Bahamas First Holdings Limited

2022 Annual Report

Bahamas FIRST

Bahamas FIRST

Cayman FIRST

FIRST RESPONSE

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The consolidated financial statements in this report include the accounts of Bahamas First Holdings Limited ("BFH" or the "Company") and its subsidiaries, which are collectively referred to as the "Group". The subsidiaries are as follows: Bahamas First General Insurance Company Limited ("BFG"), Cayman First Insurance Company Limited ("CFI"), NUA Insurance Agents & Brokers Ltd. ("NUA"), Bahamas First Corporate Services Ltd. ("BFCS"), First Response Limited ("FRL"), BFH International Limited ("BFHIL"), BRAC Insurance Associates Ltd. ("BIA"), CMA Insurance Brokers & Agents Ltd ("CMA") and BFH Services (Cayman) Limited ("BFHS").

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About Bahamas First Holdings Limited

Bahamas First Holdings Limited is a diversified group of companies providing insurance and related services in The Bahamas and the Cayman Islands.

The primary entities of Bahamas First Holdings Limited can trace their genesis back over 57 years with the establishment of Nassau Underwriters Limited.

1966
Nassau Underwriters Limited (“NUL”) is established in August through the amalgamation of the insurance interests of Solomon Brothers Ltd., Sir George Roberts, and Sir Stafford Sands.

1970
NUL changes its name to Nassau Underwriters Agency Limited (“NUAL”).

1975
The insurance interests of R.H. Curry & Co. Ltd. are acquired.

1978
The insurance portfolio of Inter Island Services Company is purchased.

1979
NUAL opens an office in Freeport, Grand Bahama.

1983
Bahamas First General Insurance Company Limited (“BFG”) is incorporated in September of 1982, and opens its doors in January of 1983.

1996
Bahamas First Holdings Limited (“BFH”) is formed in September, incorporating the shareholding base of BFG and NUAL as wholly owned subsidiaries of BFH.

1998
BFH acquires Allied Bahamas Insurance Co. Ltd. and the portfolios of Peter Cole & Associates and T. Dan Albury Insurance. Allied’s portfolio is taken over by BFG, while the other two agencies are initially merged to form Cole Albury Insurance Agency.

1999
BFG becomes the first Bahamian property and casualty company to have its financial strength and ability to pay claims assigned a rating by A.M. Best. The company has maintained its initial A- (Excellent) rating ever since.

2004
NUAL is renamed and incorporated as Nassau Underwriters Cole Albury Insurance Agency Limited (“NUCA”).

2006
NUCA purchases the sub-agency portfolio of Sam Gray Insurance in January and establishes a branch office in George Town, Exuma. In March, NUCA changes its name to Nassau Underwriters Agency Insurance Agents & Brokers Ltd. (“NUA Insurance Agents & Brokers” or “NUA”).

2007
BFG launches First Response, which provides on-location assistance from the moment of a motor vehicle accident through the claim and repair process. It is the first program of its kind in The Bahamas and is offered at no cost to drivers whose vehicles are insured through authorized agents of BFG.

2008
BFG celebrates its silver anniversary (incorporated in 1982, it opened to the public in January 1983).

2010
BFH acquires the majority equity interest in a Cayman based insurance company, which was subsequently rebranded as Cayman First Insurance Company Limited (“CFI”).

2015
BFH launches its Innovation Centre to institutionalize the core value of Innovation throughout the Group using Business Process Management best practices to support business strategy.

2018
CMA Insurance Brokers & Agents Ltd. and Response Insurance Agency become a part of NUA.

2019
CFI celebrates 35 years in the Cayman Islands.

2020
BFH is added to the Official Roster of companies listed on the Bahamas International Securities Exchange (“BISX”).

2021
BFG launches First Online, a new online insurance portal that allows customers to get instant quotes, pay premiums, submit claims and download important documents all in one place.

2022
BFH launches its Group Analytics Unit, charged with mining market-differentiating insights and business intelligence for the Group’s subsidiaries in The Bahamas and the Cayman Islands. The unit is the first of its kind in The Bahamas’ P&C sector.

2023
BFG celebrates its 40th anniversary of operations in The Bahamas.

Message from the Chair

Alison J. Treco
Chair

This year, we celebrate the 40th anniversary of Bahamas First General Insurance Company Limited (BFG), our Bahamas-based Property & Casualty insurer, which started operations in January 1983. Prior to this, all insurance was placed with insurers that were based outside of The Bahamas. However, thanks to the foresight of Founding Chairman, Mr. Robert Symonette, and the company's first Managing Director, Mr. Anthony Walker, BFG became the first insurance company of its kind in The Bahamas and paved the way for others to follow.

During the past 40 years, BFG has built its position as a leader in the Bahamian insurance market and firmly established a reputation within the reinsurance market for transparency and reliability, which has proved to be invaluable, particularly now, in this current, very tight reinsurance market.

The year 2022 proved to be a challenging one, as we continued to navigate the effects of the coronavirus pandemic on our health portfolio in the Cayman Islands, and the challenges arising from the upgrading of our health administration systems. I wish to apologize to our clients, service providers and brokers and agents in Cayman for the issues that arose as a result of the upgrade. We anticipate that the issues that we have had with claims processing will be resolved in the very near future. The plan to remediate the loss ratio is a two-year plan, although the positive impact of this is already being seen.

During the year, we realized a gain on our investments of just over $2 million. Unfortunately, the impact of this was offset by an unrealized loss of $1.8 million on the remaining investments, partly due to decreasing bond prices. As our aim is to hold the bonds to maturity, the long-term impact should be a positive return on these investments.

Despite the challenges, the Group's Comprehensive Income increased over 2021 by 39% to $6.6million. We maintained the same 2021 dividend rate at $0.08 per share and our book value increased by 5% to $68.9 million.

Whilst we were fortunate to have had no major storms impacting The Bahamas in 2022, the United States was not so lucky with Hurricane Ian. Although it did not have a direct impact on us, we are already feeling the tightening in the reinsurance market as mentioned above. I would like to acknowledge the efforts of our teams at BFG and CFI, who, through their excellent relationships with our reinsurers, have enabled us to renew our existing capacity.

Sadly, during the year two of our former directors passed away – Pamela Stuart, who played an important role in the Group for many years and Abhilash Bhachech, who had only recently retired from the Board. Both will be greatly missed.

Finally, I wish to thank all our stakeholders for your continued support and particularly our staff in both Cayman and The Bahamas who have had to adapt to many changes and have risen to the challenges in the last few years.

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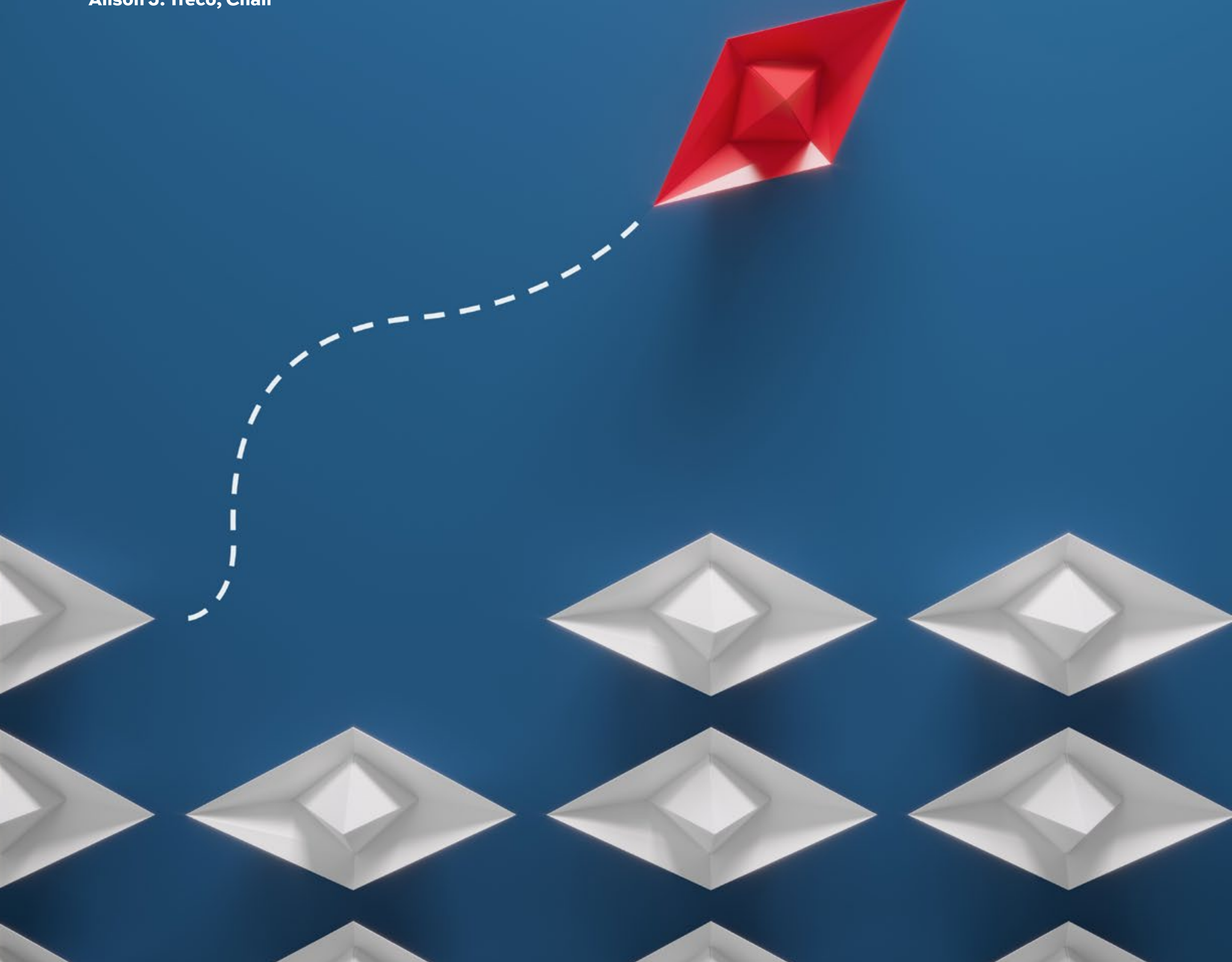
Any company wishing to remain in business into the future has to embrace change, and at The Bahamas First Group, we realize that it is imperative that we stand on the front line of innovation.

Alison J. Treco, Chair



Message from the Group President & CEO

Patrick G.W. Ward
Group President & CEO

The future success of the entities within our organization depends very much on our collective ability to recognize the need for change and to be ready to embrace the imperative to be different when required.

The conditions imposed on us during the "pandemic years" forced us to think outside the box about a variety of issues. In retrospect, this conditioning helped to prepare us for the turbulent experiences that characterized 2022 and the challenges on the horizon.

The Russian invasion of Ukraine, the spike in inflation and financial market volatility are all global issues that impacted 2022 in substantial and largely detrimental ways. Additionally, we saw another year of significant natural catastrophe events, where insured losses again surpassed the $100 billion mark.

Against a very challenging backdrop, both The Bahamas and the Cayman Islands saw improvements in the overall economic performance in each jurisdiction, primarily driven by tourism gains and construction projects led by foreign direct investment.

During 2022, Gross Written Premiums rose to $191.2 million, which equates to a 7.3% increase over the prior year, while our Net Written Premiums grew to $86.2 million, an increase of 18.5% over 2021.

The total P&C and Health claims loss ratio increased from 57.8% in 2021 to 67.8% in 2022, but, on the other hand, we were able to contain our expense ratio to 29.6%, which is lower than the prior year result of 32.6%. The lower expense ratio helped to mitigate the impact of the increase in claims spend, resulting in a combined ratio of 97.4%.

Despite the escalation in claims, we were able to achieve net underwriting income of $29.4 million, which is 11.0% lower than the prior year but, nevertheless, a respectable outcome in the current environment.

From very early on in 2022, we recognized the clear signals of a hardening reinsurance market and devised a strategy to navigate the challenges that this would pose to our business. By taking a number of key decisions at the outset of our process, we were able to position the Group for a successful renewal of our reinsurance contracts for 2023.

On a number of other fronts, we are confidently positioned to move forward on a successful track. During 2022, the Group developed and approved a new three-year strategic plan, covering the years 2023 to 2025. The plan draws on the lessons of the past and provides a clear perspective about the future of our organization.

The support of our contracted intermediaries and valued business partners in both of our markets remains strong and this is not something that we take for granted. We are grateful for their unwavering support and commitment to our mutual success.

At various points in the year, we, like most of our peers, had to work in less-than-ideal conditions as a result of resource constraints. We very much appreciate the efforts of our associates and the many instances where they went beyond the call of duty to ensure that we remain a viable and relevant company to our markets and various stakeholders.

The work we do as insurance professionals plays a critical role in providing financial resilience against natural disasters, and gives our clients a sense of safety and security in the toughest times.

Patrick G.W. Ward
Group President & CEO

Summary of Financial Results

For the year ended December 31, 2022
(Expressed in B$000s with the exception of $ per share amounts)

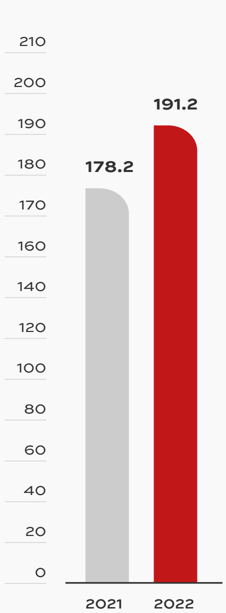
Consolidated Statement of Financial Position	2022	2021	% Change	2020
Total assets	217,579	209,201	4.0%	226,647
Total equity	68,878	65,647	4.9%	64,521
Equity attributable to owners of the company	64,586	61,463	5.1%	60,014
Book value per common share	**1.63**	**1.55**	**5.5%**	**1.51**

Consolidated Statement of Comprehensive Income	2022	2021	% Change	2020
Gross premiums written	191,230	178,236	7.3%	160,568
Net written premiums	86,182	72,722	18.5%	64,412
Net premiums earned	86,161	70,784	21.7%	66,082
Net commission	10,770	12,555	-14.2%	10,017
Net claims incurred	49,919	34,572	44.4%	28,695
Excess of loss reinsurance	12,556	10,963	14.5%	10,052
Net underwriting income	29,404	33,031	-11.0%	33,067
Other income	4,091	1,600	155.6%	1,321
Premium tax	5,051	4,773	5.8%	4,285
Other expenses	27,504	27,268	0.9%	26,554
Total profit	5,642	5,622	0.4%	4,953
Total profit attributable to owners of the company	5,443	5,520	-1.4%	4,627
Total comprehensive income	6,625	4,766	39.0%	5,306
Total comprehensive income attributable to owners of the company	6,394	4,720	35.5%	4,950
Earnings per common share	**0.14**	**0.14**		**0.12**

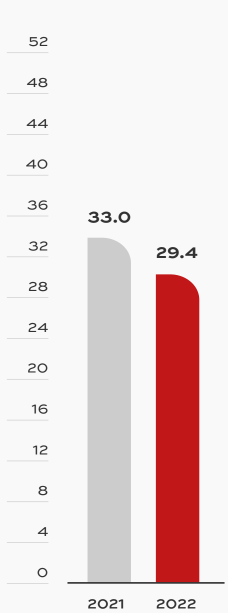
Ratios				
Solvency ratio	93.6%	106.3%		118.7%
Combined ratio	97.4%	90.4%		88.4%
Loss ratio	67.8%	57.8%		51.2%
Net Expense ratio	29.6%	32.6%		37.2%

Solvency ratio: Total equity as a % of Net written premiums less cost of excess of loss reinsurance. **Combined ratio:** Net claims incurred, premium tax and other expenses less net commission as a % of net premiums earned less cost of excess of loss reinsurance. **Loss ratio:** Net claims incurred as a % of net premiums earned less cost of excess of loss reinsurance. **Expense ratio:** Premium tax and other expenses less net commission as a % of net premiums earned less cost of excess of loss reinsurance.

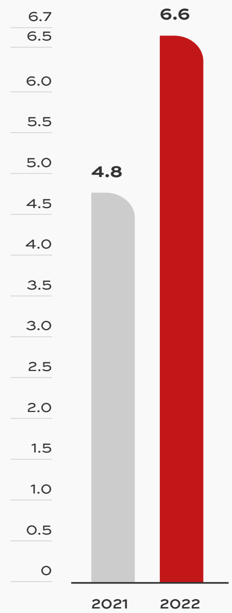
Gross Written Premium
(in B$ millions)



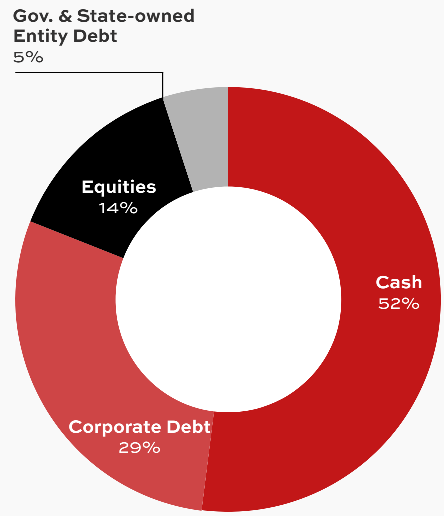
Net Underwriting Income
(in B$ millions)



Total Comprehensive Income
(in B$ millions)



Asset Allocation



4.9% Increase in **Total Equity**

-11.0% Decrease in **Net Underwriting Income**

39.0% Increase in **Total Comprehensive Income**

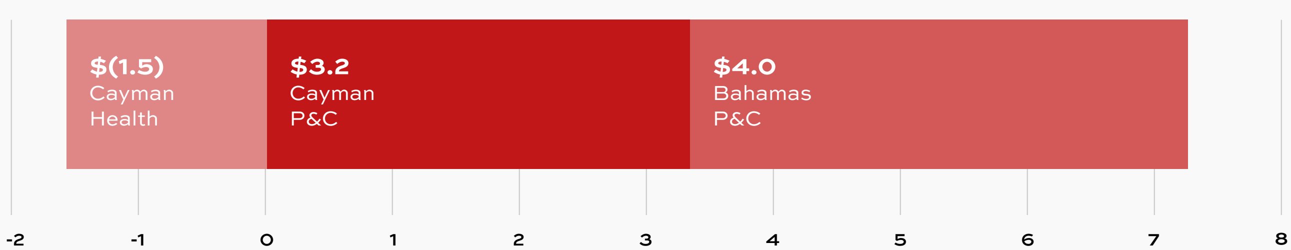
$0.14 **Earnings per Share** (compared to $0.14 as at 31 Dec 2021)

$2.46 **Share Price** (compared to $2.39 as at 31 Dec 2021)

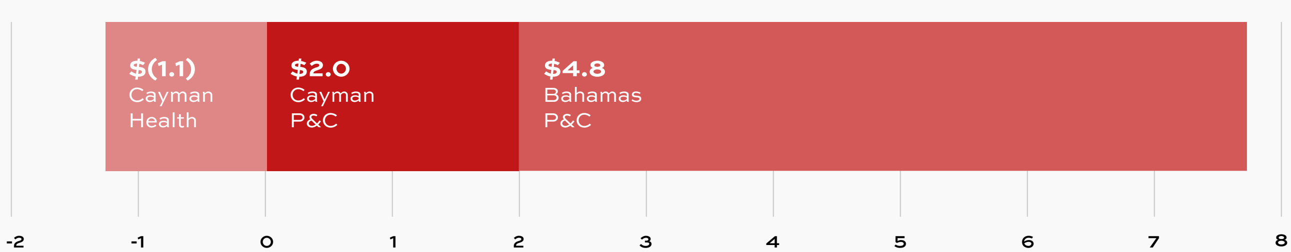
$68.9m **Total Equity** (compared to $65.6m as at 31 Dec 2021)

Segment Profit (Loss) for the Year
(in B$ millions)

2022 Total $5.6m



2021 Total $5.6m



Management's Discussion & Analysis

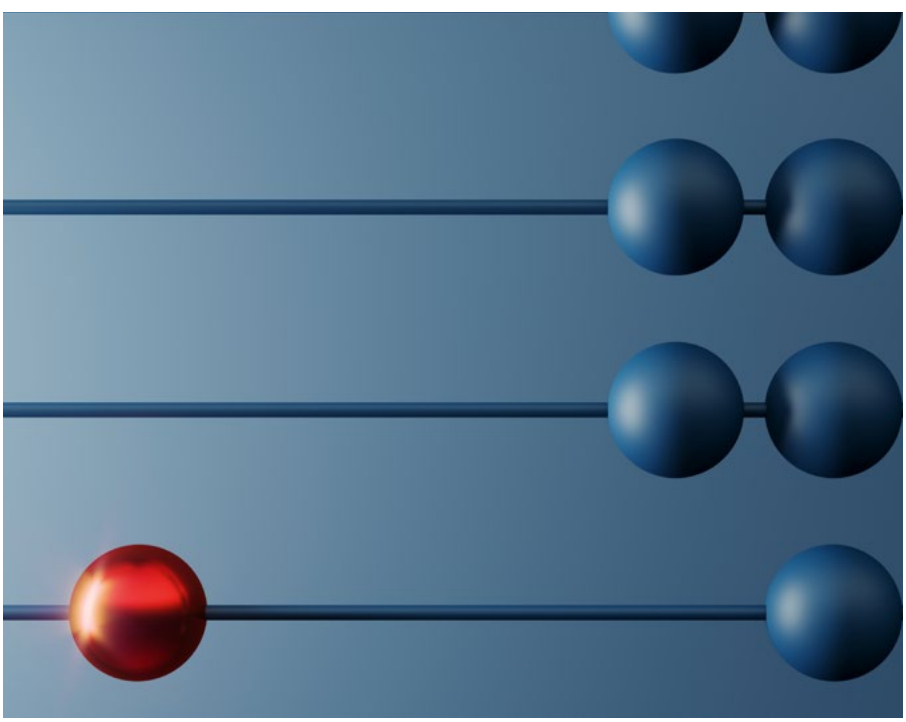
There were myriad issues and events in 2022 that were or remain particularly relevant to the global insurance industry. Collectively, these factors created a very volatile environment, with implications for our core business performance.

The headline issues were:

- The Russian invasion of Ukraine, the tragic loss of life and resultant economic instability;
- The surge in inflation globally;
- The higher-than-normal level of natural catastrophe losses (including both overall economic and insured losses);
- The hardening reinsurance market and the scarcity of much needed capacity;
- Overall financial market volatility; and, of course,
- The residual effects of the COVID-19 pandemic.

In the normal course of events, one or two of these issues would typically generate a high level of concern, but this convergence of matters all imposed on us at the same time presented a particularly unique set of challenges for the global insurance markets.

