J.S. JOHNSON
PEACE OF MIND
INSURANCE AGENTS & BROKERS

Return to NORMALCY

2022 ANNUAL REPORT

OUR **MISSION**

To provide the highest quality of professional service by giving our personal best to our clients, our co-workers and the community at large, thus remaining the leader in the insurance market through continued growth and innovation.

Peace of Mind *is more than a slogan, it's your* ***guarantee.***

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Financials

MARVIN V. BETHELL
Chairman

CHAIRMAN'S **STATEMENT**

It seems significant to me that The Bahamas has fully emerged from the fog of Covid-related restrictions in time enough to properly celebrate its own 50th birthday on 10 July, 2023. Indeed, the Bahamian economy has rebounded so robustly from the pandemic-caused disruption that tourism numbers through the end of 2022 rival or exceed 2019 levels. Bustling visitors milling about downtown, touring the island, or exploring Nassau in jeep or four-wheeler caravans are all common sights these days.

Couple this with the ongoing and impressive transformation of our cruise port—scheduled to officially open in May 2023—and you've got what looks to be a winning formula for continued expansion of our number one industry well into the future.

The knock-on economic impact of this increased activity—especially for the Bahamas Treasury—is significant, as Central Bank figures for Q4 2022 reveal: VAT collections, which account for nearly 52% of all tax receipts, rose by 8.1% to $269 million; taxes on goods and services almost doubled to $13.4 million from $7.3 million last year; and financial and real estate transaction taxes generated $23.5 million, an increase of 11.5%. These receipts, of course, are used to fund government programmes for the benefit of all Bahamians.

We were also blessed in 2022 with another quiet hurricane season, which certainly made it easier to get back to normal life and move beyond the terrible destruction inflicted by past storms. Let's hope that early National Oceanic and Atmospheric Administration (NOAA) forecasts of El Nino conditions in 2023—which tend to increase storm activity in the Pacific and reduce it in the Atlantic—hold true.

In the meantime, I am very pleased to present another year of strong financial and steady business results for J S Johnson. The company's management and staff continue to produce positive results for shareholders through their hard work and client focus. Overall Net Income rose more than 16% (from $9,038,846 to $10,500,908), fueled by an increase in Net Revenue from Contracts with Customers, with only a modest increase in Total Expenses. Both JSJ's business segments—Agency and Underwriting—posted Net Income gains for the year of +19.4% and +11.16%, respectively.

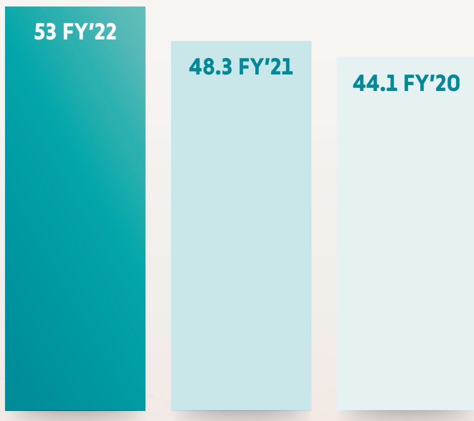
The happy result of this performance was an 18.6% increase in Earnings per Share, from $0.86 to $1.02, and dividends paid out totaling $5,703,690, a 17% increase over 2021.

As always, I would like to thank the Board of Directors, shareholders and customers for their ongoing support and confidence, especially during the darkest days of the pandemic. I am confident the commitment of JSJ management and staff to clients, combined with corporate discipline and proven solid business practices, will help the company weather any future storm.

Marvin V. Bethell, MBE, FCII
Chairman


“
I didn’t want
normal
until I didn’t
have it
anymore.
”
MAGGIE STIEFVATER

FINANCIAL HIGHLIGHTS



NET ASSETS 2022
(In Millions)

53

NET INCOME 2022
(In Millions)

10.5

NET INCOME 2021

9.0

NET INCOME 2020

6.6

(Expressed in Bahamian dollars)		2022	2021	2020
Consolidated Statement of Financial Position:				
Total assets	$	108,350,445	106,727,447	125,088,387
Total liabilities		55,270,158	58,444,378	80,972,578
Equity	$	53,080,287	48,283,069	44,115,809
Consolidated Statement of Comprehensive Income:				
Total income	$	29,641,163	27,238,551	24,828,574
Total expenses		19,140,255	18,199,705	18,248,392
Net income	$	10,500,908	9,038,846	6,580,182
Ratios:				
Return on equity: net income/total equity		20%	19%	15%
Equity: equity/total assets		49%	45%	35%
Loss: net claims incurred/net premium earned		30%	27%	45%
Other Data:				
Dividends per share	$	0.62	0.56	0.58
Annual dividends	$	4,951,240	4,473,280	4,633,040
Total shareholders' equity	$	32,913,212	29,770,130	27,360,131
Earnings per share for the profit attributable to the equity holders of the Company	$	1.02	0.86	0.66

ALISTER I. McKELLAR, FCII
Managing Director

MANAGING DIRECTOR'S DISCUSSION & ANALYSIS

Compared to the serious societal and economic disruptions we have experienced over the last several years—from Dorian to Covid— we can now see a bright light at the end of the tunnel. Hard to believe, for sure, because the economic and tourism figures of the past couple of years have been so dismal. The measurable gains of 2022 are as clear a sign as anyone could possibly want that the country has finally returned to normalcy.

And what could be more normal--given our number one industry, tourism--than visitors to our shores? In this regard, 2022 statistics are eye-popping: 7,000,706 visitors (second only to 2019), foreign air and sea arrivals up 233% over previous year (only 2.4% shy of the 2019 record), 900,000 visitors in December alone (more than any single month in our history). As our Chairman points out in his message, more tourists means not only increased activity for Bahamian businesses, but also increased receipts for the Bahamian Treasury.

The near-completion of the new $300-million port complex also adds a significant attraction for the country's overall cruise industry, which welcomed more than 3.2 million cruise passengers this year.

Although inflation, unemployment and supply-chain issues remain concerns, overall business sentiment was largely positive in 2022, as the economic freeze brought on by fear and panic of the previous two years began to thaw. In one of its quarterly reviews, the Central Bank called the trend a "sustained recovery trajectory." (Translation: "Not out of the woods yet, but on the right path"!)

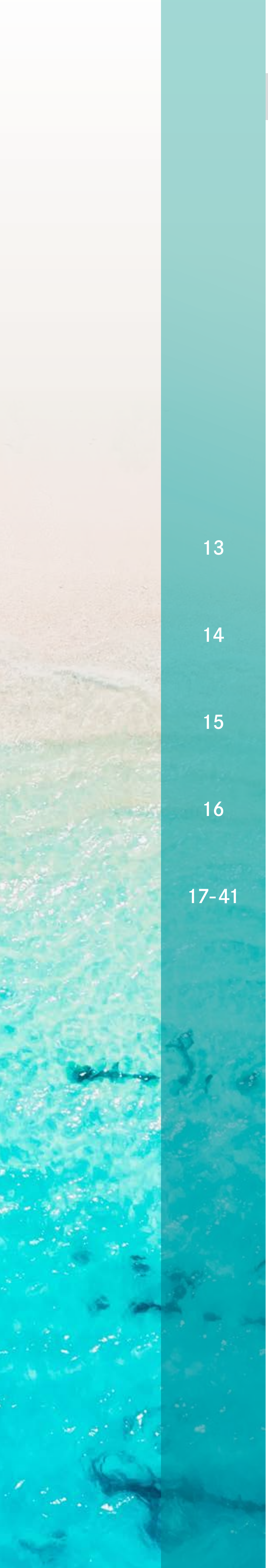
Results from our business segments showed similar progress I'm happy to report, with a 19.4% increase in Net Income for our Agency division (from $5.4 million to $6.5 million) and 11.16% for Underwriting (from $3.5 million to $3.9 million). Our Agency results improved as net revenue from customers and contracts grew 8% while expenses were held at 4%. Admittedly, Underwriting was influenced by substantial price gains in our local investment portfolio that led to an overall +264% change in net unrealized gain for the year. Nonetheless, overall Net Income increased by a respectable 16.17%.

Key financial ratios for the year also reflect strong company fundamentals and continued positive market positioning. Return on Equity increased to 20% from 19% the previous year, while our loss ratio for claims held steady at 30%, and our expenses vs income ratio declined from 67% to 65%, demonstrating marginal cost savings achieved. JSJ shareholders will also be pleased to see an increase in Earnings per Share (from $0.86 to $1.02, 18.6%), and total paid out dividends of more than $5.7 million.

As we roll into a new year and new hurricane season, I'm always reminded of the reinsurance capacity challenges we face at the moment across the entire region. All I can really promise is that we'll continue to work hard on our side to make sure our clients receive the best possible opportunities available in this regard.

I'm grateful, as always, to our staff, management and Board of Directors for their continued diligence and guidance. And a special thank you goes to our clients. Without you, none of it is possible. As we enter the 50th year of Bahamian independence, it's my sincere hope that we continue to move "forward, upward, onward, together."

