Stage 2 expected credit losses is the respective PD horizon. Stage 1 estimates will use a maximum of a 12-month PD while Stage 2 estimates will use a lifetime PD. Stage 3 estimates will continue to leverage existing processes for estimating losses on impaired loans, however, these processes will be updated to reflect the requirements of IFRS 9, including the requirement to consider multiple forward-looking scenarios. An expected credit loss estimate will be produced for each individual exposure, including amounts which are subject to a more simplified model for estimating expected credit losses.

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions.

For a revolving commitment, the company includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

For defaulted financial assets, based on management's assessment of the borrower, a specific provision of expected life-time losses which incorporates collateral recoveries, is calculated and recorded as the ECL. The resulting ECL is the difference between the carrying amount and the present value of expected cash flows discounted at the original effective interest rate.

2. ACCOUNTING POLICIES (continued)

2.6 Financial assets (continued)

Forward looking information

The estimation and application of forward-looking information will require significant judgment. PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio.

Each macroeconomic scenario used in the expected credit loss calculation will have forecasts of the relevant macroeconomic variables - including, but not limited to, unemployment rates and gross domestic product, for a three-year period, subsequently reverting to long-run averages. Our estimation of expected credit losses in Stage 1 and Stage 2 will be a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. Our base case scenario will be based on macroeconomic forecasts where available. Upside and downside scenarios will be set relative to our base case scenario based on reasonably possible alternative macroeconomic conditions.

Scenario design, including the identification of additional downside scenarios will occur on at least an annual basis and more frequently if conditions warrant. Scenarios will be probability-weighted according to our best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights will be updated on a quarterly basis.

(h) Re-classified balances

The company reclassifies debt instruments when and only where its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

(i) Classification of equity instruments

The company classifies and subsequently measures all equity investments at FVTPL, except where the company's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns.

(j) Presentation in the statements of income and other comprehensive income (OCI)

Debt and equity instruments measured at FVTPL

Realised changes in fair value, unrealised changes in fair value, interest income and dividend income are included in net investment income.

2. ACCOUNTING POLICIES (continued)

2.6 Financial assets (continued)

Debt instruments measured at amortized cost

- Interest income is included in net investment income.
- Credit impairment losses are presented in the income statement.
- Gain or loss on de-recognition is expected to be relatively infrequent and is included in net investment income.

Debt instruments measured at FVOCI

- Interest income is included in net investment income.
- Credit impairment losses are presented in the income statement.
- Unrealised gains and losses arising from changes in fair value are presented in OCI.
- On de-recognition, the cumulative gain or loss in OCI is transferred from OCI to net investment income.

Equity instruments measured at FVOCI

- Dividend income is included in net investment income.
- Unrealised changes in fair value presented in OCI. Any impairment losses are included with fair value changes.
- On de-recognition, the cumulative gain or loss in OCI remains in the fair value reserve for FVOCI assets.

2.7 Financial liabilities

During the ordinary course of business, the company assumes financial liabilities that expose it to financial risk. The recognition and measurement of the company's financial liabilities are disclosed in the following paragraphs.

Loan Payable
Loan payable is recognised initially at fair value, being its issue proceeds, net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective yield method.

Fair Value
Fair value amounts represent the price (or estimates thereof) that would be agreed upon in an orderly transaction between market participants at the valuation date.

2. ACCOUNTING POLICIES (continued)

2.7 Financial liabilities (continued)

Fair Value (continued)

The estimated fair values of financial liabilities are based on market values of quoted securities as at December 31 where available. In assessing the fair value of non-traded financial liabilities, the company uses a variety of methods including obtaining dealer quotes for specific or similar instruments and the use of internally developed pricing models, such as the use of discounted cash flows.

2.8 Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

2.9 Fees and other revenue

Fees and non-insurance commission income are recognised on an accrual basis when the service has been provided. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportionate basis. Asset management fees related to investment funds are recognised rateably over the period in which the service is provided. Performance linked fees or fee components are recognised when the performance criteria are fulfilled. Other revenue is recognised on an accrual basis when the related service has been provided.

2.10 Interest income and interest expense

Interest income (expense) is computed by applying the effective interest rate based to the gross carrying amount of a financial asset (liability), except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (i.e. after deduction of the loss allowance). Interest includes coupon interest and accrued discount and premium on financial instruments.

2.11 Employee pension benefits

The company maintains a defined benefit plan for its employees, the assets of which are held in a fund administered by the parent company, Sagicor Life Inc.

The liability in respect of defined benefit plans is the present value of the defined benefit obligation at December 31 less the fair value of plan assets. The defined benefit obligation is computed using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using appropriate interest rates for the maturity dates and location of the related liability.

Sagicor General Insurance Inc.
Notes to the Financial Statements
For the year ended December 31, 2022 *Amounts expressed in Barbados dollars $000's*

2. ACCOUNTING POLICIES (continued)

2.11 Employee pension benefits (continued)

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income and retained earnings in the period in which they arise. Past service costs are charged to income in the period in which they arise.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after the date of the financial statements are discounted to present value.

2.12 Taxes

(a) Premium taxes

Insurers are subject to tax on premium revenues generated in certain jurisdictions. The principal rates of premium tax are as follows:

Barbados	4% - 4.75%
Eastern Caribbean	3% - 5%

(b) Income taxes

The company is subject to taxes on income in the jurisdictions in which business operations are conducted. Rates of taxation in the principal jurisdictions for income year 2022 are as follows:

Barbados	2% of profit before tax
Trinidad and Tobago	30% of net income
Eastern Caribbean	25% - 30% of profit before tax
The Bahamas	0%

(i) Current income taxes

Current tax is the expected tax payable on the taxable income for the year, using the tax rates in effect for the year. Adjustments to tax payable from prior years are also included in current tax.

For the year ended December 31, 2022 Amounts expressed in Barbados dollars $000's

2. ACCOUNTING POLICIES (continued)

2.12 Taxes (continued)

(b) Income taxes (continued)

(ii) Deferred income taxes
Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income taxes are computed at tax rates that are expected to apply to the period when the asset is realised or the liability settled. Deferred tax assets are only recognised when it is probable that taxable profits will be available against which the asset may be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to do so.

Deferred tax, related to fair value re-measurement of available for sale investments which are recorded in other comprehensive income, is recorded in other comprehensive income and is subsequently recognised in income together with the deferred gain or loss.

(c) Tax on Assets

The company is subject to a tax on assets in Barbados. The tax on assets is 0.35% of adjusted assets held at the end of the period.

2.13 Dividend distributions

Dividend distributions on the company's common shares are recorded in the period during which the dividend declaration has been approved by the directors.

2.14 Statutory reserves

Statutory reserves consist of the surplus account and the catastrophe reserve fund.

In accordance with Section 152 of the Insurance Act 1996-32 of Barbados, the company is required to appropriate towards surplus at least 25% of net income until such time as the surplus of the company equals or exceeds the liability in respect of unearned premiums.

In accordance with Section 155 (1)(b) of the Insurance Act 1996-32, the company established a catastrophe reserve fund for the purpose of settling claims in the event of a catastrophe. The company may transfer 25% of the net written premiums from the company's property insurance business annually which is accounted for as an appropriation of retained earnings. The appropriation made in respect of the current year is $1,583 (2021 - $1,626).

2. ACCOUNTING POLICIES (continued)

2.15 Presentation of current and non-current assets and liabilities

In note 30.5, the maturity profiles of financial and insurance assets and liabilities are identified. For other assets and liabilities, balances presented in notes 5, 7, 11 and 12 are non-current unless otherwise stated in those notes.

2.16 Intangible Assets

(a) Goodwill

Goodwill arising from an acquisition is allocated to appropriate cash generating unit.

Goodwill is tested annually for impairment and whenever there is an indication of impairment. Goodwill is carried at cost less accumulated impairment. An impairment loss is recognised for the amount by which the carrying amount of goodwill exceeds its recoverable amount. The recoverable amount is the higher of an operating segment's (or operation's) fair value less costs to sell and its value in use.

On the disposal of an insurance business, the associated goodwill is de-recognised and is included in the gain or loss on disposal.

(b) Other intangible assets

Other intangible assets identified on acquisition are recognised only if future economic benefits attributable to the asset will flow to the company and if the fair value of the asset can be measured reliably. In addition, for the purposes of recognition, the intangible asset must be separable from the business being acquired or must arise from contractual or legal rights. Intangible assets acquired in a business combination are initially recognised at their fair value.

Other intangible assets, which have been acquired directly, are recorded initially at cost.

On acquisition, the useful life of the asset is estimated. If the estimated useful life is definite, then the cost of the asset is amortised over its life, and the asset is tested for impairment when there is evidence of same. If the estimated useful life is indefinite, the asset is tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The estimated useful lives of recognised intangible assets are as follows:

Class of intangible asset	Asset	Estimated useful life
Customer related	Customer relationships	5 years

2. ACCOUNTING POLICIES (continued)

2.17 Leases

At the inception of a rental contract for office space or a contract for the use of an asset, the company assess whether the contract contains a lease. A contract is, or contains, a lease if it conveys to the company the right to control the use of the office space or asset for a time period in exchange for consideration. The company has elected to use the exemption for lease periods with a term of 12 months or less, or those whose underlying asset has a low value, in which case the lease payments are recognised in administrative expenses. Low value assets comprise IT equipment and small items of office furniture.

For a contract that contains a lease, the company may account for the lease component separately from the non-lease component. As a practical expedient, the company elected, by class of underlying asset, not to separate the non-lease and lease components, and instead account for the contract as a lease.

As of the date the asset is available for use by the company (the commencement date), a right-of-use asset and a corresponding lease liability are recognised.

The cost of the right-of-use asset comprises:

(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the company; and
(d) restoration costs.

The company recognises the costs described in paragraph(d) as part of the cost of the right-of-use asset when it incurs an obligation for those costs.

Right-of-use assets are presented within property, plant and equipment and are subsequently measured at cost less depreciation. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

At the commencement date, the company measures the lease liability as the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2. ACCOUNTING POLICIES (continued)

2.17 Leases (continued)

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments, less any lease incentives receivable;
(b) amounts expected to be payable by the lessee under residual value guarantees;
(c) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Extension and termination options are included in a number of property and equipment leases across the company. These terms are used to maximize operational flexibility in terms of managing contracts. The extension and termination options need to be approved by Lessor. There are no variable lease payments and there were no residual value guarantees on leases.

Lease payments are allocated between principal and finance cost. The company recognises interest on the lease liability in each accounting period during the lease term which is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

After the commencement date, the lease liability is measured by:

(a) increasing the carrying amount to reflect interest on the lease liability;
(b) reducing the carrying amount to reflect the principal portion of lease payments made; and
(c) remeasuring the carrying amount to reflect reassessment or lease modifications, or to reflect revised fixed lease payments.

Lease liabilities are included in the statement of financial position. The associated interest is included in finance costs in the statement of income. Leases give rise to lease liability principal elements and interest elements in the statement of cash flows.

2.18 Future accounting developments and reporting changes

Certain new standards and amendments to existing standards have been issued but are not effective for the periods covered by these financial statements. The changes in standards and interpretations which may have a significant effect on future presentation, measurement or disclosure of the company's financial statements are summarised in the following tables.

For the year ended December 31, 2022 Amounts expressed in Barbados dollars $000's

2. ACCOUNTING POLICIES (continued)

2.18 Future accounting developments and reporting changes (continued)

IFRS (Effective date)	Subject / Comments
Amendments to IAS 8 - Definition of accounting estimates (effective January 1, 2023)	In February 2021, this amendment was issued to assist entities in distinguishing between accounting policies and accounting estimates. This standard will have no material effect on the Company.
Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of accounting policies (effective January 1, 2023)	In February 2021, this amendment was issued to assist preparers of financial statements in making decisions related to which accounting policies to disclose in financial statements. This standard will have no material effect on the Company.
Amendments to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction (effective January 1, 2023)	In May 2021, these amendments were issued to clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. This standard will have no material effect on the Company.
IFRS 17 Insurance Contracts (effective January 1, 2023)	The company will apply IFRS 17 - Insurance Contracts ("IFRS 17") for the first time on January 1, 2023. IFRS 17 replaces IFRS 4 - Insurance Contracts ("IFRS 4"). The IASB issued IFRS 17 in May 2017 and the Amendments to IFRS 17 in June 2020. IFRS 17, as amended, is effective for annual reporting periods beginning on or after January 1, 2023 and is to be applied retrospectively. With the adoption of the new standard, the company may elect to designate some financial assets, which are currently held at amortised cost and fair value through OCI (FVOCI) which support insurance liabilities, at fair value through profit and loss (FVTPL). IFRS 9 - Financial instruments ("IFRS 9") was previously implemented by the company on January 1, 2018. The company will adopt IFRS 17 retrospectively, applying alternative transition methods where the full retrospective approach was impracticable. The full retrospective approach will mostly be applied to the insurance contracts in force at the transition date that were originated less than 3-5 years prior to transition. Where the full retrospective approach was determined to be impracticable, the fair value approach was applied.