In 2022, Hurricane Ian was one of the strongest storms to make landfall in the USA. Both The Bahamas and the Cayman Islands were spared any material natural catastrophe losses, but the impact of Hurricane Ian reverberated within the region and the other wind-exposed territories around the world, as reinsurers reassessed their prospects for 2023.



Business Development

The return to a more normal post-pandemic existence and the increase in rates within our Property lines of business in both territories were the prime drivers of growth in our Property portfolio during 2022.

Anticipating the capacity crunch that would impact our reinsurance program renewals for 2023, we scaled back our growth prospects in 2022 for business that would be mostly impacted by the reinsurance market restrictions.

Notwithstanding this, both gross and net written premiums registered gains of 7.3% and 18.5%, respectively, in 2022, as compared to the prior year.

	2022	2021
Gross Written Premium	$191.2M	$178.2M
Net Written Premium	$86.2M	$72.7M

Property

Once again, we derived particular benefit from rate increases that continued into 2022 in both Cayman and The Bahamas. This development was as a result of deliberate action on our part and was, in fact, a necessary precursor to our ability to secure capacity for the future.

Despite the rate increases, we utilized a high level of the catastrophe capacity in place for 2022, while also growing our non-catastrophe business in this product line. Demand for cover remained consistently robust throughout the year.

The combined gross premiums for Property amounted to $91 million in 2022, compared to $82 million in 2021. The improvement in top line growth also came with an improvement in the Net Underwriting Income associated with this line of business in both territories during 2022.

Going forward, it is essential that we maintain underwriting discipline to sustain our ability to provide coverage for our clients in the markets we serve.

Motor / Liability

Our Cayman portfolio of Motor and Liability business continued to grow in 2022, with the additional benefit of improved underwriting income for the year, when compared to 2021. In The Bahamas, we experienced a flattening of the growth trend in 2022, and, unfortunately, a sharp reduction in underwriting profitability for this line of business. We do not expect this deterioration in the performance of The Bahamas business to persist.

Overall, gross premiums for this line increased modestly to $43 million, compared to $40 million in 2021.

Some of the residual effects of the pandemic continue to influence our motor claims results. The non-availability of replacement or spare vehicle parts and the increased length of the repair cycle caused by supply chain disruptions were both contributing factors. Fortunately, we see signs of improvement in this regard.

Our response to these challenges and the issues we anticipate for the future is multifaceted, involving a more data-driven approach to the pricing of our products and more underwriting discipline.

Health

Our loss ratio at the close of 2022 for this line of business was 90.9%, which is higher than the position at the end of 2021, when we registered a loss ratio of 87.7%. This exceeds our internal target for any one year, and this issue is being addressed through a more stringent new business and renewal review process with mandatory rate increases across the portfolio, based on more detailed actuarial input.

On the claims side, we significantly increased and upgraded the level of expertise employed in-house in order to improve our performance in this area. As a result of rating actions and growth in general, we increased gross premiums to $45 million in 2022, compared to $34 million in 2021.

We have previously documented the challenges encountered during the roll-out of our new health systems and the direct impact on the customer experience. We will continue to focus on these matters until we are confident that we have achieved what our clients rightfully expect.

Marine

We saw some growth in this line of business in 2022 on the back of additional enquiries from the Bahamian market, and this is a trend we expect to see continued in the next year.

Engineering

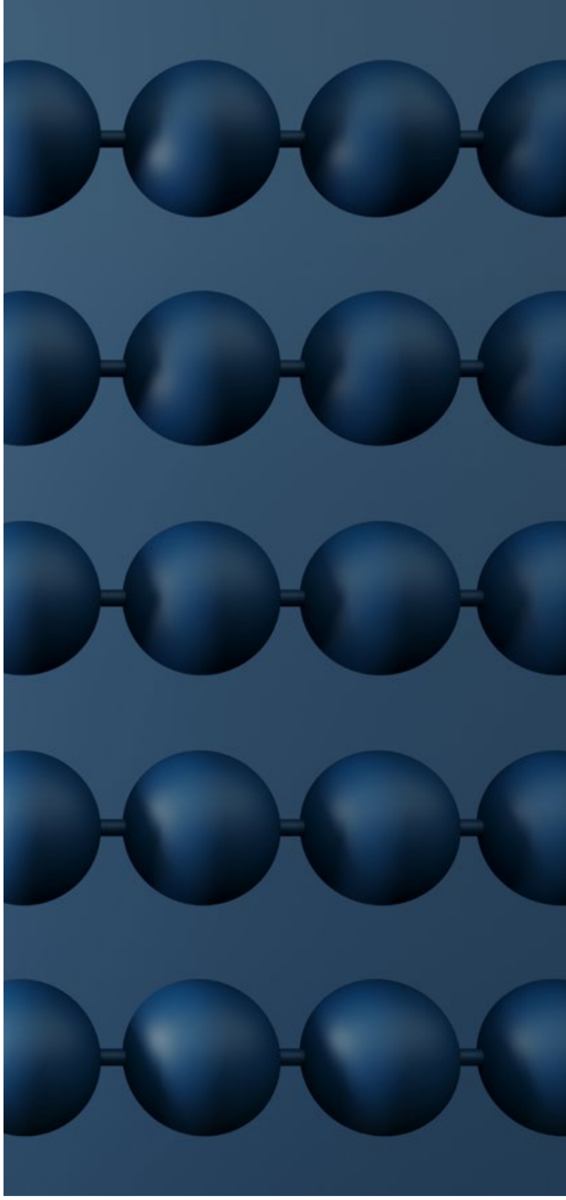
Construction activity within Cayman remains robust. In The Bahamas, we continue to observe significant foreign direct investment in construction-related projects. The pipeline of prospective business is still fairly strong.

This line of business continues to produce an important revenue stream for us and is generally a positive contributor to our overall underwriting profitability.

Investment and Asset Management

On a global basis, we saw the end of the low interest rate period during 2022, as central banks in advanced economies tightened their monetary policies and reduced their net asset purchases.

Closer to home, we saw a reversal of fortunes in 2022 for overall investment income, which benefitted from the unrealized gains on our main equity investment in Commonwealth Bank. The mark to market requirements for our bond portfolio resulted in an unrealized loss but, given the quality of the portfolio, we should realize both the interest and full-face value of the bonds as they mature.The investment return for 2022 was 6.3%, compared to a loss of (0.4)% in 2021.



Capital & Risk Management

Despite market challenges and global volatility, we were able to preserve healthy solvency margins in both Cayman and The Bahamas. During the year, AM Best reaffirmed a rating of A- (Excellent) for both Cayman First Insurance and Bahamas First General Insurance, with a stable outlook in both cases.

Future Outlook

2023 will usher in the beginning of our new three-year strategic plan, called Vision 40. The new plan, which covers the years 2023-2025, is built on five key pillars that will enable us to navigate the major headwinds that lie ahead and take advantage of the opportunities that are in front of us.

Leadership Team
Bahamas First General

Patrick G.W. Ward
Group President & CEO

Warren Rolle
Group Senior Vice President & COO

Andrae Thompson
Chief Financial Officer

Richard Darville
Vice President, Claims & Support Services

Richenda King
Group Vice President HR & Training / CHRO

Kevin Hudson
Vice President – Underwriting

Gina Brooks
Innovation Center Manager

Anquin Cooper
Group Analytics Manager

Jamaal Davis
Group IT Manager

Amanda Dean
Manager of Human Resources & Administration

Travis Donald
Claims Manager – First Response

Melanie Hutcheson
Group Marketing & Communications Manager

Kendra Lopez
Financial Controller

Deborah McKinney
Group Operations & Special Projects Manager

Paulette Nixon-Roache
Claims Manager – Litigation

Charles Sands
Underwriting Manager

Darcel Smith-Williamson
Group Legal & Compliance Officer/CLCO

Area Wilson-Pratt
Assistant Financial Controller

Leadership Team
Cayman First

Roger Balkissoon
Managing Director

Ruth Kibe
Chief Financial Officer

Anne Lagat
Financial Controller

Drew Osborne
Claims Manager - Health

Erwin Freeland
Claims Manager - P&C Claims

Stephen Nolan
Manager of Human Resources & Administration

Leadership Team
NUA

Stanford Charlton
Managing Director

Sanchez Brooks
Assistant Managing Director

Rochelle Roberts
Technical Manager

Gregory Williams
Manager, Broking Unit

Kendrick McPhee
Business Development Manager

Ineka Johnson
Manager, Freeport Branch

Kiesha Curry
Assistant Manager, Carmichael Branch

Leesa Sawyer
Supervisor, Abaco Branch

E. Theresa Culmer
Supervisor, Eleuthera Branch

Highlights of Group Activities

First In Insurance

In 1982, the prevailing business model for general insurance in The Bahamas was the century-old convention of local agencies bound to overseas insurance companies. But, in that year, a group of entrepreneurs had a dream to create the first locally established general insurance company.

The company was incorporated in September of 1982 with a majority 75% Bahamian shareholding. Formed as a result of the dynamic and visionary leadership provided by the founding Chairman, the late Robert Hallam "Bobby" Symonette, the company commenced trading on 1 January 1983. Appropriately enough, the name of this new venture was Bahamas First General Insurance Company Ltd. Although the Bahamas Insurance Act in force at that time required a minimum capitalization of only $140,000, Bahamas First General was formed with an authorized share capital of $2.5 million – of which $2 million was issued and fully paid.

One of the benefits to this country and the Bahamian people was that Bahamas First General committed to retaining and investing the majority of its future earnings locally. Traditionally held overseas, unearned premium and claims reserves, which could amount to millions of dollars, would be retained in The Bahamas. In the case of the new company, such reserves would exceed $4 million by the end of 1983. The company's contributions to job creation and building the international image of the local insurance industry would continue throughout its history.

In an announcement to the press at the opening of the company, Mr. Symonette explained that the new company was an Associate Company of Royal Insurance (UK)., at the time one of the largest international insurance groups in the world. Apart from its equity participation, the Royal provided the company with technical assistance and reinsurance protection. With the assistance of its international affiliates, the Company was able to put in place a solid infrastructure which provided a platform for future growth and development on a scale unparalleled in our market.

"Many people will be wondering whether a brand-new Bahamian insurance company will have the financial strength to be able to withstand the ravages of a hurricane, and this is only natural," said Mr. Symonette. "However, you may rest assured that our reinsurance program provides our policyholders with complete security at all times."

In its first year of operation, Bahamas First General recorded $8.4 million in gross written premiums and declared a net profit of $316,747, which was only a little short of the $406,000 anticipated in the offering prospectus. It soon became the first general insurance company to exceed US$100 million in premium income in The Bahamas. Today, it is the largest P&C insurer in the country, delivering best-in-class products and services to respond to the changing needs of individuals, households and businesses.

The founders envisioned a company that would put customers first by providing innovative and customized insurance solutions through a strong network of authorized agents. The first two agencies to share this vision were Nassau Underwriters Agency (NUA) Ltd. and Basil Burnside Ltd., both of which represented The Royal. The network has grown over the years to include a large number of Group Agents, Independent Exclusive Agents and Independent Non-exclusive Agents/Brokers – creating a powerful agency network and infrastructure that has made Bahamas First General the first choice for general insurance coverage everywhere in The Bahamas.

In 1996, Bahamas First Holdings Limited was formed, incorporating the shareholding base of Bahamas First General and its affiliate NUA.

Since 1999, Bahamas First General has earned an AM Best financial strength rating of A- (Excellent) with a stable outlook. The maintenance of this rating is a result of the company's strong capitalization and credit policies, leading market presence and effective management structures.

The founders envisioned a company that would put customers first by providing innovative and customized insurance solutions through a strong network of authorized agents.

THEY SAID IT COULD NOT BE DONE
BAHAMAS FIRST HAS PROVED THAT IT CAN!

Before BAHAMAS FIRST was formed in 1982, it was the accepted wisdom that a general insurance company operating solely in The Bahamas could not succeed. So Bahamians had no choice but to insure with foreign insurance companies and their premiums were sent straight out of the country. Over $40 million of Bahamian insurance reserves were held overseas — money which should have been providing much needed investment funds for Bahamian business — to create jobs for Bahamians.

We believed that a local general insurance company was possible. One of the largest international companies, Royal Insurance, agreed to a joint venture with Bahamians. We believe this is where the future prosperity of The Bahamas lies — Bahamians in partnership with international expertise and capital. And so BAHAMAS FIRST was born and commenced business on January 1, 1983. By the end of that year BAHAMAS FIRST had

* $5½ million of assets totally invested in the Bahamian economy
* Over 20,000 Policyholders
* Over $700 million of Bahamas property insured
* 20% of all motor vehicles in The Bahamas insured
* Plus many boats, business risks etc.
* $3 million of accepted claims

In one year BAHAMAS FIRST has proved that a Bahamian owned general insurance company can be successful.

Celebrating 40 years of 'Firsts'

Bahamas First General Insurance Company, the aptly named first locally established general insurer in The Bahamas, marked its 40th anniversary with a cocktail reception celebrating the individuals and organizations who have been integral to the success of the company.

The event, held on 6 March 2023, brought together more than 250 guests, representing the company's local and international business and community partners, shareholders, industry peers and employees. Prime Minister The Hon. Philip Davis, KC delivered keynote remarks at the gathering and extended congratulations to the company on its contribution to the strength of the Bahamian economy over the past 40 years.

Bahamas First opened its doors to customers in January 1983, at a time when the prevailing business model for general insurance in The Bahamas was the century-old convention of local agencies tied to overseas insurance companies, and the accepted wisdom was that a general insurance company operating solely in The Bahamas could not succeed. But as local insurance companies began to emerge in Caribbean neighbours like Jamaica and Trinidad, a group of entrepreneurs, led by founding chairman the late Robert 'Bobby' Symonette, was emboldened to turn the dream of creating the first locally established general insurance company in The Bahamas into a reality.

"What makes this anniversary extra special is that our 40th birthday coincides with the Golden Jubilee of independence for the Commonwealth of The Bahamas," said Group President & CEO Patrick Ward. "I think the parallels of a nation moving from a Crown colony to an independent country, and a group of businessmen moving from an overseas headquarters to self-rule are quite striking. Learning to govern, grow and evolve – that is something that the founders and original leaders of our company understood with quite a short learning curve."

The insurance industry leader, Bahamas First maintains its commitment to create value for its authorized agents and their clients through innovative approaches to business. The company is the pioneer of First Online, the first full-service online home and auto insurance portal in The Bahamas. "Staying current and relevant requires all business sectors to enhance the value of their services through innovation, and the insurance sector is no different," said Board Chair, Alison Treco. "Any company wishing to remain in business into the future has to embrace change and, at Bahamas First, we realize that it is imperative that we stand at the front line of innovation."

Added Mr. Ward: "The work that we do as insurance professionals plays a critical role in providing financial resilience against natural disasters and gives our clients a sense of safety and security in the toughest times. Insurance plays a vital role in supporting the individuals and communities that are most vulnerable to the impacts of climate change. Looking specifically at catastrophe/hurricane events, over our company's history, Bahamas First alone has settled more than half a billion dollars in claims to make our policyholders whole. In accord with our industry, we are committed to building a stronger Bahamas through the provision of safeguards for families and local businesses."


Bahamas FIRST


Bahamas FIRST


Bahamas FIRST


celebrating
Bahamas FIRST
Pay University of The Bahamas $10,000—
Ten Thousand Dollars
Memo Scholarship


Bahamas FIRST

The future success of the entities within our organization depends very much on our collective ability to recognize the need for change and to be ready to embrace the imperative to be different when required.

Patrick G.W. Ward
Group President & CEO

Insurance – Powered by Emerging Trends & Technology

In June 2022, the Group participated as Gold Sponsors in the Annual Caribbean Insurance Conference, hosted by the Insurance Association of the Caribbean (IAC).

Renowned as the premier conference for professionals in the Insurance Industry, the 2022 gathering attracted over 500 delegates for an information sharing and collaborative forum for Caribbean insurance regulatory authorities, senior executives, insurance educational institutes, and other special groups with interest in the Insurance industry in the Caribbean. Group President & CEO Patrick Ward served as a member of the Board of Directors of the IAC at the time of the conference.

Car and Home Insurance – 100% Online

Following a pilot test in December of 2021, First Online, Bahamas First's full-service online insurance portal, was launched to the public on 3 January 2022. The first of its kind in The Bahamas, First Online enables customers to conduct home and auto insurance transactions – 100% online.

"First Online is more than a payment portal," said Bahamas First's Innovation Centre Manager and project lead for First Online, Gina Brooks. "We wanted to create a space for our clients to conveniently engage with us – view their policies, engage with their agents, and conduct insurance transactions."

The portal allows users to reclaim their time and perform a full range of insurance transactions at their convenience – anytime and from any device.

Vision 40: Strategic Planning

The planning process for Vision 40 began in January 2022 at the direction of the company's Group President & CEO. Data collection was primarily centred on the research and monthly collaboration of defined working groups comprising unit and department leaders to advance the development of the core themes, goals and objectives of the plan.

This methodology was complemented by insight gained from an employee survey, focus groups and external business partners.

In September, leaders across the Bahamas First Group met in Miami, FL for the team's first management retreat since 2019. Held under the theme 'Get Used to Different', the gathering was organized as a strategic planning workshop to facilitate collaboration and set a roadmap for the next three years.

In our last three-year strategic plan, we focused on the three main pillars of Innovation & Productivity, Analytics & Digitization, and HR Development, with a foundation of Leadership across the organization.

Our success in achieving our main objectives in these core areas now provides us with a solid platform upon which to execute our plan for the next three years. Our overall strategic direction and intended action for the period are vested in five strategic imperatives:

1. Partner for Business Growth
2. Strengthen Core Segments
3. Deliver Client Satisfaction through Insight and Innovation
4. Amplify our Leadership Impact
5. Develop the Potential of our People

Group leadership is tasked to implement the action steps contained in Vision 40. This includes providing Unit leaders and the Board of Directors with regular status reports, as well as year-end reports. Leadership will conduct an annual review of Vision 40 to confirm the themes, goals and objectives are still relevant and to document progress against goals.

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In September, leaders across the Bahamas First Group met in Miami, FL for the team’s first management retreat since 2019. Held under the theme ‘Get Used to Different’.

First on the Scene for 15 Years

In 2022, First Response celebrated its 15th anniversary as the first on-site accident assistance program in The Bahamas. Launched on 1 August 2007 by leading general insurance provider Bahamas First, the program was designed to provide on-location assistance at the moment of a motor vehicle accident and support throughout the claim and repair process. The service is offered at no cost to drivers whose vehicles are insured through authorized agents of Bahamas First.

The creation of First Response is a clear demonstration of Bahamas First's leadership position in the insurance market and its commitment to create value for its authorized agents and their clients through innovative approaches to business. Fifteen years since its launch, First Response has become an industry-changer, redefining the way motor claims are handled locally and servicing thousands of accident scenes to coordinate tens of millions of dollars in automobile repairs and settlements.

"Back in 2007, we set out to provide a service that would offer a convenient and modern experience for the motoring public," said Richard Darville, Bahamas First's Vice President of Claims & Support Services. "First Response's first-of-its kind process allows anyone insured with Bahamas First to receive relief and support immediately after the shock of an accident by leaving it to us to file their claim and organize towing, repairs, body work and other services. We are able to mobilize quickly to coordinate the otherwise time-consuming aftermath of an automobile accident and so over the last fifteen years, customers have been confident to give us a call, knowing that we will be able support them."

The First Response team comprises well-equipped and skilled motor engineers with vast automotive experience that qualifies them to complete critical on-site analysis of vehicle damage and assist with the smooth transition to a credible repair facility. Engineers are trained in accident reconstruction and have earned accreditations as vehicle damage assessors to ensure that they can provide accurate advice. The team has also had a wider positive impact on Bahamian society as a reliable source of aid and expertise to the Traffic Unit of the Royal Bahamas Police Force.

Consultation and expert advice became an even more valuable resource when the COVID-19 pandemic shuttered non-essential businesses in the country and changed the First Response on-site service model. "Up until March 2020, our leading-edge claims service meant being there in-person 100 percent of the time," said First Response Claims Manager Travis Donald. "But when we got the call to shut down our vans, we knew that we had to be innovative and so we moved our services online. Through a heavier deployment of technology, our engineers were able to guide policyholders through the entire process just as if they were on the scene."

The public's rapid acceptance of a more technology integrated service led First Response's management team to retain a hybrid approach following the lifting of government's pandemic-induced restrictions on physical gatherings. First Response now offers daytime onsite assistance with virtual helplines operating after hours. The company has been using this expanded reach to its advantage since April 2022 to deliver exceptional service and assistance to Family Island policyholders. "From the initial call through towing, repair, and payment, we manage the process for our agents and their customers onsite and online," said Donald.

First Response also interacts seamlessly with First Online, Bahamas First's revolutionary self-service online insurance portal that allows individuals to get an instant quote, make payments, purchase policies and download documents. The integration also allows claimants to submit a claim online or through First Response and to track it through to settlement.

Donald added, "First Response changed the motor claims process fifteen years ago and now First Online has reinvented how Bahamians buy car insurance and manage their policies. What we share is the mutual effect of elevating the customer experience through innovation, expertise and professionalism. We came in with a unique product, developed it, and have now expanded. First Response has become a staple throughout the industry; we have gained the trust of the public and we're here to stay."

> First Response has become a staple throughout the industry; we have gained the trust of the public and we're here to stay.
>
> **Travis Donald**
> **Claims Manager - First Response**

Strategic Business Referral Partnership

In July 2022, NUA Insurance Agents & Brokers Ltd. announced the commencement of a Strategic Business Referral Partnership with Scotiabank (Bahamas) Limited. The new agreement placed NUA's Customer Service Representatives inside select Scotiabank branches in New Providence and Grand Bahama to present Scotiabank's clients in The Bahamas with no-obligation access to explore NUA's comprehensive range of Property & Casualty Insurance options.

This partnership leverages the strengths of both companies, combining NUA's comprehensive range of home and auto insurance solutions and long-standing experience in the Bahamian insurance industry with Scotiabank's leading banking franchise to enhance the value proposition for Scotiabank customers.

The agreement accelerates NUA's long-term strategy to grow its distribution capacity. Following a successful pilot program, NUA representatives are now available onsite at several Scotiabank branches to discuss personalized protection products that will help newly approved loan customers to safeguard their important purchases.

NUA's Managing Director Stanford Charlton says the keys to the insurance agency's success in this venture will be its omni-channel sales and support platforms – including a digital portal, online chat and in-branch service – and flexible payment options that will allow policyholders who cannot or prefer not to pay their full annual premium up front to pay online in ten monthly interest-free instalments.