Alister I. McKellar, FCII
Managing Director



AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

INDEPENDENT AUDITOR'S **REPORT**

Ernst & Young Ltd.
Caves Corporate Centre
West Bay Street & Blake Road
P.O. Box N-3231
Nassau, Bahamas

Tel: +242 502 6000
Fax: +242 502 6095
ey.com

The Shareholders and Directors
J.S. Johnson & Company Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of J.S. Johnson & Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of comprehensive income, 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 *Auditor's 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter

Valuation of Outstanding Claims Liability

The Company has outstanding claims liabilities of $8.96 million, including $2.11 million of claims incurred but not reported (IBNR). The estimation of outstanding claims involves a significant degree of judgement. Outstanding claims are based on the best estimate ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. A range of methods may be used to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

Given the materiality of the outstanding claims liability and the complexity of management's judgements, we identified the valuation of outstanding claims liability as a key audit matter.

How our Audit Addressed the Key Audit Matter

- We gained an understanding of the outstanding claims liability process.
- We compared the data provided to the Company's external actuaries and our actuarial specialist to the Company's financial systems.
- Using our actuarial specialist team members, we compared the Company's methodology, models and assumptions to recognized actuarial practices.
- Our actuarial specialist team members performed independent re-projections on all classes of business, particularly focusing on the largest and longer tail lines of business which require more actuarial judgment. In order to re-project the claims liabilities we considered actual historical information and how losses emerged in the current period compared to previous expectations of loss emergence.
- We compared these re-projections of claim liabilities to management's recorded claim liabilities.

Other Information Included in the Group's 2022 Annual Report

Other information consists of the information included in the Group's Annual Report other than the financial statements and our auditor's report thereon.

Management is responsible for the other information. The Group's 2022 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will 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 identified above when it becomes available 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.

Responsibilities of Management and the Audit Committee 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.

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

We communicate with the Audit Committee 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 the Audit Committee 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, 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 auditor's 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.

We communicate with Management and the Audit Committee regarding, among other matters, the planned scope and tining of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Partner in charge of the audit resulting in this independent auditor's report is Lanishka McSweeney.

Ernst + Young

March 30, 2023

(Expressed in Bahamian Dollars)

	December 31			
		2022		2021
Assets				
Cash and bank balances *(Notes 6 and 25)*	$	20,557,403	$	19,986,684
Term deposits *(Notes 7 and 25)*		10,961,017		10,783,123
Accounts receivable *(Notes 4 and 25)*		11,641,954		12,140,440
Due from insurance carriers *(Notes 9 and 25)*		217,151		1,350
Investment in securities *(Notes 8 and 25)*		23,968,282		20,070,089
Prepayments and other assets *(Notes 10 and 25)*		689,611		735,399
Prepaid reinsurance premiums *(Note 14)*		24,184,696		23,063,154
Reinsurance recoverables *(Notes 5 and 25)*		7,710,796		11,331,776
Right of use asset *(Note 11)*		209,275		235,392
Investment properties *(Note 12)*		536,914		536,914
Property, plant, and equipment *(Note 13)*		7,673,346		7,843,126
Total assets	$	108,350,445	$	106,727,447
Liabilities				
General insurance funds				
Unearned premium reserve *(Note 14)*	$	27,987,177	$	26,733,994
Outstanding claims *(Notes 14 and 25)*		8,964,000		12,441,000
		36,951,177		39,174,994
Other liabilities				
Due to related parties *(Notes 21,23 and 25)*		492,901		116,705
Accounts payable *(Notes 15, 21 and 25)*		5,684,062		5,787,220
Due to reinsurers *(Notes 5 and 25)*		2,286,120		4,136,453
Accrued expenses and other liabilities *(Notes 18, 23, and 25)*		3,658,071		3,266,511
Lease liability *(Note 11)*		213,531		239,248
Unearned commission reserve		5,984,296		5,723,247
		18,318,981		19,269,384
Total liabilities	$	55,270,158	$	58,444,378
Equity				
Authorized ordinary shares:–40,000,000 (2021: 40,000,000) of $0.01 each *(Note 22)*	$	400,000	$	400,000
Unissued ordinary shares – 32,000,000 (2021: 32,000,000) of $0.01 each		(320,000)		(320,000)
Issued and fully paid:– 8,000,000 (2021: 8,000,000) ordinary shares of $0.01 each		80,000		80,000
Retained earnings *(Note 20)*		32,917,812		29,774,730
Interest in own shares *(Note 22)*		(84,600)		(84,600)
		32,913,212		29,770,130
Non-controlling interest		20,167,075		18,512,939
Total equity		53,080,287		48,283,069
Total liabilities and equity	$	108,350,445	$	106,727,447

See accompanying notes to consolidated financial statements.

These financial statements were authorized for issue on behalf of the Board of Directors on March 30, 2023 by:

Approved by the Board:

Director

Director

J.S. Johnson & Company Limited

Consolidated Statement of Comprehensive Income

(Expressed in Bahamian Dollars)

	Year Ended December 31 2022	2021
Income		
Net revenue from contracts with customers *(Notes 17 and 23)*	$ 22,367,884	$ 20,756,656
Net premiums earned *(Note 16)*	4,679,037	4,462,716
Investment income *(Note 17)*	1,780,410	1,795,925
Change in net unrealized gain on investment in securities *(Note 8)*	813,832	223,254
Total income	29,641,163	27,238,551
Expenses		
Salaries and employee benefits *(Notes 19 and 23)*	11,685,768	11,037,372
Net claims incurred *(Notes 14 and 21)*	1,409,174	1,205,178
Depreciation and amortization *(Notes 11, 12 and 13)*	680,677	706,527
Allowance for expected credit loss *(Note 8)*	51,933	181,730
Loss on sale of investment property *(Note 12)*	–	108,358
Other operating expenses *(Note 17)*	5,312,703	4,960,540
Total expenses	19,140,255	18,199,705
Net income	$ 10,500,908	$ 9,038,846
Attributable to		
Equity holders of the company *(Note 22)*	$ 8,094,322	$ 6,883,279
Non-controlling interest	2,406,586	2,155,567
	$ 10,500,908	$ 9,038,846
Basic & diluted earnings per share for the profit attributable to the equity holders of the Company *(Note 22)*	$ 1.02	$ 0.86

See accompanying notes to consolidated financial statements.

(Expressed in Bahamian Dollars)

	Share Capital	Retained Earnings	Interest in Own Shares	Total Shareholders' Equity	Non–Controlling Interest	Total Equity
Balance at December 31, 2020	$ 80,000	$ 27,364,731	$ (84,600)	$ 27,360,131	$ 16,755,678	$ 44,115,809
Net income	–	6,883,279	–	6,883,279	2,155,567	9,038,846
Distributions to owners:						
Dividends *(Note 18)*	–	(4,473,280)	–	(4,473,280)	(398,306)	(4,871,586)
Balance at December 31, 2021	80,000	29,774,730	(84,600)	29,770,130	18,512,939	48,283,069
Net income	–	8,094,322	–	8,094,322	2,406,586	10,500,908
Distributions to owners:						
Dividends *(Note 18)*	–	(4,951,240)	–	(4,951,240)	(752,450)	(5,703,690)
Balance at December 31, 2022	$ 80,000	$ 32,917,812	$ (84,600)	$ 32,913,212	$ 20,167,075	$ 53,080,287

See accompanying notes to consolidated financial statements.

J.S. Johnson & Company Limited

Consolidated Statement of Cash Flows

(Expressed in Bahamian Dollars)

	Year Ended December 31 2022	2021
Operating activities		
Net income	$ 10,500,908	$ 9,038,846
Adjustments for:		
Change in unearned premium reserve *(Note 14)*	(131,641)	(38,821)
Depreciation and amortization	680,677	706,527
Provision for expected credit loss	51,933	181,730
Loss on sale of investment property	-	108,358
Interest expense	12,912	9,291
Change in net unrealized gain on investments in securities	(813,832)	(223,254)
Interest income *(Note 17)*	(652,964)	(657,863)
Dividend income *(Note 17)*	(352,229)	(333,796)
Bad debts	48,000	48,000
Cash from operations before changes in operating assets and liabilities	9,343,764	8,839,018
Decrease (increase) in operating assets:		
Accounts receivable	450,486	610,108
Due from insurance carriers	(215,801)	333,365
Prepayments and other assets	45,789	366,656
Prepaid reinsurance premiums	(1,121,542)	(1,380,277)
Reinsurance recoverable	3,620,980	9,578,129
(Decrease) increase in operating liabilities:		
Unearned premium reserve	1,384,824	1,457,919
Outstanding claims	(3,477,000)	(8,609,996)
Due to related parties	376,196	116,705
Accounts payable, accrued expenses and other liabilities	288,399	(10,685,712)
Due to reinsurers	(1,850,333)	(4,879,453)
Unearned commission reserve	261,049	291,607
Net cash provided by/(used in) operating activities	$ 9,106,811	$ (3,961,931)
Investing activities		
Net placement of term deposits	$ (50,252)	$ (3,630,228)
Purchase of property, plant, and equipment *(Note 13)*	(326,522)	(368,405)
Proceeds from sale of investment property	-	142,500
Purchase of investments in securities	(5,057,122)	(1,936,084)
Proceeds from principal payments of investments	1,896,233	1,169,785
Interest received	549,917	692,945
Dividends received	352,229	333,796
Net cash used in investing activities	(2,635,517)	(3,595,691)
Financing activities		
Interest payment of lease liability	(12,912)	(9,291)
Principal payment of lease liability	(183,973)	(180,448)
Dividends paid to shareholders	(4,951,240)	(4,473,280)
Dividends paid to non-controlling interest	(752,450)	(398,306)
Net cash used in financing activities	(5,900,575)	(5,061,325)
Net increase/(decrease) in cash and cash equivalents	570,719	(12,618,947)
Cash and cash equivalents, beginning of year	19,986,684	32,605,631
Cash and cash equivalents, end of year	$ 20,557,403	$ 19,986,684
Supplemental cash flow information		
Premium tax paid	$ 2,765,661	$ 2,052,050