2. ACCOUNTING POLICIES (continued)

2.18 Future accounting developments and reporting changes (continued)

IFRS (Effective date)	Subject / Comments
IFRS 17 Insurance Contracts (effective January 1, 2023) (continued)	IFRS 17 establishes principles for the recognition, measurement, and presentation and disclosure of insurance contracts. The standard introduces three measurement approaches that will be used to measure insurance contracts: the general measurement model (GMM), variable fee approach (VFA), premium allocation approach (PAA). PAA will be generally applied to short duration contracts where the policy's contract boundaries are one year or less, and this includes contracts, such as general insurance business. Under PAA, insurance contracts are measured based on unearned profits and the accounting is broadly similar to the company's current approach under IFRS 4. IFRS 17 requires that the company: - Identifies insurance contracts as those under which the company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. - Aggregates the insurance and reinsurance contracts into groups of portfolios it will recognise and measure. Portfolios of contracts are generally identified based on contracts subject to similar risks and managed together. The portfolios are then divided into groups based on expected profitability. The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. - Recognises and measures groups of insurance contracts at: o A risk-adjusted present value of the future cash flows (the fulfilment cash flows) that consistent with observable market information. - Recognises insurance revenue from a group of insurance contracts over each period the company provides insurance contract services, as the company is released from risk. If a group of contracts is expected to be onerous (i.e. loss-making) over the remaining coverage period, the company recognises the loss immediately. - Recognises an asset for insurance acquisition cash flows in respect of acquisition cash flows paid, or incurred, before the related group of insurance contracts is recognised. Such an asset is derecognised when the insurance acquisition cash flows are included in the measurement of the related group of insurance contracts.

For the year ended December 31, 2022 Amounts expressed in Barbados dollars $000's

2. ACCOUNTING POLICIES (continued)

2.18 Future accounting developments and reporting changes (continued)

IFRS (Effective date)	Subject / Comments
IFRS 17 Insurance Contracts (effective January 1, 2023) (continued)	Under IFRS 17, the discount rates used to present value future cash flows under IFRS 17 are based on the characteristics of the insurance contracts rather than the portfolio of assets supporting the insurance contract liabilities which is permitted under IFRS 4. The new standard also includes a policy option, applied at the portfolio level, which allows for the impacts from changes in financial variables (e.g. discount rate) to be disaggregated between OCI and the P&L (OCI option) or to flow through the P&L (P&L option). The company may elect to use the P&L option. Additionally, with IFRS 17 the risk adjustment which is incorporated measures the compensation required for uncertainty related to non-financial risk, such as mortality, morbidity, surrender and expenses. There is no amount provided for asset-liability mismatch, and the provisions for uncertainty related to financial risks, are included in the present value of future cash flows. In comparison, under IFRS 4, amounts provided for the risks identified are reflected in a provision for adverse deviations included in insurance contract liabilities. The company continues to assess the overall impact of IFRS 17, which is expected to be significant, on the timing of earnings recognition, as well as presentation and disclosure, of its insurance and reinsurance contracts. The impact on the timing of earnings recognition or presentation and disclosure does not impact the cash flows generated by the company; as a result, IFRS 17 is not expected to have a material impact on the company's business strategies. The company also continues to monitor the associated impact on its regulatory capital requirements in each of the jurisdictions in which it operates. Overall, the evaluation of the effect of the standard on the company's financial statements and the refinement of the new accounting policies, assumptions, judgements and estimation techniques employed continues. These areas remain subject to change and may be revised as further analysis is completed prior to presentation of financial information for periods including the date of initial application. The preparation of comparative period financial information under the requirements of IFRS 17 for the year ended December 31, 2022 is in progress.

2. ACCOUNTING POLICIES (continued)

2.18 Future accounting developments and reporting changes (continued)

IFRS (Effective date)	Subject / Comments
Amendments to IAS 1 – Liabilities as current or non-current (effective January 1, 2024)	In January 2020, the IASB made amendments to IAS 1 'Presentation of financial statements' to clarify the criteria for classifying a liability as non-current. These are to be applied retroactively. The impact of this standard on the company is currently being analysed
Amendments to IFRS 16 – Leases on sale and leaseback (effective January 1, 2024)	In September 2022, the IASB made amendments to IFRS 16 to explain how an entity should account for the lease liability in a sale and leaseback transaction after the transaction date. Sale and leaseback transactions most likely to be impacted are those where some or all of the lease payments are variable lease payments that do not depend on an index or rate. The amendments require that the entity does not recognise any gain or loss that relates to the right of use it retains. However, any gain or loss on partial or full termination of the lease may be recognised in the income statement. These amendments are to be applied retroactively. This standard will have no material effect on the company.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The development of estimates and the exercise of judgment in applying accounting policies may have a material impact on the company's reported assets, liabilities, revenues, benefits and expenses. The items which may have the most effect on the company's financial statements are set out below.

3.1 Claims in the course of settlement

Claim liabilities are based on estimates due to the fact that the ultimate disposition of claims incurred prior to the date of the financial statements, whether reported or not, is subject to the outcome of events that may not yet have occurred. Significant delays are experienced in the notification and settlement of certain types of claims, particularly in respect of casualty contracts. Events which may affect the ultimate outcome of claims include inter alia, jury decisions, court interpretations, legislative changes and changes in the medical condition of claimants.

Any estimate of future losses is subject to the inherent uncertainties in predicting the course of future events. The two most critical assumptions made to determine claim liabilities are that the past is a reasonable predictor of the likely level of claims development and that the statistical estimation models used are fair reflections of the likely level of ultimate claims to be incurred. Consequently, the amounts recorded in respect of unpaid losses may change significantly in the short term.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.1 Claims in the course of settlement (continued)

Management engages independent actuaries either to assist in making or to confirm the estimate of claim liabilities. The ultimate liability arising from claims may be mitigated by recovery arising from reinsurance contracts held.

3.2 Impairment of financial assets

In determining ECL (defined in note 2.6(c)), management is required to exercise judgement in defining what is considered a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. Further information about the judgements involved is included in the earlier sections 'Measurement' and 'Forward-looking information'.

(a) Establishing staging for debt securities and deposits

The company's internal credit rating model is a 10-point scale which allows for distinctions in risk characteristics and is referenced to the rating scale of international credit rating agencies.

The scale is set out in the following table:

Category		Sagicor Risk Rating	Classification	S&P	Moody's	Fitch	AM Best
Non-default	Investment grade	1	Minimal risk	AAA, AA	Aaa, Aa	AAA, AA	aaa, aa
		2	Low risk	A	A	A	a
		3	Moderate risk	BBB	Baa	BBB	bbb
	Non-investment grade	4	Acceptable risk	BB	Ba	BB	bb
		5	Average risk	B	B	B	b
	Watch	6	Higher risk	CCC, CC	Caa, Ca	CCC, CC	ccc, cc
		7	Special mention	C	C	C	c
Default		8	Substandard			DDD	
		9	Doubtful	D	C	DD	d
		10	Loss			D	

The company uses its internal credit rating model to determine which of the three stages an asset is to be categorized for the purposes of ECL.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.2 Impairment of financial assets (continued)

Once the asset has experienced a significant increase in credit risk the investment will move from Stage 1 to Stage 2. Sagicor has assumed that the credit risk of a financial instruments has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial asset that is investment grade or Sagicor risk rating of 1-3 is considered low credit risk.

Stage 1 investments are rated (i) investment grade, or (ii) below investment grade at origination <u>and</u> have not been downgraded more than 2 notches since origination. Stage 2 investments are assets which (i) have been downgraded from investment grade to below investment grade, or (ii) are rated below investment grade at origination <u>and</u> have been downgraded more than 2 notches since origination. Stage 3 investments are assets in default.

<u>Establishing staging for other assets measured at amortised cost, lease receivables, loan commitments and financial guarantee contracts</u>

Exposures are considered to have resulted in a significant increase in credit risk and are moved to stage 2 when:

Qualitative test
- accounts that meet the portfolio's 'high risk' criteria and are subject to closer credit monitoring.

Backstop Criteria
- accounts that are 30 calendar days or more past due. The 30 days past due criteria is a backstop rather than a primary driver of moving exposures into stage 2.

<u>Forward looking information</u>

When management determines the macro-economic factors that impact the portfolios of financial assets, they first determine all readily available information within the relevant market. Portfolios of financial assets are segregated based on product type, historical performance and homogenous country exposures. There is often limited timely macro-economic data for Barbados, Eastern Caribbean, Trinidad and The Bahamas. Management assesses data sources from local government, International Monetary Fund and other reliable data sources. A regression analysis is performed to determine which factors are most closely correlated with the credit losses for each portfolio. Where projections are available, these are used to look into the future up to three years and subsequently the expected performance is then used for the remaining life of the product. These projections are re-assessed on a quarterly basis.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.3 Fair value of securities not quoted in an active market

The fair value of securities not quoted in an active market may be determined using reputable pricing sources (such as pricing agencies), indicative prices from bond/debt market makers or other valuation techniques. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. The company exercises judgement on the quality of pricing sources used. Where no market data is available, the company may value positions using its own models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. The inputs into these models are primarily discounted cash flows.

The models used to determine fair values are periodically reviewed by experienced personnel. The models used for debt securities are based on net present value of estimated future cash flows, adjusted as appropriate for liquidity, and credit and market risk factors.

3.4 Recognition and measurement of intangible assets

The recognition and measurement of intangible assets, other than goodwill, in a business combination involve the utilisation of valuation techniques which may be very sensitive to the underlying assumptions utilised. These intangibles include customer listings.

For significant amounts of intangibles arising from a business combination, the company utilises independent professional advisors to assist management in determining the recognition and measurement of these assets.

3.5 Impairment of intangible assets

(a) Goodwill

The assessment of goodwill impairment involves the determination of the value of the cash generating business units to which the goodwill has been allocated. Determination of the value involves the estimation of future cash flows or of income after tax of these business units and the expected returns to providers of capital to the business units.

The company updates its business unit financial projections annually and applies discounted cash flow or earnings multiple models to these projections to determine if there is any impairment of goodwill. The assessment of whether goodwill is impaired can be highly sensitive to the inputs of cash flows, income after tax, discount rate, growth rate or capital multiple, which are used in the computation. Further details of the inputs used are set out in note 6.

(b) Other intangible assets

The assessment of impairment of other intangible assets involves the determination of the intangible's fair value or value in use. In the absence of an active market for an intangible, its fair value may need to be estimated. In determining an intangible's value in use, estimates are required of future cash flows generated as a result of holding the asset.

4. STATUTORY RESTRICTIONS ON ASSETS

The company is registered to conduct insurance business under legislation in place in each relevant jurisdiction. This legislation may prescribe a number of requirements with respect to deposits, investment of funds and solvency for the protection of policyholders.

To satisfy the above requirements, invested assets totalling $100,489 (2021 - $111,512) have been deposited with or are held in trust to the order of the insurance regulators.

In some countries where the company operates, there are exchange control or other restrictions on the remittance of funds out of those countries.

Amounts expressed in Barbados dollars $000's

5. PROPERTY, PLANT AND EQUIPMENT

	2022					
	Freehold land and building	**Office furnishings**	**Right-of-use assets**	**Software and Computer Equipment**	**Motor vehicles**	**Total**
Net book value, beginning of year	**1,669**	**181**	**263**	**2,475**	**496**	**5,084**
Additions at cost/reclassifications	-	51	124	572	218	965
Disposals/reclassifications	(1,759)	(1)	-	(118)	(289)	(2,167)
Revaluation	93	-	2	-	-	95
Depreciation charge	(3)	(225)	(257)	(2,696)	(236)	(3,417)
Depreciation on disposals	-	-	-	116	289	405
Effect of foreign exchange revaluation	-	-	-	(4)	-	(4)
Net book value, end of year	**-**	**6**	**132**	**345**	**478**	**961**
Represented by:						
Cost or valuation	-	5,839	2,009	20,696	1,738	30,282
Accumulated depreciation	-	(5,833)	(1,877)	(20,351)	(1,260)	(29,321)
	-	**6**	**132**	**345**	**478**	**961**

	2021					
	Freehold land and building	**Office furnishings**	**Right-of-use assets**	**Software and Computer Equipment**	**Motor vehicles**	**Total**
Net book value, beginning of year	**2,297**	**349**	**652**	**4,344**	**768**	**8,410**
Additions at cost/reclassifications	-	74	-	527	-	601
Disposals/reclassifications	-	-	(1)	(85)	(228)	(314)
Revaluation	(594)	-	-	-	-	(594)
Depreciation charge	(34)	(242)	(389)	(2,392)	(272)	(3,329)
Depreciation on disposals	-	-	1	85	228	314
Effect of foreign exchange revaluation	-	-	-	(4)	-	(4)
Net book value, end of year	**1,669**	**181**	**263**	**2,475**	**496**	**5,084**
Represented by:						
Cost or valuation	1,766	5,789	1,995	20,242	1,809	31,601
Accumulated depreciation	(97)	(5,608)	(1,732)	(17,767)	(1,313)	(26,517)
	1,669	**181**	**263**	**2,475**	**496**	**5,084**

6. INTANGIBLE ASSETS

	2022		
	Goodwill	**Customer relationships**	**Total**
Net book value, beginning of year	2,793	1,155	3,948
Assumed on acquisition	-	322	322
Amortisation	-	(800)	(800)
Net book value, end of year	2,793	677	3,470
Represented by:			
Cost or valuation	2,793	3,785	6,578
Accumulated amortisation	-	(3,108)	(3,108)
	2,793	677	3,470

	2021		
	Goodwill	**Customer relationships**	**Total**
Net book value, beginning of year	2,793	1,848	4,641
Amortisation	-	(693)	(693)
Net book value, end of year	2,793	1,155	3,948
Represented by:			
Cost or valuation	2,793	3,463	6,256
Accumulated amortisation	-	(2,308)	(2,308)
	2,793	1,155	3,948

Goodwill arises from past acquisitions and is allocated to a cash generating unit (CGU). Goodwill is tested annually for impairment. The recoverable amount of a CGU is determined as the higher of its value in use.