Mr. Charlton added: "This agreement demonstrates NUA and Scotiabank's joint commitment to closing the protection gap in The Bahamas and shared ambition to becoming partners in the customer's life journey. Scotiabank offers the borrowing public the financing to bring their dreams to life and NUA provides them with the insurance solutions to safeguard those dreams. We foresee that this partnership will benefit Scotiabank's customers by providing them with easy access to insurance solutions that suit their growing needs."

Deborah Kitchen, Scotiabank's Toronto-based Director of Products, Distribution & Digital for the Caribbean, Central America & Uruguay, said, "We are so thrilled to be entering into this partnership with NUA. For Scotiabank customers, it is a "win-win" because we, as a leader in the financial services business, are partnering with the leader in the insurance field to create added value."

"Scotiabank takes delight in placing customers in their dream home and so we are very pleased to partner with NUA to help them to protect and safeguard this significant investment," said Na-amah Barker, Scotiabank's Director of Retail Banking for Caribbean North. "This partnership is one that we have been working on for quite some time. We are very excited about it. We know that it will be mutually beneficial for both companies and offers great options for all of our customers."

Bahamas First General Insurance Company, the largest P&C insurer in The Bahamas and an NUA affiliate through common ownership, will maintain its role as underwriter of the portfolio of insurance contracts issued under this agreement.

> This agreement demonstrates NUA and Scotiabank's joint commitment to closing the protection gap in The Bahamas and shared ambition to becoming partners in the customer's life journey.

Stanford Charlton
Managing Director, NUA

Succession
Executive Leadership Appointments

Warren Rolle
Group Senior Vice President & COO, BFH

Kevin O. Hudson
Vice President, Underwriting, BFG

Roger Balkissoon
Managing Director, CFI

Warren Rolle appointed Group Senior Vice President & COO, BFH

In March 2022, Warren Rolle was appointed to the newly created role of Group Senior Vice President & Chief Operating Officer. The appointment brought Mr. Rolle back to The Bahamas after a two-year posting as Managing Director of Group subsidiary Cayman First Insurance Company. As Group Senior Vice President and Chief Operating Officer, Mr. Rolle oversees the business operations, administration, and all financial aspects of subsidiaries Cayman First and NUA Insurance Agents & Brokers, in addition to the marketing and branding for the Group, with specific focus on sales and customer facing units.

Kevin O. Hudson appointed Vice President, Underwriting, BFG

In February 2022, Bahamas First General Insurance Company announced the appointment of Kevin O. Hudson as Vice President, Underwriting, with responsibility for the company's underwriting strategy, reinsurance matters and agent/broker relationship management. Mr. Hudson is a proven insurance executive and relationship builder with over 27 years of experience in underwriting. He joined the Bahamas First Group in 1994, and has held progressively senior roles at the company, serving most recently as Business Development Manager.

Roger Balkissoon appointed Managing Director, CFI

In July 2022, Roger Balkissoon, Cayman First's former Technical Manager, was appointed as the company's Managing Director, responsible for leading the Cayman First executive team and providing strategic and operational leadership to oversee the company's growth and innovation plans. Mr. Balkissoon joined Cayman First in 2019 as Technical Manager. He has 30 years of diverse industry experience in business development, technical underwriting, training and managing teams and leveraging technology for greater efficiency. His wealth of experience has been gained through his work in Canada, Trinidad and the wider Caribbean. He holds a BSc in Sociology and Management and is a Fellow of the Canadian Insurance Institute (FCIP). He was elected to the Board of Directors of the Insurance Association of the Caribbean (IAC) in 2021.

Keith Rolle
Former Sr. Vice President, BFG

V. Keith Rolle retires after 41 years with the Group

In December 2022, V. Keith Rolle retired as Sr. Vice President of Underwriting & Reinsurance at Bahamas First General Insurance Company after 41 years with the Group. Mr. Rolle began his career at NUA in 1981 as a Commercial Lines Underwriter. He has held progressively senior managerial and committee positions within the company throughout his career, including many years as Vice President of Claims. He has also been a major player in many of the company's 'firsts', including overseeing the launch of First Response, the first accident assistance and motor claims program offered by an insurance company in The Bahamas.

Rewards & Recognition

Carla Rolle-Stubbs Appointed Goodwill Ambassador by the Chartered Insurance Institute

In June 2022, Carla Rolle-Stubbs was appointed as a Goodwill Ambassador by the Chartered Insurance Institute ("CII"), the UK-based professional body dedicated to building public trust in the insurance and financial planning profession. CII Goodwill Ambassadors are charged to assist the international CII team in promoting the organization's qualifications and professional standards.

Mrs. Rolle-Stubbs is the first person in the Caribbean region to hold this position. A Chartered Insurer and experienced general insurance professional, Mrs. Rolle-Stubbs entered the industry in 2005. She is currently a Senior Underwriter at Bahamas First and holds underwriting, reinsurance, and risk management responsibilities. She is a member of the CII's Society of Underwriting Professionals and holds an Advanced Diploma in Insurance and an associate degree in Business Management.

Producers of the Year

In 2022, NUA's top three Producers were Rozalia Bowe, Raynayrya Gittens and Valarie Clarke. We were delighted to recognize Rozalia Bowe as Producer of the Year, 2022.

Carla Rolle-Stubbs
Senior Underwriter, BFG
Goodwill Ambassador
Chartered Insurance Institute

Rozalia Bowe
Account Executive, NUA
Producer of the Year (2022)
First Place

Raynayrya Gittens
Account Executive, NUA
Producer of the Year (2022)
Second Place

Valarie Clarke
Customer Service Rep., NUA
Producer of the Year (2022)
Third Place

Saying 'Farewell'

In 2022 we lost former BFH Director Abhilash Bhachech, who passed away in July. Mr. Bhachech was elected to the Board of BFH in 2018 and served as Chairman of the Audit Committee. His career spanned public accounting, management consulting, banking and information technology in the financial services industry. He held various senior financial regulatory roles within the public sector and is a former Inspector of Banks & Trust Companies in the Central Bank of The Bahamas.

Long Service Awards

Portia Davis
35 years

Renee Gibson
35 years

Sylvia Rolle
35 years

Shavonne Moss
20 years

Angella Stuart
20 years

Denise Vaval
20 years

Jamaal Davis
15 years

Travis Donald
15 years

Nicola Major
15 years

Desiree Taylor
15 years

E. Theresa Culmer
10 years

Jennymae Gaitor
10 years (retired)

Dennis Lockhart
10 years

Insley McKinney
10 years

Caron Moss
10 years

Ida Stuart
10 years

Our Approach to Sustainability

Corporate Social Responsibility

Companies are increasingly being evaluated in terms of the UN's Sustainable Development Goals and Environmental, Social, and Governance (ESG) criteria.

Bahamas First believes that the escalation of climate-linked issues such as extreme heat, rising sea levels, catastrophic hurricanes and biodiversity loss poses an existential threat. We are acutely aware that island nations like The Bahamas and the Cayman Islands are among the countries most significantly impacted by climate change and so we're committed to doing our part as responsible corporate citizens. Our Corporate Social Responsibility Committee ("CSRC") was established to set guidance and direction and oversee policies and progress regarding the Group's social, ethical, environmental, and community issues, as well as corporate culture.

The Committee works to:

- establish, monitor, manage and coordinate sustainable development strategies and policies and implement them based on the Group's objectives;
- build awareness of social and environmental initiatives and articulate the benefits through education for both internal and external stakeholders; and
- build and develop community relationships through social outreach initiatives and charitable programs.

Sustainability First: Guidelines and Standards

Realizing that it takes action at all levels to preserve our country and our planet for future generations, the CSRC investigates alternative energy, manages relationships with "greener" suppliers, and educates employees on behaviours that can reduce our carbon footprint.

We believe that our Company and employees can contribute to overall sustainability by making smarter and sustainable choices in the workplace and in how we conduct business. We have developed a standards document that will establish best practices through which the Group can reduce our impact on the environment. This guide not only serves to direct our impact on the environment, but also to bring about cost savings, help us align our conduct with our clients' expectations for a socially responsible business, and document and track our progress.

It is the policy of the Group, where applicable, to focus on these main areas:

a. reducing energy consumption and utilizing energy more efficiently
b. reducing paper usage and waste through recycling programs
c. reducing the use of carbon/gas emissions and fossil fuels
d. employing green building practices in our work environment
e. tracking progress on sustainability metrics by reporting

Corporate Social Responsibility and Sustainability will be deemed not only in Company/agency activities, but also in planning, operations, and outreach, as well as with our providers and business partners.

Partnering for Conservation

In June 2022, Bahamas First partnered with the Bahamas National Trust to welcome professional players from the United States National Football League (NFL) and local corporate sponsors for a clean-up and mangrove planting at a local national park. According to the BNT, red mangroves are one of the most important plants in ecosystem restoration and the fight against climate change by using their root systems to create important habitats for many organisms and protect our coastlines from erosion and strong waves.

Promoting Sustainability Awareness

In October 2022, Bahamas First commenced sponsorship of a new segment, Sustainability First, on a local evening news broadcast. Sustainability First demonstrates local companies' commitments to promoting and adopting sustainable business practices. Deborah McKinney, Group Operations & Special Projects Manager and Chair of Bahamas First's Corporate Social Responsibility Committee, appeared in the segment's debut and shared examples of the Group's eco-conscious mandate to reduce waste in the workplace.

Use Less Plastic

Plastic eating utensils and drinking straws are among the top five everyday items polluting our oceans and threatening marine life. The Bahamas First Group pledges to use less plastic and to put sustainability first by replacing these items in our kitchens with stainless steel reusable ones. During the year, employees were all given personal utensil kits for office use, courtesy of the Corporate Social Responsibility Committee.

#InvestInOurPlanet

We divided our team to double our impact on Earth Day 2022. Bahamas staff members organized a beach clean-up and volunteered with the Bahamas National Trust at various national parks to help more Bahamians learn about and appreciate our natural resources. In the Cayman Islands, the team partnered with the Cayman Islands Chamber of Commerce to clean and beautify the neighbourhood surrounding the Cayman First headquarters in George Town.

Green Friday

On Friday 25 November 2022 – a day widely known in the United States and, increasingly, in The Bahamas, as Black Friday – Group employees observed Green Friday for the first time, wearing the colour green to keep sustainability top of mind. The event was thereafter designated an annual initiative among the Group.

Bahamas First Launches 2022/23 Junior Achievement Company

Bahamas First is a proud corporate sponsor of Junior Achievement, a leading youth development organization in The Bahamas. Through the program, students create their own company and sell manufactured and retail products while learning the key components of company operations.

Our company, Bahamas First Unleashed, comprises over 20 students from schools across New Providence.

Corporate Governance Framework

The corporate governance framework of Bahamas First Holdings is based on the belief that good governance requires adherence to all legal requirements, regulations and stated Group policies, and a mature culture of responsibility. It includes an engaged Board whose members possess a diverse range of skills and experience, an effective Board Committee structure, clear and transparent communication with our shareholders, strong risk management processes and ethos, and a principled corporate philosophy that directs how we operate to meet our strategic objectives.

Corporate Governance

Bahamas First's directors and management are committed to conducting business in an ethical, fair and transparent manner in accordance with high standards of corporate governance.

The Board and management team lead by example. We have a robust corporate governance framework in place and are committed to fostering a culture of compliance that values personal and corporate integrity, accountability, and continuous improvement.

Our policies and practices are implemented through the specific responsibilities of the Corporate Governance Committee as follows:

- annually reviewing the adequacy of the Group's corporate governance practices and principles and recommending to the Board any changes or new practices it considers appropriate;
- considering and recommending to the Board any new committees it believes are appropriate, and developing mandates for such committees;
- monitoring regulatory developments and best practices relating to corporate governance issues and recommending appropriate changes to the Board;
- monitoring investor relations activities and any material transactions with significant shareholders;
- overseeing the preparation of any public disclosure about the Group's corporate governance practices, including any report to be included in the proxy circular for its annual meeting; and
- reviewing the Group's Code of Business Conduct annually and, within its purview, making recommendations to the Board and overseeing compliance, complaint resolution and investigations related to the Code.

The Role of the Board

The Board is accountable to shareholders for the performance of the Group. It directs and monitors the business and affairs of the Group on behalf of shareholders and is responsible for the Group's overall corporate governance.

The Board Chair provides leadership to enhance Board effectiveness and to manage the affairs of the Board in accordance with the Group's by-laws, foundational documents and governance policies.

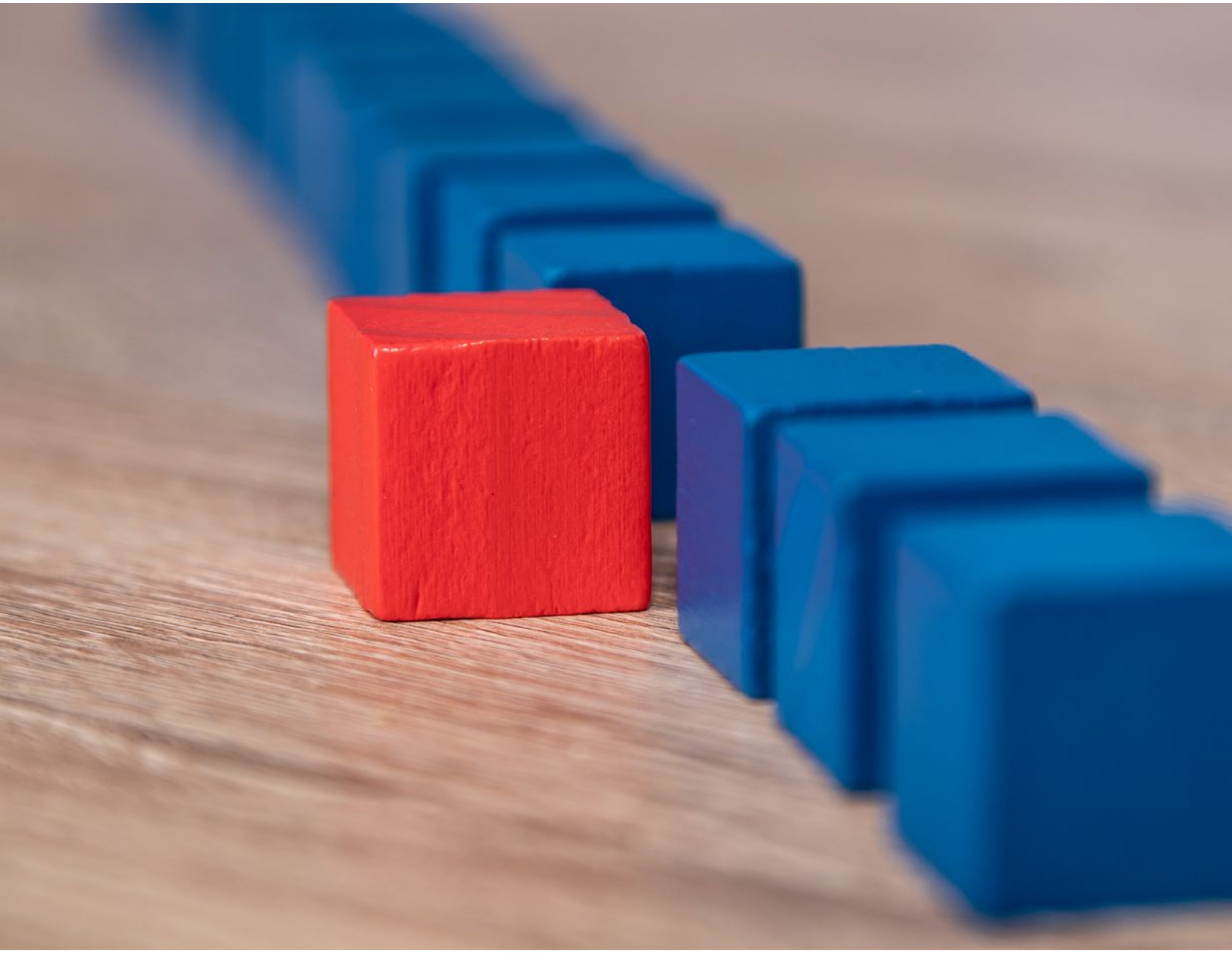
The Board has adopted a Board Mandate, which details its role and responsibilities, including, but not limited to:

- setting the 'tone from the top' through influencing the corporate culture, ethical standards and reputation of the Group;
- approving the strategic objectives and direction of the Group and overseeing management's implementation of those strategic objectives;
- monitoring the Group's operational performance generally, including its financial state and the effectiveness of the Group's sustainability strategies;
- approving major expenditures, transactions, budgets, funding plans and capital management initiatives;
- monitoring the integrity, effectiveness and consistency of the Group's risk management framework, controls and systems;
- setting the overall remuneration framework for the Group;
- appointing, setting the remuneration of and assessing the performance of the CEO, as well as approving the appointment and remuneration of senior executives and overseeing their performance;
- overseeing executive succession planning; and
- monitoring the effectiveness of the Group's governance practices, including overseeing shareholder reporting and engagement and compliance with the Group's continuous disclosure obligations.

The Role of Management

The CEO, together with the Bahamas First executive team, is responsible for the development and implementation of strategy and the overall day-to-day running of the Company.

Consistent with the Company's primary objective to enhance long-term shareholder value, this includes operational, financial and strategic delivery, risk management and compliance, leadership, analytics, marketing and management's provision of accurate, timely and clear information to enable the Board to perform its responsibilities. Bahamas First has employment contracts in place with senior executives which set out the terms of their employment.



Directors and Officers

Alison J. Treco
Chair

Ms. Treco started her accounting career in 1980 with Peat Marwick Mitchell (later KPMG) in London, England. In 1984, she transferred to KPMG's office in The Bahamas and in 1993 became a partner at KPMG Bahamas. In 2004, Ms. Treco left KPMG and established her own firm. In 2006, her business was merged into FT Consultants Ltd., which provides accounting, advisory and restructuring services to local and international clients. Ms. Treco has served as a Director of Bahamas First Holdings Limited since 2012. She was Chair of the Board's Audit Committee from 2012 to 2018 and the Finance & Investment Committee from 2018 to 2019. Ms. Treco was appointed Chair of the Board and its subsidiary companies, effective 25 May 2018. She also serves as Chair of the Human Resources & Compensation Committee and the Corporate Governance, Conduct Review & Nominations Committee.

Patrick G. W. Ward
Group President & CEO

Mr. Ward is Group President and Chief Executive Officer of Bahamas First Holdings Limited. Prior to holding that position, he was the President & Managing Director of Bahamas First General Insurance Company Limited. Mr. Ward has been a Director of Bahamas First Holdings Limited since 1998. Mr. Ward is a director of the Insurance Association of the Caribbean. He is the former non-executive Chairman of the Bahamas Mortgage Corporation and former non-executive Chairman of the National Insurance Board. Over the years, Mr. Ward has been called on to assist the Government of The Bahamas in various capacities on matters related to the insurance sector and was appointed to the National Economic Recovery Committee in 2020, commissioned in response to the COVID-19 pandemic.

Linda Goss
Director

Ms. Goss has 40 years of experience in the property and casualty insurance industry, leveraging her actuarial expertise in senior executive and consulting roles. Ms. Goss became the principal owner of Linda Goss Consulting following her retirement as Senior Vice President & Chief Actuary at Economical Mutual Insurance Company in 2021. She is a Fellow of the Canadian Institute of Actuaries and the Casualty Actuarial Society and earned the ICD.D designation from the Institute of Corporate Directors in Canada. Ms. Goss was elected as a Director of Bahamas First Holdings Limited in March 2014 and resigned in November 2020. She was re-elected as a Director in August 2021 at the Company's Annual General Meeting and serves as Chair of the Technical Review & Risk Compliance Committee.

Directors and Officers

Kenwood Kerr
Director

Mr. Kenwood Kerr is the founder, President & CEO of Providence Advisors Ltd., a Bahamian financial services company. Prior to launching Providence, he served variously as Manager of Investment Services, Sr. Manager of Corporate Services and Head of Marketing & New Business Development for The Bahamas & Caribbean at SG Hambros Bank & Trust (Bahamas) Limited, a Société Générale subsidiary in The Bahamas. Mr. Kerr was elected to the Board of Bahamas First Holdings Limited in April 2019 and serves as Chair of the Finance & Investment Committee.

Paul MacDonald
Director

Mr. MacDonald is an Executive Vice President of Personal Insurance at Definity Insurance Company ("Definity") (formerly Economical Mutual Insurance Company) with significant experience in the insurance sector. He has expertise across multiple disciplines, including strategic planning, operational management, technology implementation, intermediary relations, and data analytics. Prior to joining Definity, Mr. MacDonald worked with RSA Canada as the Senior Vice President and Chief Claims Officer, at SGI Canada as the Vice President of the Canadian operations, and at PricewaterhouseCoopers where he served as the Vice President of Insurance Consulting - Strategy and Operations. Mr. MacDonald was elected to the Board of Bahamas First Holdings Limited in July 2020 at the Company's Annual General Meeting and serves as Chair of the Information Technology Committee.

Liam McFarlane
Director

Mr. McFarlane is an Executive of Definity Insurance Company ("Definity") (formerly Economical Mutual Insurance Company) with extensive actuarial expertise. Prior to working with Definity, Mr. McFarlane was a Partner at Ernst & Young LLP in Toronto, where he led the Canadian actuarial practice. For more than ten years in that role, he worked in audit and consulting capacities for financial institutions, corporations, and insurers, including Economical. Mr. McFarlane also held key executive positions at Dion Durrell + Associates Inc., Dominion of Canada General Insurance Company, and helped to establish the actuarial function at The Co-operators General Insurance Company. Between his service on various high-profile advisory committees, such as the Canadian Institute of Actuaries, and his dedication to making insurance better, Mr. McFarlane contributes significantly to both Definity and the entire actuarial profession. Mr. McFarlane was elected to the Board of Bahamas First Holdings Limited in November 2020.

Dr. Samir Mikhael
Director

Dr. Mikhael is the immediate Past President of the Medical Staff at Doctors Hospital, serving from 2003 to 2018. A retired Ophthalmic Surgeon, he holds several medical posts. He was elected to the Board of Bahamas First Holdings Limited in July 2015. Prior to this, he served on the NUA Board, beginning in 2004.

Dawn Patton
Director

Mrs. Patton is a member of The Bahamas Institute of Chartered Accountants. She was a partner at PricewaterhouseCoopers (PwC) until her retirement in 2016. Mrs. Patton worked with PwC for 30 years, where her primary client focus was on international clients in the financial services industry. Mrs. Patton was elected to the Board of Bahamas First Holdings Limited in June 2019 and serves as Chair of the Audit Committee.