See accompanying notes to consolidated financial statements.

1. INCORPORATION AND PRINCIPAL ACTIVITY

J.S. Johnson & Company Limited ("the Company") and its subsidiaries, Insurance Company of The Bahamas Limited ("ICB") and J.S. Johnson & Company (Turks & Caicos) Limited ("JSJ Turks & Caicos") (together, the "Group") carry on general insurance business. The Company and JSJ Turks & Caicos carry on business as agents and brokers in The Bahamas and the Turks & Caicos Islands, respectively. ICB is licensed to operate as a property and casualty insurance company in The Bahamas and the Turks & Caicos Islands under the Insurance Act 2005, as amended, and the Insurance Ordinance, 1989, amended December 2015, respectively.

The Company is incorporated in The Commonwealth of The Bahamas. The registered office of the Company and ICB are situated at the offices of Messrs. McKinney, Bancroft & Hughes, Mareva House, No. 4 George Street, Nassau, The Bahamas. The registered office of JSJ Turks & Caicos is situated at the offices of Twa, Marcelin & Wolf, Chancery Court, Leeward Highway, Providenciales, Turks & Caicos Islands, BWI.

The Company's principal place of business is located at 34 Collins Avenue, Nassau, The Bahamas. ICB's principal place of business is located at 33 Collins Avenue, Nassau, The Bahamas. JSJ Turks & Caicos' principal place of business is located at Graceway Plaza, Leeward Highway, Providenciales, Turks & Caicos Islands, BWI.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

(b) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, except for financial assets and financial liabilities that have been measured at fair value and amortized cost.

The methods used to measure fair value are discussed further in the significant accounting policies below.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Bahamian dollars, which is the Company's functional currency.

(d) Use of Estimates and Judgments

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in Notes 3(b), 3(c), 3(f), 3(g), 3(h), 3(i), 3(j), 3(k), 11 , 12 , 13 , 14 , 15 , 26 and 27.

(e) COVID–19 Considerations

The Company's results and operations have been and may continue to be impacted by the COVID –19 pandemic and the recent economic environment. The effects include but are not limited to significant volatility in equity markets, decline in interest rates, increase in credit risk, fluctuations in the frequency of insurance claims, persistency and redemptions, and disruption of business operations. The breadth and depth of these events and their duration contribute additional uncertainty around estimates used in determining the carrying value of certain assets and liabilities included in these Financial Statements. Management has considered the effect of COVID–19 to the extent possible in its estimates and assumptions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies set out below have been applied consistently by the Group and are consistent with those used in the previous year, except as outlined in Notes 3(v),3(b),3(u),3(w) and 3(v).

(a) Basis of Consolidation

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Entities of which the Company holds, directly or indirectly, the majority of voting rights are fully consolidated. Entities that are less than 50% owned, but in which the Company exercises de facto control, that is, has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities, are considered to be subsidiaries of the Company. The financial statements of such entities are fully consolidated into the Group's consolidated financial statements from the date that control commences until the date that control ceases. Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in net income or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available for sale financial asset depending on the level of influence retained.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. Goodwill at the acquisition date is measured as the fair value of the consideration transferred, plus the recognized amount of any non-controlling interests in the acquire, plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquire, less the net recognized amounts (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in net income or loss in the consolidated statement of comprehensive income. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in net income or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in net income or loss. The consolidated financial statements include the accounts of the Company and the following entities:

Name	Country of Incorporation	Ownership
Insurance Company of The Bahamas Limited	The Bahamas	40%
J.S. Johnson & Company (Turks & Caicos) Limited	Turks & Caicos Islands, BWI	80%

Inter-company transactions and balances are eliminated on consolidation with the exception of Inter-company transactions covered by reinsurance contracts which were not eliminated for consolidation. Subsidiaries' accounting policies are consistent with the policies adopted by the Group. Non-controlling interest in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interest consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(b) Insurance Contracts

(i) Classification, Recognition, and Measurement

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer insurance risks. Such contracts may also transfer financial risk. The Group considers an insurance risk to be significant where the sum insured or limit of indemnity exceeds $250,000. The classification of contracts identifies both the insurance and reinsurance contracts entered into by the Group. Short term insurance contracts consist of Property, Casualty, Motor, and Marine insurance contracts. Property insurance contracts, both personal and commercial, provide compensation for loss, or damage to property. Business interruption coverage provides compensation for loss of earnings following physical damage to the insured premises. Casualty/liability insurance contracts protect the insured against the risk of causing financial loss or injury to third parties following some act of negligence. Liabilities covered include both contractual and non-contractual. Two of the most common protections offered are "Employer's Liability", designed to indemnify employers who become legally liable to pay compensation to injured employees, and "Public Liability", designed to indemnify individuals, and businesses who become legally liable to pay compensation to third parties.

Motor insurance contracts cover the driver's liability to third parties in respect of personal injury or property damage. If comprehensive cover is purchased, the policy also covers damage to the policyholder's vehicle.

Marine insurance contracts include the insurance of goods in transit over land or sea and also the insurance of hulls. Hull insurances typically cover both physical damage to the vessel and also the boat owner's liability to third parties in respect of personal injury or property damage.

Premiums generated from insurance and inward reinsurance contracts are recognized as revenue (gross written premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as unearned premium reserve, calculated using net retained premiums. Gross written premiums are shown before deduction of premium tax, premiums ceded to reinsurers, and commissions. Premiums received prior to the year end and processed after the year end by the agent are recognized at the time of processing.

Claims and loss adjustment expenses are charged to income as incurred based on the known or estimated liability for compensation owed to policyholders or third parties. They include direct or indirect claims settlement costs and arise from events that have occurred up to the reporting date regardless of whether or not they have been reported. Gross outstanding claims comprise the estimated cost of all claims incurred but not settled as of the reporting date whether reported or not. The Group does not discount its liabilities for outstanding claims. Liabilities for outstanding claims are estimated using: (a) the judgment of the Company's claims manager in regards to routine claims, (b) external legal opinion in connection with more complex claims, and (c) statistical analyses for claims incurred but not reported.

(ii) Liability Adequacy Test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. Tests include reviewing original estimates of ultimate claims cost for each accident year against the current year-end estimates. These tests are carried out at the portfolio level for the classes of motor and casualty lines of business. Should any trend in reserve deficiency, at total portfolio level, become apparent, the deficiency would immediately be charged to profit or loss by establishing a provision for losses arising from liability adequacy tests.

(iii) Reinsurance Contracts Held and Assumed

The Group cedes (or assumes) reinsurance under a variety of formal treaty arrangements, with retention limits varying by the line of business. Under these treaties which are classified as reinsurance contracts held (or assumed) the Group is compensated (or compensates) in respect of one or more losses under contracts that meet the classification requirements for insurance contracts. Contracts that do not meet these classification requirements are classified as financial assets (or financial liabilities).

The benefits to which the Group is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets are classified as reinsurance recoverables and comprise:

- recoverables due from reinsurers in respect of claims paid, and
- the reinsured portion of the reserves for outstanding claims allocated in accordance with the treaty arrangements for the class of business in question.

Amounts paid to the reinsurers relating to the unexpired portion of reinsured contracts are classified as prepaid reinsurance premiums.

Reinsurance liabilities are classified as due to reinsurers and are primarily premiums payable under treaty reinsurance contracts after deduction of reinsurance recoverables on proportional contracts. Premiums to be ceded are recognized as an expense from the date the gross premiums are written and over the term of the reinsurance in the consolidated statement of comprehensive income.