The company obtains independent professional advice in order to select the relevant discount factors, residual growth rates and earnings multiples.

The value in use methodology used is based cash flows extracted from the financial projections to which appropriate discount factors and residual growth rates are applied.

For the year ended December 31, 2022 Amounts expressed in Barbados dollars $000's

6. INTANGIBLE ASSETS (continued)

The company recognised goodwill from the acquisition of Harmony General Insurance Company Ltd. in 2018.

The value in use methodology has been used to test goodwill impairment in both years. The pre-tax discount factor was 17.6% (2021 - 15.9%) which was derived from an after-tax factor of 17.2% (2021 - 15.5%) using an iterative method. The residual growth rate was 2.0% (2021 - 2.0%).

Sensitivity

The possible impairment of goodwill is sensitive to changes in the after-tax discount factor and residual growth rate. This is illustrated in the following table

	2022 test		
	Scenario 1	**Scenario 2**	**Scenario 3**
After tax discount factor	17.2	18.2	19.2
Residual growth rate	2.0	2.0	1.0
Reduction in residual growth rate	n/a	n/a	50%
Increase in after tax discount factor	n/a	n/a	6%
Excess of recoverable amount	5,282	2,982	(618)
Impairment	Nil	Nil	Nil

7. FINANCIAL INVESTMENTS

	2022		2021	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Investments at Amortised Cost				
Debt securities	103,355	105,456	90,327	91,802
Mortgage loans	628	649	706	692
Deposits	22,530	22,530	23,266	23,266
	126,513	128,635	114,299	115,760
Investments at FVOCI				
Money market securities	5,684	5,684	9,659	9,659
Investments at FVTPL				
Equity securities	818	818	835	835
Total financial investments	**133,015**	**135,137**	**124,793**	**126,254**

Debt securities comprise:	**2022**	**2021**
Government and government-guaranteed debt securities	65,448	66,350
Other securities	37,907	23,977
	103,355	90,327

8. REINSURANCE ASSETS

	2022	**2021**
Claim recoveries from reinsurers (note 12)	13,202	13,802
Unearned premiums ceded to reinsurers (note 12)	32,952	30,356
	46,154	44,158

For the year ended December 31, 2022 Amounts expressed in Barbados dollars $000's

9. INCOME TAX ASSETS/(LIABILITIES)

	2022	2021
Income tax assets	3,466	2,427
Deferred tax asset	280	306
	3,746	2,733
Income tax liabilities	305	289
Deferred tax liability	51	92
	356	381

10. PREMIUMS RECEIVABLE AND DEFERRED ACQUISITION COSTS

	2022	2021
Premiums in the course of collection	29,468	29,239
Deferred commission expense	8,729	8,406
Deferred premium tax	1,904	1,789
	40,101	39,434

The movement in deferred balances for the year is as follows:

	2022	2021
Deferred commission expense		
Balance, beginning of year	8,406	8,369
Commission paid	18,475	17,787
Commissions and related compensation expense	(18,152)	(17,750)
Balance, end of year	8,729	8,406

	2022	2021
Deferred premium tax		
Balance, beginning of year	1,789	1,806
Premium tax paid	2,467	2,240
Premium tax expense	(2,352)	(2,257)
Balance, end of year	1,904	1,789

11. MISCELLANEOUS ASSETS AND RECEIVABLES

	2022	2021
Prepaid expenses	335	453
Other accounts receivable	849	954
	1,184	1,407

12. POLICYHOLDERS' LIABILITIES

	2022	2021
Claims in the course of settlement	75,249	73,375
Provision for unearned premiums	76,568	74,516
	151,817	147,891

12.1 Claims in the course of settlement

<u>Analysis of claims in the course of settlement</u>

	2022	2021
Property business	8,531	9,151
Motor business	47,645	45,681
Accident and liability business	19,073	18,543
	75,249	73,375

Claims in the course of settlement include $17,491 (2021 - $18,206) in provisions for claims incurred but not yet reported.

The associated reinsurance recoveries from claims in the course of settlement are in respect of:

	2022	2021
Property business	6,309	6,546
Motor business	3,200	3,453
Accident and liability business	3,693	3,803
	13,202	13,802

For the year ended December 31, 2022 Amounts expressed in Barbados dollars $000's

12. POLICYHOLDERS' LIABILITIES (continued)

12.1 Claims in the course of settlement (continued)

Movement in claims in the course of settlement

The movement in claims in the course of settlement for the year is as follows:

	2022	2021
Balance, beginning of year	73,375	71,770
Claims incurred (note 19)	41,239	35,881
Claims paid	(39,439)	(34,279)
Effect of exchange rate changes	74	3
Balance, end of year	75,249	73,375

The movement in claims in the course of settlement includes the following amounts which are recoverable from reinsurers:

	2022	2021
Balance, beginning of year	13,802	12,118
Ceded in year (note19)	7,422	8,711
Claim recoveries	(7,993)	(7,017)
Effect of exchange rate changes	(29)	(10)
Balance, end of year (note 8)	13,202	13,802

The valuation of claims liabilities is sensitive to the underlying assumptions used which are based on historical development patterns for incurred and paid to date claims. A 10% increase in development would result in an increase in gross reserves and reinsurance recoveries of $738 and $94 (2021 - $802 and $186) respectively and a $644 (2021 - $616) decrease in income from ordinary activities. A 10% decrease in development would result in a decrease in gross reserves and reinsurance recoveries of $742 and $95 (2021 - $819 and $190) respectively and a $647 (2021 - $629) increase in income from ordinary activities.

The development of claims in the course of settlement provides a measure of the company's ability to estimate the ultimate value of claims incurred. The top half of the tables below illustrate how the estimate of total claims incurred for each year has changed at successive year ends. The bottom half of the table reconciles the cumulative claims incurred to the liability included in the current statement of financial position. The disclosures are by accident year which is the financial period in which the claim is incurred.

12. POLICYHOLDERS' LIABILITIES (continued)

12.1 Claims in the course of settlement (continued)

	2015	2016	2017	2018	2019	2020	2021	2022
Gross								
Estimate of ultimate claims incurred:								
At the end of financial reporting year	48,330	43,475	74,752	54,412	48,023	39,839	44,316	50,144
One year later	45,946	45,007	81,907	54,022	45,137	35,124	39,750	
Two years later	47,121	42,029	81,503	52,791	42,624	33,870		
Three years later	44,338	42,073	80,442	51,357	40,731			
Four years later	43,721	40,987	80,627	50,857				
Five years later	43,395	40,931	79,440					
Six years later	42,748	41,297						
Seven years later	42,867							
Current estimate of ultimate claims incurred	42,867	41,297	79,440	50,857	40,731	33,870	39,750	50,144
Cumulative payments to date	40,228	38,177	76,768	44,956	34,807	28,099	29,523	24,236
Liability recognized in the balance sheet	2,639	3,120	2,672	5,901	5,924	5,771	10,227	25,908
Liability in respect of prior years & adjustments								8,537
Liability for unallocated loss adjustment expenses								4,550
Total liability included in the balance sheet								**75,249**

Amounts expressed in Barbados dollars $000's

12. POLICYHOLDERS' LIABILITIES (continued)

12.1 Claims in the course of settlement (continued)

	2015	2016	2017	2018	2019	2020	2021	2022
Reinsurance								
Estimate of ultimate claims incurred:								
At the end of financial reporting year	29,120	26,697	25,441	11,817	2,713	4,080	9,820	10,259
One year later	27,623	27,217	33,198	13,218	2,584	3,831	7,920	
Two years later	24,359	21,601	29,394	8,421	2,442	3,778		
Three years later	23,011	21,332	29,472	8,310	2,338			
Four years later	22,656	20,805	29,422	8,285				
Five years later	22,006	20,752	28,592					
Six years later	21,743	20,933						
Seven years later	21,791							
Current estimate of ultimate claims incurred	21,791	20,933	28,592	8,285	2,338	3,778	7,920	10,259
Cumulative payments to date	20,325	19,725	27,761	8,247	2,301	3,664	7,253	4,552
Liability recognized in the balance sheet	1,466	1,208	831	38	37	114	667	5,707
Liability in respect of prior years & adjustments								3,134
Liability for unallocated loss adjustment expenses								-
Total liability included in the balance sheet								**13,202**

12. POLICYHOLDERS' LIABILITIES (continued)

12.2 Provision for unearned premiums

Analysis of provision for unearned premiums

	2022	2021
Property business	41,322	38,498
Motor business	27,480	27,692
Accident and liability business	7,766	8,326
	76,568	74,516

The associated unearned premiums ceded to reinsurers:

	2022	2021
Property business	30,775	28,209
Motor business	89	62
Accident and liability business	2,088	2,085
	32,952	30,356

Movement in provision for unearned premiums

The movement in the provision for unearned premium for the year is as follows:

	2022	2021
Balance, beginning of year	74,516	73,552
Premiums written	160,262	157,028
Premium revenue (note 16)	(158,295)	(156,058)
Effect of exchange rate changes	85	(6)
Balance, end of year	76,568	74,516

The movement in unearned premiums ceded to reinsurers is as follows:

	2022	2021
Balance, beginning of year	30,356	30,079
Reinsurance on premiums written	88,605	82,908
Reinsurance expense (note 16)	(86,047)	(82,627)
Effect of exchange rate changes	38	(4)
Balance, end of year (note 8)	32,952	30,356

For the year ended December 31, 2022 Amounts expressed in Barbados dollars $000's

13. DUE TO REINSURERS, DEFERRALS AND PREMIUM TAX PAYABLE

	2022	2021
Amounts due to reinsurers	9,910	13,184
Deferred commission income	8,241	6,865
Premium tax payable	3,807	3,610
Deferred premium tax	807	757
	22,765	24,416

The movement in deferred balances for the year is as follows:

	2022	2021
Deferred commission income		
Balance, beginning of year	6,865	7,556
Commission received	18,395	16,438
Commission earned (note 18)	(17,019)	(17,129)
Balance, end of year	8,241	6,865
Deferred premium tax		
Balance, beginning of year	757	777
Premium tax recoveries	1,760	1,679
Premium taxes earned	(1,710)	(1,699)
Balance, end of year	807	757

14. SHARE CAPITAL

The company is authorised to issue an unlimited number of common shares with no par value.

	2022	2021
Issued 2,018,087 shares, with no par value	3,705	3,705

15. RESERVES

	2022	2021
Fair value reserve - property, plant & equipment		
Balance, beginning of year	1,270	1,864
Unrealised gains/(losses) arising on revaluation	92	(594)
Transfer to retained earnings	(1,362)	-
Balance, end of year	-	1,270
Currency translation reserve:		
Balance, beginning of year	(3,521)	(3,360)
Retranslation of foreign currency operation	101	(161)
Balance, end of year	(3,420)	(3,521)
Statutory reserves:		
Balance, beginning of year	32,539	30,913
Transfer to catastrophe reserve	1,583	1,626
Balance, end of year	34,122	32,539
Reserves, end of year	30,702	30,288

16. PREMIUM REVENUE

	Premium revenue		Reinsurance expense	
	2022	2021	2022	2021
Property business	84,728	82,836	78,870	76,158
Motor business	54,713	56,122	1,658	1,763
Accident and liability business	18,854	17,100	5,519	4,706
	158,295	156,058	86,047	82,627

Amounts expressed in Barbados dollars $000's

17. INVESTMENT INCOME

	2022	2021
Interest income (amortised cost assets):		
Debt securities	3,919	3,265
Mortgage loans	31	35
Deposits	270	320
Other	119	136
Interest income (FVOCI cost assets):		
Debt securities	-	90
	4,339	3,846
Gain/(loss) on derecognition of amortised cost investments	65	(291)
Other investment income:		
Dividend income	38	11
Unrealised loss on financial investments	(17)	(68)
Amortization on bonds	593	769
	614	712

The company operates across both active and inactive financial markets. The financial investments placed in both types of markets support the insurance and operating financial liabilities of the company. Because the type of financial market is incidental and not by choice, the company manages its financial investments by the type of financial instrument (i.e. debt securities, equity securities, mortgage loans etc). Therefore, the income from financial instruments is presented consistently with management practice.

