Advantage General Insurance Company Limited

Financial Statements
31 December 2022

Advantage General Insurance Company Limited
Index
31 December 2022

SECTION 3 EXPRESSION OF OPINION

The liabilities described in this report by the term "policy and claims liabilities" refer to the liabilities described in the regulations to *The Insurance Act, 2001* by the term "actuarial liabilities". The author's opinion relates to the values of the policy and claims liabilities as summarized in Sections 3.2 and 3.3 of this report. The financial condition of the Company referenced in Section 3.1 below refers to the financial state reflected by the amount, nature and composition of its assets, liabilities and equity, all at a particular point in time.

3.1 Report of the Appointed Actuary

I have examined the financial condition and valued the policy and claims liabilities of Advantage General Insurance Company Limited for its balance sheet as at 31 December 2022 and the corresponding change in the policy and claims liabilities in the statement of operations for the year then ended. I meet the appropriate qualification standards and am familiar with the valuation and solvency requirements applicable to general insurance companies in Jamaica.

In my opinion:

i) the methods and procedures used in the verification of the data are sufficient and reliable and fulfil acceptable standards of care;

ii) the valuation of policy and claims liabilities has been made in accordance with generally accepted actuarial practice with such changes as determined and directions made by the Financial Services Commission;

iii) the methods and assumptions used to calculate the policy and claims liabilities are appropriate to the circumstances of the Company and of the said policies and claims;

iv) the amount of the policy and claims liabilities represented in the balance sheet of Advantage General Insurance Company Limited makes proper provision for the future payments under the Company's policies and meets the requirements of *The Insurance Act, 2001* and other appropriate regulations of Jamaica;

v) a proper charge on account of these liabilities has been made in the statement of operations;

vi) there is sufficient capital available to meet the solvency standards as established by the Financial Services Commission;

Xavier Bénarosch
Fellow, Canadian Institute of Actuaries

Kingston, Jamaica
23 March 2023

Independent auditor's report

To the Members Advantage General Insurance Company Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Advantage General Insurance Company Limited (the Company) as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the income statement 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 of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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 scepticism throughout the audit. We also:

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

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

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

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

pwc

Report on other legal and regulatory requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

PricewaterhouseCoopers

Chartered Accountants
Kingston, Jamaica
31 March 2023

Advantage General Insurance Company Limited

Income Statement

Year ended 31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2022 $'000	2021 $'000
Gross Premiums Written	14	7,380,802	6,136,641
Change in gross provision for unearned premiums	14	(578,865)	(475,915)
Gross insurance premium revenue	14	6,801,937	5,660,726
Written premiums ceded to reinsurers	14	(5,122,369)	(3,894,678)
Reinsurers' share of change in provision for unearned premiums	14	479,373	359,545
Net insurance premium revenue	14	2,158,941	2,125,593
Claims expense	14	(2,389,205)	(2,557,847)
Reinsurer's share of claims and benefits incurred	14	1,067,143	932,738
Commission expense	13	(388,849)	(313,755)
Commission income	19	1,705,288	1,703,827
Other underwriting income		147,406	117,335
Operating expenses		(2,100,321)	(1,748,182)
Underwriting Profit		200,403	259,709
Interest income earned from financial assets measured at FVOCI		298,820	243,841
Interest income earned from financial assets measured at amortised cost		27,806	20,634
Net impairment reversals on financial assets	5(b)	3,324	17,689
Other investment (expense)/income, net	7	(20,915)	6,021
Change in fair value of investment properties	15	10,392	13,000
Foreign exchange (losses)/gains, net		(3,612)	74,556
Other expense		(18,046)	(73,304)
Investment properties (expense)/income, net	15	(3,743)	8,290
Profit before Taxation		494,429	570,436
Taxation	10	(165,442)	(169,584)
Profit for the year		328,987	400,852

Advantage General Insurance Company Limited

Statement of Comprehensive Income

Year ended 31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2022 $'000	2021 $'000
Profit for the Year		328,987	400,852
Other Comprehensive Income, net of tax:			
Items that will not be reclassified to the income statement			
Increase/(decrease) in valuation of property, plant and equipment, net of tax	20	21,235	(7,176)
Re-measurement of employee benefit obligation, net of tax	20	(6,078)	(124,172)
		15,157	(131,348)
Items that may be reclassified subsequently to the income statement			
Realised gains on sale of debt instruments at FVOCI investments, net of tax		820	21,720
Expected credit (loss)/reversals on debt instruments at FVOCI, net of tax		(2,548)	11,793
Unrealised fair value losses on debt instruments at FVOCI investments net of tax		(114,506)	(69,564)
		(116,234)	(36,051)
Total other comprehensive income for the year	20	(101,077)	(167,399)
Total comprehensive income for the year		227,910	233,453

Advantage General Insurance Company Limited

Statement of Financial Position

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2022 $'000	2021 $'000
ASSETS			
Cash and deposits		176,264	119,854
Reverse repurchase agreements	11	419,128	431,581
Investments at fair value through other comprehensive income	12 (b)	5,463,867	5,954,800
Pledged assets	12 (c)	116,694	126,354
Insurance receivables and deferred expenses	13	1,290,379	1,069,739
Reinsurance asset	14	3,275,641	2,672,571
Deferred tax assets	20	160,561	85,301
Other receivables		307,410	313,890
Taxation recoverable		294,618	403,419
Investment properties	15	89,068	114,676
Intangible assets	16	402,040	318,668
Right of use asset	25	381,053	183,882
Property, plant and equipment	17	720,679	539,294
Employee benefit asset	21	53,616	131,821
		13,151,018	12,465,850
LIABILITIES			
Lease liability	25	397,988	206,287
Other liabilities	18	303,339	400,838
Insurance contract provisions	14	6,683,075	6,430,328
Insurance payables and deferred income	19	2,136,367	1,977,107
Employee benefit obligation	21	164,972	213,923
		9,685,741	9,228,483
SHAREHOLDER'S EQUITY			
Share capital	22	2,009,907	2,009,907
Capital reserves	23	243,140	221,905
Fair value reserves		(120,917)	(4,677)
Retained earnings		1,333,147	1,010,232
		3,465,277	3,237,367
		13,151,018	12,465,850

Approved for issue by the Board of Directors on 30 March 2023 and signed on its behalf:

Christopher Zacca	Chairman	Mark Thompson	Director

Advantage General Insurance Company Limited

Statement of Changes in Equity

Year ended 31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital $'000	Capital Reserves $'000	Fair Value Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 31 December 2020		2,009,907	229,081	31,374	2,383,552	4,653,914
Profit for the year		-	-	-	400,852	400,852
Other comprehensive income, net of taxation		-	(7,176)	(36,051)	(124,172)	(167,399)
Total comprehensive income		-	(7,176)	(36,051)	276,680	233,453
Transactions with owners						
Dividends	24(b)	-	-	-	(1,650,000)	(1,650,000)
Balance at 31 December 2021		2,009,907	221,905	(4,677)	1,010,232	3,237,367
Profit for the year		-	-	-	328,987	328,987
Other comprehensive income, net of taxation		-	21,235	(116,240)	(6,072)	(101,077)
Total comprehensive income		-	21,235	(116,240)	322,915	227,910
Balance at 31 December 2022		2,009,907	243,140	(120,917)	1,333,147	3,465,277

Advantage General Insurance Company Limited

Statement of Cash Flows

Year ended 31 December 2022

(expressed in Jamaican dollars unless otherwise stated)

	Note	2022 $'000	2021 $'000
Cash Flows from Operating Activities			
Profit for the year		328,987	400,852
Adjustments to reconcile net profit to cash flow provided by operating activities:			
Depreciation	17&25	123,615	93,457
Amortisation	16	75,636	54,375
Gain on disposal of property, plant and equipment		-	(160)
Loss on disposal of investment properties		-	43,600
Gain on sale of FVOCI investments	7	(820)	(21,550)
Premiums earned (net of reinsurance)	14	(2,158,941)	(2,125,593)
Change in fair value of investment properties	15	(10,392)	(13,000)
Claims expense (net of reinsurance)	14	1,322,062	1,625,109
Taxation	10	165,442	169,584
Employee benefit obligation	21	59,648	24,681
Expected credit loss		(3,325)	(17,689)
Bad debt provision		7,500	18,000
Foreign exchange gain		3,612	(74,556)
Interest expense	7	20,095	15,529
Interest income		(326,626)	(264,475)
		(393,507)	(71,836)
Changes in operating assets and liabilities:			
Insurance receivables & deferred expenses		220,640	(275,816)
Other receivables		6,480	68,811
Taxation recoverable		108,801	(247,802)
Other liabilities		(97,499)	33,408
Insurance payables and deferred income		159,260	(146,599)
		4,175	(639,834)
Premiums written (net of reinsurance)	14	2,258,433	2,241,963
Claims paid	14	(1,771,878)	(1,752,971)
Taxes paid		-	(366,146)
Net cash provided by/(used in) operating activities		490,730	(516,988)
Cash Flows from Investing Activities			
Interest received		331,592	279,242
Proceeds from disposal of property, plant and equipment		-	7,000
Proceeds from disposal of investment properties		-	395,000
Additions to property, plant and equipment and intangible assets		(178,716)	(188,127)
Proceeds from sale of investments		6,113,048	2,486,800
Purchases of investment securities classified as amortised cost and FVOCI & FVPL, net		(5,392,785)	(1,344,905)
Net cash provided by investing activities		873,139	1,635,010
Balance carried forward (Page 6)		1,363,869	1,118,022

Advantage General Insurance Company Limited
Statement of Cash Flows
Year ended 31 December 2022
(expressed in Jamaican dollars unless otherwise stated)

	Note	2022 $'000	2021 $'000
Balance brought forward (Page 5)		1,363,869	1,118,022
Cash Flows from Financing Activities			
Dividends paid	24 (b)	-	(1,650,000)
Net cash flow used in financing activities		-	(1,650,000)
(Increase)/decrease in cash and cash equivalents		1,363,869	(531,978)
Cash and cash equivalents at beginning of year		551,435	1,083,413
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		1,915,304	551,435
Comprising:			
Cash and deposits		176,264	119,854
Reverse repurchase agreements	11	419,128	431,581
Certificate of Deposit		1,319,912	-
		1,915,304	551,435

1. Identification and Activities

Advantage General Insurance Company Limited (the company) on 1 October 2019 became a 60% owned subsidiary of Phoenix Equity Holdings Limited a wholly owned subsidiary of Sagicor Investments Jamaica Limited (SIJL), which is a wholly owned subsidiary of Sagicor Group Jamaica Limited (SGJ). The remaining 40% is owned by Fundy Bay Equity Holdings (34%) and Resource In Motion Limited (6%).

SGJ is owned 32.45% by LOJ Holdings Limited which is also incorporated in Jamaica and wholly owned by Sagicor Financial Corporation Limited (SFCL). The ultimate parent company is SFCL, which is incorporated and domiciled in Bermuda. SFCL has an overall interest of 49.11% (2021 - 49.11%) in SGJ.

The company is licensed under the Insurance Act and Regulations 2001.

The principal activity of the company is the underwriting of general insurance business. The company's registered office is located at 4-6 Trafalgar Road, Kingston 5.

2. Summary of Significant Accounting Policies

(a) Basis of preparation

These financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) and have been prepared under the historical cost convention as modified by the revaluation of certain financial instruments, property plant and equipment and investment properties which are carried at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results could defer from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Accounting pronouncements effective in 2022 which are relevant to the company's operations

Certain new standards, amendments and interpretations to existing standards have been published that became effective during the current financial year. The company has assessed the relevance of all such new interpretations and amendments, and has adopted the following, which are relevant to its operations.

A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16, (effective for annual periods beginning on or after 1 January 2022). Amendments to IFRS 3, 'Business combinations' 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' 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 the income statement. Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'. There will be no impact to the company on adoption of this amendment.

Advantage General Insurance Company Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies

(a) Basis of preparation

Accounting pronouncements effective in 2022 which are relevant to the company's operations

Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient, (effective for annual periods beginning on or after 1 April 2021). On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. There will be no impact to the Company on adoption of this amendment.