Amounts shown as reinsurance recoverables, prepaid reinsurance premiums or due to reinsurers are measured consistently with the amounts associated with reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

The Group assesses its reinsurance assets for any indication of 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 comprehensive income. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortized cost. The impairment loss is also calculated following the same method used for these financial assets. These processes are described in Note 3 (k).

(iv) Portfolio Transfer

At the anniversary date of the reinsurance agreements and at the Group's option proportional reinsurers agree to assume the unexpired liability of all risks in force at such anniversary date. The unexpired liability is computed in accordance with the method outlined in the reinsurance agreement and accounted for when determined in the consolidated statement of comprehensive income. For 2022, portfolio transfer premiums totaling $123,924 (2021:-$nil) were included in the premiums ceded to reinsurers in the statement of comprehensive income.

(v) Receivables and Payables Related to Insurance Contracts

Receivables and payables are recognized when the contractual right to receive payment and contractual obligation to make payment arise, respectively. These include amounts due to and from insurance carriers and reinsurers and the receivable balances are assessed for impairment and doubtful accounts.

(vi) Fronting Arrangements

Gross Written Premium includes the risk premium from fronting arrangements whereby the Group reinsures one hundred percent of an individual risk to an insurer not licensed to transact business in The Bahamas. The reinsured amounts are included within the amount shown as "Ceded to reinsurers", amounting to $25,774,690 (2021: $23,205,795).

(c) Accounts Receivable

Accounts receivable, other than receivables relating to insurance contracts, are recognized initially at fair value and subsequently measured at amortized cost less provision for impairment. The Group recognizes an allowance for expected credit losses (ECL's) for all receivables. The Group applied a simplified approach in calculating ECL's. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL's at each reporting date. The Group has established provisions based on historical credit loss experience, adjusting for forward-looking factors specific to the debtors and the economic environment.

(d) Segment Reporting

The Group determines and presents operating segments based on the information that is provided to the Managing Director, who is the Group's chief operating decision maker. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any other Group entities. An operating segment's operating results are reviewed regularly by the Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(e) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate prevailing at that date. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities at year-end exchange rates are recognized in net income or loss in the consolidated statement of comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rates ruling at the dates that the values were determined. Foreign currency exchange differences, if any, relating to investments at fair value through profit or loss are included in net realized gain/loss or change in net unrealized gain/loss on investments in securities in net income or loss in the consolidated statement of comprehensive income. All other foreign currency exchange differences relating to monetary items, including cash and cash equivalents are recognized in net income or loss in the consolidated statement of comprehensive income.

(f) Investment Property

The Group classifies property held for capital appreciation and rental as investment property. Investment property, which comprises land and buildings, is carried at cost using the cost model and measured in accordance with IAS 16 – Property, Plant, and Equipment, and is stated at historical cost less accumulated depreciation and impairment losses. Depreciation on the buildings is recognized in net income or loss in the consolidated statement of comprehensive income on a straight line basis either at the annual rate of 2.00% or over the estimated useful life of 50 years (2021 – 50 years). No depreciation is taken on land. The carrying value of the land and buildings are also assessed annually for any impairment losses.

The Group performs annual impairment assessments based on fair value less cost to sell. The fair value of investment property is determined by third-party professional appraisals, which are performed every three years. The fair value of the investment property is based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

(g) Property, Plant, and Equipment

Property, plant, and equipment, except for land, are stated at historical cost less accumulated depreciation and impairment losses. Land is stated at cost and not subject to depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant, and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant, and equipment. The cost of replacing part of an item of property, plant, and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. Repairs and maintenance are charged to net income or loss in the consolidated statement of comprehensive income when the expenditure is incurred.

Depreciation is recognized in the consolidated statement of comprehensive income on a straight line basis over the estimated useful lives of the items of the assets, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. In the year of acquisition, a full year's depreciation is charged to net income or loss in the consolidated statement of comprehensive income, regardless of the acquisition date.

The estimated depreciation rates for the current and corresponding period are as follows:

	Useful Lives	Depreciation Rates
Buildings	50	2%
Office furniture and equipment	6.67	15%
Computer equipment	5	20%
Motor vehicles	4 – 5	20% – 25%
Leasehold improvements		Lesser of useful life or Duration of lease

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in other income in the consolidated statement of comprehensive income. Repairs and maintenance are charged to net income or loss in the statement of comprehensive income when the expenditure is incurred.

(h) Financial Instruments

A financial instrument is recognized when the Group becomes a party to the contractual provisions that give rise to a financial asset for one entity and the financial liability for another entity. Regular way purchases and sales of financial instruments are accounted for at trade date, that is, the date the Group commits itself to purchase or sell the asset.

Financial instruments comprise investments in equity and debt securities, term deposits, loans and receivables, cash and bank balances and accounts payable and accruals.

Financial assets are initially measured at fair value. For assets not measured at fair value through profit or loss, any directly attributable transaction costs are added to the carrying value. Financial assets are subsequently measured into the below categories:

- Amortized cost
- Fair value through profit or loss

Each measurement category is determined by the business model for managing the asset and the asset's contractual terms. The assessment of the business model for financial instruments are performed at aggregate level groupings. The business model test aligns each instrument to the Group's business and operational objectives surrounding liquidity, risks and overall performance objectives. The assessment of the contractual cashflows are considered on an instrument by instrument basis and considers the timing and value of solely payments of principal and interest on the outstanding principal amount.

(i) Investments at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of comprehensive income. Financial assets classified as fair value through profit or loss include investments in common shares, preference shares and mutual funds.

(ii) Investments at Amortized Cost

The Group measures financial assets at amortized cost if it is both held within a business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognised, modified or impaired. Financial assets classified as investments at amortized cost include all notes and bonds, loans and other receivables and term deposits.

(iii) Cash and Bank Balances

Cash and bank balances comprise cash and deposits held with financial institutions with original maturities of less than three months. Bank overdrafts and margin loans, if any, that are repayable on demand and form an integral part of the Group's cash management, are included as a component of cash and bank balances for the purpose of the statement of cash flows.

(iv) Loans and Receivables

Under IAS 39 loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market and are recognized initially at fair value plus any directly attributable transaction costs. This definition remains largely unchanged under IFRS 9; however, loans and receivable balances are no longer an individual measurement category. The categorization of loans and receivables under IFRS 9 also depends on the business model objective. Loans and receivables are held for collection of contractual payments of solely principal and interest payments under the current business model. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Receivables arising from insurance contracts and other receivables are measured amortized cost.

(v) Financial Liabilities

Financial liabilities are initially classified at amortized cost using the effective interest method with specific exceptions. Financial liabilities may be subsequently measured at fair value through profit or loss by irrevocable option when permitted under the standard or when doing so results in more relevant information because it eliminates or reduces measurement or recognition inconsistency or if the financial liabilities performance is evaluated on a fair value basis. The Group's financial liabilities are comprised of the accounts payable and accruals which are measured at amortized cost. Financial liabilities arising from insurance contracts are measured at amortized cost.

(vi) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(vii) Fair Value Measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either; in the principal or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible by the Group. When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis.

Any equity security that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses, if any. If a reliable measure of fair value becomes available subsequently, the instrument is measured at fair value.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price (i.e., the fair value of the consideration given or received). If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out. If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 – quoted market price (unadjusted) in an active market for an identical instrument.

Level 2 – valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted market prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 – valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

(i) Intangible Assets

Intangible assets include customer relationships acquired from third parties and are stated at cost less accumulated amortization and impairment losses, if any. Amortization is recognized in income or loss in the consolidated statement of comprehensive income on a straight line basis over the estimated useful life of the customer relationship from the date that it is acquired. The estimated useful life of customer relationships is five years. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

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

(i) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The right-of-use assets are also subject to impairment. As of December 31, 2022 no impairment on the asset was noted (2021 – $nil).

(ii) Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

(k) Impairment

(i) Financial assets

The Group recognizes a loss allowance for all debt securities measured at amortized cost or fair value through other comprehensive income using an expected credit loss model. The expected credit loss model uses forward looking information that is reasonable and supportable and does not depend solely on historical information. Expected credit losses (ECL) are the difference between the cash flows due in accordance with a contract and the cash flows that are expected to be received discounted using the effective interest rate. The expected credit loss model may assess financial assets on an individual basis or aggregated into groups with similar credit risk characteristics.

There are several approaches recommended for the calculations within the expected credit loss model including the below:

- General Approach

  Under the general approach expected credit losses are categorized into one of three stages. Under stage 1 of the general approach, each financial asset or financial asset grouping will be measured for expected credit losses that result from default events that are possible within the 12 months subsequent to the current fiscal period (12-month ECL). Under stage 2 and 3 of the general approach, the financial asset or financial asset group must recognize an expected credit loss allowance for possible default events that may take place over the remaining life of the instrument (lifetime ECL). The categorization of an individual asset or asset group into stage 1, stage 2 or stage 3 is determined by whether there was a significant increase in credit risk since the initial recognition to the reporting date, with the exception that of an asset that is categorized as low credit risk. The stage 1 ECL classification is used for low credit risk assets or assets that have shown significant improvement in credit quality and is reclassified from stage 2 or has had no significant change in credit risk since initial recognition. The stage 2 ECL classification is used for assets for which there has been a significant decrease in credit quality since initial recognition, or stage 3 assets that have shown significant improvement in credit quality. The stage 3 ECL is reserved for assets considered to be credit impaired.