Warren Rolle
Director

Warren Rolle was appointed Group Senior Vice President & Chief Operating Officer at Bahamas First Holdings in March 2022, following a two-year posting as Managing Director of Group subsidiary Cayman First Insurance Company where he oversaw the expansion of the Property & Casualty and Health business segments and ensured the development of team members to create a robust internal succession plan. As Group Senior Vice President & COO, Mr. Rolle oversees the business operations, administration, and all financial aspects of subsidiaries Cayman First and NUA Insurance Agents & Brokers, in addition to the marketing and branding for the Group.

Directors and Officers

Judith A. Whitehead
Director

Mrs. Whitehead is the Managing Partner of Graham Thompson, a leading law firm in The Bahamas, and a member of the firm's Private Client, Trust & Estates practice group. She oversees the firm's operations, providing leadership of its strategic direction. She has served in other corporate governance capacities and on governing boards in the non-profit and public sectors, in areas of education, academic achievement and public health. Mrs. Whitehead has served as a Director of Bahamas First Holdings Limited since 2005.

Abagale Butler
Corporate Secretary

Ms. Butler is the Corporate Secretary of Bahamas First Holdings Limited and its subsidiary companies. Prior to this, she served as Assistant to the Legal & Compliance Manager/Corporate Secretary.

Board Committees

Audit Committee

The Committee assists the Board in fulfilling its oversight responsibilities as they relate to the Group's accounting policies, financial reporting, internal control and the legal and regulatory environment.

- Dawn Patton – Chair
- Alison J. Treco
- Linda Goss
- Liam McFarlane

Finance & Investment Committee

The Committee focuses on two objectives: financial risk management and investment policy oversight.

- Kenwood Kerr – Chair
- Alison J. Treco
- Patrick G. W. Ward
- Samir Mikhael
- Gordon Philip

Human Resources & Compensation Committee

The Committee is responsible for reviewing and approving the Group's compensation plan and evaluating executive performance.

- Alison J. Treco – Chair
- Patrick G. W. Ward
- Samir Mikhael
- Judith Whitehead
- Paul MacDonald
- Gordon Philip

Corporate Governance, Conduct Review & Nominations Committee

The Committee measures the Group's governance against best practices and makes recommendations for Board appointments and composition.

- Alison J. Treco – Chair
- Judith A. Whitehead
- Dawn Patton
- Paul MacDonald

Technical Review & Risk Compliance Committee

The Committee is responsible for ensuring adherence to risk management guidelines as well as reviewing and assessing technical and reinsurance matters.

- Linda Goss – Chair
- Patrick G. W. Ward
- Paul MacDonald
- Warren T. Rolle
- Liam McFarlane

Information Technology Committee

The Committee is responsible for ensuring that the Company's technology programs support the Company's business objectives and strategies, provide for appropriate data security and data privacy, and advise the Board on technology-related matters. The Committee is also responsible for overseeing risks related to the quality and effectiveness of the Company's information technology security, data privacy and disaster recovery capabilities.

- Paul MacDonald – Chair
- Kenwood Kerr
- Liam McFarlane
- Gordon Philip

The BFH Group Retirement Fund Committee

Plan Administrator:
CG Atlantic Pensions

Trustee/Custodian:
Butterfield Trust (Bahamas) Limited

Investment Committee

Company Representative:
Andrae Thompson – Chair

Independent Representative:
Kenwood Kerr – Secretary

Staff Representative:
Area Wilson-Pratt

Staff Representative:
Warren T. Rolle

Director's Meetings And Attendance (May 2022 – February 2023)

The number of Directors' meetings (including meetings of committees of Directors) and the number of meetings attended by each of the Directors of the Company are listed below:

	Board Of Directors	Audit Committee	Finance & Investment Committee	Technical Review & Risk Compliance Committee	Corporate Governance, Conduct Review & Nominations Committee	Human Resources & Compensation Committee	Information Technology Committee
Director	Meetings Held: 5	Meetings Held: 6	Meetings Held: 5	Meetings Held: 6	Meetings Held: 4	Meetings Held: 4	Meetings Held: 4
Alison J. Treco	5	6	5	-	3	4	3
Patrick G. W. Ward	5	-	4	5	-	-	-
Judith A. Whitehead	3	-	-	-	3	3	-
Linda M. Goss	5	6	-	6	-	-	-
Samir Mikhael	5	-	3	1	-	4	-
Kenwood Kerr	5	-	5	-	-	-	4
Dawn Patton	5	6	-	-	4	-	-
Paul MacDonald	4	-	-	5	4	4	4
Liam McFarlane	3	3	-	0	-	-	0
Warren Rolle	5	-	-	3	-	-	-

Internal Audit & Risk Management

The Group is substantively compliant with the Securities Industry (Corporate Governance) Rules. The Group does not have an Internal Audit Unit; however, the Group relies on a reputable internal audit firm who has a track record of being effective in the performance of their duties. The Group may review its selection of auditors from time to time to ensure the highest audit standards are being upheld.

Additionally, the internal auditors review the risk management policies and processes and report directly to the Audit Committee. The Audit Committee oversees how management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks that face the Group. The Committee reports regularly to the Board of Directors on its activities.

Risk Management Practices

Effective assurance and risk management practices help Bahamas First to achieve its strategic objectives, enable compliance with its legal obligations and protect the best interests of the Company and its shareholders.

Risk Identification and Management

The Board has established policies for the oversight and management of material business risks and internal controls. The Audit Committee and the Technical Review & Risk Compliance Committee oversee the policies, internal controls and procedures that the Group uses to identify business risks, manage those risks and enable compliance with relevant regulatory requirements. The design and implementation of the risk management and internal control systems to manage the Group's material business risks are the responsibility of management.

The Board has adopted the following key elements for the oversight and management of material business risks:

- On a quarterly basis, the Board reviews with Management the principal business risks to the Company to gain and maintain reasonable assurance that appropriate procedures are implemented to identify, monitor, manage and mitigate those risks.
- The Board will gain and maintain reasonable assurance that effective systems are in place to monitor the integrity of the Company's internal controls and management information systems.
- The Board will gain and maintain reasonable assurance that management processes are in place to address and comply with applicable laws and regulations, including applicable corporate, securities and regulatory requirements.
- The Board will confirm and monitor that processes are in place to comply with the Company's bylaws, Code and the Company's ethics reporting program.

In addition to the above, risk assessments are also performed for individual material projects, capital expenditure, products and risks as required.

Other Statutory Information

Nomination Process for Board Members

Board members are typically nominated by the Corporate Governance, Conduct Review & Nominations Committee, but they can also be nominated by a Director or a Shareholder. The Committee is responsible for identifying qualified individuals. In making its candidacy recommendations, the Committee will, after conducting the reviews, examinations and inquiries it believes are appropriate, consider:

- the competencies and skills that the Board considers to be necessary for the Board as a whole, its chair and its committees to possess, in light of the opportunities and risks facing the Group, its strategy and its succession planning needs;
- the competencies and skills that the Board considers to be necessary for each existing director to possess and that the Committee considers necessary for any new nominee to possess;
- the ability of potential nominees to devote sufficient time and resources to his or her duties as a Board member;
- the independence requirements applicable to the Board and each committee;
- the requirements of committees for distinctive or specialized expertise; and
- the most recent performance evaluation of the Board, Board committees and individual directors.

Procedure

1. The Nominating Committee will receive recommendations for new board members from current board members.

2. The committee then reviews and discusses the resumés of potential candidates, assessing their skills and experience to determine if they meet qualifications for the position.

3. Finally, the committee will recommend the candidates to the full board for formal approval. Nominees are not present at this meeting to allow for open discussion by the board.

The following Board members will stand for re-election at the Company's 2023 Annual General Meeting:

- Alison J. Treco
- Patrick G. W. Ward
- Linda M. Goss
- Kenwood Kerr
- Paul MacDonald
- Liam McFarlane
- Samir Mikhael
- Dawn Patton
- Judith A. Whitehead
- Warren Rolle

Code of Business Conduct

The Company is not aware of any non-compliance by the Directors and employees with respect to their individual compliance with the Company's Code of Business Conduct.

Human Resources Policies

The Human Resources Policies and Procedures Manual has been provided as a central reference for all managers, supervisors and employees and applies to all employees across the Group. The Manual forms part of the employment contract, guiding management and employees with respect to the operation of the Human Resources Department and the conduct of all employees.

All policies and procedures must be consistent with the Group's Core Values and its approach to:

- Employing talented individuals whose creativity and imagination will support and contribute to achieving the Group's business objectives;
- Communicating the Group's standards and expectations in all aspects of employment including performance;
- Valuing diversity and assuring equal employment opportunity and a workplace where relationships are based on mutual trust and respect;
- Treating all employees, contractors, customers and stakeholders, in a professional, courteous, non-discriminatory manner;
- Providing safe, effective working conditions; and
- Providing competitive terms and conditions in the workplace.

The Group's Human Resources policies include, but are not limited to the following:

- Employee Handbook & Manual
- Confidentiality Agreement
- Flex Time Policy
- Anti-Sexual Harassment Policy
- Code of Business Conduct
- Remote Work Policy
- Dress Code Policy

From time to time the Group's policies are reviewed to ensure that we remain aligned with our Core Values.

Integrity of Reporting

The Board and management have established controls that are designed to safeguard the Group's interests and the integrity of its reporting. These include accounting, financial reporting, sustainability and client risk rating (Anti-Money Laundering/Know Your Customer (AML/KYC)) and other internal control policies and procedures which are directed at monitoring whether the Group complies with regulatory requirements. In accordance with the Group's system of internal sign offs prior to approval of its financial statements for a relevant period, both the CEO and the CFO provide declarations of their opinion to the Board that, following the completion of appropriate enquiries,

- the financial records of the Group have been properly maintained; and
- the financial statements of the Group comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Group; and
- that the opinion has been formed on the basis of a sound and effective system of risk management and internal control.

We, the Chair and the CFO, on behalf of the Board of Directors of Bahamas First Holdings Limited, confirm that the financial statements included herein present a true and fair view of the affairs of the Company. During the year ended December 31, 2022, the Company has been substantively compliant with the Securities Industry (Corporate Governance) Rules and is committed to consistently reviewing and updating the Company's degree of compliance.

Authorized Agents & Brokers

Our extensive network of agents in The Bahamas spans the archipelago. In the Cayman Islands, we enjoy the support of a vibrant network of agents and brokers for all of our product lines. Our agents have been the backbone of our company since we began to offer insurance services, and continue to deliver the highest quality of service to our customers.

The Bahamas

New Providence

BAF General & Health Insurance Brokers and Agents Ltd.
(242) 461-1000

BMG Insurance Agency & Brokers Ltd.
(242) 322-2221/322-2128

Chandler Gilbert Insurance Associates Ltd.
(242) 676-2306

Confidence Insurance Bahamas Agency Ltd.
(242) 323-6920

FG Insurance Agents & Brokers Ltd.
(242) 396-1490

Freeport Insurance Agents & Brokers
(242) 352-8501

Island Insurance Agents & Brokers Ltd.
(242) 322-1106

Jack Stanley Insurance Agents & Brokers Limited
(242) 397-1733/4

NUA Insurance Agents and Brokers Ltd.
(242) 302-9100

Professional Insurance Consultants Ltd.
(242) 327-2143

RMS Insurance Agents & Brokers
(242) 698-7233

Safeguard Insurance Brokers Ltd.
(242) 676-7521

SHIELD Insurance Agents & Brokers Ltd.
(242) 356-7202

Star General Insurance Agents & Brokers Ltd.
(242) 676-0800

Sunshine Insurance Agents & Brokers Ltd.
(242) 394-0011

Tavares and Higgs Insurance Agents and Brokers Ltd.
(242) 702-9025

Grand Bahama

FG Insurance Agents & Brokers Ltd.
(242) 396-1490

Freeport Insurance Agents & Brokers
(242) 352-8501

NUA Insurance Agents and Brokers Ltd.
(242) 352-7891

SHIELD Insurance Agents & Brokers Ltd.
(242) 356-7202

Star General Insurance Agents & Brokers (Grand Bahama) Ltd.
(242) 350-7827

Abaco

Abaco Insurance Agency Ltd.
(242) 367-2549

NUA Insurance Agents and Brokers Ltd.
(242) 367-2222

Eleuthera

Island Insurance Agents & Brokers Ltd.
(242) 332-0380

NUA Insurance Agents & Brokers Ltd.
(242) 332-0451/2

Exuma

Island Insurance Agents & Brokers Ltd.
(242) 336-3500

Cayman Islands

Grand Cayman

AON Risk Solutions (Cayman)
(345) 945-1266

Balderamos Insurance Services
(345) 945-3450

Bogle Insurance Brokers
(345) 949-0579

Caribbean Insurance Practice
(345) 943-2475

Cayman Insurance Centre
(345) 949-4657

Fidelity Insurance (Cayman)
(345) 949-7221

FIS Insurance Brokers
(345) 945-5616

Hyperion Risk Solutions (Cayman)
(345) 623-6500

International Property Insurance
(345) 623-1111

Island Insurance Brokers
(345) 949-0883

Marsh Management Services Cayman
(345) 949-7988

Pensum Services
(345) 945-1830

Premier Group Insurance Brokers
(345) 769-0092

Briat Insurance
(345) 945-0030

Scotiabank (Cayman)
(345) 949-7666

Willis Management (Cayman)
(345) 949-6039

Cayman Brac

Brac Insurance Associates
(345) 948-2266

Key Contacts

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Nassau, Bahamas
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Nassau, Bahamas

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Nassau, Bahamas

Cayman Islands

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Ugland House
P.O. Box 309
Grand Cayman, KY1-1104
Cayman Islands

Internal Audit

Ernst & Young
One Montague Place
East Bay Street
Nassau, Bahamas

Registrar & Transfer Agent

Bahamas Central Securities
Depository Limited (BCSD)
Suite 202
Fort Nassau Centre
British Colonial Hilton
Nassau, Bahamas

Investor Materials

Bahamas First Holdings Limited's securities trade on the Bahamas International Securities Exchange (BISX) under the following symbols:

Ordinary Shares – BFH
Preference Shares – BFHP
Bonds – BFHB

For investor information, including additional copies of our Annual Report or other financial literature, please visit our website at bahamasfirst.com/financial-reports or contact us via email at askus@bahamasfirst.com or via phone at (242) 302-3900.

Consolidated Financial Statements

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Deloitte & Touche
Chartered Accountants
and Management Consultants
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P.O. Box N-7120
Nassau, Bahamas

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Bahamas First Holdings Limited:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Bahamas First Holdings Limited** and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income/(loss), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	Summary of the Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Unpaid claims liability – incurred but not reported	As at December 31, 2022 the Group had recorded unpaid claims liability of $58,388,824 (see Notes 4(a) and 9 of the consolidated financial statements). The unpaid claims liability includes claims incurred but not reported (“IBNR”) of $27,959,822. Management makes key judgments and estimates in determining the valuation of the unpaid claims liability - IBNR which has the most significant impact on the Group’s financial position. A number of assumptions must be made with high estimation uncertainty related to expected loss ratios and loss development patterns. As a result, small changes in the underlying assumptions may have a material impact on the overall year-end result reported in the consolidated financial statements. Additionally, the process requires the selection and application of actuarial methods that result in complex calculations to project the ultimate loss. Management engages an external actuary to prepare a valuation of the Group’s insurance contract liabilities as at December 31, 2022.	We obtained an understanding of the Group’s claims reserving process for determining and recording the unpaid claims liability to assess the appropriateness of the policy and controls. We evaluated the design and implementation of controls related to determining and recording the unpaid claims liability – IBNR. We obtained an understanding of management’s external actuary, including their qualifications. We engaged our actuarial specialists to (1) obtain and inspect the reports of management’s external actuary, (2) assess the appropriateness of the assumptions and judgments made by management to determine the unpaid claims liability, (3) assess whether the methods used by management’s external actuary were in accordance with professional actuarial standards, (4) develop an independent range of reasonable unpaid claims liability valuations and (5) perform retrospective procedures to assess the adequacy of previously determined reserves.

Key Audit Matter	Summary of the Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Gross premiums written – Health	For the year ended December 31, 2022 the Group reported gross premiums written of $191,229,632 (see Notes 3(i) and 5 of the consolidated financial statements). The gross written premiums includes gross premiums written specifically related to the Group's Health line of business ("gross premiums written – health") of $45,497,704 (see Notes 3(i) and 5 of the consolidated financial statements). During the year, the Group implemented a new policy administration system for its Health line of business. The implementation of the policy administration system introduced risks related to system access, change management and data integrity. The new policy administration system became operational during the 3rd quarter of the current fiscal year. The implementation of the new policy administration system resulted in Management having to make manual adjustments to address the completeness and accuracy of the amount reported as gross premiums written – health.	In evaluating the new system implementation, we involved our information technology specialists to understand the controls over access and change management. We also assessed whether policy holder information related to billing transferred to the new policy administration system was complete and accurate. We evaluated the design and implementation of controls related to revenue recognition impacted by the new policy administration system and reviewed management's process to reconcile revenue omitted from the new policy administration system. We performed analytical procedures and tested a sample of individual policies included in the manual adjustments and vouched them to supporting documentation.

Key Audit Matter	Summary of the Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Gross premiums written – Property and casualty & Health	For the year ended December 31, 2022 the Group reported gross premiums written of $191,229,632 (see Notes 3(i) and 5 of the consolidated financial statements). The occurrence and accuracy of gross premiums written are considered to be a key audit matter due to the material financial impact of gross premiums written on the consolidated financial statements of the Group and the presumption that there are risks of fraud related to revenue recognition in accordance with the ISAs. Additionally, there is management judgement related to the timing of the recognition of premiums for property business that is exposed to catastrophes (see Note 3(i) of the consolidated financial statements). Premiums are written primarily by related and third-party agents on behalf of the Group. These agents manage customer relationships, can adjust policies that are already in existence and can contractually bind the Group. This inherently increases the risks associated with the occurrence and accuracy of gross premiums written. The Group's processes for recording gross premiums written involves manual intervention to retrieve the premiums written from the Group's underwriting systems and record those amounts in the Group's financial reporting systems.	We obtained an understanding of the Group's revenue recognition policy to assess the appropriateness of the policy. We evaluated the design and implementation of controls related to revenue recognition. We tested a sample of policies written during the year by vouching the relevant attributes of the sample of policies to supporting documentation and assessed the appropriateness of the revenue recognized for each sample. We requested confirmation of the gross premiums written by the Group's non-related party agents during the year from those agents and compared the responses to the amounts reported in the consolidated financial statements. We obtained a roll forward of the Group's premiums written and premiums receivable for policies written by related party agents and (1) obtained an understanding and assessed the appropriateness of the methodology of the roll-forward, (2) tested the mathematical accuracy of the roll-forward and (3) tested the inputs of the roll-forward. We analyzed the reconciliation of the gross premiums written listing during the year with the amount reported in the consolidated financial statements.

Key Audit Matter	Summary of the Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Net claims incurred – Health	For the year ended December 31, 2022 the Group reported net claims incurred of $49,919,452 (see consolidated statement of profit or loss). The net claims incurred includes net claims incurred related specifically to the Group's Health line of business ("net claims incurred – Health") of $39,150,297. Health claims are submitted by third-party health services providers ("the providers") to the Group for the reimbursement of costs. These costs are related to services rendered by the providers to individuals insured by the Group. During the year, the Group implemented a new policy administration system for its Health line of business. The implementation of the policy administration system introduced risks related to system access, change management and data integrity. The new policy administration system became operational during the 3rd quarter of the current fiscal year. The implementation of the new policy administration system resulted in Management amending the process for the adjudication and settlement of claims incurred on the Group's health line of business. The validity and accuracy of the costs incurred, as reported by the providers, and incurred by the Group, are considered to be a key audit matter due to (1) the nature and volume of health claims and (2) the increase in health claims reported.	In evaluating the new system implementation, we involved our information technology specialists to understand the controls over access and change management. We also assessed whether policy holder and claim information transferred to the new policy administration system was complete and accurate. We obtained an understanding of the Group's process for adjudicating health claims and evaluated the design and implementation of controls related to the adjudication and settlement of health claims. We enquired of Group personnel and management to obtain an understanding for the increase in health claims. We assessed management's explanations for the increase in health claims through (1) the use of computer assisted audit techniques including the performance of analytical procedures to identify health claims which had characteristics that were inconsistent with those of the general population and (2) by testing a sample of health claims paid and vouching them to supporting documents.

Other Information

Management and those charged with governance are responsible for the Other Information. The Other Information comprises the Bahamas First Holdings Limited 2022 Annual Report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. When we read the annual report, if we conclude that there is a material misstatement of this other information, we are required to communicate the matter to those charged with governance.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is S. Tshombe Godet.

Deloitte & Touche

Nassau, Bahamas
April 30, 2023

BAHAMAS FIRST HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

(Expressed in Bahamian dollars)

	Notes	2022	2021
ASSETS			
Cash and cash equivalents		$ 33,636,381	$ 21,276,044
Trade accounts receivable, net	4,7	35,186,147	30,911,815
Sundry receivables and prepayments	20	3,422,850	2,947,727
Deferred commission costs	8	5,740,292	5,917,549
Deferred reinsurance premiums	8	41,609,516	43,328,099
Unpaid claims recoverable from reinsurers	4,9	32,213,996	35,191,446
Investments	6	31,557,227	38,079,603
Property and equipment	4,10	25,242,703	22,531,436
Right-of-use assets	11	550,636	748,586
Intangible assets and goodwill	4,12	8,419,092	8,268,710
TOTAL ASSETS		$ 217,578,840	$ 209,201,015

(Continued)

See notes to consolidated financial statements.