Accounting pronouncements that are not yet effective, and have not been early adopted
At the date of authorisation of these financial statements, certain new standards, interpretations and amendments to existing standards have been issued which are mandatory for the company's accounting periods beginning on or after 1 January 2023 or later periods, but were not effective at the date of the statement of financial position, and which the Company has not early adopted. The company has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations, and has concluded as follows:

IFRS 17, 'Insurance contracts', (effective for annual periods beginning on or after 1 January 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, 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 (FVTOCI) 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 on a full retrospective approach which will be applied to insurance contracts in force at the transition date that were originated less than 2 years prior to transition.

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).

The Company will apply the PAA approach which is applicable to short duration contracts where the policy's contract boundaries are one year or less and 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

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Accounting pronouncements that are not yet effective, and have not been early adopted (continued)

IFRS 17, 'Insurance contracts' (continued)

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

- Recognises and measures groups of insurance contracts at:

  A risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all available information about the fulfilment cash flows in a way that is consistent with observable market.

  Plus

  - 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 Company of insurance contracts.

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 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. 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 cashflows. In comparison, under IFRS 4 amounts provided for the risks identified are reflected in a provision for adverse deviations included in insurance contract liabilities.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Accounting pronouncements that are not yet effective, and have not been early adopted (continued)

IFRS 17, 'Insurance contracts' (continued)

The Company continues to assess the overall impact of IFRS 17 on the timing of earnings recognition, as well as presentation and disclosure, of its insurance and reinsurance contracts. The Company is expecting that the discounting of its insurance liabilities will result in a reduction to insurance liabilities and increase to the equity reserves on transition to IFRS 17 at January 1, 2022. 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.

Amendments to IAS 1, 'Presentation of financial statements' (effective for accounting periods starting not earlier than 1 January 2024). These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB has issued a new exposure draft proposing changes to this amendment. The company is currently assessing the impact of these amendments.

Amendments to IAS 1, Practice statement 2 and IAS 8, (effective for annual periods beginning on or after 1 January 2023). The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. The Company is currently assessing the impact of future adoption of the amendment on its financial statements .

Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction, (effective for annual periods beginning on or after 1 January 2023). These amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The Company is currently assessing the impact of future adoption of the amendment on its financial statements.

Advantage General Insurance Company Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(b) Basis of preparation (continued)

Accounting pronouncements that are not yet effective, and have not been early adopted

Definition of Accounting Estimates – Amendments to IAS 8 (effective for annual periods beginning on or after 1 January 2023) The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. The Company is currently assessing the impact of future adoption of the amendment on its financial statements

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company.

2. Summary of Significant Accounting Policies (Continued)

(b) Revenue and income recognition

Insurance services
Gross premiums written relate to business incepted and or renewed during the year, less the value of policies cancelled, net of General Consumption Tax.

Premium income is recognised over the life of the policies written. Only the earned portion of premium income, which is recognized from the effective date of the policy, is reflected as revenue. The portion of premium income that is written in the current year relating to coverage in the subsequent year is deferred as unearned income. Unearned premiums are calculated on the "twenty-fourths" basis (Note 2(p)(i)).

Commissions payable on premium income and commissions receivable on reinsurance of risks are charged and credited to profit or loss, respectively, over the life of the policies.

Interest income
Interest income from financial assets at amortised costs and financial assets at FVOCI is recognised in the income statement for all interest-bearing instruments on an accrual basis using the effective interest method based on the actual purchase price. Interest income includes coupons earned on interest bearing instruments and accrued discounts on discounted instruments.

Dividend
Dividends are received from financial assets measured at fair value through profit or loss (FVPL). Dividend income is recognised when the right to receive payment is established.

Rental income
Rental income is recognised on an accrual basis.

Other underwriting income
This represents transaction processing fees which are recognised on an accrual basis.

(c) Foreign currency translation

Functional and presentation currency
Items included in the financial statements of the company are measured using the currency of the primary economic environment in which it operates (the functional currency). The financial statements are presented in Jamaican dollars which is also the company's functional currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences resulting from changes in the amortised cost of foreign currency monetary assets classified as FVOCI are recognised in the income statement. Other changes in the fair value of these assets are recognised in other comprehensive income. Translation differences on non-monetary financial assets classified as FVOCI are reported as a component of the fair value gain or loss in other comprehensive income.

2. Summary of Significant Accounting Policies (Continued)

(d) Reinsurance ceded

These are contracts entered into by the company with reinsurers under which the company is compensated for losses on one or more insurance contracts issued by the company.

The benefits to which the company is entitled under its reinsurance contracts are recognised as reinsurance assets. These assets consist of short–term balances due from reinsurers as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

Estimated amounts of reinsurance recoverable, which represent the portion of unearned premiums ceded to the reinsurers, are included in reinsurance assets on the statement of financial position.

The company relies upon reinsurance agreements to limit the potential for losses and to increase its capacity to write insurance. Reinsurance arrangements are effected under reinsurance treaties and by negotiation on individual risks. Reinsurance does not relieve the company from liability to its policyholders. To the extent that a reinsurer may be unable to pay losses for which it is liable under the terms of the reinsurance agreement, the company is exposed to the risk of continued liability for such losses.

The company assesses its reinsurance assets for impairment. If there is objective evidence that the reinsurance asset is impaired, the company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement.

(e) Taxation

Taxation in the income statement comprises current and deferred income tax charges. Current and deferred taxes are recognised as income tax expense or benefit in the income statement except where they relate to items recorded in other comprehensive income or equity, in which case they are also charged or credited to other comprehensive income or equity.

Current income tax charges are based on the taxable income for the year, using tax rates enacted at date of the statement of financial position, and any adjustment to tax payable and tax losses in respect of the previous years.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements using currently enacted or substantively enacted tax rates. Deferred tax assets are recognised only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilised.

(f) Employee benefits

Employee benefits comprise all forms of consideration given by an enterprise in exchange for service rendered by employees.

These include current or short-term benefits such as salaries, NIS contributions paid, annual vacation and sick leave, and post-employments benefits, such as pensions and other long-term employee benefits, such as long service benefits.

2. Summary of Significant Accounting Policies (Continued)

(f) Employee benefits (continued)

Defined benefit pension plan
The company operates a defined benefit pension plan, the assets of which are generally held in a separate trustee-administered fund. The pension plan is funded by payments from employees and by the company, taking into account the recommendations of independent qualified actuaries. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The amount recognised in the statement of financial position in respect of defined benefit pension plan is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality Government of Jamaica bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

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

Past-service costs are recognised immediately in expenses.

Other post-employment obligations
The company provides post-employment health care benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

(g) Financial instruments
Financial instruments carried on the statement of financial position include reverse repurchase agreements, investment securities, reinsurance asset (excluding UPR), insurance receivables, other receivables, cash and deposits, other liabilities, insurance payables and claims outstanding. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The fair values of the company's financial instruments are discussed in Note 6.

(h) Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with maturity dates of less than 90 days from the dates of acquisition including cash and bank balances, deposits held on call with banks net of bank overdrafts and investment securities.

2. Summary of Significant Accounting Policies (Continued)

(i) Investment securities

(i) Classification

The company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). Otherwise, equity investments are accounted for at FVPL.

The company reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on settlement date. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2. Summary of Significant Accounting Policies (Continued)

(i) Investment securities (continued)

(iii) Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the income statement and presented net within other investment income in the period in which it arises.

Equity instruments

The company subsequently measures all equity investments at fair value. Where the company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2. Summary of Significant Accounting Policies (Continued)

(i) Investment securities (continued)

(iv) Impairment

The company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Application of the General Model
The company has applied the 'general model' as required under IFRS 9 for debt instruments other than trade receivables. Under this model, the company is required to assess on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVOCI. The ECL will be recognised in profit or loss before a loss event has occurred. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. The probability-weighted outcome considers multiple scenarios based on reasonable and supportable forecasts. Under current guidance, impairment amount represents the single best outcome; the time value of money; and 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.

ECL is calculated by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

The impairment model uses a three-stage approach based on the extent of credit deterioration since origination:

Stage 1 – 12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk since origination and are not credit impaired. The ECL will be computed using a 12-month PD that represents the probability of default occurring over the next 12 months.

Stage 2 – When a financial asset experiences a significant increase in credit risk subsequent to origination but is not credit impaired, it is considered to be in Stage 2. This requires the computation of ECL based on lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset. Provisions are higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.

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

2. Summary of Significant Accounting Policies (Continued)

(i) Investment securities (continued)

(iv) Impairment (continued)

The company uses judgement when considering the following factors that affect the determination of impairment:

Assessment of Significant Increase in Credit Risk
The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the company compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the company's existing risk management processes. At each reporting date, the assessment of a change in credit risk will be individually assessed for those considered individually significant and at the segment level for retail exposures. This assessment is symmetrical in nature, allowing credit risk of financial assets to move back to Stage 1 if the increase in credit risk since origination has reduced and is no longer deemed to be significant.

Macroeconomic Factors, Forward Looking Information and Multiple Scenarios
The company applies an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions.

Macroeconomic factors and forward looking information are incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination. Measurement of ECLs at each reporting period reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions.

The company uses two scenarios that are probability weighted to determine ECL.

Expected Life
When measuring ECL, the company considers the maximum contractual period over which the company is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment options and extension and rollover options.

Application of the Simplified Approach
For trade receivables, the company applies the simplified approach permitted by IFRS 9, which requires that the impairment provision is measured at initial recognition and throughout the life of the receivables using a lifetime ECL. As a practical expedient, a provision matrix is utilised in determining the lifetime ECLs for trade receivables.

The lifetime ECLs are determined by taking into consideration historical rates of default for each segment of aged receivables as well as the estimated impact of forward looking information.

Advantage General Insurance Company Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(j) Property, plant and equipment

Land and buildings are carried a fair value determined annually by an external valuator, less subsequent depreciation for buildings. Changes in fair value are recognised, net of tax, in other comprehensive income and accumulated in capital reserves. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Depreciation is computed on the straight line method at rates estimated to write off the assets over their expected useful lives as follows:

Freehold buildings	2.5%
Motor vehicles	20%
Furniture, fixtures and	10 – 15%
Other equipment	5 – 7%
Leasehold improvement	10%

Property, plant and equipment are reviewed periodically for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in other income. When revalued assets are sold, it is the company's policy to transfer any amounts included in capital reserves in respect of those assets to retained earnings.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits from the asset will flow to the company. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

(k) Investment property

Investment property is held for long-term rental yields and is not occupied by the company. Investment property is carried at fair value determined annually by an external valuator. Changes in fair value are recognised in the income statement.

(l) Intangible assets

Costs that are directly associated with acquiring software licences and bringing to use specific software products are recognised as intangible assets. These costs are amortised on the basis of the expected useful life, which is five years.

(m) Impairment of long-lived assets

Long-lived assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2. Summary of Significant Accounting Policies (Continued)

(n) Insurance receivables and deferred expenses

(i) Insurance Receivables
Insurance receivables are recognised when due, and are carried at cost, less provision for impairment, which is deemed to approximate the fair value as these are short-term. These include amounts due from agents, brokers and insurance contact holders.

A provision for impairment of these insurance receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The impairment loss is then recognised in the income statement.

Impairment *(with IFRS 9)*

The company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 5(b) for further details.

(ii) Deferred policy acquisition costs
The cost of acquiring and renewing insurance contracts, including commissions, underwriting and policy issue expenses, which vary with and are directly related to the contracts, are deferred over the unexpired period of risk carried. Deferred policy acquisition costs are subject to recoverability testing at the time of policy issue and at the end of each accounting period.

Advantage General Insurance Company Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(o) Insurance contracts

Insurance contracts are those contracts that transfer significant insurance risk. The company's insurance contracts are classified as short-term insurance contracts which include casualty and property insurance contracts.

The portion of premium received on in-force contracts that relates to unexpired risk at the date of the statement of financial position is reported as unearned premium in Insurance Reserves. Premiums are shown before deductible commission.