18. FEES AND OTHER REVENUE

	2022	2021
Commission income on insurance ceded to reinsurers (note 13)	17,019	17,129
Fees, other revenue and profit commission	5,225	3,929
Miscellaneous income	735	707
	22,979	21,765

19. CLAIMS INCURRED

	Claims incurred		Claims reinsured	
	2022	2021	2022	2021
Property business	5,322	11,460	4,297	8,421
Motor business	29,632	21,401	109	(640)
Accident and liability business	6,285	3,020	3,016	930
	41,239	35,881	7,422	8,711

20. EMPLOYEE COSTS

Included in administrative expenses are the following:

	2022	2021
Administrative staff salaries, directors' fees and other short-term benefits	17,126	16,800
Employer's contributions to social security schemes	1,137	1,127
Employer's contribution to group health and life	660	588
Costs - defined benefit pension scheme (note 21)	48	195
	18,971	18,710

21. EMPLOYEE RETIREMENT BENEFITS

The company has contributory defined benefit pension schemes in place for eligible administrative staff. The plans provide defined benefits based on final salary and number of years active service.

The assets of the pension plans are held under deposit administration contracts with Sagicor Life Inc.

The plans were valued on December 31, 2022.

(a) The amounts recognised in the financial statements are as follows:

	2022	2021
Present value of funded pension obligations	21,485	21,581
Fair value of pension plan assets	(24,613)	(24,363)
Net asset	(3,128)	(2,782)
Represented by:		
Asset balances	3,128	2,782

Amounts expressed in Barbados dollars $000's

21. EMPLOYEE RETIREMENT BENEFITS (continued)

(b) Movements in balances:

	2022			2021		
	Retirement obligations	Retirement plan assets	Total	Retirement obligations	Retirement plan assets	Total
Net liability/(asset), beginning of year	21,581	(24,363)	(2,782)	19,856	(22,665)	(2,809)
Current service cost	342	12	354	331	15	346
Interest expense/(income)	1,469	(1,799)	(330)	1,394	(1,639)	(245)
Past service costs	24	-	24	94	-	94
Net expense/(income) recognised in statement of income	1,835	(1,787)	48	1,819	(1,624)	195
Losses from changes in assumptions	(215)	-	(215)	(282)	-	(282)
Gains from changes in experience	139	-	139	418	-	418
Return on plan assets	-	(179)	(179)	-	(1,588)	(1,588)
Change in asset ceiling	(1,261)	1,799	538	426	1,641	2,067
Net losses/(gains) recognised in other comprehensive income	(1,337)	1,620	283	562	53	615
Contributions made by the company	-	(674)	(674)	-	(780)	(780)
Contributions made by employees	372	(372)	-	344	(344)	-
Benefits paid	(888)	888	-	(951)	951	-
Other items	(78)	75	(3)	(49)	46	(3)
Other movements	(594)	(83)	(677)	(656)	(127)	(783)
Net liability/(asset), end of year	21,485	(24,613)	(3,128)	21,581	(24,363)	(2,782)

21. EMPLOYEE RETIREMENT BENEFITS (continued)

(b) Movements in balances: (continued)

The significant actuarial assumptions used were as follows:

	Barbados & Eastern Caribbean	Trinidad
Discount rate	7.75%	6.00%
Expected return on plan assets	7.75%	6.00%
Future salary increases	2.50%	2.50%
Future pension increases	2.00%	0.00%
Portion of employees opting for early retirement	100.00%	100.00%

For the next financial year, the total contributions to be made by the company are estimated at $599.

The sensitivity of the pension retirement benefit obligations to individual changes in actuarial assumptions is as follows:

	Barbados & Eastern Caribbean	Trinidad
Base pension obligation	15,840	5,646
	Effect on pension obligations	
Decrease discount rate by 1.0%	1,910	650
Increase discount rate by 1.0%	(1,567)	(491)
Decrease salary growth rate by 0.5%	(261)	(115)
Increase salary growth rate by 0.5%	287	108
Increase average life expectancy by 1 year	463	115
Decrease average life expectancy by 1 year	(482)	(131)

For the year ended December 31, 2022 Amounts expressed in Barbados dollars $000's

22. INCOME TAXES

The income tax expense is comprised of:

	2022	2021
Current tax	2,053	3,803
Deferred tax	(15)	(249)
	2,038	3,554

The income tax on the total income subject to taxation differs from the theoretical amount that would arise using the applicable tax rates as set out below:

	2022	2021
Income subject to tax	11,083	16,628
Tax calculated at a tax rate of 2% (2021 - 2%)	222	333
Different tax rates in other countries	724	3,221
Movement in deferred tax asset not recognised	579	(31)
Transfer to catastrophe reserve deductible for tax	(104)	(91)
Expenses not deductible for tax	335	150
Prior year over/(under) provision - current/deferred tax	155	(264)
Income not subject to tax	(108)	(106)
Other taxes	235	342
	2,038	3,554

23. DEFERRED INCOME TAXES

Analysis of net deferred income tax asset

	2022	2021
Defined benefits liability	(214)	(176)
Unused tax losses	136	156
Accelerated tax depreciation	307	234
	229	214

Expiry period for unused tax losses

Income year	Brought forward	Prior Year Adjustments	Adjusted Brought forward	Utilised	Incurred	Expired	Carry forward	Expires
2017	4,578	(1,410)	3,168	(3,168)	-	-	-	2022
2018	3,150	-	3,150	(2,150)	-	-	1,000	2023
2019	1,268	-	1,268	-	-	-	1,268	2024
	8,996	(1,410)	7,586	(5,318)	-	-	2,268	

The company has not recognised a deferred tax asset in the amount of $5,777 (2021 - $4,340). These losses expire between 2023 and 2028 (2022 and 2027).

2022	Accelerated tax depreciation	Defined benefits liability	Unused tax losses	Total
Balance, beginning of year	234	(176)	156	214
Release to profit or loss	73	(38)	(20)	15
Balance, end of year	307	(214)	136	229

2021	Accelerated tax depreciation	Defined benefits liability	Unused tax losses	Total
Balance, beginning of year	130	(321)	156	(35)
Release to profit or loss	104	145	-	249
Balance, end of year	234	(176)	156	214

For the year ended December 31, 2022 Amounts expressed in Barbados dollars $000's

24. DIVIDENDS

A dividend of $10,070 ($4.99 per share) was declared in 2022. No dividends were declared in 2021.

25. OTHER COMPREHENSIVE INCOME

	2022			2021		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Items that may be reclassified subsequently to income:						
Retranslation of foreign currency operations	101	-	101	(161)	-	(161)
	101	-	101	(161)	-	(161)

	2022			2021		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Items that will not be reclassified subsequently to income:						
Unrealised gain/(loss) arising on revaluation owner-occupied property	92	-	92	(594)	-	(594)
Defined benefit losses	(283)	-	(283)	(615)	-	(615)
	(191)	-	(191)	(1,209)	-	(1,209)
Other comprehensive income for the year	(90)	-	(90)	(1,370)	-	(1,370)

26. CASH FLOWS

26.1 Operating activities

	2022	2021
Adjustments for non-cash items, interest and dividends		
(Decrease)/increase in provision for unearned premiums, net of reinsurance	(544)	687
Interest and other investment income	(4,932)	(4,615)
Impairment recoveries	(101)	(1,081)
(Gain)/loss on de-recognition of GoB securities	(65)	291
Dividend income	(38)	(11)
Loss on disposal of securities	17	68
(Decrease)/increase in bad debt provision	(4)	1,537
Interest expense	508	636
Lease liability interest expense	37	50
Movement in recognised employee retirement benefits	(628)	(588)
Depreciation	3,417	3,329
Amortisation of intangibles	800	693
Gain on disposal of property, plant and equipment	(31)	(54)
Exchange loss	110	139
	(1,454)	1,081
Changes in operating assets		
Debt securities	(8,232)	(3,983)
Mortgage loans	78	123
Deposits	5,322	(4,260)
Receivables and other assets	(440)	(1,705)
Loans & Deposits with Sagicor Group companies	(4,398)	-
	(7,670)	(9,825)
Debt securities		
Purchases	(15,675)	(15,880)
Proceeds on maturities and disposals	7,443	11,897
	(8,232)	(3,983)
Changes in operating liabilities		
Claims in the course of settlement, net of reinsurance	2,474	(79)
Amounts payable to related parties	578	(1,813)
Other liabilities and payables	(543)	(1,334)
	2,509	(3,226)

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26. CASH FLOWS (continued)

26.2 Investing activities

	2022	2021
Property, plant and equipment		
Purchases	(842)	(596)
Disposal proceeds	1,793	54
	951	(542)

26.3 Financing activities

	2022	2021
Loan payable		
Advances	-	-
Repayments	(3,428)	(3,430)
	(3,428)	(3,430)

27. LOAN PAYABLE

	2022	2021
Loan payable	12,933	16,378

On May 24, 2019 the company entered into a $24,000 loan agreement with CIBC FirstCaribbean International Bank (Barbados) Limited. The loan matures on July 31, 2024 and bears interest at the rate of 3.50% per annum. It is repayable in quarterly instalments of $857 plus accrued interest. CIBC FirstCaribbean International Bank (Barbados) Limited can request repayment on demand.

The loan is secured by a guarantee from the parent company, Sagicor Life Inc.

28. NOTE PAYABLE

	2022	2021
Note payable	25,000	25,000

On December 18, 2019 the company entered into a $25,000 Surplus Debenture agreement with its parent company Sagicor Life Inc., which was approved by the Financial Services Commission. The Financial Services Commission approved the amount of $25,000 to be included as contributed regulatory capital for the company. See note 32.1.

The Surplus Debenture bears interest at the rate of 0.00% per annum and is repayable in part or in full on demand subject to approval by the Financial Services Commission.

29. RELATED PARTY TRANSACTIONS

29.1 Key management

Key management comprises directors and senior management of the company. Key management includes those persons at or above the level of Vice-President or its equivalent. Compensation of and loans to these individuals were as follows:

	2022	2021
Compensation		
Salaries, directors' fees and other short-term benefits	3,553	2,577
Equity-settled and cash settled compensation benefits	272	-
Pension and other retirement benefits	127	126
	3,952	2,703

29.2 Other related party transactions

Balances at year end and transactions for the year with related parties are as follows:

	2022	2021
Premium income	2,918	3,155
Investment income	216	156
Rental expense	(122)	(123)

Amounts payable to related parties amounted to $12,102 (2021 payable to $1,519) and amounts receivable to related parties amounted $1 (2021 receivable nil) and are interest free with no stated terms of repayment. Premiums receivable amounted to $2,240 (2021 - $1,887).

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30. FINANCIAL RISK

The company's activities of issuing insurance contracts, investing insurance premium and deposit receipts in a variety of financial and other assets, exposes the company to various insurance and financial risks. Financial risks include credit default, liquidity and market risks. Market risks arise from changes in interest rates, equity prices, currency exchange rates or other market factors. The principal insurance risks are identified in notes 30 and 31.

The overriding objective of the company's risk management framework is to enhance its capital base through competitive earnings growth and to protect capital against inherent business risks. This means that the company accepts certain levels of risk in order to generate returns, and the company manages the levels of risk assumed through enterprise wide risk management policies and procedures. Identified risks are assessed as to their potential financial impact and as to their likelihood of occurrence.

30.1 Credit risk

Credit risk is the exposure that the counterparty to a financial instrument is unable to meet an obligation, thereby causing a financial loss to the company. Credit risks are associated primarily with financial investments and reinsurance assets.

Credit risk from financial investments is minimised through

- holding a diversified portfolio of investments,
- purchasing quality securities
- advancing loans only after careful assessment of the borrower and obtaining collateral,
- placing deposits with financial institutions with a strong capital base.
- placing limits on the amount of exposure in relation to any one borrower.

Investment portfolio assets are mostly unsecured except for securities purchased under agreement to resell for which title to the securities is transferred to the company for the duration of each agreement.

Exposure to credit risk is also managed in part by obtaining collateral and guarantees.

For mortgage loans, the collateral is real estate property, and the approved loan limit is 75% to 95% of collateral value.

The company may foreclose on overdue mortgage loans by repossessing the pledged asset and seek to dispose of the pledged asset by sale.

30. FINANCIAL RISK (continued)

30.1 Credit risk (continued)

Rating of financial assets

The company's credit rating model (note 3.2) applies a rating scale to three categories of exposures:

- Investment portfolios, comprising debt securities, deposits, securities purchased for re-sale, and cash;
- Lending portfolios, comprising mortgage loans;
- Reinsurance exposures, comprise realistic disaster scenarios for property and casualty insurance (see note 31.3).

For lending portfolios, the three default ratings of 8, 9 and 10 are utilised, while for investment portfolios and reinsurance assets, one default rating (8) is utilised.

In sections 30.2 and 30.3 below, we set out various credit risks and exposures in accordance with assets measured in accordance with IFRS 9.

30.2 Credit risk exposure - financial assets subject to impairment

The total credit risk exposure of the company at year end is summarised in the following table. For assets measured at FVOCI or amortised cost, credit risk exposure is the gross carrying amount. For assets measured at FVTPL, the company's credit risk exposure is the carrying amount.