BAHAMAS FIRST HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022
(Expressed in Bahamian dollars)

	Notes	2022	2021
LIABILITIES AND EQUITY			
LIABILITIES:			
Accrued expenses and other liabilities		$ 3,118,491	$ 4,432,522
Trade accounts payable		10,722,262	9,054,578
Unearned commission income	8	10,363,060	10,848,463
Unearned premiums	8	57,854,403	58,712,764
Unpaid claims	4,9	58,388,824	52,066,216
Lease liablity	11	634,410	821,130
Bonds payable	13	7,619,435	7,618,151
Total liabilities		148,700,885	143,553,824
EQUITY:			
Common shares	14	365,116	365,116
Preference shares	14	5,000,000	5,000,000
Contributed surplus		14,926,159	14,926,159
General reserve	15	4,000,000	4,000,000
Revaluation reserve	16	6,673,564	5,691,207
Retained earnings		33,620,992	31,480,443
Total equity attributable to owners of the company		64,585,831	61,462,925
Non-controlling interest	17	4,292,124	4,184,266
Total equity		68,877,955	65,647,191
TOTAL LIABILITIES AND EQUITY		$ 217,578,840	$ 209,201,015

(Concluded)

See notes to consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors on April 5, 2023 and are signed on its behalf by:

Alison Treco, Chair

Patrick G.W. Ward, Director

BAHAMAS FIRST HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in Bahamian dollars)

	Notes	2022	2021
UNDERWRITING INCOME:			
Gross premiums written	5	$ 191,229,632	$ 178,236,473
Movement in unearned premiums	8	858,361	(8,439,578)
		192,087,993	169,796,895
Premiums ceded to reinsurers		(105,047,898)	(105,514,778)
Movement in deferred reinsurance premiums	8	(879,154)	6,502,287
Net premiums earned		86,160,941	70,784,404
Commission income		28,000,102	27,375,872
Total underwriting income		114,161,043	98,160,276
UNDERWRITING EXPENSES:			
Net claims incurred	9	49,919,452	34,571,962
Commission expense	20	17,230,230	14,821,208
Cost of excess of loss reinsurance		12,555,730	10,963,132
Premium tax		5,051,325	4,772,582
Total underwriting expenses		84,756,737	65,128,884
Net underwriting income		29,404,306	33,031,392
OTHER EXPENSES:			
Salaries, benefits and bonuses	19,20	15,239,363	14,877,885
General and administrative expenses	20	9,041,078	9,009,430
Interest expense	11	1,058,880	1,144,727
Depreciation and amortization of intangible assets	10,11,12	2,164,968	2,236,229
Total other expenses		27,504,289	27,268,271
UNREALIZED LOSS ON INVESTMENT	6	(348,984)	(1,741,527)
OTHER INCOME, NET	18	4,091,315	1,600,408
PROFIT FOR THE YEAR		$ 5,642,348	$ 5,622,002
ATTRIBUTABLE TO:			
OWNERS OF THE COMPANY		$ 5,443,428	$ 5,520,348
NON-CONTROLLING INTEREST	17	198,920	101,654
		$ 5,642,348	$ 5,622,002
BASIC AND DILUTED EARNINGS PER COMMON SHARE	14	$ 0.14	$ 0.14

See notes to consolidated financial statements.

BAHAMAS FIRST HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME/(LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in Bahamian dollars)

	Notes	2022	2021
PROFIT FOR THE YEAR		$ 5,642,348	$ 5,622,002
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of land and buildings	10,16	2,466,291	-
		2,466,291	-
Items that may be reclassified subsequently to profit or loss:			
Unrealized loss on available-for-sale investments	6,16	(1,483,934)	(855,618)
		(1,483,934)	(855,618)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		982,357	(855,618)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		$ 6,624,705	$ 4,766,384
ATTRIBUTABLE TO:			
OWNERS OF THE COMPANY		$ 6,393,834	$ 4,720,346
NON-CONTROLLING INTEREST	17	230,871	46,038
		$ 6,624,705	$ 4,766,384

See notes to consolidated financial statements.

BAHAMAS FIRST HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in Bahamian dollars)

	Attributable to owners of the group							
	Common Shares	Preference Shares	Contributed Surplus	General Reserve	Revaluation Reserve	Retained Earnings	Non-Controlling Interest	Total
Balance at December 31, 2020	$ 365,116	$ 5,000,000	$ 14,926,159	$ 4,000,000	$ 6,546,825	$ 29,175,407	$ 4,507,266	$ 64,520,773
Profit for the year	-	-	-	-	-	5,520,348	101,654	5,622,002
Other comprehensive (loss)/income (Note 16)	-	-	-	-	(855,618)	55,616	(55,616)	(855,618)
Total comprehensive (loss)/income	-	-	-	-	(855,618)	5,575,964	46,038	4,766,384
Transactions with shareholders								
Dividends paid by Cayman First Insurance Company Limited	-	-	-	-	-	-	(369,038)	(369,038)
Preference shares dividend paid (Note 14)	-	-	-	-	-	(350,000)	-	(350,000)
Dividends paid ($0.08 per common share) (Note 14)	-	-	-	-	-	(2,920,928)	-	(2,920,928)
Balance at December 31, 2021	$ 365,116	$ 5,000,000	$ 14,926,159	$ 4,000,000	$ 5,691,207	$ 31,480,443	$ 4,184,266	$ 65,647,191
Profit for the year	-	-	-	-	-	5,443,428	198,920	5,642,348
Other comprehensive income/(loss) (Note 16)	-	-	-	-	982,357	(31,951)	31,951	982,357
Total comprehensive income	-	-	-	-	982,357	5,411,477	230,871	6,624,705
Transactions with shareholders								
Dividends paid by Cayman First Insurance Company Limited	-	-	-	-	-	-	(123,013)	(123,013)
Preference shares dividend paid (Note 14)	-	-	-	-	-	(350,000)	-	(350,000)
Dividends paid ($0.08 per common share) (Note 14)	-	-	-	-	-	(2,920,928)	-	(2,920,928)
Balance at December 31, 2022	$ 365,116	$ 5,000,000	$ 14,926,159	$ 4,000,000	$ 6,673,564	$ 33,620,992	$ 4,292,124	$ 68,877,955

See notes to consolidated financial statements.

BAHAMAS FIRST HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in Bahamian dollars)

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit for the year		$ 5,642,348	$ 5,622,002
Adjustments for:			
Depreciation	10,11	1,233,720	1,324,540
Gain on building revaluation	18	(776,472)	-
Interest on leases	11	33,930	41,693
Amortization of intangible assets	12	931,248	911,689
Amortization of discounts on bonds	6,18	170,880	90,689
Realized gain on sales of investments	6,18	(2,072,723)	(470,519)
Unrealized loss on FVTPL investments	6	348,984	1,741,527
Gain on disposal of property and equipment	18	(13,353)	(5,954)
(Increase)/decrease in operating assets			
Increase in trade accounts receivable, net		(4,274,332)	(415,511)
(Increase)/decrease in sundry receivables and prepayments		(475,123)	2,916,558
Decrease/(increase) in deferred commission costs	8	177,257	(1,453,111)
Decrease/(increase) in deferred reinsurance premiums	8	1,718,583	(6,502,287)
Increase/(decrease) in operating liabilities			
(Decrease)/increase in accrued expenses and other liabilities		(1,314,031)	1,100,035
Increase in bonds payable		1,284	1,285
Increase/(decrease) in trade accounts payable		1,667,684	(23,914,270)
(Decrease)/increase in unearned commission income	8	(485,403)	1,527,840
(Decrease)/increase in unearned premiums	8	(858,361)	8,439,578
Increase/(decrease) in net unpaid claims	9	9,300,058	(2,104,906)
Net cash from/(used in) operating activities		$ 10,956,178	$ (11,149,122)

(Continued)

See notes to consolidated financial statements.

BAHAMAS FIRST HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in Bahamian dollars)

	Notes	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	10	$ (435,515)	$ (835,914)
Purchase of intangible assets	12	(1,081,630)	(54,721)
Proceeds from disposal of property and equipment	10,18	13,353	5,954
Proceeds from disposal of investment in associate		-	325,000
Proceeds from sale and maturity of investments	6	7,931,941	6,907,643
Purchase of investments	6	(1,340,640)	(9,789,513)
Net cash from/(used in) investing activities		$ 5,087,509	$ (3,441,551)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Preference shares dividend paid	14	$ (350,000)	$ (350,000)
Changes in non-controlling interest		(123,013)	(369,038)
Common shares dividend paid	14	(2,920,928)	(2,920,928)
Lease liability cash payments		(289,409)	(302,224)
Net cash used in financing activities		$ (3,683,350)	$ (3,942,190)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		12,360,337	(18,532,863)
CASH AND CASH EQUIVALENTS:			
BEGINNING OF YEAR		21,276,044	39,808,907
END OF YEAR		$ 33,636,381	$ 21,276,044
CASH AND CASH EQUIVALENTS ARE COMPRISED OF:			
Cash on hand		$ 9,168	$ 9,168
Cash at bank		27,686,617	17,526,797
Due from investment broker		5,940,596	3,740,079
		$ 33,636,381	$ 21,276,044
SUPPLEMENTAL CASH FLOW DISCLOSURES:			
Interest received		$ 1,067,242	$ 1,066,996
Dividends received		$ 264,641	$ 126,657
Premium taxes paid		$ 5,051,325	$ 4,772,582
Interest expense paid		$ 1,057,596	$ 1,143,442

(Concluded)

See notes to consolidated financial statements.

1. GENERAL

Bahamas First Holdings Limited ("BFH" or the "Company") and its subsidiaries are incorporated under the laws of the Commonwealth of The Bahamas, except BFH International Limited, Cayman First Insurance Company Limited, BRAC Insurance Associates Ltd. and BFH Services (Cayman) Limited which are incorporated under the laws of the Cayman Islands.

These consolidated financial statements include the accounts of BFH and its subsidiaries, which are hereinafter collectively referred to as the "Group". The primary activity of the Group is the carrying on of general insurance business (property and casualty) and health and group life insurance. The subsidiaries are as follows:

Registered insurers:

- Bahamas First General Insurance Company Limited ("BFG")
- Cayman First Insurance Company Limited ("CFI")

Registered insurance intermediaries:

- Nassau Underwriters Agency Insurance Agents & Brokers Ltd. ("NUA")
- BRAC Insurance Associates Ltd. ("BIA")
- CMA Insurance Brokers & Agents Limited ("CMA")

Management company:

- Bahamas First Corporate Services Ltd. ("BFCS")

BFCS provides administrative and corporate services to the Group and charges management fees to the various Group companies, which are eliminated on consolidation.

Claims servicing company:

- First Response Limited ("FRL")

FRL provides motor claim roadside assistance and claim adjusting services to BFG.

Health referral agency:

- BFH Services (Cayman) Limited ("BFHS")

Insurance holding company:

- BFH International Limited ("BFHIL")

All of the above subsidiaries are wholly-owned except for CFI, of which BFHIL owns 87.70%. The ordinary and preference shares along with the corporate bonds are listed and traded on the Bahamas International Securities Exchange ("BISX"). The registered office of the Company is located at 32 Collins Avenue, Nassau, The Bahamas.

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") AND INTERNATIONAL ACCOUNTING STANDARDS ("IAS")

a. ***New and amended Standards and Interpretations adopted by the Group***

In the current year, there were several new and amended standards and interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee of the IASB effective for annual reporting periods beginning on or after January 1, 2022. However, they do not have a material effect on the Group's financial statements.

b. ***Standards and Interpretations effective but not affecting the reported results or financial position on the basis that the Group elected for the temporary exemption***

IFRS 9 – Financial Instruments

IFRS 9 includes three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets. IFRS 9 also replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' model. Under IFRS 9 credit losses are recognized earlier than under IAS 39.

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND INTERNATIONAL ACCOUNTING STANDARDS (IAS) (CONTINUED)

b. ***Standards and Interpretations effective but not affecting the reported results or financial position on the basis that the Group elected for the temporary exemption (continued)***

IFRS 9 – Financial Instruments (continued)

During 2022, the Group performed a high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its consolidated statement of financial position and equity, except for the effect of applying the impairment requirements of IFRS 9. The Group expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent.

The IASB issued a temporary exemption for the effective date of implementation of IFRS 9 for insurance companies which meet certain qualifying criteria. This exemption allows the application of IFRS 9 to be deferred until January 1, 2023. At December 31, 2022, the Group met these qualifying criteria of i) not applying any previous version of IFRS 9 and ii) at least 90% of its total liabilities being connected to insurance contracts and has therefore deferred implementation of IFRS 9.

c. ***Standards and Interpretations in issue but not yet effective***

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the aforementioned date.

Effective for annual periods beginning on or after January 1, 2023

IFRS 17 – Insurance contracts

IFRS 17 was issued in May 2017 as a replacement for IFRS 4, Insurance Contracts. IFRS 17 applies to all types of insurance contracts as well as to certain financial instruments with discretionary participation features. In contrast to the requirements in IFRS 4, which are largely based on grandfathering of previous local accounting policies, IFRS 17 provides a comprehensive and consistent approach to insurance contracts. The core of IFRS 17 is the general model, supplemented by a specific adaption for contracts with direct participation features (the variable fee approach) and a simplified approach (the premium allocation approach) mainly for short-duration contracts.

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND INTERNATIONAL ACCOUNTING STANDARDS (IAS) (CONTINUED)

c. *Standards and Interpretations in issue but not yet effective (continued)*

Effective for annual periods beginning on or after January 1, 2023 (continued)

IFRS 17 – Insurance contracts (continued)

The main features of the new accounting model for insurance contracts are, as follows: the measurement of the present value of future cash flows incorporating an explicit risk adjustment and remeasured at each reporting period (the fulfilment cash flows); a contractual service margin that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognized in profit or loss over the service period (coverage period); the presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of insurance services provided during the period; and extensive disclosures to provide information on the recognized amounts from insurance contracts and the nature and extent of risks arising from these contracts.

The standard allows a choice between recognizing changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The Group is expected to recognize changes in the statement of profit or loss.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. The Group is expected to adopt this approach for its contracts.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts. The Group has not yet fully assessed the impact of the new standard on its results.

Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Noncurrent

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. It further explains that rights are in existence if covenants are complied with at the end of the reporting period and introduce a definition of "settlement" to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

This amendment is not anticipated to have a material impact on the Group's financial statements.

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND INTERNATIONAL ACCOUNTING STANDARDS (IAS) (CONTINUED)

c. ***Standards and Interpretations in issue but not yet effective (continued)***

Effective for annual periods beginning on or after January 1, 2023 (continued)

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term “significant accounting policies” with ‘material accounting policy information’. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

This amendment is not anticipated to have a material impact on the Group’s financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies:

a. ***Basis of preparation*** - These financial statements have been prepared in accordance with IFRS. They have been prepared on the accrual basis and under the historical cost convention, except as outlined in the accounting policies below. The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

   During the current year, within the consolidated statement of financial position, the reinsurance balances payable caption was renamed trade accounts payable. Where necessary, in the financial statements, corresponding figures have been reclassified to conform with changes in presentation in the current year.

   The accounting policies are consistent with those used in previous years.

b. ***Basis of consolidation*** - Subsidiaries are those entities controlled by BFH. Control exists when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. In assessing control, the potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

c. ***Business combinations*** - The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

   The Group has an option to apply a “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. ***Business combinations (continued)***

The cost of the acquisition is measured at the aggregate of the consideration transferred (measured at acquisition date fair value), and the amount of any non-controlling interest in the acquiree. For each business combination, the Company measures the non-controlling interest in the acquiree either at the proportionate share of the acquiree's identifiable net assets. Acquisition cost incurred is expensed. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination.

Changes in the Company's ownership in a subsidiary that do not result in a loss of control are accounted for as equity transactions and are recognized in contributed surplus in the consolidated statement of changes in equity.

d. ***Financial instruments***

Classification and measurement - On initial recognition, a financial asset or liability is measured at its fair value plus, in the case of investments not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortized.

The classification depends on the nature and purpose of the financial assets. Management determines the classification of its investments at initial recognition and re-evaluates the classification at each reporting date.

Financial assets are classified as either: financial assets at fair value through profit or loss ("FVTPL"); held-to-maturity investments; loans and receivables; or available-for-sale ("AFS") and are measured as follows:

(i) Financial assets at fair value through profit or loss

Financial assets are classified as FVTPL where the financial asset is either held for trading or is designated as FVTPL. A financial asset is classified into the FVTPL category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management. These assets are stated at fair value, with any resultant gain or loss recognized in the consolidated statement of profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. ***Financial instruments (continued)***

Classification and measurement (continued)

(ii) Available-for-sale investments

AFS financial assets are those non-derivative financial assets that are either designated as available for sale or are not classified as a) FVTPL, b) held-to-maturity or c) loans and receivables. AFS assets are stated at fair value. Cost may be used to approximate the fair value of AFS assets.

(iii) Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are non-derivative financial assets which are carried at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

Investment income is recorded in interest income in the consolidated statement of profit or loss. As at December 31, 2022 the Group does not hold any investments within this classification.

(iv) Loans and receivables

Loans and other receivables are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market, and which the Group has no intention of trading or designating at fair value. Loans and receivables are recognized when the Group provides goods or services to debtors or cash is advanced to borrowers. Loans and receivables are subsequently carried at amortized cost using the effective interest method, less any impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. *Financial instruments (continued)*

Classification and measurement (continued)

After initial recognition, financial liabilities are measured at amortized cost using the effective interest method, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are measured at fair value.

Cash and cash equivalents, trade accounts receivable and sundry receivables and prepayments are classified as loans and receivables and are carried at cost, which equates to amortized cost, less provision for bad debts. Trade accounts payable, accrued expenses and other liabilities and bonds payable are financial liabilities, which are carried at cost, which equates to amortized cost.

Investments in Bahamas Government Registered Stock are classified as loans and receivables and are carried at amortized cost. Preference shares and redeemable fixed rate note investments that meet the criteria are also classified as loans and receivables and carried at amortized cost. Preference shares and mutual fund investments that do not meet the loan and receivables recognition criteria are classified as available-for-sale and are measured at fair value at the consolidated statement of financial position date. All other investments are classified as financial assets at fair value through profit or loss.

Gains and losses arising from changes in fair value of available-for-sale investments are recognized in other comprehensive income (loss) until the investments are disposed of or are determined to be permanently impaired, at which time the cumulative gain or loss previously recognized in other comprehensive income (loss) is included in profit or loss for the period. Investments are measured at fair value with reference to market prices, or, for non-listed companies, financial information on the company. The gain or loss on investments classified as at fair value through profit or loss is recognized in the consolidated statement of profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. ***Financial instruments (continued)***

Recognition and derecognition - Regular way purchases and sales of financial assets are recognized on the trade date on which the Group commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Group has transferred its right to receive cash flows from the asset and substantially all risks and rewards of ownership. Financial liabilities are derecognized when they are extinguished.

e. ***Trade accounts receivable*** - Trade accounts receivable is stated at cost less provision for bad debts. The provision for bad debts is based on management's evaluation of the accounts receivable portfolio, as noted in Note 4d.

f. ***Property and equipment*** - Property and equipment, other than freehold land and buildings, are stated at cost less accumulated depreciation and impairment losses.

Expenditure incurred in the construction or replacement of property and equipment is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the property and equipment. All other expenditure is recognized in the consolidated statement of profit or loss as an expense as incurred. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognized in the consolidated statement of profit or loss.

Depreciation is charged to the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of the assets. Land is not depreciated and expenditure incurred on construction-in-progress is not depreciated until construction is completed.

The estimated useful lives are as follows:

Buildings	40 years
Furniture and equipment	5 - 10 years
Leasehold improvements and others	3 - 6 years
Motor vehicles	5 years

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. ***Property and equipment (continued)***

Freehold land and buildings are stated at fair market value, based on independent professional appraisals, which are performed at least once every three years. At the end of each reporting period, management updates its assessment of the fair value of each property, considering current information available and the most recent independent valuations. The fair value measurement is categorized in Level 3 in the fair value hierarchy. A revaluation increment is recorded in other comprehensive income (loss), unless it reverses a revaluation decrease of the same asset previously recognized as an expense and is transferred to retained earnings to the extent realized by complete or partial disposal of the related asset, including depreciation.

Any revaluation decrease is recognized as an expense unless it reverses a revaluation increase that was previously recognized in other comprehensive income (loss).

Any depreciation accumulated on an asset at the date of revaluation is eliminated against the gross carrying amount of the asset and the resulting net amount restated to the revalued amount of the asset. The accumulated depreciation is reduced or eliminated, and any remaining surplus is used to increase cost.

g. ***Intangible assets and goodwill*** - On acquisition of an investment in an associate/subsidiary any goodwill arising (i.e. the excess of the cost of the investment over the investor's share of the net fair value of the identifiable assets, liabilities and contingent liabilities) is accounted for as follows:

(i) goodwill is included in the carrying amount of the investment in associate and is neither amortized nor individually tested for impairment. For subsidiaries, it is included as goodwill in the consolidated statement of financial position and is tested for impairment at least annually.

(ii) other intangible assets identified on acquisition of a subsidiary are recognized at cost, only if future economic benefits attributable to the asset will flow to the Group, and if the fair value of the asset can be measured reliably. In addition, for purposes of recognition, the intangible asset must be separable from the business being acquired or must arise from contractual or legal rights. On acquisition, the useful life of the asset is estimated and determined to be either finite or indefinite.

(iii) any excess of the investor's share of the fair value of the net assets over the cost of the investment is included in the consolidated statement of profit or loss in the period in which the investment is acquired.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. ***Intangible assets and goodwill (continued)***

In addition to goodwill and other intangible assets arising from business combinations, included in this caption are acquired software licenses. The software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. After initial recognition, an intangible asset with a finite useful life is amortized using the straight-line method over the estimated useful life of 3-20 years, and amortization expense is included in depreciation and amortization of intangible assets in the consolidated statement of profit or loss. An intangible asset with an indefinite useful life is not amortized, but tested for impairment at least annually. An intangible asset shall be regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows to the Group.

An intangible asset shall be derecognized on disposal or when no future economic benefit is expected from its use or disposal. The gain or loss arising from the derecognition is recognized in the consolidated statement of profit or loss.

h. ***Impairment***

The Group evaluates at each consolidated statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of profit or loss. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the consolidated statement of profit or loss. When a financial asset is uncollectible, it is written off against the related allowance account. Recoveries of accounts previously written off are recognized directly in the consolidated statement of profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. *Impairment (continued)*

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets other than goodwill and intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Non-financial assets other than goodwill that previously suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. To the extent that the impairment is reversed, it is recognized in the consolidated statement of profit or loss.

In assessing whether financial assets carried at amortized cost and non-financial assets are impaired, due consideration is given to the factors outlined in Note 4d and Note 4c, respectively.

i. *Insurance contracts*

Product classification - Insurance contracts are those that transfer significant insurance risk at the effective date of the contract. Insurance risk is transferred when the Group agrees to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Any contracts not meeting the definition of an insurance contract under IFRS 4, Insurance Contracts are classified as investment contracts. The main insurance contracts issued by the Group are as follows:

Property and casualty ("P&C") insurance contracts **-** Property and casualty contracts are generally one year renewable contracts issued by the Group covering insurance risks over property, motor, marine, engineering and general accident.

Health and Group Life ("H&L") insurance contracts - Health and Group Life contracts are one year renewable contracts. Health insurance contracts cover insureds for medical expenses incurred. Group Life insurance contracts protect the Group's customers from the consequences of events (such as death or disability). Guaranteed benefits paid on occurrence of the specified insurance event are fixed.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. *Insurance contracts (continued)*

Reinsurance contracts - Contracts with reinsurers under which the Group is compensated for losses are classified as reinsurance contracts held. Insurance contracts in which the contract holder is another insurer (inwards reinsurance) are accounted for in the same manner as insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term recoverables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

Amounts recoverable from or balances payable to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Balances payable to reinsurers are classified as trade accounts payable in the consolidated statement of financial position.