Claims and loss adjustments expenses are charged to profit or loss as incurred based on estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the date of the statement of financial position even if they have not yet been reported to the company. The company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the company. Statistical analysis is used to estimate claims incurred but not reported, as well as the expected ultimate cost of more complex claims that may be affected by external factors.

(p) Insurance reserves

Under the Insurance Regulations, 2001, the company is required to actuarially value its insurance reserves annually. Consequently, provision for claims incurred but not reported (IBNR) as well as the provision for adverse deviations have been independently actuarially determined. The remaining components of the reserves, as below, are determined by management, but are also reviewed by the actuary in determining the overall adequacy of the provision for the company's insurance liabilities.

(i) Provision for unearned premium

The provision for unearned premium represents that proportion of premiums written in respect of risks to be borne subsequent to the year end, under contracts entered into on or before the date of the statement of financial position and is computed by applying the "24^{th}" basis to gross written premiums for the period.

(ii) Unearned commission

The unearned commission represents the actual commission income on premium ceded on proportional reinsurance contracts relating to the unexpired period of risk carried. The income is deferred as unearned commission reserves and amortised over the period in which the commissions are expected to be earned. These reserves are calculated on the 24^{th} basis.

(iii) Claims outstanding

A provision is made to cover the estimated cost of settling claims arising out of events which occurred by the year end, including claims incurred but not reported (IBNR), less amounts already paid in respect of those claims. This provision is estimated by management (insurance case reserves) and the appointed actuary (IBNR) on the basis of claims admitted and intimated.

(iv) Claims incurred but not reported

The reserve for IBNR claims has been calculated by an independent actuary using the Paid Loss Development method, the Incurred Loss Development method, the Bornhuetter-Ferguson Paid Loss method, the Bornhuetter-Ferguson Incurred Loss method, the Expected Loss Ratio method and the Claim Count method (Note 14). This calculation is done in accordance with the Insurance Act 2001.

Advantage General Insurance Company Limited
Notes to the Financial Statements
31 December 2022
(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(p) Insurance reserves (continued)

(v) Provision for adverse deviations
This provision reflects considerations relating to the company's claims practices, the underlying data, and the nature of the lines of business and seeks to provide for any unforeseen adverse development in claims liabilities.

(vi) Liability adequacy test
At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of the policy liabilities, net of related deferred policy acquisition costs. In performing these tests, current best estimates of future contractual cashflows are compared to the carrying amount of policy liabilities and any deficiency is immediately recognised in profit or loss as unexpired risk provision.

(q) Other liabilities
Other liabilities are recognised at fair value and subsequently measures at amortised cost.

(r) Dividend distribution
Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

(s) Leases
The company leases eight (8) offices. Rental contracts are typically made for fixed periods of 5 to 10 years but may have extension options as described in (iv) below.

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

(i) fixed payments (including in-substance fixed payments), less any lease incentives receivable
(ii) amounts expected to be payable by the company under residual value guarantees
(iii) the exercise price of a purchase option if the company is reasonably certain to exercise that option, and
(iv) payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

2. Summary of Significant Accounting Policies (Continued)

(s) Leases (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the 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.

To determine the incremental borrowing rate, the company:
(i) where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
(ii) uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third-party financing, and
(iii) make adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:
(i) the amount of the initial measurement of lease liability
(ii) any lease payments made at or before the commencement date less any lease incentives received
(iii) any initial direct costs, and
(iv) restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. 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. While the company revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the company.

Payments associated with short-term leases of equipment vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Extension and termination options

Extension and termination options are included in a number of property leases across the company. These are used to maximise operational flexibility in terms of managing the assets used in the company's operations. Majority of extension and termination options held are exercisable only by the company and not by the respective lessor.

Advantage General Insurance Company Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(t) Related party transactions and balances

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related party transactions and balances are recognized and disclosed for the following:

(i) Enterprises and individuals owning directly or indirectly an interest in the voting power of the company that gives them significant influence over the company's affairs and close members of the families of these individuals.

(ii) Key management personnel, who are persons having authority and responsibility for planning, directing and controlling the activities of the company, including directors and officers and close members of the families of these individuals.

(u) Other obligations under repurchase agreements

Other obligations under repurchase agreements are recognized initially at cost, being their issue proceeds, net of transaction costs incurred. Subsequently, other obligations under repurchase agreements are stated at amortised cost and any difference between net proceeds and the redemption value is recognized in income statement over the period of the other obligations under repurchase agreements using the effective interest method.

3. Accounting Estimates and Judgements

Judgements made by management in the application of IFRS that may have a material impact on the financial statements and estimates with a risk of material adjustment in the next financial year are discussed below:

(i) Insurance liabilities, reinsurance recoverable and financial instruments
Notes 5(a) and 14 contain information about the assumptions and uncertainties relating to insurance liabilities and amounts recoverable in respect of claims from reinsurers and disclose the risk factors in these contracts. Note 5 (b) contains information about the risks and uncertainties associated with financial instruments.

(ii) Taxation
The company accounts for taxation in accordance with IAS 12. Accordingly, the company recognises deferred tax assets and liabilities based on the estimated future tax effects of differences between the financial and tax base of assets and liabilities based on currently enacted tax laws. The tax balances and tax expense/credit recognized by the company are based on management's interpretation of the tax laws and IAS 12. Taxation expense/credit also reflects the company's best estimates and assumptions regarding, among other things, the level of future taxable income and the presumption that carrying amount of investment property will be recovered entirely through sale. Future changes in tax laws, changes in projected levels of taxable income and tax planning could affect the effective tax rate and tax balances recorded by the company.

(iii) Retirement benefit plans
The present value of retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net periodic cost/income for retirement benefits include the discount rate and, in the case of the retirement medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the carrying amount of pension obligations.

The company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the company considers the interest rates of Government of Jamaica debt securities that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. The expected rate of increase of medical costs has been determined by comparing the historical relationship of the actual medical cost increases with the rate of inflation. Past experience has shown that actual medical costs have increased on average by one time the rate of inflation.

(iv) Measurement of the expected credit loss allowance
The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI requires the use of complex models and significant assumptions about future economic conditions and credit behaviour such as the likelihood of customers defaulting and the resulting losses.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios; and
- Establishing groups of similar financial assets for the purpose of measuring ECL.

Further details about judgements and estimates made by the company in the above areas is set out in Notes 12 and 13.

Advantage General Insurance Company Limited
Notes to the Financial Statements
31 December 2022
(expressed in Jamaican dollars unless otherwise indicated)

3. Accounting Estimates and Judgements (Continued)

(v) Fair value of financial instruments

In the absence of quoted market prices, the fair values of a significant portion of the company's financial instruments were determined using generally accepted alternative methods. The values derived from applying these methods are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. Considerable judgement is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instruments in an arm's length transaction.

4. Responsibilities of the Appointed Actuary and External Auditors

The actuary has been appointed by the Board of Directors pursuant to the Act. The actuary is required to carry out an actuarial valuation of management's estimate of the company's policy liabilities and report thereon to the shareholders. The valuation is made in accordance with accepted actuarial practice, as well as any other matter specified in any directive that may be made by regulatory authorities. The actuary, in his verification of the management information provided by the company, and which is used in the valuation, also makes use of the work of the external auditors.

The external auditors have been appointed by the shareholders pursuant to the Jamaican Companies Act to conduct an independent and objective audit of the financial statements of the company in accordance with International Standards on Auditing and report thereon to the shareholders. In carrying out their audit, the auditors also make use of the work of the actuary and his report on the company's actuarially determined policy liabilities.

5. Insurance and Financial Risk Management

The company's activities expose it to a variety of insurance and financial risks and those activities necessitate the analysis, evaluation, control and/or acceptance of some degree of risk or combination of risks. Taking various types of risk is core to the financial services business and operational risks are an inevitable consequence of being in business. The company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the company's financial performance.

(a) Insurance risk

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

The principal types of policy written by the company are:

- Motor insurance
- Property insurance
- Liability insurance

The company continues to execute the risk management policies established and monitored directly by the Board of Directors. The company manages its insurance risk through its underwriting and claims policies that include *inter alia*, authority limits, approval procedures for transactions that exceed set limits, pricing guidelines and the centralised management of reinsurance. The company actively monitors insurance risk exposures both for individual and portfolio types of risks. These methods include internal risk measurement, portfolio modeling and scenario analyses.

Underwriting strategy
Insurance companies assume risk through the insurance contracts they underwrite, and the exposures are associated with both the perils covered by the specific line of insurance and the specific processes associated with the conduct of the insurance business. The company manages the individual risk through its Underwriting Risk Management Policy to determine the insurability of risks and exposure to large claims. The company follows detailed, uniform underwriting practices and procedures designed to properly assess and quantify risks before issuing coverage. The company's underwriting guidelines also outline acceptance limits and the appropriate levels of authority for acceptance of risks.

Reinsurance strategy
A comprehensive reinsurance programme is critical to the financial stability of the organisation and a detailed analysis of the company's exposures, reinsurance needs, and quality of reinsurance securities is conducted by the Board and Senior Management.

The company's exposures are continually evaluated by Management to ensure that its reinsurances remain adequate and mechanisms are in place to continually monitor the reinsurance counterparties to ensure that they maintain "A" ratings, in keeping with the policies of the company's Board of Directors. Credit risk on reinsurance is discussed in more detail later in Note 5 (b).

5. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Terms and conditions of general insurance contracts and factors affecting cash flows:

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

Types of Contract	Terms and conditions	Key factors affecting future cash flows
Motor	Motor insurance contracts provide cover in respect of policyholders' motor vehicles and their liability to third parties in respect of damage to property and injury. The exposure on motor insurance contracts is normally limited to the replacement value of the vehicle, bodily injuries sustained and a policy limit in respect of third party damage.	In general, claims reporting lags are minor and claims complexity is relatively low except with respect to bodily injury claims. Bodily injury claims tend to be more difficult to estimate due to uncertainties with respect to the value at which they will be ultimately settled, and the timeframe within which they will be settled.
Property	Property insurance indemnifies, subject to any limits or excesses, the policyholder against the loss or damage to their own material property and business interruption arising from this damage.	The risk on any policy varies according to many factors such as location, safety measures in place and the age of the property. The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (as for fire and burglary) and the cause is easily determinable. Therefore, claims are generally notified promptly and can be settled without delay. Property business is therefore classified as "short-tailed" and expense deterioration and investment return is of less importance in estimating provisions. The cost of repairing or rebuilding assets, of replacement or indemnity for contents and the time taken to restart or resume operations to original levels for business interruption losses are the key factors influencing the level of claims under these policies.

Advantage General Insurance Company Limited
Notes to the Financial Statements
31 December 2022
(expressed in Jamaican dollars unless otherwise indicated)

5. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Terms and conditions of general insurance contracts and factors affecting cash flows (continued):

Types of Contract	Terms and conditions	Key factors affecting future cash flows
Liability	Under these contracts, compensation is paid for injury suffered by individuals, including employees or members of the public. The main liability exposure is in relation to bodily injury.	The timing of claim reporting and settlement is a function of factors such as the nature of the coverage and the policy provisions. Although bodily injury claims have a relatively long tail, the majority of bodily injury claims are settled in full within three to five years. In general, these contracts involve higher estimation uncertainty.

Management of risks relating to insurance contracts

Motor contracts:

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

Property contracts:

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

Liability contracts:

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

Advantage General Insurance Company Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

5. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Risk exposure and concentrations of risk:

The following table shows the company's exposure to general insurance risk (based on the carrying value of insurance provisions at the reporting date) per major category of business. The company has its largest risk concentration in the motor line.

	2022			
	Liability $'000	**Property $'000**	**Motor $'000**	**Total $'000**
Gross	24,988	119,508	2,906,807	3,051,303
Net of proportional reinsurance	24,299	20,837	2,084,078	2,129,214

	2021			
	Liability $'000	**Property $'000**	**Motor $'000**	**Total $'000**
Gross	32,735	19,547	3,325,140	3,377,422
Net of proportional reinsurance	32,367	3,735	2,542,928	2,579,030

Development Claim Liabilities

In addition to sensitivity analysis, the development of insurance liabilities provides a measure of the company's ability to estimate the ultimate value of claims. The table below illustrates how the company's estimate of the ultimate claim's liability for accident years 2017 - 2022 has changed at successive year-ends, up to 2022. Updated unpaid claims and adjustment expenses (UCAE) and IBNR estimates in each successive year, as well as amounts paid to date are used to derive the revised amounts for the ultimate claim's liability for each accident year, used in the development calculations.