  The Group considers an instrument to be in default when contractual payments are 90 days past due or when information obtained indicates that the debtor is unlikely to pay outstanding contractual outstanding amounts in full.

- Simplified Approach

  The simplified approach is applied to trade receivables and contract assets under the scope of IFRS 15 and lease receivables under the scope of IFRS 16. The approach enforces a lifetime expected credit loss calculation if elected and allows the use of a provision matrix. The provision matrix makes use of historical default patterns adjusted for forward looking factors and the current economic environment. The simplified approach does not require an entity to track the changes in credit risk, but, instead, requires the entity to recognize a loss allowance based on lifetime ECLs at each reporting date. This approach is not used as the Group does not have qualifying assets.

- Purchased or Originated Credit-Impaired Assets Approach

  This approach is reserved for financial assets with high credit risk at initial recognition and at initial recognition a lifetime credit loss must be recognized. At the reporting date, cumulative changes in the lifetime expected credit loss since initial recognition are to be recognized. This approach is not used as the Group does not have qualifying assets.

- Calculation of Expected Credit Losses

  The approach elected by the Group is the general approach and all eligible assets have been assessed on an instrument by instrument basis. The calculation method selected by the Group is the probability of default method. The expected credit loss calculation considers several possible outcomes upon default and within certain outcomes a recovery rate is incorporated. Under this method factors including the probability of default (PD), the exposure at default (EAD), the loss given default (LGD) and the effective interest rate (EIR) are determined.

  - The Probability of Default is an estimate of the likelihood of default over a given time horizon. It is estimated with consideration of economic scenarios and forward-looking information.
  - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and accrued interest from missed payments.
  - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive. It is usually expressed as a percentage of the EAD.

For each eligible asset, supportable and relevant information that includes both historical and forward looking was evaluated to determine the credit risk at initial recognition and at the reporting date. Qualitative and quantitative information assessed included, debtor background, external and internal credit ratings, payment history, financial report releases and general macroeconomic conditions. The asset is then allocated into one of three stages where either the 12-month ECL or the lifetime-ECL calculation is selected. All expected credit losses calculated are then discounted using the effective interest rate.

(ii) Non-Financial Assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in income or loss. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(l) Income and Expense Recognition

Premiums are recognized as revenue over the periods covered by the related policies after allowing for premiums ceded.

Net revenue from contracts with customers on agency business is recognized at the point in time when premiums are billed to customers as the Group has no further service obligations associated with these commissions. Net revenue from contracts with customers consists of three types:

i. Contracts with related parties – see note 3(p) for the definition of related parties. Payment is typically due two to three months after month end depending on the related party.
ii. Agency contracts– these contracts are usually long term contracts with fixed rates set per product line (e.g.: property, motor, marine) per contract. Payment is due two months after month end.
iii. Broker contracts– these contracts are short-term and are negotiated on a one by one basis and can vary per product line depending on the broker. Payment is typically due the month after the premium is billed to the customer.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price, the Group has considered the effects of variable consideration, noncash consideration and consideration payable to the customer (if any).

Other revenues and expenses of the Group are recognized on an accrual basis, except as follows:

- Dividend income – recognized when the Group's right to receive payment has been established.
- Treaty profit commission income – recognized in the year in which the treaty profits are crystallized.
- Loyalty commission income and profit commission expense – recognized when the Group's right to receive or obligation to make payment has been established.
- Fronting fees – recognized when premiums are billed to customers as the Group has no further service obligations associated with these fees.
- Cost to obtain a contract – recognized when the obligation to pay the commissions has been established. These costs are usually associated with outside subagents or broker arrangements used to obtain the contracts.

(m) Taxation

Premium tax is incurred at a rate of 3.00% of gross written premiums written in The Commonwealth of The Bahamas and 2.50% of gross written premiums in the Turks & Caicos Islands, BWI. Premium tax is recognized when the Group's obligation to make payment has been established.

On January 1, 2015, the Value Added Tax Act, 2014 (VAT), came into force thereby imposing a tax on all Property and General (and other casualty insurance, except exempt supplies) insurance services provided by the Company and a tax on all taxable inputs purchased by the Group at a rate of 7.5%. The Group has paid VAT on taxable inputs comprised of claims and operating expenses from January 1, 2015 onward. On July 1, 2018, this rate was amended to 12% and further amended January 1, 2022 to 10%.

(n) Employee Benefits

(i) Defined Contribution Pension Plan

The Group has a defined contribution pension plan for eligible employees whereby the Group pays contributions to a privately administered pension plan. The Group has no further payment obligations once the contributions have been paid. The plan requires participants to contribute 5% of their eligible earnings and such amounts are matched by the Group. The Group's contributions to the defined contribution pension plan are charged to income or loss in the year to which they relate.

(ii) Short-Term Benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided in net income or loss. A provision is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to net income or loss using a straight-line method over the period of the lease.

(p) Related Parties

Related parties include affiliates of Aon Corporation, major shareholders, directors and key management personnel who have the authority and responsibility for planning, directing and controlling the activities of the Group (see Note 23 for further details).

(q) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and, it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

(r) Treasury Share Capital (Interest In Own Shares)

Treasury share capital represents the Group's own equity instruments, which are acquired and are deducted from equity and accounted for at cost. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

(s) Earnings Per Share

The Group presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

(t) Dividends

Dividends proposed or declared after the reporting dates are not recognized at the reporting date.

(u) New Standards, Interpretations, and Amendments to Published Standards that are Not Yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards if applicable, when they become effective.

- ***IFRS 17 Insurance Contracts***

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. IFRS 17 is effective January 1, 2023, and will replace IFRS 4 Insurance Contracts (IFRS 4) issued in 2005. IFRS 17 applies to all types of insurance contracts. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

This standard will bring significant changes to the accounting for insurance and reinsurance contracts and while there will be an impact to the Company's financial statements, the magnitude is currently being assessed. The Company will restate comparative information upon the adoption of IFRS 17, effective January 1, 2023. The impact of the initial application of IFRS 17 on the December 31, 2022 financial statements are not yet reasonably estimable.

The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

(i) Identifying contracts in the scope of IFRS 17

When identifying contracts in the scope of IFRS 17 in some classes, the Group will assess whether a set or series of contracts, needs to be treated as a single contract and whether derivatives investment components and goods and services components have to be separated and accounted for under another standard. For insurance and reinsurance contracts, the Group does not expect significant changes arising from the application of these requirements.

(ii) Level of aggregation

Under IFRS 17, insurance contracts are aggregated into groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and that are managed together. Contracts in different product lines are expected to be in different portfolios. Each portfolio is then divided into annual cohorts and each annual cohort divided into three groups.

- any contracts that are onerous at initial recognition
- any contract that's on initial recognition have no significant possibility of becoming onerous subsequently and
- any remaining contracts in the annual cohort

When a contract is recognized, it is added to an existing group of contracts or if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts may be added. The level of aggregation requirements of IFRS 17 limit the offsetting of gains on groups of contracts of profitable contracts, against gains on groups of onerous contracts, which are recognized immediately. Compared with the level at which the liability adequacy test is performed under IFRS 4, the level of aggregation under IFRS 17 is more granular and may result in some contracts being identified as onerous and losses on those onerous contracts being recognized sooner compared to IFRS 4.

(iii) Contract Boundaries

Under IFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in a group. The Group expects for certain contracts, that contract boundary requirements may change the scope of cash flows to be included in the measurement of existing recognized contracts. The period covered by the premiums within the contract boundary is the 'coverage period.'

Insurance Contracts

For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay premiums or has the substantive obligation to provide services.

Reinsurance Contracts

For reinsurance contracts, cash flows are within the contract boundary if they arise from the substantive rights and obligations that exist during the reporting period in which the company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

The contract boundary will be reassessed at each reporting date to include the effect of changes in circumstances on the Group's substantive rights and obligations and, therefore, may change over time. The measurement of reinsurance contracts generally aligns with that of the underlying contracts.

(iv) Measurement Overview

IFRS 17 introduces a measurement model based on the estimates of the present value of future cash flows that are expected to arise as the company fulfills contracts, an explicit risk adjustment for non-financial risk and a contractual service margin for contracts are subject to different requirements depending on how they are classified.