The Group assesses its reinsurance assets for impairment on an ongoing basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the consolidated statement of profit or loss.

Portfolio Transfer In / (Out) - At the option of the Group and at the anniversary date of the reinsurance agreements, proportional reinsurers agree to relinquish (assume) liability for all policies in force at such anniversary date. The Group debits (credits) the reinsurers with the related portion of the deferred reinsurance premiums and unpaid claims recoverable calculated in accordance with the method outlined in the agreement.

Premiums - Premiums written are recognized as income over the periods covered by the related policies taking into consideration the exposure period to which they relate. The adjustment to apportion the gross premiums written and ceded over the life of the policy is made through the movement in the unearned premiums.

Unearned premiums at year end, represent the proportion of the premiums written which relate to periods of insurance subsequent to the consolidated statement of financial position date. This amount is calculated on a quarterly pro-rated basis using the eights method with some catastrophe based seasonality adjustments. This method is based on the general assumption that the premiums are spread uniformly over the quarter. For property business exposed to catastrophes, the apportionment is adjusted accordingly to better align the recognition of premium income with the exposure of the hurricane season.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. ***Insurance contracts (continued)***

Premiums ceded - Premiums ceded to reinsurers are recognized as an expense over the periods covered by the related policies taking into consideration the exposure period to which they relate.

Deferred reinsurance premiums in the consolidated statement of financial position at year end represent the proportion of the premiums ceded which relate to periods of insurance subsequent to the consolidated statement of financial position date. This amount is calculated on a quarterly pro-rated basis using the eights method, adjusting accordingly for seasonality to align with the exposure of the hurricane season.

j. ***Unpaid claims and unpaid claims recoverable from reinsurers*** - The provision for unpaid claims, and the reinsurers' share thereof, represents an estimate of the amount needed to provide for the ultimate expected cost of settling claims related to insured losses (both reported and unreported) that have occurred on or before each consolidated statement of financial position date. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries.

The provision is periodically reviewed and evaluated in the light of emerging claims experience and changing circumstances. Changes in estimate of the ultimate liability are included in net claims incurred in the consolidated statement of profit or loss.

At the date of the consolidated statement of financial position, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities, using current estimates of the related expected future cash flows. If a test indicates that the carrying value of insurance contract liabilities is inadequate, then the liabilities are adjusted to correct the deficiency. Management has engaged independent actuaries to assist in performing the liability adequacy test at year-end.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. ***Policy acquisition costs***

Deferred and unearned commissions - At year end, deferred and unearned commissions represent the proportion of the commission paid to agents and brokers and received from reinsurers which related to periods of insurance subsequent to the consolidated statement of financial position date. These amounts are calculated on a quarterly pro-rated basis taking into consideration the exposure period to which they relate using the eights method, adjusting accordingly for seasonality to align with the exposure of the hurricane season.

Commission income and expense - Base commissions paid to agents and received from insurers and reinsurers are calculated based on gross premiums written and reinsured. Base commissions paid and received are adjusted so that they are recognized over the period covered by the related policies taking into consideration the exposure period to which they relate.

Profit commissions received from reinsurers and non-group insurers, calculated based on past underwriting results, are received from other insurance companies for whom Group agents may act and from the Group's reinsurers. Profit commission income and expense are recognized when the Group's right to receive, or obligation to make, payment has been established.

l. ***Dividend and interest income*** - Dividends are recognized in profit or loss when the Group's right to receive the dividend income is established. Interest income is accounted for on an accrual basis. Both are recognized in other income, net in the consolidated statement of profit or loss.

m. ***Investment premiums and discounts*** - Premiums and discounts arising on acquisition of fixed income securities are amortized over the period remaining to maturity and are recognized in other income, net in the consolidated statement of profit or loss.

n. ***Cash and cash equivalents*** - Cash and cash equivalents consist of cash on hand and deposits with banks maturing within ninety days from the date of acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o. ***Borrowings*** - Borrowings are recognized initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, interest bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the consolidated statement of profit or loss over the period of borrowing using the effective rate method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan and are capitalized, and included in sundry receivables and prepayments in the consolidated statement of financial position. Capitalized fees are amortized over the period of the facility to which it relates, and are included in general and administrative expenses in the consolidated statement of profit or loss.

p. ***Share capital*** - Shares are classified as equity when there is no obligation to transfer cash or other assets. Share capital is comprised of common and preference shares. The preference shares are non-voting and redeemable at the option of the Company. When common shares are repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction in equity.

Dividends on common and preference shares are recognized as a liability and deducted from equity when they are declared by the Group's Board of Directors.

q. ***Foreign currency translation:***

(i) ***Functional and presentation currency*** - Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Bahamian dollars, which is BFH's functional and presentation currency.

(ii) ***Transactions and balances*** - Assets and liabilities denominated or accounted for in currencies other than the Bahamian dollar are translated into Bahamian dollars at the exchange rate prevailing at the consolidated statement of financial position date. Foreign currency transactions and income and expense items have been translated at the exchange rates prevailing at the date of the transaction. Gains or losses arising from transactions in foreign currencies are included in the consolidated statement of profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r. ***Related parties*** – Related parties include:

(i) key management personnel, including Directors; and close members of that person's family;
(ii) entities that have the ability to control or exercise significant influence over the Group in making financial or operational decisions; and
(iii) entities that are controlled, jointly controlled or significantly influenced by parties in (i) and (ii).

s. ***Pension benefits*** - The Group's employees participate in a defined contribution plan. Under the plan, the Group contributes a fixed percentage of annual salary that is expensed in the year. Once the contributions have been made, the Group has no further obligations. The expensed amount is included in salaries, benefits and bonuses in the consolidated statement of profit or loss.

t. ***Share-based payments*** - The Company has a share option plan for executives and, on occasion, a share subscription offer for employees. When the options are exercised the Company issues new shares and the proceeds received are credited to common shares and contributed surplus in the consolidated statement of changes in equity.

u. ***Earnings per share*** - Earnings per share is computed by dividing the profit attributable to the common shareholders by the weighted average number of common shares outstanding during the year. The weighted average number of common shares outstanding during the year is the number of common shares outstanding at the beginning of the period, adjusted by the number of common shares repurchased or issued during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year. There is no material difference between basic earnings per share and fully diluted earnings per share.

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

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to office premises.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v. *Leases (continued)*

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

The Group determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v. ***Leases (continued)***

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

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

Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

w. ***Taxation*** - Subsidiaries of the Group operating in The Bahamas are subject to tax on taxable gross premium income at the flat rate of 3% (2021: 3%) for premium tax on all policies and at 10%, effective January 1, 2022, (2021: 12%) for value added tax ("VAT") on all policies except owner occupied dwellings. Effective July 1, 2022, insurance subsidiaries operating in The Bahamas are subject to a business license tax on non-premium turnover at a sliding scale rate ranging from 0.5% to 1.25%.

Subsidiaries of the Group operating in the Cayman Islands charge policyholders a stamp duty of Cayman Islands ("CI") $12 (2021: $12) on each new or renewed insurance policy in accordance with the Stamp Duty Act (2019 Revision). Additionally, the subsidiaries also charge stamp duty of 2% (2021: 2%) of the premium relating to immovable property. For health policyholders, CI$10 (2021: CI$10) for each insured person with no dependants and CI$20 (2021: CI$20) for each insured person with dependants, is charged monthly to customers on behalf of the Health Insurance Commission.

The VAT on premiums, premium taxes, stamp duties and surcharges are recorded as receivables from the policyholders and payables to the government agencies in the month in which they are processed. Gross premiums written are presented inclusive of The Bahamas' premium tax and Cayman Islands' stamp duty and surcharges in the consolidated statement of profit or loss. The premium tax expense (inclusive of stamp duties and surcharges) is presented within the underwriting expenses section of the consolidated statement of profit or loss.

There are no other taxes on corporate income or capital gains levied on the Group in any of the jurisdictions in which it operates.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

x. ***Segment reporting*** - In identifying its operating segments, management generally follows the Group's business operating activities by geographic location (Bahamas & Cayman). The Bahamas' segment includes general insurance only and Cayman's segment includes both general insurance and health and group life. General insurance comprises fire, motor, marine, engineering and general accident. The health and life insurance segment includes group life and medical insurance.

y. ***Contingent liabilities*** - A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably.

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that the Group will be required to settle that obligation; and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle that obligation at the reporting date and are discounted to present value.

Potential recoveries from third parties are recognized as a receivable when it is virtually certain that the recoveries will be received, and the amount can be measured reliably.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a. ***The ultimate liability arising from claims made under insurance contracts***

The estimation of the ultimate liability arising from claims made under insurance contracts is the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the amounts that the Group will ultimately pay to settle such claims.

The provision for unpaid claims is necessarily based on estimates due to the fact that ultimate disposition of claims incurred prior to the date of the consolidated statement of financial position, whether reported or not, is subject to the outcome of events that have not yet occurred. Examples of these events include, inter alia, jury decisions, court interpretations, legislative changes, changes in the medical condition of claimants, changes in medical costs and the cost of automobile and property repair materials and labour rates.

Any estimate of future costs is subject to the inherent uncertainties in predicting the course of future events. Consequently, the amounts recorded in respect of unpaid claims may change significantly in the short term. Management estimates and judgments are based on the Group's claims experience, relevant circumstances and/or advice from legal counsel.

Short-tail claims, such as for automobile and property damage, are normally reported soon after the incident and are generally settled within one to three months after the claims event. Health claims are normally reported within three months of the event and are usually settled within days of being reported.

Information for long-tail claims such as casualty claims for bodily injury, general third party liability, employers' liability, workmen's compensation and long term disability may not be readily available. The provision for the long-tail claims is continually evaluated by management and is based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

a. ***The ultimate liability arising from claims made under insurance contracts (continued)***

The ultimate cost of outstanding claims is estimated using a range of standard actuarial claims projection techniques. The Group's actuary has used a combination of actuarial methodologies to determine the estimate of ultimate liabilities on an undiscounted basis.

The assumptions used in most non-life actuarial projection techniques, including future rates of claims inflation or loss ratio assumptions, are implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future in order to arrive at a point estimate for the ultimate cost of claims that represents the likely outcome, from a range of possible outcomes, taking account of all the uncertainties involved.

The Group does not establish provisions for catastrophes (such as natural disasters) in advance of the occurrence of such events. These events can cause significant volatility in the Group's level of incurred losses and the provision for unpaid claims. The impact of critical accounting estimates and judgments on the ultimate liability arising from claims made under insurance contracts is partially mitigated through relief arising from reinsurance contracts held.

The carrying value at the consolidated statement of financial position date of gross unpaid claims reported and loss adjustment expenses and claims incurred but not reported ("IBNR") was $58,388,824 (2021: $52,066,216). The amount of reinsurance recoveries estimated at the consolidated statement of financial position date is $32,213,996 (2021: $35,191,446).

Refer to Note 9 for further information on the provision for unpaid claims.

b. ***Pro-ration of premiums and commissions***

As described in Note 3(i), unearned premiums and deferred reinsurance premiums at year end represent the proportion of the premiums which relate to periods of insurance subsequent to the consolidated statement of financial position date. Similarly, as per Note 3(k), deferred and unearned commissions at year end represent the proportion of the commission paid to agents and brokers and received from reinsurers which relate to periods of insurance subsequent to the consolidated statement of financial position date. These premium and commission amounts are recognized on a quarterly pro-rated basis taking into consideration the exposure period to which they relate.

Commissions received from reinsurers are dependent on the underlying loss ratio of the various classes of business, on an underwriting year basis. Commissions are susceptible to adjustments in future years as the underwriting year result develops.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

c. ***Impairment of goodwill and intangible assets***

Determining whether goodwill or intangible assets are impaired requires an estimation of (i) the value in use or (ii) the fair value less costs to sell of the cash-generating unit or group of units to which the value has been allocated:

(i) The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit(s) and a suitable discount rate in order to calculate present value, both of which are material sources of uncertainty.

(ii) The fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit(s) between knowledgeable willing parties, less the costs of disposal.

The carrying value at the consolidated statement of financial position date for intangible assets and goodwill was $8,419,092 (2021: $8,268,710).

d. ***Provision for bad debts***

As described in Note 3e, provision for bad debts is based on management's evaluation of the respective portfolios. This evaluation is based on the aged analysis of the trade accounts receivable. Trade accounts receivable, which is shown net of provision for bad debts, is comprised of (1) amounts receivable from insurance agents that have signed agency agreements with the Group insurers ("insurer trade receivables"); (2) clients of the Group's agency subsidiaries ("policyholders' receivables"); and (3) amounts receivable from reinsurers based on the benefits the Group is entitled to under its reinsurance contracts held ("reinsurers' receivables").

Provisions are recorded for policyholders' receivables as follows:

Over 6 months	10% provision
Over 9 months	20% provision
Over 1 year	100% provision

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering the trade accounts receivable in its entirety or a portion thereof. The carrying value at the consolidated statement of financial position date for trade accounts receivable, net was $35,186,147 (2021: $30,911,815).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

e. ***Depreciation of property and equipment and amortization of intangible assets***

Depreciation and amortization are based on management's estimates of the future useful lives of property and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful lives and in the depreciation and amortization charges. The Group reviews the future useful life of property and equipment and intangible assets periodically, taking into consideration the factors mentioned above and all other important factors. In case of significant changes in the estimated useful lives, depreciation and amortization charges are adjusted prospectively.

f. ***Fair value of financial assets and liabilities***

The fair values of listed equities are based on current bid prices reported on recognized exchanges. The fair value of debt securities is based on either current bid prices reported on recognized exchanges, secondary markets or pricing data provided by internationally recognized pricing services. Mutual funds are carried at fair value based on the net asset value per share provided by the administrator of the fund. If prices are not readily available, the fair value is estimated using either dealer quotes or pricing models or discounted cash flow models or management's estimate of amounts that could be realized under current market conditions and which are based on observable market-based inputs when available.

Where fair value has been determined using data provided by a recognized pricing service, dealer quotes, pricing models or net asset value per share, the Group has obtained an understanding of the methods, models and inputs used in pricing and has controls in place that management considers sufficient to validate that prices represent fair value.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

f. ***Fair value of financial assets and liabilities (continued)***

Investments for which observable market prices do not exist are reported at fair value as determined in good faith by management. Fair value is based on the best information available and is determined by reference to information including, but not limited to the following: projected revenues, net earnings, earnings before interest, taxes, depreciation and amortization (“EBITDA”), book value, relevant public or private transactions, valuations for publicly traded companies, and/or other measures, and consideration of any other pertinent information including the types of securities held and restrictions on disposition. The amount determined to be fair value may incorporate management’s own assumptions (including appropriate risk adjustments for non-performance and lack of marketability).

For certain financial instruments carried at cost, the carrying amounts approximate fair value due to the short term nature of these instruments. Such instruments include trade accounts receivable, sundry receivables and prepayments, trade accounts payable and accrued expenses and other liabilities.

For long term financial instruments carried at cost with fixed interest rates, despite a change in market rates since the issuance of the financial assets there has been no observable change in fair values; accordingly, the carrying values approximate fair values. Other long term instruments carried at cost have rates that periodically reset to market rates minimizing the exposure to fair value interest rate risk.

Refer to Notes 5 and 6 for further information on the fair value of financial assets and liabilities.

g. ***Land and building revaluation***

Land and buildings are revalued triennially based on outputs derived from an independent appraisal report. The techniques used by the appraiser involve the use of assumptions to provide a fair value estimate of land and buildings. Information about the valuation technique and inputs used in determining the fair value of the land and buildings are disclosed in Note 10.

5. RISK MANAGEMENT

The Group is concerned about the risks inherent in its business activities (insurance risk) and the risks associated with the management of the financial assets and liabilities (financial risk) which support the operational activities. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management structure. The Group has established the Technical Review and Risk Compliance Committee, and the Finance and Investment Committee to oversee the management of the risks assigned within its respective Board approved mandate. It is management's responsibility to adhere to the parameters established within the Board's risk management structure. This is executed through periodic evaluation of risk registers, development of appropriate policies and procedures, periodic measurement of Key Performance Indicators, and the necessary controls to ensure reliable reporting and material compliance with regulatory guidelines. The Group's Internal Audit function reviews the risk management policies and processes and reports directly to the Audit Committee. The Audit Committee oversees how management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks that face the Group. The committees report regularly to the Board of Directors on their activities.

The Group has exposures to risks that may develop in each class of business within each operating segment and could have a material impact upon the Group's financial position.

Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, the risk is random and therefore unpredictable.

Risk factors that affect insurance are many and include the lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered. The Group insures the risks of entities within The Bahamas and the Cayman Islands. There is a concentration of insurance risk in those territories.

Below is a discussion of insurance risks specific to the lines of coverage provided by the operating segments within the Group.

5. RISK MANAGEMENT (CONTINUED)

Insurance risk (continued)

Property and casualty insurance risks

Property risks are comprised of physical damage to property. Property policies are underwritten by reference to the commercial replacement value of the properties and content insured.

Casualty risks are comprised of personal injury from motor claims, public liability, employers' liability, workmen's compensation and personal liability coverage.

For the Group's property and casualty insurance contracts, significant risk exposure arises from low frequency, high severity events such as hurricanes. Single events, such as flooding and fires may also generate significant claims.

Claim payment limits are always included to cap the amount payable on occurrence of the insured event. The key factors that influence the quantum of claim settlements are the costs of rebuilding properties and the replacement of or indemnity for building contents.

The frequency and severity of claims can be affected by several factors with the single most significant event being a catastrophic event. The Group manages this risk through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. Underwriting limits are in place to enforce appropriate risk selection criteria. The Group actively manages and pursues early settlement of all claims to reduce its exposure to unpredictable developments. It has a dedicated in-house claims department and uses third party loss adjusters as necessary. The Group will, where necessary, appoint lawyers to act on the Group's behalf in respect of serious bodily injury claims thus ensuring settlements and avoiding claims development.

Health and group life insurance risks

The most significant factors that could increase the overall frequency of claims relating to health and group life insurance contracts are epidemics or widespread changes in lifestyle, resulting in earlier or more claims than expected.

5. RISK MANAGEMENT (CONTINUED)

Insurance risk (continued)

Reinsurance risks

The Group follows the policy of underwriting and reinsuring contracts of insurance, which generally limit the liability for any one risk. In addition, catastrophe reinsurance is obtained to limit liability to a maximum of 10% of the Group's capital and reserves in the event of a series of claims arising out of a single occurrence.

The Group is exposed to contractual disputes with its reinsurers and the possibility of default by its reinsurers. The Group is also exposed to the credit risk assumed in fronting arrangements and to potential reinsurance constraints. The Group's strategy is to select reinsurers with the best combination of financial strength, price and capacity.

In the event that the Group's reinsurers were unable to meet their obligations under the reinsurance programs in place, the Group would still be obligated to pay all claims made under the insurance policies it issues, but would only receive reimbursement to the extent that the reinsurers could meet their above mentioned obligations.

Management does not anticipate that there will be any issues with the collection of amounts due from reinsurers as they become due, and is not aware of any disputes with reinsurers, overdue amounts or any specific credit issues.

The reinsurance program used by the Group is reviewed and approved by the Technical Review and Risk Compliance Committee on an annual basis.

Financial risk

The Group is exposed to financial risk through its financial assets and liabilities. The components of financial risk that have an impact on the Group are credit risk, market risk and liquidity risk. Market risk exposure results from adverse movements in market rates and prices and as a result the Group is exposed to interest rate risk, foreign currency risk and price risk.

Financial risk is a significant risk for the Group's operations. The risk framework combines investment policies, limits, stress tests and regular monitoring to control the nature and level of financial risk and to ensure adherence to Group and regulatory policies and guidelines.

(Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

Financial risk (continued)

The following table reconciles financial assets and financial liabilities to the Group's consolidated statement of financial position:

	2022	2021
Financial assets:		
Cash	$ 33,636,381	$ 21,276,044
Investments:		
Fair value through profit or loss	9,014,319	9,631,456
Available-for-sale	18,743,066	23,462,783
Loans and receivables:		
Debt securities	3,799,842	4,985,364
Trade accounts receivable, net	35,186,147	30,911,815
Sundry receivables*	2,241,582	2,099,758
Total financial assets	102,621,337	92,367,220
Non - financial assets	114,957,503	116,833,795
Total assets	$ 217,578,840	$ 209,201,015
Financial liabilities:		
Payables at amortized cost:		
Trade accounts payable, accrued expenses and other liabilities	$ 13,840,753	$ 13,487,100
Bonds payable at amortised cost - Fair Value: $7,619,435 (2021: $7,618,151)	7,619,435	7,618,151
Total financial liabilities	21,460,188	21,105,251
Non - financial liabilities	127,240,697	122,448,573
Total liabilities	$ 148,700,885	$ 143,553,824

*excludes prepaid expenses of $1,181,268 (2021: $847,969)

(Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Key areas where the Group is exposed to credit risk are in the cash and cash equivalents, investments, unpaid claims recoverable from reinsurers, trade accounts receivable and sundry receivables.

The Group's investment policy permits the Group to invest in fixed income securities, equity securities, private placements of financial institutions and term deposits, and to limit exposure to any one issuer. The Group's deposits are placed with well-known high quality financial institutions. Policies and guidelines are in place to limit the exposure faced by the Group.

The Group is exposed to credit risk in respect of trade accounts receivable balances due from agents that bind insurance policies on its behalf. The Group periodically inspects the financial records of these intermediaries to proactively address any negative trends. Commissions paid to these intermediaries are also netted off against amounts receivable from them to reduce the amount at risk for default.

The Group is exposed to credit risk with respect to the amounts recoverable from its reinsurers. The Group's liability as primary insurer is not discharged if a reinsurer defaults on the obligation to pay. The Technical Review and Risk Compliance Committee ensures that management assesses the creditworthiness of all reinsurers by reviewing credit ratings as determined by independent rating agencies and other publicly available financial information. The Group has approved limits for the maximum participation of any one reinsurer in its reinsurance program. Reinsurance coverage is placed with a number of major international third party reinsurers, including underwriting members of Lloyd's, with credit ratings of A- or higher from A.M. Best or Standard & Poor's. The concentration of credit risk is also monitored to minimize the Group's exposure to significant losses from reinsurer insolvency.