Advantage General Insurance Company Limited
Notes to the Financial Statements
31 December 2022
(expressed in Jamaican dollars unless otherwise indicated)

5. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

		2017 and prior	2018	2018 and prior	2019	2019 and prior	2020	2020 and prior	2021	2021 and prior	2022	2022 and prior
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2017	Paid during year	2,988,581										
	UCAE, end of year	2,891,398										
	IBNR, end of year	1,956,647										
	Ratio: excess (deficiency)											
2018	Paid during year	2,529,016	912,058	3,441,074								
	UCAE, end of year	1,402,417	619,591	2,022,008								
	IBNR, end of year	934,752	1,051,923	1,986,675								
	Ratio: excess (deficiency)	-0.37%										
2019	Paid during year	1,530,211	1,214,115	2,744,326	908,562	3,652,888						
	UCAE, end of year	837,407	325,333	1,162,740	539,075	1,701,815						
	IBNR, end of year	374,592	293,397	667,989	970,747	1,638,736						
	Ratio: excess (deficiency)	-8.73%	9.65%	-14.13%								
2020	Paid during the year	907,073	302,109	1,209,182	752,960	1,962,142	340,291	2,302,433				
	UCAE, end of year	604,766	207,337	812,103	284,580	1,096,683	211,935	1,308,618				
	IBNR, end of year	410,552	203,761	614,313	332,575	946,888	451,386	1,398,274				
	Ratio: excess (deficiency)	-23.38%	-15.30%	-34.21%	9.25%	-19.91%						
2021	Paid during the year	607,713	161,330	769,043	250,545	1,019,588	410,783	1,430,371	322,600	1,752,971		
	UCAE, end of year	513,338	170,842	684,180	224,596	908,776	112,101	1,020,877	215,379	1,236,256		
	IBNR, end of year	369,389	252,716	622,105	230,129	852,234	146,955	999,189	343,585	1,342,774		
	Ratio: excess (deficiency)	-33.18%	-25.70%	-50.39%	3.42%	-41.97%	-0.47%	-27.47%				
2022	Paid during the year	481,574	148,283	629,857	187,184	817,041	127,104	944,145	414,438	1,358,583	413,295	1,771,878
	UCAE, end of year	300,246	100,430	400,676	140,066	540,742	58,356	599,098	83,941	683,039	190,820	873,859
	IBNR, end of year	254,417	191,610	446,027	180,672	626,699	103,921	730,620	103,210	833,830	421,525	1,255,355
	Ratio: excess (deficiency)	-36.35%	-26.70%	-54.64%	-0.11%	-48.66%	-5.01%	-36.84%	-7.63%	-11.49%		

5. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Sensitivity Analysis of Actuarial Liabilities
The determination of actuarial liabilities is sensitive to a number of assumptions, and changes in those assumptions could have a significant effect on the valuation results.

In applying the noted methodologies, the following assumptions were made:

(i) The claims inflation rate implicitly used in the valuation is equivalent to that rate which is part of the historical data. To the extent that this has raised the average factors on which future development expectations are based, the valuation contains implicit provision for future inflationary shocks, which we believe is appropriate.

(ii) With respect to the analysis of the incurred claims development history, the level of case reserve adequacy is relatively consistent (in inflation adjusted terms) over the experience period;

(iii) With respect to the Bornhuetter-Ferguson method, the average on-level ultimate net loss ratios are representative of recent historical loss ratios. There is no evident trend in the historical net loss ratios adjusted for rate changes and cost changes;

(iv) With respect to the analysis of the gross and net paid claims development history, the rate of payment of ultimate incurred losses for the more recent years is indicative of future settlement patterns. This assumption was based on our discussion with management and the change in the Company's claims settlement practices in recent years; and

(v) Claims are expressed at their estimated ultimate undiscounted value, in accordance with the requirement of the Insurance Act, 2001.

A 10% increase in the future development assumptions increases the net total claims liability by $61,719,000 (2021 - $103,313,000) while a 10% decrease, decreases the net liability by $64,796,000 (2021 - $107,776,000).

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

5. Insurance and Financial Risk Management (Continued)

(b) Financial risk management

The company has exposure to credit risk, liquidity risk and market risks from its use of financial instruments and its insurance contracts:

The Board of Directors has overall responsibility for the establishment and oversight of the company's financial risk management framework. The Board has established the Audit and Compliance, Conduct Review, and Investment committees, which are responsible for developing and monitoring the company's financial risk management policies. These committees have both executive and non-executive members and report regularly to the Board of Directors on their activities. The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The focus of financial risk management for the company is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance contracts. The goal of the investment management process is to optimise the risk-adjusted investment income net of taxes and risk-adjusted total return by investing in a diversified portfolio of securities, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

The Management team is responsible for the execution of the financial risk management policies. These policies detail the framework for matching liabilities with appropriate assets, the approaches to be taken when liabilities cannot be matched and the required monitoring processes. The matching of assets and liabilities is also governed by the existing regulatory framework.

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

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

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

- Cash and cash equivalents;
- Contractual cash flows from debt instruments carried at amortised cost, and at fair value through other comprehensive income;
- Amounts due from policyholders;
- Amounts due from intermediaries;
- Reinsurers' share of insurance liabilities; and
- Amounts due from reinsurers in respect of payments already made to policy holders.

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

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

Advantage General Insurance Company Limited
Notes to the Financial Statements
31 December 2022
(expressed in Jamaican dollars unless otherwise indicated)

5. Insurance and Financial Risk Management (Continued)

(b) Financial risk management (continued)

Credit risk (continued)

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

Intermediaries are required to meet the established standards of the company. There is regular monitoring of the credit ratings and payment history, with corrective measures being taken where necessary.

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

Overall exposure to credit risk

The following table analyses the credit rating by investment grade of financial assets bearing credit risk:

	2022				
	A- to AA*	**B/B-**	**C**	**Not rated**	**Total**
	$'000	**$'000**		**$'000**	**$'000**
Investments FVOCI					
Certificate of deposit	-	147,290	-	-	147,290
Debt Securities -					
Government of Jamaica	-	4,287,482	-	-	4,287,482
Corporate	407,086	539,587	37,975	107,384	1,092,032
Reverse repurchase agreements -					
Sagicor Investments Limited	-	419,128	-	-	419,128
Reinsurance asset (excluding UPR)	922,089	-	-	-	922,089
Insurance receivables	-	-	-	1,116,861	1,116,861
Other receivables	-	-	-	307,409	307,409
Cash and deposits -					
National Commercial Bank Jamaica Limited	-	67,107	-	-	67,107
Sagicor Bank Jamaica Limited	-	108,660	-	-	108,660
	1,329,175	5,569,254	37,975	1,531,654	8,468,058

Advantage General Insurance Company Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

5. Insurance and Financial Risk Management (Continued)

(b) Financial risk management (continued)

Credit risk (continued)

Overall exposure to credit risk (continued)

	2021			
	A- to AA*	**B/B-**	**Not rated**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Investments (FVOCI)				
Certificate of deposits	-	292,307	-	292,307
Debt Securities -				
Government of Jamaica	-	4,718,135	-	4,718,135
Corporate	423,233	355,774	232,991	1,011,998
Reverse repurchase agreements -				
Sagicor Investments Limited	-	233,201	-	233,201
Other	198,380	-	-	198,380
Reinsurance asset (excluding UPR)	798,392	-	-	798,392
Insurance receivables	-	-	943,380	943,380
Other receivables	-	-	303,103	303,103
Cash and deposits -				
National Commercial Bank Jamaica Limited	63,803	-	-	63,803
Sagicor Bank Jamaica Limited	56,013	-	-	56,013
	1,539,821	5,599,417	1,479,474	8,618,712

* The rating for NCB Financial Group of Companies was conducted by CariCris. The split between A- to A+ and AA is not available.

The company has no financial assets or reinsurance assets that would be past due or impaired and for which the terms have been renegotiated.

The company has collateral as security for its reverse repurchase agreements as disclosed in Note 11.

Concentrations of credit risk

There was no specific concentration of risk from counterparties where premium receivables for any one counterparty or group of connected counterparties is 10% or more of premium receivables at the current nor prior year end.

5. Insurance and Financial Risk Management (Continued)

(b) Financial risk management (continued)

Credit risk (continued)

Credit quality of financial assets

The credit quality of financial assets can be assessed by reference to external credit ratings, if available, or to a rating assigned by the investment manager using an approach consistent with that used by Standard and Poor's.

AAA
An obligation rated 'AAA' has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

AA
An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment is very strong.

A
An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

Below BBB
Obligations rated 'Below BBB' are regarded as having significant speculative characteristics. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

Not Rated
This indicates that there is insufficient information on which to base a rating. These balances are current and are monitored regularly for impairment. This classification mainly includes obligations due from individuals and short-term securities.

Advantage General Insurance Company Limited
Notes to the Financial Statements
31 December 2022
(expressed in Jamaican dollars unless otherwise indicated)

5. Insurance and Financial Risk Management (Continued)

(b) Financial risk management (continued)

Credit risk (continued)

Economic variable assumptions for exposure – securities

Macroeconomic variables used in the company's ECL models for securities include, but are not limited to, World Gross Domestic Product, S&P 500 Financial Index and Oil Prices quoted on the West Texas Index. The impact of these economic variables has been determined by performing statistical analysis to understand that a correlation exists between certain variables. The PDs and LGDs are impacted by long term changes in the various data sets gathered from external rating agencies (Standards & Poor, Moody's) and the International Monetary Fund. Macroeconomic variable assumptions in assessing our financial instruments in the expected credit loss models include.

Outlook for the next three (3) years from December 2022:

		2023	2024	2025
S&P 500 Financial Index EPS	Base	60	50	50
	Upside	50	50	50
	Downside	70	50	50
World GDP growth rate	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	Base	7.73	7.25	6.86
	Upside	9.35	9.35	9.35
	Downside	3.14	2.95	2.79

Economic state assumptions for exposure in sovereign securities

Outlook for the next three (3) years from December 2022:

		2023	2024	2025
Jamaica	Base	Stable	Stable	Stable
	Upside	Stable	Positive	Positive
	Downside	Negative	Stable	Stable

Advantage General Insurance Company Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

5. Insurance and Financial Risk Management (Continued)

(b) Financial risk management (continued)

Credit risk (continued)

Outlook for the next three (3) years from December 2021:

		2022	2023	2024
S&P 500 Financial Index EPS	Base	44	49	49
	Upside	66	74	74
	Downside	29	32	32
World GDP growth rate	Base	4.9%	3.6%	3.4%
	Upside	7.4%	5.4%	5.1%
	Downside	2.6%	2.6%	2.4%
WTI Oil Prices/10	Base	7.36	6.79	6.40
	Upside	9.39	9.39	9.39
	Downside	3.09	2.85	2.69

Assumptions for exposure in sovereign securities

Outlook for the next three (3) years from December 2021:

		2022	2023	2024
Jamaica	Base	Negative	Stable	Stable
	Upside	Stable	Stable	Stable
	Downside	Negative	Stable	Stable

Advantage General Insurance Company Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

5. Insurance and Financial Risk Management (Continued)

(b) Financial risk management (continued)

Credit risk (continued)

Impairment reversals on financial assets recognized in the income statement:

During the year, the following reversals were recognized in the income statement in relation to impaired financial assets:

	2022 $'000	2021 $'000
Impairment losses		
Impairment reversals on debt investments at FVOCI	3,324	17,689
Net reversals on financial assets	3,324	17,689

5. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

Liquidity risk

Liquidity risk is the risk that the company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to fulfil claims and other liabilities incurred.