	2022	**2021**
Investment portfolios:		
Debt securities at amortised cost	103,355	90,327
Money market securities at FVOCI	5,684	9,659
Deposits at amortised cost	22,530	23,266
Amounts payable by related parties	1	-
	131,570	**123,252**
Lending portfolios:		
Mortgage loans at amortised cost	628	706
	628	**706**
Cash	59,174	57,291
Reinsurance assets	13,202	13,802
Premiums in the course of collection and other accounts receivable	29,468	30,193
Total financial statement exposures	**234,042**	**225,244**

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30. FINANCIAL RISK (continued)

30.2 Credit risk exposure - financial assets subject to impairment (continued)

Financial assets carried at amortised cost or FVOCI are subject to credit impairment losses which are recognised in the statement of income.

The following tables contain analyses of the credit risk exposure of financial investments subject to an ECL allowance.

Debt securities - Amortised Cost

					2022
		ECL Staging		**POCI**	**Total**
	Stage 1 12-month ECL	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**		
December 31:					
Credit grade:					
Investment	56,757	-	-	-	56,757
Non-investment	13,095	14,659	-	18,541	46,295
Watch	159	-	-	355	514
Default	-	-	-	-	-
Unrated	-	-	-	-	-
Gross carrying amount	70,011	14,659	-	18,896	103,566
Loss allowance	(53)	(119)	-	(39)	(211)
Carrying amount	69,958	14,540	-	18,857	103,355

30. FINANCIAL RISK (continued)

30.2 Credit risk exposure - financial assets subject to impairment (continued)

Debt securities - Amortised Cost

					2021
			ECL Staging	**POCI**	**Total**
	Stage 1 12-month ECL	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**		
December 31:					
Credit grade:					
Investment	49,866	-	-	-	49,866
Non-investment	7,606	14,770	-	17,848	40,224
Watch	158	-	-	402	560
Default	-	-	-	-	-
Unrated	-	-	-	-	-
Gross carrying amount	57,630	14,770	-	18,250	90,650
Loss allowance	(32)	(243)	-	(48)	(323)
Carrying amount	57,598	14,527	-	18,202	90,327

30. FINANCIAL RISK (continued)

30.2 Credit risk exposure - financial assets subject to impairment (continued)

	Mortgage loans - amortised cost				
					2022
		ECL Staging		**POCI**	**Total**
	Stage 1 12-month ECL	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**		
December 31:					
Credit grade:					
Investment Grade	634	-	10	-	644
Gross carrying amount	634	-	10	-	644
Loss allowance	(16)	-	-	-	(16)
Carrying amount	618	-	10	-	628

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30. FINANCIAL RISK (continued)

30.2 Credit risk exposure - financial assets subject to impairment (continued)

	Mortgage loans - amortised cost				
					2021
		ECL Staging		**POCI**	**Total**
	Stage 1 12-month ECL	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**		
December 31:					
Credit grade:					
Non-investment	708	-	-	-	708
Watch	-	-	14	-	14
Gross carrying amount	708	-	14	-	722
Loss allowance	(16)	-	-	-	(16)
Carrying amount	692	-	14	-	706

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30. FINANCIAL RISK (continued)

30.2 Credit risk exposure - financial assets subject to impairment (continued)

	Deposits - amortised cost				
					2022
		ECL Staging		**POCI**	**Total**
	Stage 1 12-month ECL	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**		
December 31:					
Credit grade:					
Investment	17,094	-	-	-	17,094
Non-investment	4,732	-	-	-	4,732
Watch	726	-	-	-	726
Gross carrying amount	22,552	-	-	-	22,552
Loss allowance	(22)	-	-	-	(22)
Carrying amount	22,530	-	-	-	22,530

30. FINANCIAL RISK (continued)

30.2 Credit risk exposure - financial assets subject to impairment (continued)

	Deposits - amortised cost				
					2021
		ECL Staging		**POCI**	**Total**
	Stage 1 12-month ECL	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**		
December 31:					
Credit grade:					
Investment	16,011	-	-	-	16,011
Non-investment	6,847	-	-	-	6,847
Watch	421	-	-	-	421
Gross carrying amount	23,279	-	-	-	23,279
Loss allowance	(13)	-	-	-	(13)
Carrying amount	23,266	-	-	-	23,266

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30. FINANCIAL RISK (continued)

30.2 Credit risk exposure - financial assets subject to impairment (continued)

Money Market Funds - FVOCI

					2022
	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
December 31:					
Credit grade:					
Investment	282	-	-	-	282
Non-investment	5,403	-	-	-	5,403
Gross carrying amount	5,685	-	-	-	5,685
Loss allowance	(1)	-	-	-	(1)
Carrying amount	5,684	-	-	-	5,684

30. FINANCIAL RISK (continued)

30.2 Credit risk exposure - financial assets subject to impairment (continued)

Money Market Funds - FVOCI

					2021
	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
December 31:					
Credit grade:					
Investment	2,601	-	-	-	2,601
Non-investment	7,059	-	-	-	7,059
Gross carrying amount	9,660	-	-	-	9,660
Loss allowance	(1)	-	-	-	(1)
Carrying amount	9,659	-	-	-	9,659

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30.3 Credit impairment losses - financial assets subject to impairment

The allowance for ECL is recognised in each reporting period and is impacted by a variety of factors, as described below:

- Transfers between stages due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired during the period;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to inputs used in the calculation including the effect of 'step-up' (or 'step down') between 12-month and life-time ECL;
- Impacts on the measurement of ECL due to changes made to models and assumptions; and
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements.

The following tables contain analyses of the movement of loss allowances from January 1, 2022 to December 31, 2022 in respect of financial investments subject to impairment.

	Debt securities - amortised cost				
					2022
	ECL Staging			**POCI**	**Total**
	Stage 1 12-month ECL	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**		
Loss allowance at January 1, 2022	32	243	-	48	323
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Debt securities originated or purchased	9	-	-	-	9
Debt securities fully derecognised	(2)	-	-	-	(2)
Changes to inputs used in ECL calculation	14	(124)	-	(9)	(119)
Loss allowance at December 31, 2022	53	119	-	39	211
Credit impairment gain recorded in statement of income					112

30. FINANCIAL RISK (continued)

30.3 Credit impairment losses - financial assets subject to impairment (continued)

	Debt securities - amortised cost				
					2021
	ECL Staging			**POCI**	**Total**
	Stage 1 12-month ECL	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**		
Loss allowance at January 1, 2021	61	323	955	56	1,395
Transfers:					
Transfer from Stage 1 to Stage 2	(2)	2	-	-	-
Transfer from Stage 2 to Stage 1	13	(13)	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Debt securities originated or purchased	2	-	-	-	2
Debt securities fully derecognised	(18)	-	-	-	(18)
Changes to inputs used in ECL calculation	(24)	(69)	(955)	(8)	(1,056)
Loss allowance at December 31, 2021	32	243	-	48	323
Credit impairment gain recorded in statement of income					1,072

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30. FINANCIAL RISK (continued)

30.3 Credit impairment losses - financial assets subject to impairment (continued)

Mortgage loans - amortised cost

	ECL Staging			POCI	Total
2022	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**		
Loss allowance at January 1, 2022	16	-	-	-	16
Transfers:					
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Changes to inputs used in ECL calculation	-	-	-	-	-
Effect of exchange rate changes	-	-	-	-	-
Loss allowance at December 31, 2022	16	-	-	-	16
Credit impairment gain recorded in statement of income					-

Mortgage loans - amortised cost

	ECL Staging			POCI	Total
2021	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**		
Loss allowance at January 1, 2021	20	-	-	-	20
Transfers:					
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Changes to inputs used in ECL calculation	(4)	-	-	-	(4)
Effect of exchange rate changes	-	-	-	-	-
Loss allowance at December 31, 2021	16	-	-	-	16
Credit impairment gain recorded in statement of income					4

30. FINANCIAL RISK (continued)

30.3 Credit impairment losses - financial assets subject to impairment (continued)

Deposits - amortised cost

	ECL Staging			POCI	Total
2022	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**		
Loss allowance at January 1, 2022	13	-	-	-	13
Deposits originated or purchased	3	-	-	-	3
Deposits fully derecognised	1	-	-	-	1
Changes to inputs used in ECL calculation	5	-	-	-	5
Loss allowance at December 31, 2022	22	-	-	-	22
Credit impairment loss recorded in statement of income					(10)

Deposits - amortised cost

	ECL Staging			POCI	Total
2021	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**		
Loss allowance at January 1, 2021	18	-	-	-	18
Deposits originated or purchased					
Changes to inputs used in ECL calculation	1	-	-	-	1
Effect of exchange rate changes	(6)	-	-	-	(6)
Loss allowance at December 31, 2021	13	-	-	-	13
Credit impairment loss recorded in statement of income					5

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30. FINANCIAL RISK (continued)

30.3 Credit impairment losses - financial assets subject to impairment (continued)

	Money Market Funds - FVOCI				
					2022
	ECL Staging				
	Stage 1 12-month ECL	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**POCI**	**Total**
Loss allowance at January 1, 2022	1	-	-	-	1
Funds originated or purchased	-	-	-	-	-
Funds fully derecognised	-	-	-	-	-
Changes to inputs used in ECL calculation	-	-	-	-	-
Loss allowance at December 31, 2022	1	-	-	-	1
Credit impairment gain recorded in statement of income					-

	Money Market Funds - FVOCI				
					2021
	ECL Staging				
	Stage 1 12-month ECL	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**POCI**	**Total**
Loss allowance at January 1, 2021	2	-	-	-	2
Funds originated or purchased	-	-	-	-	-
Changes to inputs used in ECL calculation	-	-	-	-	-
Effect of exchange rate changes	(1)	-	-	-	(1)
Loss allowance at December 31, 2021	1	-	-	-	1
Credit impairment loss recorded in statement of income					1

30. FINANCIAL RISK (continued)

30.3 Credit impairment losses - financial assets subject to impairment (continued)

Economic variable assumptions

The macroeconomic indicators for all sectors were updated to produce regressions which reasonably explain the relationship between the respective default rates and the macroeconomic variables.

The GBP USD and NZD USD currency pairs were introduced to enhance the explanation of the default rates in the respective sectors. This was considered critical since currency risk and sovereign risk vary among currency pairs and currency shocks can result in major losses for companies and impact their ability to satisfy their debt and consequently result in defaults.

In addition to the currency pairs, it is noted that market indices such as the S&P 500 Financial Index and the Dow Jones Industrial Average Index have demonstrated to have a stronger correlation to the performance of our investments in the financial and industrial sectors.

In summary, the variables utilised have maintained the model's robustness in promoting a reliable and supportable fit between the default rate and the macroeconomic variables.

The company has selected seven economic factors which provide the overall macroeconomic environment in considering forward looking information for base, upside and downside forecasts. These are as follows:

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30. FINANCIAL RISK (continued)

30.3 Credit impairment losses - financial assets subject to impairment (continued)

Economic variable assumptions

GDP Growth (USA)	2022	2023	2024
Base	0.9%	1.6%	1.5%
Upside	0.9%	1.6%	1.5%
Downside	-1.0%	2.9%	3.2%

World GDP	2022	2023	2024
Base	2.7%	3.2%	3.4%
Upside	4.1%	4.8%	5.1%
Downside	1.9%	2.3%	2.4%

WTI Oil Prices/10	2022	2023	2024
Base	$15.46	$14.50	$13.72
Upside	$18.70	$18.70	$18.70
Downside	$6.28	$5.90	$5.58

DOW Jones Industrial Average Index - EPS	2022	2023	2024
Base	$3,641.68	$4,029.78	$4,466.26
Upside	$6,104.44	$6,755.00	$7,486.66
Downside	$2,118.10	$2,343.84	$2,597.70

S&P 500 Financial Index - EPS	2022	2023	2024
Base	$79.32	$94.12	$103.28
Upside	$127.36	$151.12	$165.82
Downside	$51.80	$61.48	$67.46

GBP/USD	2022	2023	2024
Base	$1.22	$1.21	$1.21
Upside	$1.35	$1.41	$1.45
Downside	$1.08	$1.02	$0.96

NZD/USD	2022	2023	2024
Base	$0.63	$0.63	$0.62
Upside	$0.72	$0.74	$0.76
Downside	$0.55	$0.51	$0.48

30. FINANCIAL RISK (continued)

30.3 Credit impairment losses - financial assets subject to impairment (continued)

Economic variable assumptions (continued)

Barbados	Expected state for the next 12 months	
	Scenario	State
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Super Negative
GDP growth	Base	Negative
	Upside	Stable
	Downside	Super Negative

Trinidad & Tobago	Expected state for the next 12 months	
	Scenario	State
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Super Negative
GDP growth	Base	Negative
	Upside	Stable
	Downside	Super Negative

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30. FINANCIAL RISK (continued)

30.3 Credit impairment losses - financial assets subject to impairment (continued)

(b) Loss given default (LGD)

From the inception of IFRS 9, the company has used the LGD for sovereigns as provided by Moody's. The 45% LGD in Moody's current report represents the losses derived using the average trading prices method for US denominated external debt. Due to the limited trading activity and the small percentage of US denominated sovereign debt in our portfolio we do not believe it is appropriate to use the average trading price method. An analysis of this calculation shows that this LGD includes losses for places such as Greece, Russia and African countries and does not truly reflect a Caribbean experience.