The following assets of the Group are exposed to credit risk:

	2022	2021
Available-for-sale securities:		
Fixed income debt securities	$ 17,193,066	$ 21,404,080
Mutual funds	-	508,703
Preference shares	1,550,000	1,550,000
Loans and receivables:		
Debt securities	3,799,842	4,985,364
Trade accounts receivable	36,440,790	32,276,279
Sundry receivables	2,241,582	2,099,758
Reinsurers' share of provision for unpaid claims	32,213,996	35,191,446
Cash	33,636,381	21,276,044
Total	$ 127,075,657	$ 119,291,674

(Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Debt securities are analysed in the table below using Standard & Poor's ("S&P") ratings.

	2022	2021
AA	$ 954,045	$ 1,061,985
A	6,927,706	10,194,907
BBB	9,014,760	10,829,538
Below BBB or Not rated	4,096,397	4,303,014
Total debt securities	$ 20,992,908	$ 26,389,444

Financial and other assets exposed to credit risk that are neither past due nor impaired, past due but not impaired and those that are impaired are analyzed in the table below:

At December 31, 2022	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Available-for-sale securities	$ 18,743,066	$ -	$ -	$ 18,743,066
Loans and receivables:				
Debt securities	3,799,842	-	-	3,799,842
Trade accounts receivable	24,958,038	10,228,109	1,254,643	36,440,790
Sundry receivables	2,241,582	-	-	2,241,582
Reinsurers' share of provision for unpaid claims	32,213,996	-	-	32,213,996
Cash	33,636,381	-	-	33,636,381
Total assets exposed to credit risk	$ 115,592,905	$ 10,228,109	$ 1,254,643	$ 127,075,657

(Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

At December 31, 2021	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Available-for-sale securities	$ 23,462,783	$ -	$ -	$ 23,462,783
Loans and receivables:				
Debt securities	4,985,364	-	-	4,985,364
Trade accounts receivable	23,895,618	7,016,197	1,364,464	32,276,279
Sundry receivables	2,099,758	-	-	2,099,758
Reinsurers' share of provision for unpaid claims	35,191,446	-	-	35,191,446
Cash	21,276,044	-	-	21,276,044
Total assets exposed to credit risk	$ 110,911,013	$ 7,016,197	$ 1,364,464	$ 119,291,674

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed above. The Group does not hold collateral as security.

Concentration of exposure

The concentration of the Group's gross premiums written are as follows:

	2022	2021
Group agents and insurers	$ 129,797,621	$ 114,744,874
Non-Group agents	61,432,011	63,491,599
Total	$ 191,229,632	$ 178,236,473

The concentration of credit risk is regularly monitored and evaluated. Specifically for non-group agents, the Group evaluates payment history as well as its financial position on a periodic basis.

(Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Concentration of exposure (continued)

The geographical locations of the Group's portfolio of investments are as follows:

	2022	%	2021	%
Bahamas	$ 16,334,161	52%	$ 18,645,523	49%
USA	10,780,111	34%	12,164,950	32%
Europe	1,980,180	6%	2,098,885	6%
United Kingdom	956,210	3%	2,025,755	5%
Asia	990,085	3%	1,547,591	5%
Caribbean	20,000	0%	557,165	1%
Australia	496,480	2%	532,984	1%
South Africa	-	0%	506,750	1%
Total	$ 31,557,227	100%	$ 38,079,603	100%

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or future cashflows will fluctuate due to changes in market interest rates. This is primarily a concern with fixed and fluctuating interest rate financial instruments, which the Group intends to hold for the long-term.

The Group's investment in debt securities, cash and cash equivalents, and its bonds payables are all subject to interest rate risk. Fluctuations in interest rates impact the level of gains and losses on the Group's interest bearing financial instruments.

The coupon rates associated with the fixed income debt securities held by the Group range from 1.05% to 9.00 % (2021: 1.05% to 8.00%) per annum. Interest on the bonds payable is at B$ prime rate plus 2.00% [effective rate 6.25% (2021: 6.25%)] per annum.

The average interest yields of investments held during the year are as follows:

Debt securities	4.45% (2021: 3.44%)
Cash and cash equivalents	0.00% (2021: 0.01%)

5. RISK MANAGEMENT (CONTINUED)

Foreign currency risk

Foreign currency risk relates to the Group operating in different currencies and converting non-Bahamian earnings at different foreign exchange levels when adverse changes in foreign currency exchange rates occur. The Group is not directly exposed to foreign currency risk, as investments are denominated in Bahamian dollars and US dollars. The Bahamian dollar is fixed to the US dollar at the following rate: B$1 = US$1 and the Cayman Island dollar is fixed to the US$ at the following rate: CI$1 = US$1.20, at the date of the consolidated statement of financial position. All other assets and liabilities of the Group are denominated in Bahamian dollars, Cayman Island dollars or US dollars.

Price risk

The Group is subject to price risk on its investments due to fluctuations in fair value as a result changes in market prices. One of the primary objectives of the Group's risk management policy is to mitigate potential adverse impacts of market movements. Price risk arises primarily from changes in the value of equity investments and debt securities in the event that these are required to be sold to meet liquidity needs.

Trading levels in The Bahamas, whether on BISX or over-the-counter markets, are generally low and therefore, the ability of the Group to liquidate large positions may be difficult and prices received may be severely impacted. The Central Bank has created a secondary market for certain debt securities issued by the Government of The Bahamas, and prices currently being observed in this market and over-the-counter approximate the face values of such securities.

(Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

Price risk (continued)

The Group is sensitive to price risk on its fair value through profit or loss and available-for-sale securities. These securities are managed according to the benchmarks as specified in the Group's statement of investment policy and guidelines. The effect of a 10% increase (2021: 10%) and a 10% decrease (2021: 10%) in prices at the date of the consolidated statement of financial position are set out below:

At December 31, 2022	**Carrying value**	**Effect on profit and equity +10%**	**Effect on profit and equity -10%**
Listed equity securities	$ 9,008,762	$ 900,876	$ (900,876)
Listed debt securities	15,203,066	1,520,307	(1,520,307)
Unlisted debt securities	5,789,842	578,984	(578,984)
Listed preference shares	1,550,000	155,000	(155,000)
Listed mutual funds	-	-	-
Unlisted equity securities	5,557	556	(556)
Total	$ 31,557,227	$ 3,155,723	$ (3,155,723)
At December 31, 2021			
Listed equity securities	$ 9,625,899	$ 962,590	$ (962,590)
Listed debt securities	19,414,080	1,941,408	(1,941,408)
Unlisted debt securities	6,975,364	697,536	(697,536)
Listed preference shares	1,550,000	155,000	(155,000)
Listed mutual funds	508,703	50,870	(50,870)
Unlisted equity securities	5,557	556	(556)
Total	$ 38,079,603	$ 3,807,960	$ (3,807,960)

Corresponding figures from the prior year have been reclassified to conform with the current year's presentation.

(Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Group may have difficulty liquidating its positions due to existing or unforeseen market constraints to meet obligations associated with financial instruments. In respect of catastrophic events, the Group is exposed to liquidity risk associated with the timing differences between cash flows and expected reinsurance recoveries to meet its insurance liability obligation. Most of the Group's investments are either in a market that is not highly active or do not have a market and therefore may not be readily realizable. As a result, the Group may not be able to quickly liquidate its investments at an amount close to their fair value in order to meet liquidity requirements. The Group mitigates this risk by maintaining significant holdings in cash and cash equivalents and also ensures that there are set guidelines for asset allocations, portfolio limit structures and maturity profiles of investments. The consolidated statement of financial position presents assets and liabilities in order of liquidity. The carrying value of investment assets with contractual maturities of less than one year at the consolidated statement of financial position date was $3,657,272 (2021: $4,216,657). Except for the investment assets due in over one year, the unpaid claims recoverable from reinsurers projections shown below, property and equipment, right-of-use assets and intangible assets and goodwill, all assets are current assets.

The following tables indicate the estimated timing of undiscounted cash flows arising from liabilities as at December 31, 2022 and 2021:

2022	**Cash flows**			
Liabilities	**Total**	**< 1 year**	**1 - 5 years**	**> 5 years**
Accrued expenses and other liabilities	$ 3,118,491	$ 3,118,491	$ -	$ -
Trade accounts payable	10,722,262	10,722,262	-	-
Unpaid claims	58,388,824	35,574,141	14,607,164	8,207,519
Less: unpaid claims recoverable from reinsurers	(32,213,996)	(17,144,102)	(9,566,707)	(5,503,187)
Bonds payable	7,619,435	119,435	7,500,000	-
Total undiscounted cash flows	$ 47,635,016	$ 32,390,227	$ 12,540,457	$ 2,704,332

(Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

2021	**Cash flows**			
Liabilities	**Total**	**< 1 year**	**1 - 5 years**	**> 5 years**
Accrued expenses and other liabilities	$ 4,432,522	$ 4,432,522	$ -	$ -
Trade accounts payable	9,054,578	9,054,578	-	-
Unpaid claims	52,066,216	30,782,909	16,087,094	5,196,213
Less: unpaid claims recoverable from reinsurers	(35,191,446)	(19,863,892)	(11,559,410)	(3,768,144)
Bonds payable	7,618,151	118,151	7,500,000	-
Total undiscounted cash flows	$ 37,980,021	$ 24,524,268	$ 12,027,684	$ 1,428,069

In addition to the analysis above, we have disclosed the cash flows for lease liabilities in Note 11. All other liabilities are current liabilities.

Sensitivity analysis

The Group predominantly funds its net insurance liabilities through its cash generated in the normal course of its operations. In the event of a catastrophe, the net insurance liabilities may be required to be funded through the Group's portfolio of investments. Several of the Group's investments are subject to the impact of interest rate fluctuations.

Insurance liabilities are calculated using historical claims data to determine an estimate of the amount needed to provide for the ultimate expected cost of settling claims related to insured losses (both reported and unreported) that have occurred at the date of the consolidated statement of financial position. Projections are based on assumptions implicit in the historic claims development. As such, the sensitivity of the insurance liabilities is based on the financial impact of changes to the reported loss ratio. The provision for long tail claims is determined by using the incurred loss method and loss ratio method. The loss development factors used are based on the Group's experience.

The sensitivity analysis overleaf is based on a change in one assumption while holding all other assumptions constant. The analyses assume that there is no correlation between the assumptions.

(Expressed in Bahamian dollars)

5. RISK MANAGEMENT (CONTINUED)

Sensitivity analysis (continued)

Sensitivity factor	Description of sensitivity factor applied
Interest rates	The impact of a change in market interest rates by 1%
Underwriting expenses excluding claims	The impact of a change in underwriting expenses by 5%
Loss ratio	The impact of a change in loss ratio by 5%

December 31, 2022 in $	Interest rates		Underwriting expenses excluding claims		Loss ratio	
	+1%	-1%	+5%	-5%	+5%	-5%
Impact on profit	451,974	(451,974)	(1,741,864)	1,741,864	(3,680,261)	3,680,261
Impact on equity	451,974	(451,974)	(1,741,864)	1,741,864	(3,680,261)	3,680,261

December 31, 2021 in $	Interest rates		Underwriting expenses excluding claims		Loss ratio	
	+1%	-1%	+5%	-5%	+5%	-5%
Impact on profit	488,402	(488,402)	(1,527,846)	1,527,846	(2,991,064)	2,991,064
Impact on equity	488,402	(488,402)	(1,527,846)	1,527,846	(2,991,064)	2,991,064

Capital management

The Group's objectives when managing Capital are:

- To safeguard the Group's ability to continue as a going concern through prudent and sustainable growth, so that it can continue to maximize returns for shareholders;
- To ensure that it maintains a strong credit rating (minimum AM Best rating of A-Excellent) and healthy capital ratios in order to support its business objectives; and
- To comply with the regulatory capital requirements in the jurisdictions in which the Group operates.

In each country in which the Group operates, the insurance regulator specifies the minimum amount and type of capital that must be held and solvency ratio that must be maintained, based on the applicable laws and regulations governing the country's insurance industry. The minimum capital requirements applicable to the Group range from $50,000 to $6,800,000. Minimum solvency ratios for insurers range from 125% to 150%. The Group has complied with all of the externally imposed capital requirements to which it is subject.

(Expressed in Bahamian dollars)

6. INVESTMENTS

	2022	2021
Loans and receivables:		
Debt securities:		
Bahamas Government Registered Stocks - at cost		
Unrestricted - Fair value: $1,179,100 (2021: $2,179,100)	$ 1,179,100	$ 2,179,100
Restricted - Fair value: $1,000,000 (2021: $1,000,000)	1,000,000	1,000,000
Other fixed income debt securities, at cost - Fair value : $1,620,742 (2021: $1,806,264)	1,620,742	1,806,264
Total loans and receivables	3,799,842	4,985,364
Fair value through profit or loss:		
Bahamas International Securities Exchange Limited (BISX) 12 (2021: 12) common shares - at cost $130,556 (2021: $130,556)	5,557	5,557
Commonwealth Bank Limited 2,516,414 (2021: 3,166,414) common shares - Cost $1,038,125 (2021: $1,306,277)	9,008,762	9,625,899
Total at fair value through profit or loss	9,014,319	9,631,456
Available-for-sale:		
Fixed income debt securities, at fair value; amortised cost $18,364,572 (2021: $21,203,281)	17,193,066	21,404,080
Mutual funds, at fair value; cost $nil (2021: $397,073)	-	508,703
Preference shares, at fair value; cost $1,550,000 (2021: $1,550,000)	1,550,000	1,550,000
Total available-for-sale	18,743,066	23,462,783
Total investments	$ 31,557,227	$ 38,079,603

(Expressed in Bahamian dollars)

6. INVESTMENTS (CONTINUED)

Loans and receivables investments are recorded at amortized cost based on the effective interest rate method. The variable interest rate instrument is tied to B$ prime, with an interest rate of 4.41% (2021: range of 4.41% to 4.50%) per annum and scheduled maturity of 2030 (2021: between 2022 and 2030) at the date of the consolidated statement of financial position.

In 2011, in accordance with the Insurance Act 2005 (Amended 2009), and regulations 61 and 62 of the Insurance (General) Regulations 2010, the Group established a Trust Account (the "BFG Trust") in which $1,000,000 of the Bahamas Government Registered Stocks have been placed in trust. This amount is restricted for regulatory purposes but the interest income accrues to the Group.

As at December 31, 2022, the investment in Commonwealth Bank Limited (the "Bank") was valued at $3.58 (2021: $3.04) per share, which was the quoted price by the Bahamas International Securities Exchange ("BISX"). The Group sold 650,000 shares during the year which resulted in realized gains of $1,961,845 and a change in unrealized loss of $348,984 (2021: unrealized loss of $1,741,527) on the investment for the year then ended.

The amortized cost and fair value of available-for-sale fixed income debt securities held at December 31, 2022, by contractual maturities, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to repay obligations early without repayment penalties. Interest rates range from 1.05% to 9.00% (2021: 1.05% to 6.50%) per annum at the date of the consolidated statement of financial position.

	2022		2021	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available-for-sale:				
Due in less than 1 year	$ 3,507,312	$ 3,471,750	$ 3,004,161	$ 3,031,135
Due from 1 through 5 years	12,867,260	11,731,316	16,058,056	16,253,665
Due after 5 years	1,970,000	1,970,000	2,121,064	2,099,280
No fixed maturity date	20,000	20,000	20,000	20,000
Total available-for-sale fixed income debt securities:	$ 18,364,572	$ 17,193,066	$ 21,203,281	$ 21,404,080

(Expressed in Bahamian dollars)

6. INVESTMENTS (CONTINUED)

The Group's fixed income debt securities are comprised of the following:

	2022	2021
Corporate debt securities	$ 17,693,066	$ 21,366,914
Government debt securities	3,299,842	5,022,530
Total	$ 20,992,908	$ 26,389,444

Reconciliation of movements in the balance of investments is provided below:

	Loans & Receivables	Fair value through profit or loss	Available-for-sale	Total
At December 31, 2020	$ 6,063,718	$ 11,372,983	$ 19,978,347	$ 37,415,048
Cost of investments purchased	-	-	9,789,513	9,789,513
Sales and maturities	(1,078,354)	-	(5,829,289)	(6,907,643)
Amortization of discounts on bonds (Note 18)	-	-	(90,689)	(90,689)
Realized gains on sales of investments (Note 18)	-	-	470,519	470,519
Unrealised loss on investments	-	(1,741,527)	(855,618)	(2,597,145)
At December 31, 2021	4,985,364	9,631,456	23,462,783	38,079,603
Cost of investments purchased	-	-	1,340,640	1,340,640
Sales and maturities	(1,185,522)	(2,229,998)	(4,516,421)	(7,931,941)
Amortization of discounts on bonds (Note 18)	-	-	(170,880)	(170,880)
Realized gains on sales of investments (Note 18)	-	1,961,845	110,878	2,072,723
Unrealised loss on investments	-	(348,984)	(1,483,934)	(1,832,918)
At December 31, 2022	$ 3,799,842	$ 9,014,319	$ 18,743,066	$ 31,557,227

Management believes that there is no objective evidence of impairment of its investment portfolio as there has not been a significant or prolonged decline in the fair value of any of its securities.

6. INVESTMENTS (CONTINUED)

Fair value measurement

In accordance with IFRS 13 Fair Value Measurement, fair value measurements are classified as Level 1, 2 or 3 based on the degree to which fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and are actively traded on recognized exchanges.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In addition to the measurement hierarchy, financial instruments which have significant unobservable inputs (classified as Level 3) require the disclosures on the transfers into and out of Level 3, a reconciliation of the opening and closing balances, total gains and losses for the period split between those recognized in other comprehensive income, purchases, sales, issues and settlements, and sensitivity analysis of reasonably possible changes in assumptions, if material. Disclosure is also required of the movements between different levels of the fair value hierarchy and the reason for those movements.

Specific valuation techniques used to fair value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments
- Other techniques, such as discounted cash flow analyses, are used to determine fair value for the remaining financial instruments.

Significant unobservable inputs for a discounted cash flow analysis are cash flows and the discount rate.

The Loans and receivables investments are measured at amortized and the fair value of these instruments were disclosed earlier in the note. These approximate fair values were derived from secondary market prices and accordingly would be classified as Level 2 in the fair value hierarchy.

(Expressed in Bahamian dollars)

6. INVESTMENTS (CONTINUED)

Fair value measurement (Continued)

The following table presents the Group's financial assets measured at fair value at December 31, 2022, by the level in the fair value hierarchy into which the fair value measurement is categorized:

2022

	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss:				
Equity securities	$ 9,008,762	$ -	$ 5,557	$ 9,014,319
Total	9,008,762	-	5,557	9,014,319
Available-for-sale financial assets:				
Fixed income debt securities	15,203,066	1,970,000	20,000	17,193,066
Preference shares	1,550,000	-	-	1,550,000
Total	16,753,066	1,970,000	20,000	18,743,066
Total financial assets measured at fair value	$ 25,761,828	$ 1,970,000	$ 25,557	$ 27,757,385

The following table presents the Group's financial assets measured at fair value at December 31, 2021, by the level in the fair value hierarchy into which the fair value measurement is categorized:

2021

	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss:				
Equity securities	$ 9,625,899	$ -	$ 5,557	$ 9,631,456
Total	9,625,899	-	5,557	9,631,456
Available-for-sale financial assets:				
Fixed income debt securities	19,414,080	1,970,000	20,000	21,404,080
Mutual funds	-	508,703	-	508,703
Preference shares	1,550,000	-	-	1,550,000
Total	20,964,080	2,478,703	20,000	23,462,783
Total financial assets measured at fair value	$ 30,589,979	$ 2,478,703	$ 25,557	$ 33,094,239

There were no changes in the carrying value of Level 3 instruments during 2022 and 2021.

(Expressed in Bahamian dollars)

6. INVESTMENTS (CONTINUED)

Fair value measurement (Continued)

As set out in Note 2b, the Group has chosen to defer application of IFRS 9 due to its activities being predominantly connected with insurance. To facilitate comparison with entities applying IFRS 9 in full, the table below segments the fair value of the Group's investments as at the reporting date between those that are considered to have contractual terms which are solely payments of principal and interest on the principal amount outstanding ("SPPI") and those that do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("non-SPPI"). The following table presents the fair value as at the reporting date and the amount of change in the fair value during the year then ended:

2022

	Total carrying value	SPPI financial assets		Non-SPPI financial assets	
		Fair value	Change in Fair value	Fair value	Change in Fair Value
Loans and receivables	$ 3,799,842	$ 3,799,842	$ -	$ -	$ -
Available-for-sale	18,743,066	17,193,066	(1,483,934)	1,550,000	-
Fair value through profit or loss	9,014,319	-	-	9,014,319	(348,984)
	$ 31,557,227	$ 20,992,908	$ (1,483,934)	$ 10,564,319	$ (348,984)

2021

	Total carrying value	SPPI financial assets		Non-SPPI financial assets	
		Fair value	Change in Fair value	Fair value	Change in Fair Value
Loans and receivables	$ 4,985,364	$ 4,985,364	$ -	$ -	$ -
Available-for-sale	23,462,783	21,404,080	(963,379)	2,058,703	107,761
Fair value through profit or loss	9,631,456	-	-	9,631,456	(1,741,527)
	$ 38,079,603	$ 26,389,444	$ (963,379)	$ 11,690,159	$ (1,633,766)

Credit ratings of the SPPI financial assets are disclosed within Note 5.

(Expressed in Bahamian dollars)

7. TRADE ACCOUNTS RECEIVABLE, NET

Trade accounts receivable, which is shown net of provision for bad debts, is comprised of:

- amounts receivable from insurance agents that have signed agency agreements with the Group insurers (“insurer trade receivables”),
- clients of the Group’s agency subsidiaries (“policyholders’ receivables”), and
- amounts receivable from reinsurers based on the benefits the Group is entitled to under its reinsurance contracts held (“reinsurers’ receivables”).