Management of liquidity risk

The company's approach to managing liquidity is to ensure, as far as possible, that it has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. Consequently, the company invests in marketable securities that can be readily realised as its obligations under insurance contracts fall due, and in the event of reasonably foreseeable abnormal circumstances.

The maturity profile of the company's financial assets and financial liabilities (excluding equities which have no set maturity) are summarised in the following table. Maturity profile amounts are stated at the expected undiscounted cash flows (principal and interest) and are analysed by their expected payment dates.

	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
			2022			
Financial Assets						
Cash and deposits	176,264	-	-	-	-	176,264
Investment securities classified as amortized cost and FVOCI	1,364,296	1,696,376	284,823	1,288,359	1,037,747	5,671,601
Reverse repurchase agreements	394,021	25,107	-	-	-	419,128
Reinsurance asset (excluding UPR)	922,089	-	-	-	-	922,089
Insurance receivables	-	1,116,861	-	-	-	1,116,861
Other receivables	266,529	-	-	-	-	266,529
Total financial assets	3,123,199	2,838,344	284,823	1,288,359	1,037,747	8,572,472
Financial Liabilities						
Claims outstanding	150,860	301,721	1,024,877	1,286,466	287,380	3,051,304
Other liabilities	303,338	-	-	-	-	303,338
Insurance payables	1,303,995	-	-	-	-	1,303,995
Total financial liabilities	1,758,193	301,721	1,024,877	1,286,466	287,380	4,658,637
Net liquidity gap	1,365,006	2,536,623	(740,054)	1,893	750,367	3,913,835
Cumulative liquidity gap	1,365,006	3,901,629	3,161,575	3,163,468	3,913,835	

Advantage General Insurance Company Limited

Notes to the Financial Statements
31 December 2022
(expressed in Jamaican dollars unless otherwise indicated)

5. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

Liquidity risk (continued)

	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
			2021			
Financial Assets						
Cash and deposits	119,854	-	-	-	-	119,854
Investment securities classified as amortized cost and FVOCI	809,397	253,053	862,086	2,766,494	2,187,153	6,878,183
Reverse repurchase agreements	431,581	-	-	-	-	431,581
Reinsurance asset (excluding UPR)	798,392	-	-	-	-	798,392
Insurance receivables	-	903,252	-	-	-	903,252
Other receivables	303,103	-	-	-	-	303,103
Total financial assets	2,462,327	1,156,305	862,086	2,766,494	2,187,153	9,434,365
Financial Liabilities						
Claims outstanding	172,286	344,571	1,033,948	1,478,104	348,513	3,377,422
Other liabilities	352,791	-	-	-	-	352,791
Insurance payables	1,233,710	-	-	-	-	1,233,710
Total financial liabilities	1,758,787	344,571	1,033,948	1,478,104	348,513	4,963,923
Net liquidity gap	703,540	811,734	(171,862)	1,288,390	1,838,640	4,470,442
Cumulative liquidity gap	703,540	1,515,274	1,343,412	2,631,802	4,470,442	

Market risk
Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and equity prices will affect the value of the company's assets, the amount of its liabilities and/or the company's income.

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

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

Advantage General Insurance Company Limited
Notes to the Financial Statements
31 December 2022
(expressed in Jamaican dollars unless otherwise indicated)

5. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

Market risk (continued)

(i) Interest rate risk

Interest rate risk arises primarily from the company's investments. The company manages its interest rate risk exposure in financial assets and liabilities by maintaining an appropriate mix of fixed and variable rate instruments.

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

The following tables summarise the company's exposure to interest rate risk at year end date. It includes financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. Equity instruments, which are carried at FVOCI, which are non-interest bearing have been excluded from investment securities.

	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
				2022			
Financial Assets							
Cash and deposits	176,264	-	-	-	-	-	176,264
Investment securities classified as amortized cost and FVOCI (including pledged assets)	1,326,732	1,687,882	277,190	1,245,450	983,277	60,032	5,580,563
Reverse repurchase agreements	417,069	-	-	-	-	2,059	419,128
Reinsurance asset (excluding UPR)	-	-	-	-	-	922,089	922,089
Insurance receivables	-	-	-	-	-	1,116,861	1,116,861
Other receivables	-	-	-	-	-	266,529	266,529
Total financial assets	1,920,065	1,687,882	277,190	1,245,450	983,277	2,367,570	8,481,434
Financial Liabilities							
Claims outstanding	-	-	-	-	-	3,051,303	3,051,303
Insurance payables	-	-	-	-	-	1,303,995	1,303,995
Other liabilities	-	-	-	-	-	303,338	303,338
Total financial liabilities	-	-	-	-	-	4,658,636	4,658,636
Total interest repricing gap	1,920,065	1,687,882	277,190	1,245,450	983,277	(2,291,066)	3,822,798
Cumulative interest sensitivity gap	1,920,065	3,607,947	3,885,137	5,130,587	6,113,864	3,822,798	

Advantage General Insurance Company Limited
Notes to the Financial Statements
31 December 2022
(expressed in Jamaican dollars unless otherwise indicated)

5. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

Market risk (continued)

(i) Interest rate risk (continued)

	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
				2021			
Financial Assets							
Cash and deposits	119,854						119,854
Investment securities classified as amortized cost and FVOCI (including pledged assets)	808,426	257,824	853,316	2,562,757	1,465,779	133,052	6,081,154
Reverse repurchase agreements	430,716	-	-	-	-	865	431,581
Reinsurance asset (excluding UPR)	-	-	-	-	-	798,392	798,392
Insurance receivables	-	-	-	-	-	903,252	903,252
Other receivables	-	-	-	-	-	274,971	274,971
Total financial assets	1,358,996	257,824	853,316	2,562,757	1,465,779	2,110,532	8,609,204
Financial Liabilities							
Claims outstanding	-	-	-	-	-	3,377,422	3,377,422
Insurance payables	-	-	-	-	-	1,233,710	1,233,710
Other liabilities	-	-	-	-	-	352,791	352,791
Total financial liabilities	-	-	-	-	-	4,963,923	4,963,923
Total interest repricing gap	1,358,996	257,824	853,316	2,562,757	1,465,779	(2,853,391)	3,645,281
Cumulative interest sensitivity gap	1,358,996	1,616,820	2,460,136	5,032,893	6,498,672	3,645,281	

Weighted average interest rates

The table below summarises the effective interest rates at 31 December by major currencies for financial instruments of the company.

	2022		2021	
	J$	US$	J$	US$
	%	%	%	%
Cash and deposits	0.1	0.1	0.01	0.01
Investment securities classified as amortised cost & FVOCI	7.42	4.86	5.72	8.53
Reverse repurchase agreements	6.23	3.0	0.04	0.02

Advantage General Insurance Company Limited
Notes to the Financial Statements
31 December 2022
(expressed in Jamaican dollars unless otherwise indicated)

5. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

Market risk (continued)

(i) Interest rate risk (continued)

Fair value sensitivity analysis for fixed rate instruments
The following table indicates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the net profit and other components of equity.

The sensitivity of the net profit is the effect of the assumed changes in interest rates on net income based on the floating rate of non-trading financial assets and financial liabilities. The sensitivity of other components of equity is calculated by revaluing fixed rate FVOCI financial assets for the effects of the assumed changes in interest rates.

Change in basis points 2022 JMD / USD	Effect on Net Profit 2022 $'000	Effect on Other Components of Equity 2022 $'000	Change in basis points 2021 JMD / USD	Effect on Net Profit 2021 $'000	Effect on Other Components of Equity 2021 $'000
-50/-50	-	156,318	-100/-100	-	21,441
+100/+100	-	(48,535)	+100/+100	-	(17,354)

Advantage General Insurance Company Limited
Notes to the Financial Statements
31 December 2022
(expressed in Jamaican dollars unless otherwise indicated)

5. **Insurance and Financial Risk Management (Continued)**

(b) **Financial risk (continued)**

Market risk (continued)

(ii) Equity price risk

At December 31, the company held $49,975,000 (2021: $74,328,000) of its investments in quoted equities.

Sensitivity analysis
All the company's quoted investments are listed on the Jamaica Stock Exchange. A 6% (2021: 5%) increase in the unit prices of the company's equity holding would have increased equity (before considering the effect of taxation) by $2,999,000 (2021: $3,716,000) for quoted equities. A 6% (2021: 7.5%) decline in the unit prices of the company's equity holding would have decreased equity (before considering the effect of taxation) by $2,999,000 (2021: $5,575,000) for quoted equities.

(iii) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The company is exposed to foreign currency risk primarily on insurance and reinsurance contracts and investments that are denominated in a currency other than the Jamaica dollar.

The tables below summarise the exposure to foreign currency exchange rate risk at 31 December.

	2022		
	Jamaican$ J$'000	**US$ J$'000**	**Total J$'000**
Financial Assets			
Cash and deposits	68,776	107,488	176,264
Investment securities classified as FVOCI (including pledged assets)	5,412,473	168,088	5,580,561
Reverse repurchase agreements	368,068	51,060	419,128
Reinsurance asset (excluding UPR)	887,958	34,131	922,089
Insurance receivables	1,081,979	75,010	1,156,989
Other receivables	266,530	-	266,530
Total financial assets	8,085,784	435,777	8,521,561
Financial Liabilities			
Claims outstanding	3,012,590	38,713	3,051,303
Insurance payables	354,884	949,111	1,303,995
Other liabilities	303,338	-	303,338
Total financial liabilities	3,670,812	987,824	4,658,636
Net financial position	4,414,972	(552,047)	3,862,925

5. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

Market risk (continued)
(iii) *Foreign currency risk (continued)*

	2021		
	Jamaican$ J$'000	US$ J$'000	Total J$'000
Financial Assets			
Cash and deposits	53,842	66,012	119,854
Investment securities classified as FVOCI (including pledged assets)	5,870,000	211,154	6,081,154
Reverse repurchase agreements	277,322	154,259	431,581
Reinsurance asset (excluding UPR)	794,220	4,172	798,392
Insurance receivables	765,852	177,528	943,380
Other receivables	274,971	-	274,971
Total financial assets	8,036,207	613,125	8,649,332
Financial Liabilities			
Claims outstanding	3,371,001	6,421	3,377,422
Insurance payables	656,405	577,305	1,233,710
Other liabilities	400,838	-	400,838
Total financial liabilities	4,428,244	583,726	5,011,970
Net financial position	3,607,963	29,399	3,637,362

Sensitivity analysis
The impact on the company's profit before taxation, arising from a weakening or strengthening of the Jamaican dollar in relation to the US dollar is as follows:

	Increase/(decrease) in profit before taxation	
	2022 $'000	2021 $'000
4% (2021: 8%) weakening	(22,082)	2,352
1% (2021: 2%) strengthening	5,521	(588)

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

The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to its reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the company.

Advantage General Insurance Company Limited
Notes to the Financial Statements
31 December 2022
(expressed in Jamaican dollars unless otherwise indicated)

5. Insurance and Financial Risk Management (Continued)

(b) Financial risk (continued)

Capital Management

The company's objectives when managing capital are; to comply with the capital requirements set by the regulators of the insurance markets and, to safeguard the company's ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits for other stakeholders.

The Minimum Capital Test (MCT) is used as a measure of capital, as required by the Financial Services Commission (FSC), with the required MCT ratio being 175% for 2022 (2021 – 250%).

The MCT for the company for the year ended 31 December 2022 was 292.64% (2021 – 318.39%).

6. Fair Value of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Where no market price is available, the fair values presented have been estimated using present values or other estimation and valuation techniques based on market conditions existing at the statement of financial position dates.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

(i) Investment securities classified as financial assets at FVOCI and FVPL (prior year) are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognized valuation techniques;
(ii) The fair value of liquid assets and other assets maturing within a year (e.g. Cash and deposits, reverse repurchase agreements) is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities; and
(iii) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts.