The Company's sovereign exposure is primarily in the Caribbean region where bond markets are very thinly traded. For this reason, an internal valuation method is used to produce reasonable fixed income prices. This methodology is essentially a discounted cash flow exercise and these valuations form part of our requisite disclosures for financial reporting purposes.

Our analysis showed that using Moody's NPV method results in a loss given default (LGD) of approximately 35% regardless of the inclusion of members CARICOM solely or all global defaults. Furthermore, Barbados, the most recent defaulted bond issuer in the Caribbean suffered a maximum loss of approximately 36% on the restructured domestic debt which is in line with the LGD using the NPV method.

In light of the above, we adopted the NPV method for determining the LGD for Caribbean Sovereigns and reduced the LGD to 35% as derived from the calculation.

The ECL impact of changes in LGD rates is summarised as follows:

2022				
			ECL impact of	
Loss Given Default	**Actual value applied**	**Change in threshold**	**Increase in value**	**Decrease in value**
Investments - Corporate Debts	53%	(- /+ 5) %	15	(15)
Investments - Sovereign Debts (excluding Government of Barbados)	35%	(- /+ 5) %	11	(11)

30. FINANCIAL RISK (continued)

30.3 Credit impairment losses - financial assets subject to impairment (continued)

(b) Loss given default (LGD) (continued)

2021				
			ECL impact of	
Loss Given Default	**Actual value applied**	**Change in threshold**	**Increase in value**	**Decrease in value**
Investments - Corporate Debts	53%	(- /+ 5) %	26	(26)
Investments - Sovereign Debts (excluding Government of Barbados)	35%	(- /+ 5) %	9	(9)

(c) Scenario design

The weightings assigned to each economic scenario as at December 31, 2022 are set out in the following table.

	Base – 80% Upside – 10% Downside – 10%		**Base – 80% Upside – 10% Downside – 10%**	
	Increase in ECL		**Decrease in ECL**	
	2022	**2021**	**2022**	**2021**
Investments - excluding Government of Barbados	18	21	(18)	(21)
Lending products	-	1	-	(1)

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30. FINANCIAL RISK (continued)

30.4 Gross Carrying Values - financial investments subject to impairment

The following tables explain the movement in the gross carrying amounts of investments and in the ECL classifications for the year. Gross carrying amounts represent the maximum exposure to credit risk.

	Debt securities - amortised cost				
					2022
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	POCI	Total
Gross carrying amount as at January 1, 2022	57,630	14,770	-	18,250	90,650
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
New financial assets originated or purchased	15,637	-	-	-	15,637
Financial assets fully derecognised during the period	(2,969)	(73)	-	-	(3,042)
Changes in principal and interest	(287)	(38)	-	646	321
Gross carrying amount as at December 31, 2022	70,011	14,659	-	18,896	103,566

30. FINANCIAL RISK (continued)

30.4 Gross Carrying Values - financial investments subject to impairment (continued)

	Debt securities - amortised cost				
					2021
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	POCI	Total
Gross carrying amount as at January 1, 2021	48,367	14,279	2,667	17,485	82,798
Transfers:					
Transfer from Stage 1 to Stage 2	(4,474)	4,474	-	-	-
Transfer from Stage 2 to Stage 1	3,794	(3,794)	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
New financial assets originated or purchased	16,158	-	-	-	16,158
Financial assets fully derecognised during the period	(6,044)	-	-	(2)	(6,046)
Changes in principal and interest	(171)	(189)	(2,667)	767	(2,260)
Gross carrying amount as at December 31, 2021	57,630	14,770	-	18,250	90,650

	Mortgages - amortised cost				
					2022
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	POCI	Total
Gross carrying amount as at January 1, 2022	708	-	14	-	722
Financial assets fully derecognised during the period	-	-	-	-	-
Changes in principle and interest	(74)	-	(4)	-	(78)
Gross carrying amount as at December 31, 2022	634	-	10		644

30. FINANCIAL RISK (continued)

30.4 Gross Carrying Values - financial investments subject to impairment (continued)

Mortgages - amortised cost

	2021				
	ECL Staging				
	Stage 1 12-month ECL	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**POCI**	**Total**
Gross carrying amount as at January 1, 2021	833	-	16	-	849
Financial assets fully derecognised during the period	-	-	-	-	-
Changes in principle and interest	(125)	-	(2)	-	(127)
Gross carrying amount as at December 31, 2021	708	-	14	-	722

Deposits - amortised cost

	2022				
	ECL Staging				
	Stage 1 12-month ECL	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**POCI**	**Total**
Gross carrying amount as at January 1, 2022	23,279	-	-	-	23,279
New financial assets originated or purchased	2,848	-	-	-	2,848
Financial assets fully derecognised during the period	(6,729)	-	-	-	(6,729)
Changes in principal and interest	3,154	-	-	-	3,154
Gross carrying amount as at December 31, 2022	22,552	-	-	-	22,552

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30. FINANCIAL RISK (continued)

30.4 Gross Carrying Values - financial investments subject to impairment (continued)

Deposits - amortised cost

	2021				
	ECL Staging				
	Stage 1 12-month ECL	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**POCI**	**Total**
Gross carrying amount as at January 1, 2021	18,985	-	-	-	18,985
New financial assets originated or purchased	6,154	-	-	-	6,154
Financial assets fully derecognised during the period	(2,013)	-	-	-	(2,013)
Changes in principal and interest	153	-	-	-	153
Gross carrying amount as at December 31, 2021	23,279	-	-	-	23,279

Money Market Funds - FVOCI

	2022				
	ECL Staging				
	Stage 1 12-month ECL	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**POCI**	**Total**
Gross carrying amount as at January 1, 2022	9,659	-	-	-	9,659
New financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognised during the period	-	-	-	-	-
Changes in principal and interest	(3,974)	-	-	-	(3,974)
Gross carrying amount as at December 31, 2022	5,685	-	-	-	5,685

30. FINANCIAL RISK (continued)

30.4 Gross Carrying Values - financial investments subject to impairment (continued)

	Money Market Funds - FVOCI				
					2021
	ECL Staging				
	Stage 1 12-month ECL	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**POCI**	**Total**
Gross carrying amount as at January 1, 2021	12,825	-	-	-	12,825
New financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognised during the period	-	-	-	-	-
Changes in principal and interest	(3,166)	-	-	-	(3,166)
Gross carrying amount as at December 31, 2021	9,659				9,659

30.5 Liquidity risk

Liquidity risk is the exposure that the company may encounter difficulty in meeting obligations associated with financial or insurance liabilities. Liquidity risk also arises when excess funds accumulate resulting in the loss of opportunity to increase investment returns. The company monitors cash inflows and outflows in each operating currency. Through experience and monitoring, the company is able to maintain sufficient liquid resources to meet current obligations.

The company is exposed to daily calls on its available cash resources to pay claims, and for operating expenses and taxes. The company does not maintain cash resources to meet all these needs as experience shows that a minimum level of revenue flows and maturing investments can be predicted with a high level of certainty.

(a) Financial liabilities and commitments

The maturity profiles of the company's financial liabilities and commitments are summarised in the following tables. Amounts are analysed by their earliest contractual maturity dates and consist of the contractual un-discounted cash flows. Where the interest rate of an instrument for a future period has not

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30. FINANCIAL RISK (continued)

30.5 Liquidity risk (continued)

2022	**On demand or within 1 year**	**1 to 5 years**	**After 5 years**	**Total**
Financial liabilities:				
Due to re-insurers and premium tax	13,202	-	-	13,202
Amounts payable to related parties	12,102	-	-	12,102
Accounts payable and accrued liabilities	8,586	-	-	8,586
Note payable	25,000	-	-	25,000
Lease liability	83	55	-	138
Loan payable	12,933	-	-	12,933
Total financial liabilities	71,906	55	-	71,961

2021	**On demand or within 1 year**	**1 to 5 years**	**After 5 years**	**Total**
Financial liabilities:				
Due to re-insurers and premium tax	16,795	-	-	16,795
Amounts payable to related parties	1,519	-	-	1,519
Accounts payable and accrued liabilities	7,401	-	-	7,401
Notes payable	25,000	-	-	25,000
Lease liability	252	40	-	292
Loan payable	16,378	-	-	16,378
Total financial liabilities	67,345	40	-	67,385

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30. FINANCIAL RISK (continued)

30.5 Liquidity risk

(b) Insurance liabilities

The maturity profiles of the company's monetary policyholders' liabilities are summarised in the following tables. Amounts are stated at their carrying values recognised in the financial statements and are analysed by their expected due periods, which have been estimated by actuarial or other statistical methods.

	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total
2022				
Policyholders' liabilities	36,063	31,707	7,479	75,249
2021				
Policyholders' liabilities	36,214	31,063	6,098	73,375

(c) Financial and insurance assets

The contractual maturity periods of monetary financial assets and the expected maturity periods of monetary insurance assets are summarised in the following table. Amounts are stated at their carrying values recognised in the financial statements.

2022	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total
Debt securities	12,044	35,071	56,240	103,355
Mortgage loans	74	371	183	628
Deposits	22,331	199	-	22,530
Money market securities	5,684	-	-	5,684
Reinsurance assets	13,202	-	-	13,202
Premiums in the course of collection	29,468	-	-	29,468
Amounts payable by related parties	1	-	-	1
Other accounts receivable	849	-	-	849
Cash resources	59,174	-	-	59,174
Total	142,827	35,641	56,423	234,891

30. FINANCIAL RISK (continued)

30.5 Liquidity risk (continued)

2021	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total
Debt securities	5,239	19,210	65,878	90,327
Mortgage loans	77	382	247	706
Deposits	22,890	376	-	23,266
Money market securities	9,659	-	-	9,659
Reinsurance assets	13,802	-	-	13,802
Premiums in the course of collection	29,239	-	-	29,239
Other accounts receivable	1,407	-	-	1,407
Cash resources	57,291	-	-	57,291
Total	139,604	19,968	66,125	225,697

30.6 Interest rate risk

The company is exposed to interest rate risks. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The occurrence of an adverse change in interest rates on invested assets may result in financial loss to the company in fulfilling the contractual returns on insurance and financial liabilities.

The return on investments may be variable, fixed for a term or fixed to maturity. On reinvestment of a matured investment, the returns available on the new investment may be significantly different from the returns formerly achieved. This is known as reinvestment risk.

For financial liabilities, returns are usually contractual and may only be adjusted on contract renewal or contract re-pricing.

The company is therefore exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase or decrease as a result of such changes. Interest rate changes may also result in losses if asset and liability cash flows are not closely matched with respect to timing and amount.

The company manages its interest rate risk by a number of measures, including where feasible the selection of assets which best match the maturity of liabilities.

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30. FINANCIAL RISK (continued)

30.6 Interest rate risk (continued)

The table below summarises the exposures to interest rate risks of the company's monetary insurance and financial liabilities. It includes liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. Insurance liabilities are categorised by their expected maturities.

2022	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total
Policyholders' liabilities	-	-	-	75,249	75,249
Due to re-insurer and premium tax	-	-	-	13,202	13,202
Lease liabilities	83	55	-	-	138
Note payable	25,000	-	-	-	25,000
Loan payable	12,933	-	-	-	12,933
Amounts due to related parties	12,102	-	-	-	12,102
Accounts payable and accrued liabilities	-	-	-	8,586	8,586
Total	50,118	55	-	97,037	147,210
2021					
Policyholders' liabilities	-	-	-	73,375	73,375
Due to re-insurer and premium tax	-	-	-	16,795	16,795
Lease liabilities	252	40	-	-	292
Note payable	25,000	-	-	-	25,000
Loan payable	16,378	-	-	-	16,378
Amounts due to related parties	1,519	-	-	-	1,519
Accounts payable and accrued liabilities	-	-	-	7,401	7,401
Total	43,149	40	-	97,571	140,760

30. FINANCIAL RISK (continued)

30.6 Interest rate risk (continued)

The table below summarises the exposures to interest rate and reinvestment risks of the company's monetary insurance and financial assets. It includes assets at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. Reinsurance assets are categorised by their expected maturities.

2022	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total
Debt securities	11,921	34,703	55,773	958	103,355
Mortgage loans	74	371	183	-	628
Deposits	22,242	196	-	92	22,530
Money market securities	5,684	-	-	-	5,684
Reinsurance assets	-	-	-	13,202	13,202
Premiums in the course of collection	-	-	-	29,468	29,468
Amounts payable by related parties	-	-	-	1	1
Other accounts receivable	-	-	-	849	849
Cash resources	-	-	-	59,174	59,174
Total	39,921	35,270	55,956	103,744	234,891

2021	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total
Debt securities	5,064	18,994	65,315	954	90,327
Mortgage loans	77	382	247	-	706
Deposits	22,771	375	-	120	23,266
Money market securities	9,659	-	-	-	9,659
Reinsurance assets	-	-	-	44,158	44,158
Premiums in the course of collection	-	-	-	29,239	29,239
Other accounts receivable	-	-	-	1,407	1,407
Cash resources	-	-	-	57,291	57,291
Total	37,571	19,751	65,562	133,169	256,053

30. FINANCIAL RISK (continued)

30.6 Interest rate risk (continued)

The table below summarises the average interest yields on financial assets held during the year.