Premium Allocation Approach (PAA)

The premium allocation approach is an optional simplified measurement model in IFRS 17 that is available for insurance and reinsurance contracts that meet the eligibility criteria. The Group anticipates it will be eligible for the application of the premium allocation approach as the following criteria are expected to be met for its insurance and reinsurance contracts:

- Insurance contracts: The general coverage period of each contract in the group is one year or less. These contracts provide compensation for an insured event occurring during the period which a policyholder can make a valid claim (e.g. coverage period). For those few contracts that exceed one year or more, the liability for remaining coverage estimated for that group would not be materially different from that which would be produced when applying the general measurement model approach.
- Reinsurance contracts: The coverage period of each contract in the group is one year or less.

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

- The liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognized in revenue for insurance services provided;
- Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of services are more than 12 months apart;
- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision);
- Measurement of the liability for incurred claims (previously claims outstanding and incurred but-not-reported (IBNR) claims) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk. The liability includes the Company's obligation to pay other incurred insurance expenses;
- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

Insurance acquisition cash flows arise from activities of selling, underwriting and starting up a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. The Group will determine whether the acquisition cash flows will be recognized as expenses when incurred or to allocate the acquisition cash flows to groups of insurance contracts issued or expected to be issued using a systematic and rational basis over the coverage period. Insurance acquisition cash flows include those that are directly attributable to a group and to future groups that are expected to arise from renewals of contracts in that group.

(v) Presentation and Disclosure

IFRS 17 will significantly change how insurance contracts and reinsurance contracts are presented and disclosed in the Group's financial statements. Portfolios of insurance and reinsurance contracts issued that are assets and those that are liabilities as well as portfolios of reinsurance contracts held that are assets and those that are liabilities will be presented separately on the statement of financial position. All rights and obligations arising from a portfolio of contracts including any assets for insurance acquisition cash flows will be presented on a net basis. Therefore, balances such as reinsurance recoverables and outstanding claims will no longer be presented separately. Under IFRS 17, amounts recognized in the statement of comprehensive income will be aggregated into an insurance service result. Amounts from reinsurance contracts will be presented separately. The separate presentation of underwriting and financial results will provide added transparency about the sources of profits and quality of earnings. IFRS 17 requires extensive new disclosures about amounts in the financial statements including detailed reconciliations of contracts and information on significant judgments made when applying IFRS 17. There will be expanded disclosures about the nature and extent of risks from insurance and reinsurance contracts. Disclosures will generally be made at a more granular level then under IFRS 4, providing more transparent information for assessing the effects of contracts on the financial statements.

(vi) Transition

Management are assessing the Group's transition for the implementation of IFRS 17. IFRS 17 requires the application of the full retrospective approach unless impracticable. Alternatively, the modified retrospective approach is permitted to allow use of reasonable and supportable information that is available without undue cost or effort to achieve the closest possible outcome to fully retrospective application.

- ***Amendments to IAS 1: Classification of Liabilities as Current or Non–current***

  In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non–current. The amendments clarify:

  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right

  That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. This amendment is not expected to have a material impact to the Group.

- ***Definition of Accounting Estimates - Amendments to IAS 8***

  In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

- ***Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2***

  In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

(v) New Standards Adopted During the Year

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2022. Although these new standards and amendments have been applied for the first time in 2022, they did not have a material impact on the annual financial statements of the Group. The nature and the impact of each new standard or amendment are described below:

- ***Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37***

  In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group has applied these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The amendments had no material impact on the Group.

- ***Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16***

  In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments had no material impact on the Group.

- ***IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities***

  As part of its 2018-2022 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments had no material impact on the Group.

- ***Reference to the Conceptual Framework – Amendments to IFRS 3***

  In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The amendments did not have a material impact on the Company.

4. ACCOUNTS RECEIVABLE

Accounts receivable are stated at amortized cost less allowance for expected credit losses. Collateral is not held against any of the outstanding balances; however the Group has the right to cancel the policy for non–payment.

As at December 31 accounts receivable consist of:

	2022	2021
Trade receivables	$ 12,336,387	$ 12,815,177
Allowance for expected credit losses	(694,433)	(674,737)
	$ 11,641,954	$ 12,140,440

The aging analysis of accounts receivable as at December 31 is as follows:

2022

	0– 6 Months	6 – 9 Months	9 – 12 Months	More than 12 Months	Gross Receivables	Expected credit losses	Net Receivables
Trade	$ 10,065,526	$ 1,567,347	$ 146,001	$ 557,513	$ 12,336,387	$ (694,433)	$ 11,641,954
Total	$ 10,065,526	$ 1,567,347	$ 146,001	$ 557,513	$ 12,336,387	$ (694,433)	$ 11,641,954

2021

	0– 6 Months	6 – 9 Months	9 – 12 Months	More than 12 Months	Gross Receivables	Expected credit losses	Net Receivables
Trade	$ 10,467,870	$ 1,603,181	$ 75,346	$ 668,780	$ 12,815,177	$ (674,737)	$ 12,140,440
Total	$ 10,467,870	$ 1,603,181	$ 75,346	$ 668,780	$ 12,815,177	$ (674,737)	$ 12,140,440

An impairment analysis is performed at each reporting date using the aging above to measure expected credit losses. The calculation reflects the probability–weighted outcome, the time balance of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and historical loss experience. Generally, trade receivables are written–off if past due for more than one year and all collection attempts are exhausted. Cancellation or extension of the terms of the credit is instituted on a case by case basis. Specific provisions are made against trade balances based on the above procedure.

The movement in the allowance for expected credit losses as at December 31 is as follows:

	2022	2021
Balance as of January 1	$ 674,737	$ 646,719
Recoveries of expected credit losses	(28,304)	(19,982)
Provision for expected credit losses	48,000	48,000
Balance as at December 31	$ 694,433	$ 674,737

5. UNDERWRITING POLICIES AND REINSURANCE AGREEMENTS

The Group follows the policy of underwriting and reinsuring all contracts of insurance, which limit the retained liability of the Group. The reinsurance of contracts does not, however, relieve the Group of its primary obligation to the policyholders. In the event that the reinsurers are unable to meet their obligations under the reinsurance agreements, the Group would also be liable for the reinsured amount. The Group's credit risk management procedures are detailed in Note 25.

Aon Limited, whose registered office is in London, England, a related party of the Group, is the Group's reinsurance broker and acts as the intermediary between the Group and the reinsurers. Reinsurance contracts between the Group and its reinsurers are renewable annually in accordance with the terms of the individual contracts.

Reinsurance recoverables consist of:

	2022	2021
Recoverables under excess of loss reinsurance for claims paid and outstanding	$ 229,796	$ 556,588
Recoverables under proportional contracts for outstanding claims *(Note 14)*	7,481,000	10,775,188
	$ 7,710,796	$ 11,331,776

Amounts due to reinsurers of $2,286,120 (2021 – $4,136,453) represents advanced funding payments from reinsurers received by the Company in relation to settlements due; in addition to any funding premiums to be ceded to the reinsurers, less reinsurance recoverables on proportional contracts.

6. CASH AND BANK BALANCES

The Group earned interest at varying rates up to 0.5% (2021 – varying rates up to 0.5%) per annum on accounts denominated in Bahamian dollars. Interest earned on demand deposits amounted to $10,105 (2021 – $15,036).

7. TERM DEPOSITS

Term deposits with banks include accrued interest totaling $190,143 (2021 – $62,501). The term deposits are held more than three months from the date of acquisition and have the following maturities and interest rates:

	Interest Rates 2022	2022	Interest Rates 2021	2021
Three months – one year	0.11%–2.25%	$ 5,609,916	0.22%–2.25%	$ 9,776,920
Over one year	1.95%–2.50%	5,353,467	2.25%	1,006,203
Loss allowance		(2,366)		-
		$ 10,961,017		$ 10,783,123

To meet the requirement under the Insurance Act 2005 in The Bahamas, as outlined in Note 27, ICB renewed its term deposit of $1,285,988 (2021 – $1,279,591) with a maturity date of December 21, 2023. The term deposit is held with a recognized financial institution in The Bahamas.

ICB is also required under the Insurance Regulations in Turks and Caicos to meet certain capital requirements as outlined in Note 27 and maintained a restricted deposit of $535,902 (2021 – $534,726), with a maturity date of December 7, 2023. The deposit is held with a recognized financial institution in Turks and Caicos.

8. INVESTMENTS IN SECURITIES

Securities at Fair Value Through Profit or Loss

Securities at fair value through profit or loss principally comprise marketable equity securities, which are listed on The Bahamas International Securities Exchange, and are stated at fair value using quoted bid prices. Movements during the year were as follows:

	2022	2021
As at beginning of year	$ 9,338,871	$ 8,246,055
Additions	-	1,316,003
Disposals	-	(446,441)
Change in net unrealized gains during the year	813,832	223,254
As of end of year	$ 10,152,703	$ 9,338,871

As of December 31, 2022, the cost of securities at fair value through profit or loss was $7,058,241 (2021 – $7,058,241).