Advantage General Insurance Company Limited
Notes to the Financial Statements
31 December 2022
(expressed in Jamaican dollars unless otherwise indicated)

6. Fair Value of Financial Instruments (Continued)

Financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable, as follows:

- Level 1 includes those instruments which are measured based on quoted prices in active markets for identical assets and liabilities. These mainly comprise of equity shares traded on the Jamaica Stock Exchange and are classified as financial assets at fair value through other comprehensive income.
- Level 2 includes those instruments which are measured using inputs other than quoted prices that are observable for the instrument, directly or indirectly. The fair value for these instruments is determined by using valuation techniques and maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the company's financial instruments that are measured at fair value at 31 December grouped into Levels 1 to 3 dependent on the degree to which fair values are observable.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
As at 31 December 2022				
FVOCI	49,975	5,476,828	-	5,526,803
As at 31 December 2021				
FVOCI	74,328	5,948,102	-	6,022,430

i) Fair value measurement using significant observable inputs (level 3)

The following table presents the changes in level 3 items for the periods ended 31 December 2022 and 31 December 2021.

	2022 $'000	2021 $'000
Opening balance 1 January 2022	-	32,136
Transfer	-	-
Disposals	-	(32,136)
Fair value loss recognised in other comprehensive income	-	-
Closing balance 31 December 2022	-	-

ii) Transfers between level 2 and 3

There were transfers between these levels during the year as the company used valuation techniques with certain observable market data to value these instruments. All the significant inputs in the valuation exercise are observable.

7. Other Investment Income, Net

	2022 $'000	2021 $'000
Gains on sale of FVOCI instruments	(820)	21,550
Less: Investment expenses		
Interest expense	(20,095)	(15,529)
	(20,915)	6,021

8. Profit before Taxation

In arriving at the profit before taxation, the following have been charged:

	2022 $'000	2021 $'000
Auditors' remuneration	13,041	15,037
Amortisation of intangible assets (Note 16)	75,636	54,375
Depreciation (Note 17)	61,563	50,372
Depreciation – Right of use asset (Note 25)	62,052	43,085
Impairment reversals on financial assets (Note 5b)	3,324	17,689
Directors emoluments -		
Fees	4,216	4,597
Management remuneration	38,404	37,198

9. Staff Cost

	2022 $'000	2021 $'000
Wages, salaries, allowances and benefits	968,992	785,453
Termination costs	34,105	21,424
Payroll taxes	102,811	85,952
Pension benefits (Note 21)	33,133	3,206
Other post-employment benefits (Note 21)	26,515	21,478
Other	7,627	4,137
	1,173,183	921,650

Advantage General Insurance Company Limited
Notes to the Financial Statements
31 December 2022
(expressed in Jamaican dollars unless otherwise indicated)

10. Taxation

Taxation for the year is based on results for the year as adjusted for tax purposes and comprises the following:

	2022 $'000	2021 $'000
Current tax expense -		
Income tax at 33⅓%	183,239	221,324
Prior year under/(over) provision for income tax	8,717	(1,027)
	191,956	220,297
Deferred taxation (Note 20)	(26,514)	(50,713)
	165,442	169,584

The tax on the company's profit before tax differs from the theoretical amount that would arise as follows:

	2022 $'000	2021 $'000
Profit before tax	494,429	570,436
Tax at 33⅓% of profit before tax	164,810	190,145
Adjusted for the effect of:		
Income not subject to tax	(24,253)	(16,936)
Prior year under/(over) provision for income tax	8,717	(1,027)
Expenses disallowed	6,618	5,531
Other	9,550	(8,129)
Tax charge	165,442	169,584

11. Reverse Repurchase Agreements

The company entered into reverse repurchase agreements collateralized mainly by Government of Jamaica securities. At 31 December 2022, the carrying value of the securities is $419,128,000 (2021 - $431,581,000). These agreements may result in credit exposure in the event that the counterparties to these transactions are unable to fulfill their contractual obligations. Included in this balance is interest receivable of $2,059,000 (2021 – $865,000).

At 31 December 2022, the company held securities with accumulated face values $417,069,000 (2021 - $430,716,000), mainly Government of Jamaica debt securities, as collateral for reverse repurchase agreements.

All reverse repurchase agreements have original maturities of less than twelve (12) months.

Included in reverse repurchase agreements are the following amounts which are regarded as cash and cash equivalents for the purposes of the statement of cash flows:

	2022 $'000	2021 $'000
Reverse repurchase agreements with an original maturity of less than 90 days	419,128	431,581

Advantage General Insurance Company Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

12. Investment in Debt and Securities

(a) Investments at fair value through other comprehensive income

(i) Classification of investments at fair value through other comprehensive income

Debt securities where the contractual cash flows are solely principal, and interest and the objective of the company's business model is achieved both by collecting contractual cash flows and selling financial assets are classified as FVOCI. The classification of equities as FVOCI or FVPL is done on an individual security acquisition basis.

Investments at FVOCI comprise the following investments in Pronotes and Corporate Bonds, Government of Jamaica investment notes and ordinary shares:

	2022 $'000	2021 $'000
Instruments -		
Within 1 year		
Pronotes and Corporate Bonds	160,194	439,523
Government of Jamaica Investment Notes	2,964,728	1,593,902
Certificate of Deposit	146,746	292,307
Within 1 and 5 years -		
Pronotes and Corporate Bonds	413,315	319,308
Government of Jamaica investment notes	818,563	2,082,806
Over 5 years -		
Pronotes and Corporate Bonds	410,888	603,137
Government of Jamaica investment notes	562,394	617,119
Ordinary shares	49,975	74,328
	5,526,803	6,022,430
Less: pledged assets (Note 12 (c))	(116,694)	(126,354)
	5,410,109	5,896,076
Interest receivable	53,758	58,724
	5,463,867	5,954,800

On disposal of these investments, any related balance within the FVOCI reserve is reclassified to the income statement.

Information about the methods and assumptions used in determining fair value is provided in Note 3 and information about the loss allowance recognised on debt investments at FVOCI is provided in note 5 (b). For an analysis of the sensitivity of the assets to price and interest rate risk refer to Note 5 (b).

Advantage General Insurance Company Limited
Notes to the Financial Statements
31 December 2022
(expressed in Jamaican dollars unless otherwise indicated)

12. Investment in Debt and Securities (Continued)

b) Investment pledged as security

Government of Jamaica securities include amounts totalling $45,000,000 (2021 - $45,000,000), which are deposited with the Financial Services Commission in accordance with the Insurance Regulations 2001.

Included in investment securities are instruments provided as collateral for collateral with Sagicor Bank totalling $65,000,000 (2021 - $65,000,000).

The carrying value of the investments pledged as securities are set out in the table below:

	2022 $'000	2021 $'000
Financial Services Commission	53,582	59,509
Sagicor Bank Jamaica Limited	63,112	66,845
	116,694	126,354

c) Credit risk exposure- financial investments subject to impairment

The following table sets out the staging of the company's financial assets, exposed to credit risk, and shows their maximum exposure to credit risk. The amounts shown in the tables reconcile to the carrying values as shown in the financial statements. The tables below exclude reinsurance and other receivables, which are in stage 1 and for which there is no ECL. The ECL for insurance receivables is presented in subsequent tables. All of the items listed below were in stage 1 (12 month ECL) and loss allowances were recorded only for the debt securities classified as FVOCI. There were no financial assets that were purchased credit impaired.

All debt instruments at FVOCI and amortised costs are considered to have low credit risk. Management considers 'low credit risk' for listed bonds which have an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Advantage General Insurance Company Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

12. Investment in Debt and Securities (Continued)

c) Credit risk exposure- financial investments subject to impairment (continued)

	ECL Staging 2022			
	12-month ECL	Stage 2 – Lifetime ECL	Stage 3 – Lifetime ECL	Total
	$'000	$'000	$'000	$'000
As at 31 December				
Reverse Repurchase at amortised cost				
- A				
-Below BBB**	419,128	-	-	419,128
Debt securities - FVOCI				
- A	461,102	-	-	461,102
- Below BBB**	4,968,098	-	-	4,968,098
- Not rated**	101,386	-	-	101,386
Cash and cash equivalents				
- Below BBB**	176,265	-	-	176,265
Gross carrying amount	6,125,979	-	-	6,125,979
ECL	(11,087)	-	-	(11,087)
Gross carrying amount, net of ECL	6,114,892	-	-	6,114,892

	ECL Staging 2021			
	12-month ECL	Stage 2 -Lifetime ECL	Stage 3 -Lifetime ECL	Total
	$'000	$'000	$'000	$'000
As at 31 December				
Reverse Repurchase at amortised cost				
- A				
-Below BBB**	431,581	-	-	431,581
Debt securities - FVOCI				
- Below BBB**	5,536,907	-	-	5,536,907
Not rated**	469,919	-	-	469,919
Cash and cash equivalents				
- A	119,854	-	-	119,854
Gross carrying amount	6,558,261	-	-	6,558,261
ECL	(14,412)	-	-	(14,412)
Gross carrying amount, net of ECL	6,543,849	-	-	6,543,849

Advantage General Insurance Company Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

12. Investment in Debt and Securities (Continued)

d) Credit risk exposure- financial investments subject to impairment (continued)

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial asset. Reconciling items include the following:

- New assets originated or purchased, which reflect the allowance related to assets newly recognized during the period.
- Assets derecognised, which reflect the allowance related to assets derecognized during the period without a credit loss being incurred, including those assets that were derecognized following a modification of terms.
- Net transfer to/(from) 12-month ECL and lifetime ECL, which are presumed to occur before any corresponding measurement of the allowance.
- Remeasurements, which comprise the impact of changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions; changes in the measurement following a transfer between 12-month ECL and lifetime ECL; and unwinding of the time value discount due to the passage of time.

		Lifetime ECL			
	12-month ECL 2022 $'000	Stage 2-Lifetime ECL 2022 $'000	Stage 3-Lifetime ECL 2022 $'000	Total 2022 $'000	Total 2021 $'000
Investment securities measured at fair value through other comprehensive income					
Balance at 1 January	14,412	-	-	14,412	19,315
New assets originated or purchased	1,160	-	-	1,160	1,133
Assets de-recognised (excluding write-offs)	(3,228)	-	-	(3,228)	(6,686)
Remeasurements	(1,257)	-	-	(1,257)	650
Balance at 31 December	11,087	-	-	11,087	14,412

Advantage General Insurance Company Limited
Notes to the Financial Statements
31 December 2022
(expressed in Jamaican dollars unless otherwise indicated)

13. Insurance Receivables and Deferred Expenses

	2022 $'000	2021 $'000
Premiums receivable	1,156,989	943,380
Loss allowance	(40,128)	(40,128)
	1,116,861	903,252
Deferred commission expense	173,518	166,487
	1,290,379	1,069,739

The analysis of the deferred commission expense is as follows:

	2022 $'000	2021 $'000
Balance at 1 January	166,487	132,393
Commissions paid during year	395,880	347,849
Recognised in the income statement during the year	(388,849)	(313,755)
Balance at 31 December	173,518	166,487

Premium receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 45 days and therefore are all classified as current. Premium receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The company holds the premium receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Impairment of insurance receivables:

For its insurance receivables, the company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables from policyholders.

To measure the ECL, insurance receivables have been grouped based on shared credit risk characteristics and the days past due. The company has therefore concluded that the expected loss rates for insurance receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of premiums over a period of 36 months before 31 December 2022 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The company has identified the GDP as the most relevant factors that affects the collection of receivables, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Advantage General Insurance Company Limited
Notes to the Financial Statements
31 December 2022
(expressed in Jamaican dollars unless otherwise indicated)

13. Insurance Receivables and Deferred Expenses (Continued)

Impairment of insurance receivables (continued)

On that basis, the loss allowance as at 31 December 2022 was determined as follows for insurance receivables:

	Current	31-90 Days	More than 90 Days	Total
	$'000	$'000	$'000	$'000
31 December 2022				
Expected credit loss rate	**1.26%**	**2.37%**	**10.42%**	
Gross carrying amount – insurance receivables	93,379	179,922	332,933	**606,234**
Loss allowance	**1,176**	**4,267**	**34,685**	**40,128**

	Current	31-90 Days	More than 90 Days	Total
31 December 2021	**$'000**	**$'000**	**$'000**	**$'000**
Expected credit loss rate	**2.22%**	**2.93%**	**17.81%**	
Gross carrying amount – insurance receivables	213,286	26,619	194,388	434,293
Loss allowance	**4,735**	**780**	**34,613**	**40,128**

The movement on the loss allowance for insurance receivables was as follows:

	2022	2021
	$'000	$'000
Opening loss allowance as at 1 January	40,128	40,151
Decrease in loss allowance recognised in the income statement during the year	-	(23)
At 31 December	40,128	40,128

Insurance receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a policyholder to engage in a repayment plan with the company, and a failure to make contractual payments for a period of greater than 90 days past due.