	2022	2021
Insurer trade receivables	$ 20,812,893	$ 17,819,483
Policyholders' receivables	13,726,280	13,783,126
Reinsurers' receivables	1,901,617	673,670
	36,440,790	32,276,279
Provision for bad debts:		
Balance at January 1	1,364,464	1,150,576
(Decrease)/Increase in provision for the year	(65,847)	394,588
Bad debt written off during the year	(43,974)	(180,700)
Balance at December 31	1,254,643	1,364,464
Trade accounts receivable, net	$ 35,186,147	$ 30,911,815

Ageing of trade accounts receivable, net is as follows:

	2022	2021
Less than 3 months	$ 24,384,585	$ 22,380,269
3-6 months	6,803,504	4,648,798
6-9 months	3,240,635	2,830,012
9 months - 1 year	757,423	1,052,736
	$ 35,186,147	$ 30,911,815

(Expressed in Bahamian dollars)

8. DEFERRED/UNEARNED PREMIUMS AND COMMISSIONS

	Insurance Assets		Insurance Liabilities	
	Deferred Reinsurance Premiums	Deferred Commission Costs	Unearned Premiums	Unearned Commission Income
Balance at December 31, 2020	$ 36,825,812	$ 4,464,438	$ (50,273,186)	$ (9,320,623)
Movement during the year	6,502,287	1,453,111	(8,439,578)	(1,527,840)
Balance at December 31, 2021	43,328,099	5,917,549	(58,712,764)	(10,848,463)
Portfolio transfer in	(839,429)	-	-	-
Movement during the year	(879,154)	(177,257)	858,361	485,403
Balance at December 31, 2022	$ 41,609,516	$ 5,740,292	$ (57,854,403)	$ (10,363,060)

9. UNPAID CLAIMS AND CLAIMS INCURRED

	Gross	Reinsurance	Net
Unpaid claims at December 31, 2020	$ 57,774,921	$ (38,795,245)	$ 18,979,676
Claims incurred, arising from current year claims	53,414,475	(13,286,267)	40,128,208
Claims incurred, arising from prior year claims	(4,362,654)	(1,193,592)	(5,556,246)
Claims paid, current year	(36,933,759)	5,590,364	(31,343,395)
Claims paid, prior years	(17,826,767)	12,493,294	(5,333,473)
Unpaid claims at December 31, 2021	52,066,216	(35,191,446)	16,874,770
Claims incurred, arising from current year claims	61,629,481	(11,148,297)	50,481,184
Claims incurred, arising from prior year claims	1,038,368	(1,600,100)	(561,732)
Claims paid, current year	(41,324,059)	7,400,927	(33,923,132)
Claims paid, prior years	(15,021,182)	8,324,920	(6,696,262)
Unpaid claims at December 31, 2022	$ 58,388,824	$ (32,213,996)	$ 26,174,828

Net claims incurred for the year ended December 31, 2022 was $49,919,452 (2021: $34,571,962). Net claims paid during the year ended December 31, 2022 was $40,619,394 (2021: $36,676,868).

The tables on the following page shows the development of claims over a period of time on a gross basis, and also shows the cumulative incurred claims, including both notified and IBNR claims for each successive accident year.

(Expressed in Bahamian dollars)

9. UNPAID CLAIMS AND CLAIMS INCURRED (CONTINUED)

					P&C					
	2014	2015*	2016*	2017	2018	2019*	2020	2021	2022	Total
Gross ultimate claims incurred at end of reporting year	$ 23,695,599	$ 30,382,165	$ 113,514,913	$ 22,918,792	$ 32,646,833	$ 391,526,833	$ 21,010,694	$ 23,731,589	$ 21,909,324	
One year later	23,168,363	29,418,761	107,507,658	28,187,490	35,949,789	379,430,580	20,046,171	20,857,200		
Two years later	23,851,734	27,598,709	107,348,016	31,078,344	32,797,630	380,053,645	20,187,200			
Three years later	22,275,874	28,352,746	107,137,970	30,769,721	32,684,317	381,301,278				
Four years later	22,784,680	28,011,825	106,803,189	30,677,962	32,438,032					
Five years later	23,512,205	28,269,702	107,203,957	31,215,659						
Six years later	23,678,982	29,851,787	107,519,754							
Seven years later	23,620,098	30,094,692								
Eight years later	24,357,471									
Total incurred to date	24,357,471	30,094,692	107,519,754	31,215,659	32,438,032	381,301,278	20,187,200	20,857,200	21,909,324	669,880,610
Cumulative payments to date	(21,778,939)	(28,195,080)	(105,102,255)	(27,462,053)	(27,319,236)	(375,054,575)	(16,561,472)	(15,545,488)	(11,133,002)	(628,152,100)
Liability included in the consolidated statement of financial position	$ 2,578,532	$ 1,899,612	$ 2,417,499	$ 3,753,606	$ 5,118,796	$ 6,246,703	$ 3,625,728	$ 5,311,712	$ 10,776,322	41,728,510
Unallocated loss adjustment expenses										1,320,500
Reserves for prior years										5,107,114
Total unpaid claims for P&C business including amount recoverable from reinsurer										$ 48,156,124

*Accident years 2015, 2016 and 2019 have been restated to align with historical actuarial ultimate estimates.

(Expressed in Bahamian dollars)

9. UNPAID CLAIMS AND CLAIMS INCURRED (CONTINUED)

					H&L					
	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Gross ultimate claims incurred at end of reporting year	$ 16,369,190	$ 17,853,743	$ 18,638,992	$ 19,645,726	$ 19,747,056	$ 21,097,945	$ 24,060,971	$ 29,682,886	$ 39,720,157	
One year later	15,957,295	18,164,801	17,974,956	18,529,456	19,388,453	20,888,892	23,595,558	29,410,177		
Total incurred to date	15,957,295	18,164,801	17,974,956	18,529,456	19,388,453	20,888,892	23,595,558	29,410,177	39,720,157	203,629,745
Cumulative payments to date	(15,957,295)	(18,164,801)	(17,974,956)	(18,529,456)	(19,388,453)	(20,888,892)	(23,595,558)	(29,410,177)	(30,191,057)	(194,100,645)
Liability included in the consolidated statement of financial position	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,529,100	9,529,100
Unallocated loss adjustment expenses										606,000
Reserves for prior years										97,600
Total unpaid claims for H&L business including amount recoverable from reinsurer										$ 10,232,700
Total unpaid claims including amount recoverable from reinsurer in the consolidated statement of financial position										$ 58,388,824
Comprises:										
Specific claim reserves										$ 30,429,002
Claims incurred but not reported and unallocated loss adjustment expenses										27,959,822
										$ 58,388,824

(Expressed in Bahamian dollars)

10. PROPERTY AND EQUIPMENT

2022	Land & Buildings	Furniture & Equipment	Leasehold Improvements and Others	Motor Vehicles	Total
At January 1, 2022					
Cost/Valuation	$ 24,133,115	$ 3,487,881	$ 1,953,374	$ 233,701	$ 29,808,071
Accumulated Depreciation	(3,354,672)	(2,847,024)	(931,641)	(143,298)	(7,276,635)
Net book amount	$ 20,778,443	$ 640,857	$ 1,021,733	$ 90,403	$ 22,531,436
Year ended December 31, 2022					
Opening Net book amount	$ 20,778,443	$ 640,857	$ 1,021,733	$ 90,403	$ 22,531,436
Additions	185,663	239,788	10,064	-	435,515
Revaluation of Land and Buildings (Notes 16,18)	3,242,763	-	-	-	3,242,763
Depreciation charge	(509,600)	(328,444)	(119,711)	(9,256)	(967,011)
At December 31, 2022	$ 23,697,269	$ 552,201	$ 912,086	$ 81,147	$ 25,242,703

2021	Land & Buildings	Furniture & Equipment	Leasehold Improvements and Others	Motor Vehicles	Total
At January 1, 2021					
Cost/Valuation	$ 24,079,603	$ 3,194,230	$ 1,527,114	$ 254,639	$ 29,055,586
Accumulated Depreciation	(2,868,095)	(2,402,200)	(825,309)	(211,301)	(6,306,905)
Net book amount	21,211,508	792,030	701,805	43,338	$ 22,748,681
Year ended December 31, 2021					
Opening Net book amount	$ 21,211,508	$ 792,030	$ 701,805	$ 43,338	$ 22,748,681
Additions	53,512	293,651	426,260	62,491	835,914
Depreciation charge	(486,577)	(444,824)	(106,332)	(15,426)	(1,053,159)
At December 31, 2021	$ 20,778,443	$ 640,857	$ 1,021,733	$ 90,403	$ 22,531,436

The net book value of property and equipment sold during the year was $nil (2021: $nil).

(Expressed in Bahamian dollars)

10. PROPERTY AND EQUIPMENT (CONTINUED)

In 2022, the land and buildings were revalued to fair market value based on a valuation performed by an independent appraiser for financial statement purposes. The fair value of the land and buildings are derived from capitalized income projections based on a property's estimated net market income adjusted for vacancies, and a discount rate derived from an analysis of market evidence. There has been no change in the valuation technique during the year. Assumptions around the projected rental revenue changed from a range of $27 - $59/sq. ft. in the prior year's valuation to $29 - $59/sq. ft. in the current year's valuation. Updated assumptions are noted in the table below. The fair value measurement of the Group's land and building is classified as Level 3 in the fair value hierarchy. Land and buildings are classified as Level 3 as inputs are generally unobservable.

There were no transfers between the various levels during the year.

The following table illustrates the impact of changes in estimates and assumptions in the determination of fair values of land and buildings.

Estimate/Assumption	Change	Impact on fair value
Rental Revenue ($29-$59/sq. ft.)	5.00%/-5.00%	$1,136,593/($1,136,593)
Vacancy rates (5%)	5.00%/-5.00%	($1,196,419)/$1,196,415
Discount rate (8.25%-9%)	1.00%/-1.00%	($2,348,714)/$2,967,626

The net book value of the land and buildings, excluding effects of revaluations, would have been $4,263,243 (2021: $4,263,243) and $14,154,115 (2021: $14,570,211) respectively.

(Expressed in Bahamian dollars)

11. LEASES

The Group leases office premises and vehicles. The leases typically run for a period of three to five years, with an option to renew the lease after that date. For some leases, payments are renegotiated every three to five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

Information about leases for which the Group is a lessee is presented below.

Right-of-use asset

	Office premises	Vehicles	Total
Balance at January 1, 2021	$ 738,733	$ 38,431	$ 777,164
Depreciation charge for the year	(243,332)	(28,049)	(271,381)
Additions	242,803	-	242,803
Balance at December 31, 2021	738,204	10,382	748,586
Depreciation charge for the year	(238,659)	(28,050)	(266,709)
Additions	30,054	38,705	68,759
Balance at December 31, 2022	$ 529,599	$ 21,037	$ 550,636

The depreciation charge attributable to the right-of-use asset is presented within depreciation and amortization of intangible assets within the consolidated statement of profit or loss.

At December 31, 2022, the future minimum lease payments under non-cancellable operating leases were payable as follows.

	2022	2021
Maturity analysis – Contractual undiscounted cash flows		
Less than one year	$ 283,166	$ 291,454
Between one and five years	390,177	590,545
Total undiscounted lease liabilities at December 31	**$ 673,343**	**$ 881,999**

Lease payments are presented within the financing section of the consolidated statement of cash flows. Interest expense on the lease liability for the year ended December 31, 2022 amounted to $33,930 (2021: $41,693) and is presented within the caption interest expense in the consolidated statement of profit or loss.

(Expressed in Bahamian dollars)

11. LEASES (CONTINUED)

Extension options

Some leases of office premises contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control. These extensions have been factored in the lease term in determining the lease liability in the consolidated statement of financial position.

12. INTANGIBLE ASSETS AND GOODWILL

The table below summarizes the Group's goodwill and intangible assets:

Intangible Assets and Goodwill Acquired

2022	**Goodwill**	**Customer relationships**	**Non-compete agreements**	**Computer Software**	**Total**
At January 1, 2022					
Cost	$ 2,650,810	$ 5,228,199	$ 39,590	$ 9,084,822	$ 17,003,421
Accumulated amortisation	-	(2,401,065)	(23,754)	(6,309,892)	(8,734,711)
Net book amount	$ 2,650,810	$ 2,827,134	$ 15,836	$ 2,774,930	$ 8,268,710
Year ended December 31, 2022					
Opening Net book amount	$ 2,650,810	$ 2,827,134	$ 15,836	$ 2,774,930	$ 8,268,710
Additions	-	-	-	1,081,630	1,081,630
Amortization	-	(300,370)	(7,918)	(622,960)	(931,248)
At December 31, 2022	$ 2,650,810	$ 2,526,764	$ 7,918	$ 3,233,600	$ 8,419,092

2021	**Goodwill**	**Customer relationships**	**Non-compete agreements**	**Computer Software**	**Total**
At January 1, 2021					
Cost	$ 2,650,810	$ 5,228,199	$ 39,590	$ 9,030,101	$ 16,948,700
Accumlated amortisation	-	(2,096,095)	(15,836)	(5,711,091)	(7,823,022)
Net book amount	$ 2,650,810	$ 3,132,104	$ 23,754	$ 3,319,010	$ 9,125,678
Year ended December 31, 2021					
Opening Net book amount	$ 2,650,810	$ 3,132,104	$ 23,754	$ 3,319,010	$ 9,125,678
Additions	-	-	-	54,721	54,721
Amortization	-	(304,970)	(7,918)	(598,801)	(911,689)
Balance at December 31, 2021	$ 2,650,810	$ 2,827,134	$ 15,836	$ 2,774,930	$ 8,268,710

(Expressed in Bahamian dollars)

12. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Intangible assets with indefinite lives and goodwill acquired through business combinations have been allocated to a single cash-generating unit for impairment testing as follows:

	2022	2021
Cayman's cash-generating unit - goodwill (P&C)	$ 813,172	$ 813,172
Cayman's cash-generating unit - goodwill (Health)	1,837,638	1,837,638
	$ 2,650,810	$ 2,650,810

The Group performed its annual impairment test as at December 31, 2022. The recoverable amounts of Cayman's cash-generating unit has been determined by the fair value less costs to sell calculation based on a discounted cash flow model using a 4 year cash flow forecast, and incorporating a Catastrophe event every 3 years. The discount rate and premium growth rate used in the cash flow model was 16.44% (2021: 10.01%) and 3% (2021: 3%) respectively. As the recoverable amounts exceeded the carrying amounts, management did not identify any impairment for the cash-generating unit.

(Expressed in Bahamian dollars)

13. BONDS PAYABLE

On October 15, 2010, the Group effected a private offering of Series II Redeemable Cumulative Variable Rate Corporate Bonds ("the bonds"), which bear interest at a rate of B$ prime plus 2.00% per annum. The net proceeds were used for general corporate purposes. The bonds rank equally among themselves and with all other existing and future unsubordinated and unsecured debt of the Company. The bonds rank senior to the Company's existing and all future preference and ordinary shares. The carrying value of bonds payable is estimated to approximate its fair value which is derived from secondary market prices and accordingly is classified in the fair value hierarchy as Level 2.

	2022	2021
Series II Corporate Bonds		
$7,500,000 at B$ prime rate + 2.00%, presently 6.25% (2021: 6.25%) per annum - Due 2025	$ 7,500,000	$ 7,500,000
Accrued interest	119,435	118,151
Total	$ 7,619,435	$ 7,618,151

14. SHARE CAPITAL

The Company's share capital is comprised as follows:

	2022	2021
Common shares		
Authorized: 45,000,000 (2021: 45,000,000) at $0.01 each		
Issued and fully paid: 36,511,589 (2021: 36,511,589) par value $0.01 per share	$ 365,116	$ 365,116
Preference shares		
Authorized: 5,000,000 (2021: 5,000,000) at $1.00 each		
Issued and fully paid: 5,000,000 (2021: 5,000,000) par value $1.00 per share	$ 5,000,000	$ 5,000,000

The calculation of basic earnings per share is as follows:

	2022	2021
Profit for the year attributable to owners of the Company	$ 5,443,428	$ 5,520,348
Preference shares dividend paid	(350,000)	(350,000)
Profit for the year attributable to common shareholders	5,093,428	5,170,348
Weighted average number of common shares outstanding	36,511,589	36,511,589
Basic and diluted earnings per common share	$ 0.14	$ 0.14

There were no transactions that would dilute earnings per share.

(Expressed in Bahamian dollars)

14. SHARE CAPITAL (CONTINUED)

Dividends are accounted for in the period in which they are declared by the Group's Board of Directors. During the year, dividends of $0.08 (2021: $0.08) per common share [total dividends $2,920,928 (2021: $2,920,928)] were declared and subsequently paid.

The preference shares are non-convertible, non-voting, cumulative, redeemable "A" with a dividend rate of 7% per annum. These shares are redeemable at the option of the Company. The preference shares rank, as to payment of a dividend and capital, ahead of the Company's ordinary share capital. On a winding up, they carry a preferential right of return of capital ahead of the ordinary shares. The Company does not have a contractual obligation to deliver cash or other financial assets to the preference shareholders, and therefore the directors may make dividend payments at their discretion.

During 2021 & 2022, BFHIL acquired nil shares from minority shareholders resulting in no change in percentage holdings.

15. GENERAL RESERVE

The Group has established a general reserve from retained earnings in the amount of $4,000,000 (2021: $4,000,000), which the Board of Directors have determined is not available for distribution.

16. REVALUATION RESERVE

	Land & Buildings	AFS Investments	Total
Balance at December 31, 2020	$ 5,420,096	$ 1,126,729	$ 6,546,825
Net decrease in fair value of AFS investments	-	(855,618)	(855,618)
Other comprehensive loss	-	(855,618)	(855,618)
Balance at December 31, 2021	5,420,096	271,111	5,691,207
Revaluation of land & buildings (Note 10)	2,466,291	-	2,466,291
Net decrease in fair value of AFS investments	-	(1,483,934)	(1,483,934)
Other comprehensive income	2,466,291	(1,483,934)	982,357
Balance at December 31, 2022	$ 7,886,387	$ (1,212,823)	$ 6,673,564

In accordance with the Group's accounting policy, freehold land and buildings are subject to a revaluation exercise that is performed by an independent professional appraiser every three years. Freehold land and buildings were independently valued in 2022. The next appraisal is due in 2025 or when the fair value of a revalued asset differs materially from it's carrying amount due to the current economic condition, whichever is earlier.

(Expressed in Bahamian dollars)

17. NON-CONTROLLING INTEREST

The following table summarizes the information relating to CFI which is the Group's sole subsidiary with a material non-controlling interest ("NCI"), before any intra-group eliminations.

	2022	2021
NCI percentage	12.30%	12.30%
Total assets	$ 80,363,284	$ 70,275,169
Total liabilities	45,471,502	36,260,204
Net assets	34,891,782	34,014,965
Gross Premiums Written	$ 81,750,840	$ 67,356,234
Net underwriting income	10,333,388	10,368,662
Total comprehensive income	1,876,817	374,249
Cash flows from operating activities	$ 4,372,489	$ 2,672,221
Cash flows from/(used in) investment activities	3,389,165	(2,407,669)
Cash flows used in financing activities	(1,045,417)	(3,044,096)

(Expressed in Bahamian dollars)

18. OTHER INCOME, NET

	2022	2021
Interest income - loans and receivables	$ 254,914	$ 303,815
Interest income - available for sale	842,230	762,769
Interest income - bank deposit	502	412
Dividend income - equity securities	264,641	126,657
Realized gains on sales of investments (Note 6)	2,072,723	470,519
Revaluation of land and buildings (Note 10)	776,472	-
Sub-lease income	22,400	22,400
Amortization of discounts on bonds (Note 6)	(170,880)	(90,689)
Gain on disposal of property and equipment	13,353	5,954
Other income/(loss)	14,960	(1,429)
Total	$ 4,091,315	$ 1,600,408

19. PENSION PLAN

Employees of the Group participate in defined contribution plans registered in The Bahamas and in the Cayman Islands. These plans are administered by independent administrators and trustees and membership is mandatory for all eligible employees. Under these plans, the Group paid contributions of 3% - 5% per annum of base salary. Contributions under these plans totalled $448,425 (2021: $456,969) and are included in salaries, benefits and bonuses in the consolidated statement of profit or loss.

(Expressed in Bahamian dollars)

20. RELATED PARTY TRANSACTIONS AND BALANCES

No expense has been recognized in the period for bad or doubtful debts in respect of the amounts owed by related parties. Key management personnel include members of the Group's management team having authority and responsibility for planning, directing and controlling the activities of the Group's operation. Compensation to key management personnel is included in salaries, benefits and bonuses and compensation to directors is included in general and administrative expenses in the consolidated statement of profit or loss. The receivables from directors and key management personnel are included in sundry receivables and prepayments in the consolidated statement of financial position and are as follows:

	2022	2021
Short-term benefits	$ 2,236,299	$ 1,920,838
Post employment benefits	89,104	77,974
Total	$ 2,325,403	$ 1,998,812
Commission expense	$ 296,897	$ 276,902
Receivables from key management personnel	$ 30,045	$ 2,624

21. CONTINGENCIES

In the normal course of its business, the Group is involved in various legal proceedings arising out of and incidental to its insurance operations. The Group is of the opinion that litigation arising from these legal proceedings will not have a significant impact on the financial position, results of operations or cash flows of the Group.

As at December 31, 2022, the Group was not in compliance with the prescribed reporting timelines outlined in subsections 3, 9 and 20 of the Cayman Islands' Health Insurance Regulations (2017 Revision). The delay in reporting resulted from the Group's implementation of a new policy and claim processing system during the year. The Group has subsequently established a remediation plan to improve reporting timelines to ensure it is in compliance with the regulations for future reporting periods.

(Expressed in Bahamian dollars)

22. SEGMENTED INFORMATION

In accordance with IFRS 8 Operating Segments, the Group has identified the Chief Operating Decision Maker as the Board of Directors. Key decisions on assessing performance and allocation of resources are reviewed by the Board or its sub-committees.

The Group's operations are segmented into the following business segments by geographic location:

- General Insurance / Property and Casualty ("P&C")
- Health and Life ("H&L")

The segment results for the years ended December 31, 2022 and 2021 are as follows:

	Bahamas	Cayman		
	P&C	P&C	H&L	Total
2022				
Net underwriting income	$ 19,070,915	$ 7,721,734	$ 2,611,657	$ 29,404,306
Depreciation of property & equipment	559,711	215,869	191,431	967,011
Depreciation of right of use asset	224,065	22,602	20,042	266,709
Amortization of intangible assets	894,884	-	36,364	931,248
Interest expense	881,282	94,127	83,471	1,058,880
Segment profit/(loss) for the year	4,025,270	3,163,099	(1,546,021)	5,642,348
Total segment assets	137,215,556	52,446,990	27,916,294	217,578,840
Total segment liabilities	103,229,383	33,547,836	11,923,666	148,700,885
Capital expenditure	902,252	42,915	571,978	1,517,145

	Bahamas	Cayman		
	P&C	P&C	H&L	Total
2021				
Net underwriting income	$ 22,662,730	$ 7,411,524	$ 2,957,138	$ 33,031,392
Depreciation of property & equipment	649,581	232,057	171,521	1,053,159
Depreciation of right of use asset	228,736	24,521	18,124	271,381
Amortization of intangible assets	898,757	1,380	11,552	911,689
Interest expense	985,771	91,400	67,556	1,144,727
Segment profit/(loss) for the year	4,795,634	1,974,986	(1,148,618)	5,622,002
Total segment assets	138,925,846	50,490,362	19,784,807	209,201,015
Total segment liabilities	107,293,620	31,084,568	5,175,636	143,553,824
Capital expenditure	726,474	31,463	132,698	890,635

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