	2022	2021
Debt securities	4.8%	4.0%
Mortgage loans	4.8%	4.7%
Deposits	0.3%	1.1%

Sensitivity

The company's operations are not exposed to a significant degree of interest rate risk.

30.7 Foreign exchange risk

The company is exposed to foreign exchange risk as a result of fluctuations in exchange rates since its financial assets and liabilities are denominated in a number of different currencies.

In order to manage the risk associated with movements in currency exchange rates, the company seeks to maintain investments and cash in each operating currency, which are sufficient to match liabilities denominated in the same currency. A limited proportion is invested in United States dollar assets which management considers diversifies the range of investments available, and in the long-term are likely to either maintain capital value and/or provide satisfactory returns.

Monetary assets and liabilities by currency are summarised in the following tables.

30. FINANCIAL RISK (continued)

30.7 Foreign exchange risk (continued)

	Barbados$ 000 equivalents of balances denominated in:			
2022	**Barbados**	**Trinidad**	**Other currencies**	**Total**
ASSETS				
Financial investments	28,616	65,080	39,319	133,015
Reinsurance assets	24,069	17,872	4,213	46,154
Premiums in the course of collection and other accounts receivable	17,331	8,344	3,793	29,468
Amounts payable by related parties	1			1
Cash resources	3,132	7,787	48,255	59,174
Total financial and insurance assets	73,149	99,083	95,580	267,812
LIABILITIES				
Policyholders' liabilities	48,260	22,348	4,641	75,249
Note payable	-	-	25,000	25,000
Lease liabilities	2	136	-	138
Loan payable	12,933	-	-	12,933
Amounts payable to related parties	11,070	962	70	12,102
Due to reinsurers, deferrals and premium tax payable	9,634	10,261	2,870	22,765
Accounts payable and accrued liabilities	5,937	1,958	630	8,525
Total financial and insurance liabilities	87,836	35,665	33,211	156,712
Net position	(14,687)	63,418	62,369	111,100

30. FINANCIAL RISK (continued)

30.7 Foreign exchange risk (continued)

2021	Barbados$ 000 equivalents of balances denominated in: Barbados	Trinidad	Other currencies	Total
ASSETS				
Financial investments	30,500	83,111	11,182	124,793
Reinsurance assets	23,720	17,008	3,430	44,158
Premiums in the course of collection and other accounts receivable	18,455	7,953	4,238	30,646
Amounts payable by related parties	-	-	-	-
Cash resources	13,991	12,409	30,891	57,291
Total financial and insurance assets	86,666	120,481	49,741	256,888
LIABILITIES				
Policyholders' liabilities	47,076	22,947	3,352	73,375
Notes payable	-	-	25,000	25,000
Lease liabilities	19	273	-	292
Loan payable	16,378	-	-	16,378
Amounts payable to related parties	914	496	109	1,519
Due to reinsurers, deferrals and premium tax payable	10,372	10,127	3,917	24,416
Accounts payable and accrued liabilities	5,562	1,232	607	7,401
Total financial and insurance liabilities	80,321	35,075	32,985	148,381
Net position	6,345	85,406	16,756	108,507

30. FINANCIAL RISK (continued)

30.7 Foreign exchange risk (continued)

Sensitivity

The exposure to currency risk results primarily from currency risk relating to the future cash flows of monetary financial instruments. This occurs when a financial instrument is denominated in a currency other than the functional currency of the unit to which it belongs. In this instance, a change in currency exchange rates results in the financial instrument being retranslated at the year-end date and the exchange gain or loss is taken to income.

Financial instruments held by branches are predominantly denominated in the branches' functional currency and as such branches are not exposed to significant exposure from fluctuations in exchange rates.

30.8 Fair value of financial instruments

The fair value of financial instruments is measured according to a fair value hierarchy which reflects the significance of market inputs in the valuation. The hierarchy is described and discussed in sections (i) to (iii) below.

(i) Level 1 - unadjusted quoted prices in active markets for identical instruments.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other independent source, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The company considers that market transactions should occur with sufficient frequency that is appropriate for the particular market, when measured over a continuous period preceding the date of the financial statements. If there is no data available to substantiate the frequency of market transactions of a financial instrument, then the instrument is not classified as Level 1.

(ii) Level 2 - inputs that are observable for the instrument, either directly or indirectly

A financial instrument is classified as Level 2 if:
The fair value is derived from quoted prices of similar instruments which would be classified as Level 1; or
The fair value is determined from quoted prices that are observable but there is no data available to substantiate frequent market trading of the instrument.

In estimating the fair value of non-traded financial assets, the company uses a variety of methods such as obtaining dealer quotes and using discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are discounted at market derived rates for government securities in the same country of issue as the security; for non-government securities, an interest spread is added to the derived rate for a similar government security rate according to the perceived additional risk of the non-government security.

For the year ended December 31, 2022 Amounts expressed in Barbados dollars $000's

30. FINANCIAL RISK (continued)

30.8 Fair value of financial instruments (continued)

In assessing the fair value of non-traded financial liabilities, the company uses a variety of methods including obtaining dealer quotes for specific or similar instruments and the use of internally developed pricing models, such as the use of discounted cash flows. If the non-traded liability is backed by a pool of assets, then its value is equivalent to the value of the underlying assets.

(iii) Level 3 - inputs for the instrument that are not based on observable market data.

A financial instrument is classified as Level 3 if:
- The fair value is derived from quoted prices of similar instruments that are observable and which would be classified as Level 2; or
- The fair value is derived from inputs that are not based on observable market data.

Level 3 comprise primarily corporate equity instruments issued in Barbados.

Level 3 assets designated include mortgage loans. These assets are valued with inputs other than observable market data.

The techniques and methods described in the preceding section (ii) for non-traded financial assets and liabilities may also be used in determining the fair value of Level 3 instruments.

(a) Financial instruments carried at fair value

	Level 1	Level 2	Level 3	Total
2022				
Equity securities	818	-	-	818
Money market securities	5,684	-	-	5,684
	6,502	-	-	6,502

	Level 1	Level 2	Level 3	Total
2021				
Equity securities	835	-	-	835
Money market securities	9,659	-	-	9,659
	10,494	-	-	10,494

There were no transfers occurring in 2022 or 2021 between levels 1, 2 and 3.

30. FINANCIAL RISK (continued)

30.8 Fair value of financial instruments (continued)

b) Financial instruments carried at amortised cost

	Level 1	Level 2	Level 3	Total
2022				
Debt securities	-	13,103	92,353	105,456
Mortgage loans	-	-	649	649
		13,103	93,002	106,105

	Level 1	Level 2	Level 3	Total
2021				
Debt securities	-	14,107	77,695	91,802
Mortgage loans	-	-	692	692
	-	14,107	78,387	92,494

The company is exposed to equity price risk arising from changes in the market values of its equity securities. The company mitigates this risk by holding a diversified portfolio and by minimising the use of equity securities to back its insurance and financial liabilities.

Sensitivity

The sensitivity to fair value changes in equity securities. The effect of an across the board 20% change in equity prices of the company's equity securities as of the financial statement date on total comprehensive income before tax is as follows:

	Carrying value	Effect of a 20% change
Equity securities:		
Listed on Caribbean stock exchanges and markets	818	164

The effect of the fluctuation on available for sale debt securities would not be material to these financial statements.

For the year ended December 31, 2022 Amounts expressed in Barbados dollars $000's

31. INSURANCE RISK

Short-term contracts are typically for one year's coverage, with an option to renew under terms that may be amended by the company. In establishing the amount of premium, the company principally assesses the estimated benefits which may be payable under the contract. In determining the premium payable under the contract, the company considers the nature and amount of the risk assumed, and recent experience and industry statistics of the benefits payable. This is the process of underwriting, which establishes appropriate pricing guidelines, and may include specific tests and enquiries which determine the company's assessment of the risk. The company may also establish deductibles to limit amounts of potential losses incurred.

A proportion of risks assumed are written by third parties under delegated underwriting authorities. The third parties are assessed in advance and are subject to authority limits and reporting procedures. The performance of contracts written by each delegated authority is monitored periodically.

Policy benefits payable under short-term contracts are generally triggered by an insurable event, i.e. a property or casualty claim. Settlement of these benefits is expected generally within six months. However, some benefits are settled over a longer duration.

The principal risks arising from short-term insurance contracts are underwriting, claims, availability of reinsurance and claims liability estimation and credit risk in respect of reinsurance counterparties.

31.1 Underwriting risk

Risks are priced to achieve an adequate return on capital on the business as a whole. This return is expressed as a premium target return. Budgeted expenses and reinsurance costs are included in the pricing process. Various pricing methodologies including benchmark exposure rates and historic experience are used and are generally applied by class of insurance. All methods produce a technical price, which is compared against the market to establish a price margin.

Pricing techniques are subject to constant review from independent pricing audits, claims patterns, underwriters' input, market developments and actuarial best practice. There are minimum pricing margins for each class of business.

Annually, the overall risk appetite is reviewed and approved. The risk appetite is defined as the maximum loss the company is willing to incur from a single event or proximate cause. Risks are only underwritten if they fall within the risk appetite. Individual risks are assessed for their contribution to aggregate exposures by nature of risk, by geography, by correlation with other risks, before acceptance. Underwriting a risk may include specific tests and enquiries which determine the company's assessment of the risk. The company may also establish deductibles, exclusions, and coverage limits which will limit the potential losses incurred. Inaccurate pricing or inappropriate underwriting of insurance contracts, which may arise from poor pricing or lack of underwriting control, can lead to either financial loss or reputational damage to the insurer.

31. INSURANCE RISK (continued)

31.2 Claims risk

Incurred claims are triggered by an event and may be categorised as:
- Attritional losses, which are expected to be of reasonable frequency and are less than established threshold amounts;
- Large losses, such as major fires and accidents, which are expected to be relatively infrequent, are greater than established threshold amounts;
- Catastrophic losses, which are an aggregation of losses arising from one incident or proximate cause such as hurricanes or earthquakes, affecting one or more classes of insurance. These losses are infrequent and are generally very substantial.

The company records claims based on submissions made by claimants. In certain instances additional information is obtained from loss adjustors, medical reports and other specialist sources. However, the possibility exists that claim submissions are either fraudulent or are not covered under the terms of the policy. The initial claim recorded may only be an estimate, which has to be refined over time until final settlement occurs. In addition, from the pricing methodology used for risks, it is assumed that at any particular date, there are claims incurred but not reported (IBNR).

Claims risk is the risk that incurred claims may exceed expected losses. Claim risk may arise from:
- Invalid claim submissions;
- The frequency of incurred claims;
- The severity of incurred claims;
- The development of incurred claims.

The company carries significant insurance risks concentrated in certain countries within the Caribbean. Significant concentration of insurance risk occurs in Barbados, Trinidad and Tobago and St. Lucia.

Total insurance coverage on insurance policies quantify some of the risk exposures. Typically, claims arising in any one year are a very small proportion in relation to the total insurance coverage provided.

The total sums insured before and after reinsurance on property and casualty risks are summarised below.

	Gross	Net
2022		
Property business	18,991,290	3,667,360
Motor business	992,763	992,763
Accident and liability business	6,508,888	5,896,637
Sums insured	**26,492,941**	**10,556,760**

For the year ended December 31, 2022 Amounts expressed in Barbados dollars $000's

31. INSURANCE RISK (continued)

31.2 Claims risk (continued)

	Gross	Net
2021		
Property business	18,469,828	3,565,155
Motor business	1,001,702	1,001,702
Accident and liability business	6,896,336	6,248,014
Sums insured	**26,367,866**	**10,814,871**

The net amounts disclosed are inclusive of the reinsurance applicable on proportional treaties. The retentions on the excess of loss treaties have not been included.

Concentration of risk is mitigated through risk selection, event limits, quota share reinsurance and exces of loss reinsurance. Levels of reinsurance cover are summarised in note 31.3.

The company assesses its exposures by modelling realistic disaster scenarios of potential catastrophic events. Claims arising from wind storms, earthquakes, floods, terrorism, failure or collapse of a major corporation (with liability insurance cover) and events triggering multi coverage corporate liability claims are considered to be the potential sources of catastrophic losses arising from insurance risks.

Realistic disaster scenarios modelled for 2022 resulted in estimated gross and net losses as follows:

Scenario:	Gross loss	Net loss
Hurricane affecting Barbados and St. Lucia:		
Used assumption of this event having a 200 year return period	642,940	10,000
Earthquake of magnitude 5.0 on the Richter scale affecting Trinidad:		
Used assumption of this event having a 250 year return period	1,023,547	10,000

Therefore, the occurrence of one or more catastrophic events in any year may have a material impact or the reported net income of the company.