Impairment losses on insurance receivables are presented as net impairment losses on financial assets. Subsequent recoveries of amounts previously written off are credited against the same line item.

Advantage General Insurance Company Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

14. Reinsurance Asset and Insurance Contract Provisions

	2022			2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$'000	$'000	$'000	$'000	$'000	$'000
Claims outstanding	3,051,303	(922,089)	2,129,214	3,377,422	(798,392)	2,579,030
Unearned premiums	3,631,771	(2,353,552)	1,278,219	3,052,906	(1,874,179)	1,178,727
	6,683,074	(3,275,641)	3,407,433	6,430,328	(2,672,571)	3,757,757

Movement in claims outstanding:

	2022			2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$'000	$'000	$'000	$'000	$'000	$'000
Claims notified	1,573,392	(337,136)	1,236,256	1,520,923	(212,305)	1,308,618
Claims incurred but not reported and other claim estimates	1,804,030	(461,256)	1,342,774	1,777,073	(378,799)	1,398,274
Balance at 1 January	3,377,422	(798,392)	2,579,030	3,297,996	(591,104)	2,706,892
Claims incurred	2,389,205	(1,067,143)	1,322,062	2,557,847	(932,738)	1,625,109
Claims paid	(2,715,324)	943,446	(1,771,878)	(2,478,421)	725,450	(1,752,971)
Balance at 31 December	3,051,303	(922,089)	2,129,214	3,377,422	(798,392)	2,579,030

Analysis of claims outstanding:

	2022			2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$'000	$'000	$'000	$'000	$'000	$'000
Claims notified	1,235,604	(361,745)	873,859	1,573,392	(337,136)	1,236,256
Claims incurred but not reported	1,589,777	(538,388)	1,051,389	1,561,237	(441,765)	1,119,472
Provision for adverse deviation	139,325	(21,956)	117,369	156,802	(19,491)	137,311
Unallocated claim adjustment expense	86,597	-	86,597	85,991	-	85,991
Balance at 31 December	3,051,303	(922,089)	2,129,214	3,377,422	(798,392)	2,579,030

The balances for claims payable are all due within one year.

Advantage General Insurance Company Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

14. Reinsurance Asset and Insurance Contract Provisions (Continued)

Movement in unearned premiums:

	2022			2021		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 January	3,052,906	(1,874,179)	1,178,727	2,576,991	(1,514,634)	1,062,357
Premiums written during the year	7,380,802	(5,122,369)	2,258,433	6,136,641	(3,894,678)	2,241,963
Premiums earned during the year	(6,801,937)	4,642,996	(2,158,941)	(5,660,726)	3,535,133	(2,125,593)
	578,865	(479,373)	99,492	475,915	(359,545)	116,370
Balance at 31 December	3,631,771	(2,353,552)	1,278,219	3,052,906	(1,874,179)	1,178,727

Analysis of gross unearned premiums:

	2022	2021
	$'000	**$'000**
Liability	257,416	179,467
Motor	2,139,264	2,120,106
Property	1,235,091	753,333
	3,631,771	3,052,906

Advantage General Insurance Company Limited
Notes to the Financial Statements
31 December 2022
(expressed in Jamaican dollars unless otherwise indicated)

14. Reinsurance Asset and Insurance Contract Provisions (Continued)

Process used to determine the assumptions for measuring insurance contracts:

The company adopts a consistent process in the calculation of an adequate provision for insurance contracts. The overriding aim is to establish reserves which are expected to be at least adequate and that there is consistency from year to year. However, there is a risk that, due to unforeseen circumstances, the reserves may be insufficient to meet insurance claim liabilities reported in future years on policy periods which have expired.

The insurance claims provision at the reporting date comprises the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses, less amounts already paid. This provision is not discounted for the time value of money.

The estimation of claims incurred but not reported is generally subject to a greater degree of uncertainty than the estimates of claims already notified, where more information is available.

The outstanding claims provisions are estimated based on facts known at the date of estimation. Case estimates are generally set by skilled claims technicians, applying their experience and knowledge to the circumstances of individual claims. The ultimate cost of outstanding claims is estimated using a range of standard actuarial claims projection techniques.

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:

- Economic, legal, political and social trends (resulting in, for example, a difference in expected levels of inflation);
- Changes in the mix of insurance contracts written; and
- Impact of large losses.

Provisions for claims incurred but not reported and provisions for outstanding claims are initially estimated at a gross level and a separate calculation is carried out to estimate the size of reinsurance recoveries. The company purchases a range of excess of loss and other reinsurance contracts. The method uses historical data, gross incurred but not reported estimates and the terms and conditions of the reinsurance contracts to estimate the carrying value of the reinsurance asset. Impairment of reinsurance assets is considered separately.

Advantage General Insurance Company Limited
Notes to the Financial Statements
31 December 2022
(expressed in Jamaican dollars unless otherwise indicated)

15. Investment Properties

	2022 $'000	2021 $'000
Balance at beginning of year	114,676	531,676
Transfer / Disposal	(36,000)	(430,000)
Changes in fair value	10,392	13,000
Balance at end of the year	89,068	114,676
Rent and maintenance income earned from the properties	12,114	26,290
Expenses incurred by the properties	(15,857)	(18,000)
	(3,743)	8,290

Investment properties at 31 December 2022, are stated at fair value derived from valuations done by independent valuators, Allison Pitter & Company and D.C. Tavares & Finson Realty Ltd. The change in fair value was credited to the income statement.

Investment properties include land at valuation aggregating to $Nil (2021 - $3,022,000).

16. Intangible Assets

This represents computer software as follows:

	2022 $'000	2021 $'000
Cost -		
At beginning of year	539,805	371,386
Additions	20,069	67,933
Work in progress	138,939	100,486
At end of year	698,813	539,805
Amortisation -		
At beginning of year	221,137	166,762
Charge for the year	75,636	54,375
At end of year	296,773	221,137
Net book value	402,040	318,668

Advantage General Insurance Company Limited
Notes to the Financial Statements
31 December 2022
(expressed in Jamaican dollars unless otherwise indicated)

17. Property, Plant and Equipment

	Land and Buildings	Motor Vehicles	Furniture, Fixtures & Equipment	Leasehold Improvements	Total
	$'000	$'000	$'000	$'000	$'000
At Cost -					
1 January 2021	352,995	29,378	593,321	104,536	1,080,230
Additions	-	-	19,708	-	19,708
Disposal	(7,000)	-	-	-	(7,000)
Revaluation adjustment	(11,825)	-	-	-	(11,825)
31 December 2021	334,170	29,378	613,029	104,536	1,081,113
Additions	-	-	28,610	146,487	175,097
Transfer	36,000	-	-	-	36,000
Revaluation adjustment	28,305	-	-	-	28,305
31 December 2022	398,475	29,378	641,639	251,023	1,320,515
Depreciation -					
1 January 2021	21,644	15,840	427,822	27,363	492,669
Charge for the year	4,303	3,538	33,187	9,344	50,372
Relieved on disposals	(160)	-	-	-	(160)
Revaluation adjustment	(1,062)	-	-	-	(1,062)
31 December 2021	24,725	19,378	461,009	36,707	541,819
Charge for the year	4,378	3,537	35,369	18,279	61,563
Revaluation adjustment	(3,546)	-	-	-	(3,546)
31 December 2022	25,557	22,915	496,378	54,986	599,836
Net Book Value -					
31 December 2022	372,918	6,463	145,261	196,037	720,679
31 December 2021	309,445	10,000	152,020	67,829	539,294

Freehold land and buildings are stated at fair value, as appraised by an independent valuator, Allison Pitter and Company in September 2022. The revaluation gain of $31,853,000 (2021 – loss of $10,763,000), net of applicable deferred income taxes, was credited to other comprehensive income. All other property, plant and equipment are stated at cost.

Freehold land and buildings include land at valuation aggregating $186,672,000 (2021 - $175,700,000). The carrying value of land and building excluding revaluation is $35,033,000 (2021 - $32,011,000).

Advantage General Insurance Company Limited
Notes to the Financial Statements
31 December 2022
(expressed in Jamaican dollars unless otherwise indicated)

18. Other Liabilities

	2022 $'000	2021 $'000
Accrued expenses	149,675	215,099
General consumption tax	46,835	48,047
Other payables	106,828	137,692
	303,338	400,838

19. Insurance Payables and Deferred Income

	2022 $'000	2021 $'000
Payables arising from insurance and reinsurance contracts	1,303,995	1,233,710
Deferred commission income	832,372	743,397
	2,136,367	1,977,107

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

	2022 $'000	2021 $'000
Balance at beginning of year	743,397	662,072
Commission received during the year	129,519	298,358
Amounts recognised in income during the year	(1,705,288)	(1,703,827)
Balance at end of year	832,372	743,397

20. Deferred Tax (Liabilities) /Asset

	2022			
	Balance at 1 January	Recognised in Income Statement	Recognised in Other Comprehensive	Balance at 31 December
	$'000	$'000	$'000	$'000
Property, plant and equipment and intangi assets	19,458	8,594	(10,618)	17,434
Interest receivable	(19,863)	2,076	-	(17,787)
Employee benefit obligation	27,367	6,746	3,039	37,152
Vacation liability	-	13,148	-	13,148
Losses on foreign currency transactions	-	(9,695)	-	(9,695)
Leases (net)	-	5,645	-	5,645
Investment securities classified as FVOCI	58,339	-	56,325	114,664
	85,301	26,514	48,746	160,561

Advantage General Insurance Company Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

20. Deferred Tax (Liabilities) /Asset (Continued)

	2021			
	Balance at 1 January	**Recognised in Income Statement**	**Recognised in Other Comprehensive Income**	**Balance at 31 December**
	$'000	**$'000**	**$'000**	**$'000**
Property, plant and equipment and intangible assets	(29,932)	45,834	3,556	19,458
Interest receivable	(23,414)	3,551	-	(19,863)
Employee benefit obligation	(36,046)	1,327	62,086	27,367
Investment securities classified as FVOCI	39,744	-	18,595	58,339
	(49,648)	50,712	84,237	85,301

The following tables reflect the deferred tax effect on items (charged)/credited to other comprehensive income:

	Before Tax	**Tax**	**After Tax**
	$'000	**$'000**	**$'000**
		2022	
Gains on FVOCI investments	(172,559)	56,325	(116,234)
Increase in valuation of property, plant and equipment (Note 17)	31,853	(10,618)	21,235
Re-measurement of employee benefit obligation (Note 21)	(9,117)	3,039	(6,078)
	(149,823)	48,746	(101,077)
		2021	
	$'000	**$'000**	**$'000**
Gains on available-for-sale investments	(54,646)	18,595	(36,051)
Decrease in valuation of property, plant and equipment (Note 17)	(10,732)	3,556	(7,176)
Re-measurement of employee benefit obligation (Note 21)	(186,258)	62,086	(124,172)
	(251,636)	84,237	(167,399)

	2022	**2021**
	$'000	**$'000**
Deferred tax assets to be recovered after more than one year	60,321	46,825
Deferred tax liabilities to be settled after more than one year	-	-

Advantage General Insurance Company Limited
Notes to the Financial Statements
31 December 2022
(expressed in Jamaican dollars unless otherwise indicated)

21. Pension and Other Post-Employment Benefits

The company sponsors a defined benefit pension scheme, which is open to all employees who have satisfied certain minimum service requirements and is managed by a related company. The scheme is funded by employee contributions at rates of either 5% or 10% of salary and employer contributions at the rate of 6%, (2021 – 6%). Retirement and other benefits are based on average salary for the last three years of pensionable service.