Investments at Amortized Cost

Investments at Amortized Cost consist of the following:

	Interest Rates	Maturity	Amortized Cost 2022
The Bridge Authority Bond	6.25%	2024	$ 130,078
Bahamas Government Registered Stocks	4.39% to 5.60%	2023 – 2049	5,548,455
Bahamas Government T-bill	1.45%	2023	4,927,775
Clifton Heritage Authority	5.50%	2035	282,980
Nassau Airport Development:			
Company – senior secured note	7.50% to 8.50%	2031 – 2035	2,091,273
College of The Bahamas	7.00%	2026	142,885
Public Hospital Authority Ser A	6.00%	2033	587,703
Bahamas Govt Stock Tranche 1	6.25%	2044	501,370
Loss Allowance			(396,940)
			$ 13,815,579

	Interest Rates	Maturity	Amortized Cost 2021
The Bridge Authority Bond	6.25%	2024	$ 130,078
Bahamas Government Registered Stocks	4.39% to 5.60%	2022 – 2049	6,328,527
Clifton Heritage Authority	5.50%	2035	282,980
Nassau Airport Development:			
Company – senior secured note	7.50% to 8.50%	2031 – 2035	1,991,861
College of The Bahamas	7.00%	2026	178,605
Public Hospital Authority Ser A	6.00%	2033	641,130
Bahamas Govt Stock Tranche 1	6.25%	2044	501,370
Bahamas Govt Stock Tranche 2	4.50%	2022	1,021,674
Loss Allowance			(345,007)
			$ 10,731,218

Included in investments at amortized is accrued interest totaling $119,329 (2021-$143,924). The interest income for investments at amortized cost was $405,627 (2021 - $486,669).

In accordance with the Note Purchase Agreement dated March 20, 2009 for Nassau Airport Development Company – 8.5% Senior Secured Note, the issuer has exercised its rights under the Agreement to prepay the principal in a number of installments until the maturity date in 2031. During 2022, the Group received $30,000 (2021 – $30,000) towards the principal of the Secured Note.

In accordance with the Note Purchase Agreement dated December 31, 2018 for Nassau Airport Development Company – 7.5% Participating Debt Note, the issuer exercised its rights under the Agreement to capitalize any unpaid interest due on the Quarterly Date and increase the principal amount of the Participating Debt Note by the amount equal to such capitalized interest. In accordance with IFRS 9, when modifying debt, the Company must determine whether the change in carrying value is substantial or replaced by new debt with substantially different terms. In accordance with the reporting standard, these contractual cash flows have been modified and did not result in derecognition, as such the Company has recognized a modification gain of $129,346 (2021- $120,083) within in the statement of comprehensive income.

In accordance with the Note Purchase Agreement dated June 24, 2011 for The College of The Bahamas, the issuer has exercised its rights under the Agreement to prepay the principal in a number of installments until the maturity date in 2026. During 2022, the Group received $35,714 (2021 – $35,714) towards the principal of the Secured Note.

In accordance with the Note Purchase Agreement dated November 13, 2013, for Public Hospital Authority, the issuer has exercised its rights under the Agreement to prepay the principal in a number of installments until the maturity date in 2033. During 2022, the Group received $52,632 (2021- $52,632) towards the principal of the Secured Note.

Included in prepayments and other assets is $5,180 (2021 – $5,180) relating to dividends receivable (Note 10) at December 31, 2022.

Fair Value Hierarchy

Securities at fair value through profit or loss and at amortized cost are categorized as Level 2 as at December 31, 2022 and 2021. There has been no transfer of financial instruments between Level 1 and Level 2 during the year ended December 31, 2022 and 2021.

Expected Credit Losses

The Company continuously monitors all assets subject to expected credit losses. In order to determine the stage of the expected credit losses calculation under the general approach, the Company must assess whether there has been a significant increase in credit risk since initial recognition. Qualitative and quantitative information are used to analyze credit risk. These include a variety of resources such as multiple external credit rating sources like by Moody's and Standards and Poor's ratings agencies, changes in general macroeconomic conditions included but not limited to the gross domestic product, unemployment rates, interest and debt rations, historical and current payment defaults and other financial information releases.

Due to the outbreak of the COVID-19 global pandemic,during the year ended December 31, 2019, the nation underwent a dramatic shift in economic status. The credit rating of the nation's sovereign debt weakened, unemployment levels increased and the gross domestic product linked to the country's main industry of tourism faced historic pressures as a result of government mandated restrictions. As a result of this analysis, the Company has determined that there has been a significant increase in credit risk for all Bahamas Government Registered Stock and government affiliated bonds and notes. Due to the increased risk, the expected credit loss for these investments has been transitioned to the Stage 2: lifetime credit loss calculation and resulted in an ECL adjustment of $396,940 2021: 146,608). All other investments remain in stage 1.

9. DUE FROM INSURANCE CARRIERS

As of December 31, 2022, balances totaling $217,151 (2021 – $1,350) comprise funds due from insurance carriers relating to cancellations and for policies that were processed subsequent to the year end.

10. PREPAYMENTS AND OTHER ASSETS

	2022	2021
Staff loans and advances (i)	$ 114,959	$ 199,765
Prepayments and security deposits	64,211	64,211
Commissions receivable	180,120	118,057
Other assets	330,321	353,366
	$ 689,611	$ 735,399

(i) Staff loans are interest bearing and secured by the employee's pension fund and are granted based on an employee's tenure with the Group. The maturity dates extend up to 24 months of issuance.

11. LEASES

The Group has lease contracts for its office premises at Thompson Boulevard and the Turks & Caicos Island. The current lease of the premise for the premise in Thompson Boulevard is for 2 years (2021 – 3 years) by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets. The Group also has certain others leases mainly in Abaco and Exuma with lease terms of 12 months or with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases and all other leases. Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	2022	2021
Net carrying value at January 1	$ 235,392	$ 412,798
Additions	158,257	-
Depreciation expense	(184,374)	(177,406)
Net carrying value at December 31	$ 209,275	$ 235,392

Set out below are the carrying amounts of lease liabilities and the movements during the period.

	2022	2021
Net carrying value at January 1	$ 239,248	$ 419,696
Accretion of interest	12,912	9,291
Additions	158,257	-
Payments	(196,886)	(189,739)
Net carrying value at December 31	$ 213,531	$ 239,248

Depreciation charged in 2022 of $184,374 (2021 – $177,406) is included in depreciation and amortization in the statement of comprehensive income. Payments on lease liabilities included interest expenses of $12,912 in 2022 and $9,291 in 2021. The lease liability was remeasured in the current year resulting in addition to ROA and lease of liability. Also no impairment was noted on the lease asset. The maturity analysis of lease liabilities is disclosed in Note 25.

12. INVESTMENT PROPERTIES

Investment properties are accounted for using the cost model and are as follows:

	Land	Buildings	Total
Cost:			
Balance as at January 1, 2022	$ 661,914	$ –	$ 661,914
Disposals	-	–	-
Balance as at December 31, 2022	$ 661,914	$ –	$ 661,914
Accumulated depreciation:			
Balance as at January 1, 2022	$ –	$ –	$ –
Disposals	–	–	–
Charge for the year	–	–	–
Balance as at December 31, 2022	$ –	$ –	$ –
Impairment/Revaluation:			
Balance as at January 1, 2022	$ (125,000)	$ –	$ (125,000)
Charge for the year	–	–	–
Balance as at December 31, 2022	$ (125,000)	$ –	$ (125,000)
Net Carrying Value as at December 31, 2022	$ 536,914	$ –	$ 536,914
Net Carrying Value as at December 31, 2021	$ 536,914	$ –	$ 536,914

As at December 31, 2022, the Company's investment properties are comprised of one parcel (2021: one) of land, which is a vacant lot with a carrying value of $536,914 (2021 - $536,914).

The Company also held a second investment property of land and building, which had carrying values and fair value at January 1, 2021 of $250,858 for land and $nil for building which was sold for $142,500 creating a loss on sale of $108,358.

Investment properties are being assessed annually for any indication of impairment, one of the factors being considered is the estimated fair value. The Company has a policy in place to perform appraisals every three to five years (2021 being the last assessment) for the purpose of facilitating impairment assessment only as the Company uses the cost method. The fair value of the investment property based on an independent appraisal was $613,000. An impairment loss/ revaluation of $125,000 was recorded in 2019 on the land as a result of Hurricane Dorian. No other impairment losses were recognized in 2022 and 2021. Included in depreciation in the consolidated statement of comprehensive income is the depreciation charge on the building of $nil (2021 - $nil).