31.3 Reinsurance risk

To limit its exposure of potential loss on an insurance policy, the company may cede certain levels of risl to a reinsurer. Reinsurance, however, does not discharge the company's liability. Reinsurance risk is th risk that reinsurance is not available to mitigate the potential loss on an insurance policy. The risk may arise from:

- The credit risk of holding a recovery from a reinsurer;
- The failure of a reinsurance layer upon the occurrence of a catastrophic event.

31. INSURANCE RISK (continued)

31.3 Reinsurance risk (continued)

The company selects reinsurers which have well established capability to meet their contractual obligations and which generally have a Sagicor credit risk rating of 1 or 2. The company also places reinsurance coverage with various reinsurers to limit its exposure to any one reinsurer. The credit ratings of reinsurers are monitored frequently.

For its property risks, the company uses quota share and excess of loss catastrophe reinsurance treaties to obtain reinsurance cover. Catastrophe reinsurance is obtained for multiple claims arising from one event or occurring within a specified time period. However, treaty limits may apply and may expose the company to further claim exposure. Under some treaties, when treaty limits are reached, the company may be required to pay an additional premium to reinstate the reinsurance coverage. For other insurance risks, the company limits its exposure by event or per person by excess of loss or quota share treaties.

Retention limits represent the level of risk retained by the company. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. Claim amounts in excess of reinsurance treaty limits revert to the insurer. Principal features of retention programs used are summarised in the tables below.

Type of risk	Retention by company
Property risks	maximum retention of $9,000 (2021 - $9,000) for a single non-catastrophic event; maximum retention of $10,000 (2021 - $10,000) for a catastrophic event in Barbados and Trinidad; quota share retention to a maximum of 20% in respect of the treaty limits; quota share retention is further reduced to a maximum of $750 (2021 - $750) per risk for all territories except Trinidad which has a maximum net retention of $375. maximum net retention of $2,500 in Antigua, St. Lucia, Dominica and Bahamas. For all territories a deductible of $5,000 will apply for a 2nd and 3rd event; treaty limits apply.
Motor and liability risks	maximum retention of $1,500 for a single event; treaty limits apply.
Miscellaneous accident risks	maximum retention of $150 for a single event; treaty limits apply.
Engineering business risks	maximum retention of $1,000 for a single risk; treaty limits apply for material damage and for liability claims.
Marine risks	maximum retention of $150 for a single event; treaty limits apply.
Bond risks	maximum retention of $600 for a single risk; quota share retention to maximum of 15% in respect of the treaty limits; treaty limits apply.
Property, motor, marine, and engineering risk	catastrophic excess of loss reinsurance cover is available per event for amounts in excess of treaty limits for property, motor, marine and engineering risks; treaty limits apply to catastrophic excess of loss coverage.

For the year ended December 31, 2022 Amounts expressed in Barbados dollars $000's

31. INSURANCE RISK (continued)

31.3 Reinsurance risk (continued)

Reinsurance balances and the effects of reinsurance ceded on income are disclosed at note 8.

In order to assess the potential reinsurance recoveries on the occurrence of a catastrophic insurance event, the Sagicor credit risk ratings of the reinsurance recoverable are assessed using the following realistic disaster scenarios:

Hurricane with a 200 year return period affecting Barbados and St. Lucia; and
Earthquake with a 250 year return period affecting Trinidad all within a 24 hour period.

The reinsurance recoveries derived from the above are assigned internal credit ratings as follows:

Category		Sagicor Risk Rating	Classification	Exposure $	Exposure %
Non-default	Investment grade	1	Minimal risk	780,591	47.4
		2	Low risk	821,841	49.9
		3	Moderate risk	44,055	2.7
	Non-investment grade	4	Acceptable risk	-	-
		5	Average risk	-	-
	Watch	6	Higher risk	-	-
		7	Special mention	-	-
Default		8	Substandard	-	-
		9	Doubtful	-	-
		10	Loss	-	-
			TOTALS	1,646,487	100.0

31.4 Estimation of claim liabilities

Due to the inherent uncertainties in estimating claim liabilities described above and in note 3.1, the development of the company's claims in the course of settlement provides a measure of its ability to estimate the ultimate value of claims incurred. The tables in note 12.1 outline the estimates of total ultimate claims incurred and recoverable from reinsurers for each year at successive year ends.

31.5 Sensitivity of incurred claims

The impact on gross claims of a 10% increase and decrease in development is outlined in note 12.1.

32. CAPITAL MANAGEMENT

32.1 Capital resources

The company manages its capital resources according to the following objectives:

- To comply with capital requirements established by insurance regulatory authorities;
- To safeguard its ability as a going concern and to provide adequate returns to shareholders by pricing insurance contracts commensurately with the level of risk;
- To maintain a strong capital base to support the future development of company operations.

The principal capital resource of the company at the financial statement date is as follows:

	2022	2021
Equity	57,237	58,352
Surplus notes (note 28)	25,000	25,000
Total capital resources	82,237	83,352

The company deploys its capital resources through its operating activities. These operating activities are carried out by branches which are insurance operations. The capital is deployed in such a manner as to ensure that branches have adequate and sufficient capital resources to carry out their activities and to meet regulatory requirements.

The Financial Services Commission has approved the Surplus Debenture in the amount of $25,000 (note 28) to be included as part of the company's regulatory contributed capital.

32.2 Capital adequacy

Management monitors the adequacy of the company's capital to ensure compliance with the solvency requirements of the territories in which it operates and to safeguard its ability as a going concern to continue to provide benefits and returns to shareholders.

At year-end the company was in compliance with all of its regulatory capital requirements in all territories.

For the year ended December 31, 2022 — Amounts expressed in Barbados dollars $000's

33. LEASE LIABILITIES

The lease liabilities recognised are as follows:

	2022	2021
Current lease liabilities	83	252
Non-current lease liabilities	55	40
	138	292

The lease liabilities relate to the following right-of-use assets:

	2022	2021
Land & buildings	129	244
Motor vehicles	3	19
Total right-of-use assets[1] (note 5)	132	263

[1]Included in property, plant and equipment

34. IMPACT OF COVID-19

Since the World Health Organisation declared the emergence of COVID-19 coronavirus as a global pandemic in March 2020, COVID-19 has affected many countries, all levels of society and our economic environment in significant ways. The situation continues to evolve and many of the markets in which the company operates have implemented public health safety protocols. Over two years on from the initial outbreak, the availability of vaccines has aided recovery efforts.

COVID-19 continues to cause some disruption in certain of the economies in which the company operates. However, in response to the changing economic environment, the company has performed reviews and updated its assumptions, including those related to asset impairment, where necessary. Management has also considered the potential impact of the pandemic on actuarial reserves but has concluded that it has not had a significant impact on actuarial assumptions and the valuation of actuarial liabilities of the company.

The company continues to monitor the economic impact on its investments, actuarial reserves, customer and trading partners, and the effect on the industries in which it operates.

35. SUBSEQUENT EVENTS

On January 31, 2023 the Trinidad and Tobago branch of the company was spun off into a separate legal entity Sagicor General Insurance Trinidad & Tobago Limited in accordance with The Insurance Act, 2018 of Trinidad and Tobago. The assets and liabilities of the branch as at January 31, 2023 were transferred under the Sagicor General Insurance Trinidad & Tobago Limited Vesting Order, 2023 from Sagicor General Insurance Inc. to Sagicor General Insurance Trinidad & Tobago Limited for consideration of net book value.

ADVISORS AND BANKERS

APPOINTED ACTUARY
Eckler Ltd.

AUDITOR
PricewaterhouseCoopers SRL

COUNSEL
Sir Richard Cheltenham, QC, Ph.D.

BANKERS
CIBC FirstCaribbean International Bank Limited
First Citizens Bank (Barbados) Limited
The Bank of Nova Scotia
RBC Royal Bank (Barbados) Limited
RBC Royal Bank (Trinidad and Tobago) Limited
Republic Bank Limited

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the TWENTY-SEVENTH ANNUAL GENERAL MEETING of the Shareholders of SAGICOR GENERAL INSURANCE INC. will be held at Cecil F. de Caires Building, Wildey, St. Michael, Barbados, on Thursday, June 22, 2023, at 10:30 a.m. to transact the following business:

1. To receive and consider the Financial Statements of the Company and the Reports of the Directors and Auditor for the year ended December 31, 2022.

2. To elect Directors:-

   Mr. Keston Howell and Mrs. C. Natasha Small are the Directors whose terms of office expire at the close of this meeting and being eligible offer themselves for re-election for terms expiring at the close of the third annual meeting following this meeting.

3. To re-appoint the incumbent Auditor for the ensuing year and to authorise the Directors to fix their remuneration.

4. To transact such other business as may properly come before the meeting and at any adjournment thereof.

BY ORDER OF THE BOARD

Andrew C. Greaves
Corporate Secretary
May 17, 2023

PROXIES

A shareholder who is entitled to attend and vote at the meeting may appoint a proxy to attend and vote in his stead. A proxy need not be a shareholder. Proxy forms must be lodged at the Company's registered office at Cecil F. de Caires Building, Wildey, St. Michael, Barbados, not less than forty-eight (48) hours before the meeting. A form of Proxy is enclosed for your convenience.

SAGICOR GENERAL INSURANCE INC.
COMPANY NO. 42724

MANAGEMENT PROXY CIRCULAR

Management is required by the Companies Act Cap. 308 of the Laws of Barbados (hereinafter called the "Companies Act") to send with the Notice convening the meeting, forms of proxy. By complying with the Companies Act, Management is deemed to be soliciting proxies within the meaning of the Companies Act.

This Management Proxy Circular accompanies the Notice of the Twenty-Seventh Annual General Meeting of the Shareholders of Sagicor General Insurance Inc. (hereinafter called the "Company") to be held on June 22, 2023 at 10:30 a.m. (hereinafter called the "Meeting") and is furnished in connection with the solicitation by the Management of the Company of proxies for use at the Meeting, or any adjournment thereof. It is expected that the solicitation will primarily be by mail. The cost of the solicitation will be borne by the Company.

REVOCATION OF PROXY

Any shareholder having given a proxy has the right to revoke it by depositing an instrument in writing executed by the shareholder, or his attorney authorised in writing, with the Corporate Secretary at the registered office of the Company at Cecil F. de Caires Building, Wildey, St. Michael Barbados, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used or with the Chairman of such Meeting on the day of the Meeting or adjournment thereof.

RECORD DATE, NOTICE OF MEETING & VOTING SHARES

The Directors of the Company have not fixed a record date for determining the shareholders who are entitled to receive notice of the Meeting. In accordance with the Companies Act, the statutory record date applies. Only the holders of common shares of the Company of record at the close of business on the day immediately preceding the day on which the Notice is given under Section 109 (1) of the Companies Act will be entitled to receive notice of the Meeting.

Only the holders of common shares of the Company will be entitled to attend and vote at the Meeting. Each holder is entitled to one vote for each share held. As at the date hereof there are 2,018,087 common shares of the Company outstanding.

PRESENTATION OF FINANCIAL STATEMENTS AND AUDITOR'S REPORT

The Financial Statements of the Company for the year ended December 31, 2022 and the Auditor's Report thereon, are included in the 2022 Annual Report which is being mailed to shareholders with this Notice of the Annual General Meeting and Management Proxy Circular.

ELECTION OF DIRECTORS

The Board of Directors currently consists of six (6) members. The number of Directors to be elected at the Meeting is two (2). Mr. Keston Howell and Mrs. C. Natasha Small will retire by normal rotation at the end of the Meeting. Being eligible, the Board proposes Mr. Keston Howell and Mrs. C. Natasha Small as nominees for re-election as Directors of the Company, and for whom it is intended that votes will be cast for their re-election as Directors pursuant to the form of proxy hereby enclosed.

The term of office for the Directors so elected will expire at the close of the third annual general meeting of the shareholders of the Company following their election.

The Directors recommend the appointment of Mr. Keston Howell and Mrs. C. Natasha Small for the terms stated above or until their successors are elected or appointed.

The Management of the Company does not contemplate that any of the persons named above will, for any reason, become unable to serve as a Directors.

APPOINTMENT OF AUDITOR

It is proposed to re-appoint the firm of PricewaterhouseCoopers, the incumbent Auditor, as Auditors of the Company to hold office until the next annual general meeting of Shareholders.

DISCRETIONARY AUTHORITY

Management knows of no matter to come before the Meeting other than the matters referred to in the Notice of Meeting enclosed herewith. However, if any matters which are not known to Management should properly come before the Meeting or any adjournment thereof, the shares represented by proxies will be voted on such matters in accordance with the best judgment of the proxy nominee. Similar discretionary authority is conferred with respect to amendments to the matters identified in the Notice of the Meeting.

The contents of this Management Proxy Circular and the sending thereof to the holders of the common shares of the Company have been approved by the Directors of the Company.

No Directors' statement is submitted pursuant to Section 71(2) of the Companies Act. No Auditor's statement is submitted pursuant to Section 163(1) of the Companies Act.

Date: May 17, 2023.

....
Andrew C. Greaves
Corporate Secretary

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Sagicor
GENERAL