The company provides other post-employment benefits in the form of health care to its retirees who have satisfied certain minimum service requirements. Funds are not built up to cover the obligations under this scheme. The method of accounting and the frequency of valuations are similar to those used for the defined benefit pension scheme.

The amounts recognised in the financial statements in respect of post-employment benefits are as follows:

	2022 $'000	2021 $'000
Assets/(liabilities) recognised in the statement of financial position -		
Pension	53,616	131,821
Other post-employment benefits	(164,972)	(213,923)
	(111,356)	(82,102)
Amounts recognised in income statement -		
Pension (Note 9)	33,133	3,203
Other post-employment benefits (Note 9)	26,515	21,478
	59,648	24,681
Amounts recognised in other comprehensive income -		
Pension	80,162	174,641
Other post-employment benefits	(71,045)	11,617
	9,117	186,258

The amounts recognised in the statement of financial position are as follows:

	Other post-employment benefits		Pension	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Present value of funded obligations	(164,972)	(213,923)	(861,617)	(1,402,672)
Fair value of plan assets	-	-	1,503,089	1,534,493
Unrecognised asset due to asset ceiling	-	-	(587,956)	-
	(164,972)	(213,923)	53,516	131,821

Advantage General Insurance Company Limited
Notes to the Financial Statements
31 December 2022
(expressed in Jamaican dollars unless otherwise indicated)

21. Pension and Other Post-Employment Benefits (Continued)

The movement in the net obligation during the year was as follows:

	Other post-employment benefits		Pension	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Net asset/(obligation) at 1 January	(213,923)	(184,919)	131,821	276,574
Expenses recognised in income statement (Note 9)	(26,515)	(21,478)	(33,133)	(3,203)
Contributions paid	4,421	4,091	34,990	33,091
Remeasurement losses recognised in other comprehensive income	71,045	(11,617)	(80,162)	(174,641)
Net (obligation)/asset at 31 December	(164,972)	(213,923)	53,516	131,821

The movement in the present value of the defined benefit obligation during the year was as follows:

	Other post-employment benefits		Pension	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Present value of obligation at 1 January	(213,923)	(184,919)	(1,402,672)	(1,085,024)
Current service cost	(9,401)	(5,015)	(46,806)	(31,391)
Past service cost	-	-	-	-
Benefits paid	4,421	4,091	52,261	64,407
Interest cost	(17,114)	(16,463)	(110,164)	(94,816)
Contributions paid	-	-	(44,736)	(41,767)
Remeasurement (losses)/gains	71,045	(11,617)	690,500	(214,081)
Present value of obligation at 31 December	(164,972)	(213,923)	(861,617)	(1,402,672)

The movement in the fair value of plan assets for the year is as follows:

	Pension	
	2022 $'000	2021 $'000
Fair value of plan assets at 1 January	1,534,493	1,361,598
Contributions	79,726	74,858
Interest on plan assets	123,837	123,004
Benefits paid	(52,261)	(64,407)
Remeasurements on plan assets	(182,706)	39,440
Fair value of plan assets at 31 December	1,503,089	1,534,493

Advantage General Insurance Company Limited
Notes to the Financial Statements
31 December 2022
(expressed in Jamaican dollars unless otherwise indicated)

21. Pension and Other Post-Employment Benefits (Continued)

The plan assets in the pension fund are comprised as follows:

	Pension	
	2022 $'000	2021 $'000
Government of Jamaica securities	-	2,721
Equities	325,951	140,083
Promissory notes/Corporate bonds	-	88,912
Real estate	43,581	46,338
Mortgages and real estate fund	138,967	114,267
Money market fund	117,556	51,303
Fixed income fund	352,720	301,785
Foreign currency fund	238,924	232,842
Inflation-linked (CPI) fund	169,687	138,041
Other	115,703	418,201
	1,503,089	1,534,493

The amounts recognised in the income statement were as follows:

	Other post-employment benefits		Pension	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Current service cost	9,401	5,015	46,806	31,391
Net interest cost	17,114	16,463	(13,673)	(28,188)
	26,515	21,478	33,133	3,203

The amounts recognised in other comprehensive income were as follows:

	Other post-employment benefits		Pension	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Re-measurement of the obligations	(71,045)	11,617	(690,500)	214,081
Re-measurement of the plan assets	-	-	182,706	(39,440)
Change in effect of asset ceiling	-	-	587,956	-
	(71,045)	11,617	80,162	174,641

21. Pension and Other Post-Employment Benefits (Continued)

Principal actuarial assumptions used in valuing retirement benefits

The principal actuarial assumptions used were as follows:

	2022	2021
	%	%
Discount rate	13.00	8.0
Rate of salary increases	7.50	9.0
Price inflation (CPI)	5.50	5.0
Health cost inflation above CPI	5.00	1.5

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 60 for females and 65 for males.

The average liability duration at 31 December 2022 is 35 years (2021 – 37 years) for the pension benefit obligation and 30 years (2021 – 32 years) for other post-employment obligations.

The company expects to pay $82.7 million in contributions to the defined benefit pension plan in 2023.

The sensitivity of the defined benefit obligation in respect of the pension plan to changes in the weighted principal assumptions is at 31 December 2022:

	Change in Assumption	Increase in Assumption	Decrease in Assumption
		$'000	$'000
Discount rate	1%	(62,533)	75,983
Rate of salary increases	1%	24,138	(21,842)
Rate of increase in pension benefits	1%	48,683	0

		Increase Assumption by One Year	Decrease Assumption by One Year
		$'000	$'000
Life expectancy	+/-1 year	3,981	(4,555)

The sensitivity of the defined benefit obligation in respect of the other post-employment benefits to changes in the weighted principal assumptions is:

	Change in Assumption	Increase in Assumption	Decrease in Assumption
		$'000	$'000
Discount rate	1%	(22,676)	28,746
Health inflation	1%	29,199	(23,321)

21. Pension and Other Post-Employment Benefits (Continued)

Principal actuarial assumptions used in valuing retirement benefits (continued)

		Increase Assumption by One Year	Decrease Assumption by One Year
		$'000	$'000
Life expectancy	+/-1 year	4,368	(4,368)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement benefit obligation recognized within the statement of financial position.

The sensitivity of the defined benefit obligation in respect of the pension plan to changes in the weighted principal assumptions is at 31 December 2021:

	Change in Assumption	Increase in Assumption	Decrease in Assumption
		$'000	$'000
Discount rate	1%	(182,000)	238,000
Rate of salary increases	1%	82,000	(72,000)
Rate of increase in pension benefits	1%	127,000	N/A

		Increase Assumption by One Year	Decrease Assumption by One Year
		$'000	$'000
Life expectancy	+/-1 year	14,000	(15,000)

The sensitivity of the defined benefit obligation in respect of the other post-employment benefits to changes in the weighted principal assumptions is:

	Change in Assumption	Increase in Assumption	Decrease in Assumption
		$'000	$'000
Discount rate	1%	(36,000)	48,000
Health inflation	1%	47,000	(37,000)

21. Pension and Other Post-Employment Benefits (Continued)

Principal actuarial assumptions used in valuing retirement benefits (continued)

	Increase Assumption by One Year	Decrease Assumption by One Year
	$'000	$'000
Life expectancy	7,000	(7,000)

Risks associated with pension plans and post-employment plans

Through its defined benefit pension plan, the company is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields; if plan assets underperform this yield, this will create a deficit.

As the plan matures, the company intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The Government bonds represent investments in Government of Jamaica securities.

The company believes that due to the long-term nature of the plan liabilities, a level of continuing equity investment is an appropriate element of the company's long-term strategy to manage the plans efficiently.

Changes in bond yields

A decrease in Government of Jamaica bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risk

Higher inflation will lead to higher liabilities. The majority of the plan's assets are unaffected by fixed interest bonds, meaning that an increase in inflation will either reduce the surplus or create a deficit.

Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

Advantage General Insurance Company Limited
Notes to the Financial Statements
31 December 2022
(expressed in Jamaican dollars unless otherwise indicated)

22. Share Capital

	2022 $'000	2021 $'000
Authorised:		
1,045,001,667 ordinary shares		
Issued and fully paid:		
1,020,588,667 (2021 – 1,020,588,667) ordinary shares	2,009,907	2,009,907

23. Capital Reserve

	2022 $'000	2021 $'000
Capital reserve is comprised as follows:		
Surplus on revaluation of land and buildings	366,404	334,552
Deferred tax arising from surplus revaluation of buildings	(123,264)	(112,647)
	243,140	221,905

The movement on capital reserves is as follows:

	2022 $'000	2021 $'000
Balance as 1 January	221,905	229,081
Revaluation surplus, net of deferred tax `	21,235	(7,176)
Balance at 31 December	243,140	221,905

Advantage General Insurance Company Limited

Notes to the Financial Statements

31 December 2022

(expressed in Jamaican dollars unless otherwise indicated)

24. Related Party Transactions and Balances

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

	2022 $'000	2021 $'000
Cash and deposits	108,659	56,621
Reverse repurchase agreements	355,882	233,201
Investments	196,279	366,568
Other receivable	20,968	38,918
Other liabilities	8,185	1,935

(b) Dividends

	2022 $'000	2021 $'000
Dividends	-	1,650,000

During the year, the company paid dividends of $NIL (2021 - $1.62) per share to its shareholders.

Advantage General Insurance Company Limited
Notes to the Financial Statements
31 December 2022
(expressed in Jamaican dollars unless otherwise indicated)

24. Related Party Transactions and Balances (Continued)

(c) Profit for the year includes the following income earned from, and expenses incurred in, transactions with related parties. The transactions were in the ordinary course of business.

	2022 $'000	2021 $'000
Income:		
Premium earned	431,912	156,000
Interest income	13,312	11,666
Expenses:		
Claims	3,098	18,700
Management fees	18,047	18,848

(d) Transactions with key management personnel:

	2022 $'000	2021 $'000
Short term employment benefits:		
Salaries and other benefits (inclusive of profit share)	90,064	120,343
Pension and other post employment benefits	5,474	5,320
	95,538	125,663

Advantage General Insurance Company Limited
Notes to the Financial Statements
31 December 2022
(expressed in Jamaican dollars unless otherwise indicated)

25. Leases

(a) **Amounts recognised in the statement of financial position**

The statement of financial position shows the following amounts relating to leases:

	2022 $'000	2021 $'000
Right-of-use assets		
Property	381,053	183,882
Lease liabilities		
Current	37,567	27,402
Non-current	360,421	178,885
	397,988	206,287

Additions to the right-of-use assets during the 2022 financial year were $282,913,198 (2021 - $Nil).

(b) **Amounts recognized in the income statement**

The income statement shows the following amounts relating to leases:

	2022 $'000	2021 $'000
Depreciation charge of right-of-use assets		
Property	62,052	43,085
Interest expense	20,095	15,529

The total cash outflow for leases in 2022 was $72,758,000 (2021 $50,807,000)

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January was 6.5% (2021 - 6.5%) and 6.5% (2021 – 7.5%) for leases with lease period between 1 and 9 years, and over 10 years respectively.

25. Leases (Continued)

(c) Measurement of lease liabilities

Minimum lease payments

	2022 $'000	2021 $'000
Finance lease liabilities - minimum lease payments		
Lease payments falling due within one year	69,623	52,921
Lease payments falling due between 1-5 years	253,312	192,459
Lease payments falling due after 5 years	220,333	14,035
	543,268	259,415
Future finance charges on finance leases	(145,280)	(53,128)
Present value of finance lease liabilities	397,988	206,287

The present value of finance liabilities may be analysed as follows:

	2022 $'000	2021 $'000
Lease payments falling due within one year	37,567	28,441
Lease payments falling due between 1-5 years	149,172	168,067
Lease payments falling due after 5 years	211,249	9,779
	397,988	206,287

26. Subsequent Event

Minimum Capital Test (MCT)

The company was advised on January 30, 2023 by the Financial Service Commission [FSC] that the new Insurance (Amendment) Regulations 2022 came into effect on December 22, 2022. This amendment resulted in the movement of the MCT from 250% to 175% in 2022 and 150% from January 1, 2023.