13. PROPERTY, PLANT, AND EQUIPMENT

	Land	Building	Furniture, Equipment & Motor Vehicles	Leasehold Improvements	Computer Hardware & Software	Total
Cost:						
Balance as of January 1, 2022	$ 2,340,044	$ 7,377,871	$ 2,539,523	$ 1,363,728	$ 2,957,966	$ 16,579,132
Additions	–	185,150	18,791	–	122,581	326,522
Balance as of December 31, 2022	$ 2,340,044	$ 7,563,021	$ 2,558,314	$ 1,363,728	$ 3,080,547	$ 16,905,654
Accumulated depreciation:						
Balance as of January 1, 2022	$ –	$ 3,024,220	$ 2,058,399	$ 1,060,220	$ 2,593,167	$ 8,736,006
Depreciation charge for the year	–	155,580	135,579	100,063	105,080	496,302
Balance as of December 31, 2022	$ –	$ 3,179,800	$ 2,193,978	$ 1,160,283	$ 2,698,247	$ 9,232,308
Net carrying value:						
December 31, 2022	$ 2,340,044	$ 4,383,221	$ 364,336	$ 203,445	$ 382,300	$ 7,673,346
December 31, 2021	$ 2,340,044	$ 4,353,651	$ 481,124	$ 303,508	$ 364,799	$ 7,843,126

14. OUTSTANDING CLAIMS AND NET CLAIMS INCURRED

Included in the consolidated statement of comprehensive income is net claims incurred as follows:

	2022	2021
Claims incurred	$ 9,374,435	$ 13,066,668
Less: recoverable from reinsurers	(7,965,261)	(11,861,490)
	$ 1,409,174	$ 1,205,178

Assumptions, change in assumptions and sensitivity

(i) Process Used to Decide on Assumptions

The reserving process commences at the moment an insured reports a claim and there is prima facie evidence that the Group is liable under the policy. An initial reserve is established at that point based on the best information available. Assuming liability is subsequently confirmed, the reserve is revised whenever more detailed information becomes available concerning the nature of the injury or physical damage involved. The setting of reserves is the responsibility of the Group's claims manager who will use external legal or other expert advice where appropriate. Where the initial reserve exceeds the claims manager's settling threshold, the adequacy of the reserve will also be discussed with the management of the Group. An established reserve is expected to be sufficient to meet the final cost of a claim whenever it is finally determined. A provision for incurred but not reported ("IBNR") claims has been established for each class of business and is monitored for accuracy at each year end. In determining the accuracy of the provision, management reviews the historical cost of IBNR claims and amends the provision, where necessary, taking into account statistical trends and changes in the shape and size of the portfolio. An additional provision for any inadequacy in case reserves, incurred but not enough reserved ("IBNER") may also be established following advice from the external actuary. Both provisions are combined to form the development IBNR balance. All claims reserves are established on a gross basis and the Group accounts to proportional reinsurers for their share through quarterly returns. Claims recoveries against Excess of Loss reinsurers are made on a case by case basis on proof of payment being established.

(ii) Sensitivity Analysis – Claims Development

The development of long tail insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. Accurate claims reserving is crucial to the long term health of the Group as it allows for more accurate pricing of products and also generates the necessary level of confidence on the part of both reinsurers and shareholders. Management uses a variety of statistical tools, including "Loss Triangulations" developed annually on an accident year basis to monitor the development of the Group's long tail liabilities.

The following tables show the development of the Group's claims costs by accident year over the period of 2017 to 2022:

Insurance Claims – Gross:

Accident Year	2017	2018	2019	2020	2021	2022	Total
Original estimate of ultimate claims cost at end of accident year	$ 22,949,341	$ 11,847,932	$ 238,746,786	$ 10,649,200	$ 9,781,200	$ 10,750,538	
One year later	21,572,268	11,154,592	228,868,843	9,178,693	8,620,499		
Two years later	21,375,182	11,101,755	233,341,280	8,548,899			
Three years later	21,365,088	11,082,220	233,856,713				
Four years later	21,351,708	11,071,661					
Five years later	21,287,547						
Current estimate of cumulative claims	$ 21,287,547	$ 11,071,661	$ 233,856,713	$ 8,548,899	$ 8,620,499	$ 10,750,538	$ 294,135,857
Cumulative payments to date	(20,930,065)	(10,722,182)	(233,368,915)	(7,717,901)	(7,864,651)	(6,129,786)	(286,733,500)
Liability recognized in the consolidated statement of financial position	$ 357,482	$ 349,479	$ 487,798	$ 830,998	$ 755,848	$ 4,620,752	$ 7,402,357
Liability in respects of years prior to 2017							1,561,643
Gross claims outstanding included in the consolidated statement of financial position							$ 8,964,000

Insurance Claims – Net Retention:

Accident Year	2017	2018	2019	2020	2021	2022	Total
Original estimate of ultimate cost at end of accident year	$ 3,811,300	$ 1,936,539	$ 25,674,981	$ 1,738,095	$ 1,523,799	$ 1,822,157	
One year later	3,520,185	1,903,184	38,757,126	1,653,470	1,434,741		
Two years later	3,541,876	1,904,532	40,424,778	1,550,106			
Three years later	3,543,379	2,123,338	40,935,107				
Four years later	3,542,166	3,713,406					
Five years later	3,529,917						
Current estimate of cumulative claims	$ 3,529,917	$ 3,713,406	$ 40,935,107	$ 1,550,106	$ 1,434,741	$ 1,822,157	$ 52,985,434
Cumulative payments to date	(3,470,995)	(3,660,984)	(40,861,938)	(1,421,541)	(1,317,289)	(1,007,851)	(51,740,598)
Liability recognized in the consolidated statement of financial position	$ 58,922	$ 52,422	$ 73,169	$ 128,565	$ 117,452	$ 814,396	$ 1,244,836
Liability in respects of years prior to 2017							238,164
Net claims outstanding included in the consolidated statement of financial position							$ 1,483,000

(iii) Movements in Outstanding Claims

Outstanding Claims

As at December 31, 2022, outstanding claims of $8,964,000 (2021 – $12,441,000) are shown gross of reinsurance recoverables of $7,481,000 (2021 – $10,775,188) as disclosed in Note 5.

Included in gross outstanding claims is a provision of $2,105,688 (2021 – $2,294,259) for claims incurred but not reported as of the year end.

Reinsurance balances shown on the below table are shown net of recoverables under the excess of loss reinsurance for claims paid and outstanding.

Year Ended December 31	2022			2021		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Outstanding claim at January 1, consists of:						
Notified claims	$ 10,146,741	$ (8,816,106)	$ 1,330,635	$ 18,554,914	$ (16,244,964)	$ 2,309,950
Incurred but not reported	2,294,259	(1,959,083)	335,176	2,496,082	(2,141,261)	354,821
Total claims outstanding at beginning of the year	$ 12,441,000	$ (10,775,189)	$ 1,665,811	$ 21,050,996	$ (18,386,225)	$ 2,664,771
Cash paid for claims settled in the year	(12,587,522)	11,143,347	(1,444,175)	(21,494,491)	20,000,762	(1,493,729)
Increase in liabilities						
arising in current year claims	6,667,656	(5,690,096)	977,560	4,126,664	(4,396,434)	(269,769)
arising from prior years claims	2,631,439	(2,422,977)	208,462	8,959,654	(8,175,470)	784,184
movement in incurred but not reported	(188,573)	263,915	75,342	(201,823)	182,178	(19,645)
Total claims outstanding at end of the year	**$ 8,964,000**	**$ (7,481,000)**	**$ 1,483,000**	**$ 12,441,000**	**$ (10,775,188)**	**$ 1,665,811**
Outstanding claim at December 31, consist of: Notified claims	6,858,312	(5,785,829)	1,072,483	10,146,741	(8,816,105)	1,330,636
Incurred but not reported	2,105,688	(1,695,171)	410,517	2,294,259	(1,959,083)	335,176
Total claims outstanding at end of the year	**$ 8,964,000**	**$ (7,481,000)**	**$ 1,483,000**	**$ 12,441,000**	**$ (10,775,188)**	**$ 1,665,811**

(iv) Unearned Premium Reserve

Year Ended December 31	2022			2021		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
At beginning of the year	$ 26,733,994	$ (23,063,154)	$ 3,670,840	$ 25,314,896	$ (21,682,877)	$ 3,632,019
Net increase in the year	1,253,183	(1,121,542)	131,641	1,419,098	(1,380,277)	38,821
Total claims outstanding at end of the year	**$ 27,987,177**	**$ (24,184,696)**	**$ 3,802,481**	**$ 26,733,994**	**$ (23,063,154)**	**$ 3,670,840**

Included in net premiums earned in the consolidated statement of comprehensive income is the net increase in unearned premium reserve of $131,641 (2021 – net increase of $38,821).These provisions represent the liability for short-term insurance contracts for which the Group's obligations are not expired at year-end.

15. ACCOUNTS PAYABLE

At December 31, 2022, the accounts payable balance was $5,684,062 (2021 - $5,787,210). Within accounts payable is $4,803,691 (2021 – $3,183,861) representing customer accounts with credit balances. These credit balances comprise funds received from customers for policies that were processed subsequent to the year-end or amounts due to customers as returned premiums for cancelled or amended policies. Within the remaining accounts payable amount are balances owed to carrier for premiums received.

16. NET PREMIUMS EARNED

	2022	2021
Gross written premiums	$ 85,642,238	$ 79,075,256
Premium tax	(1,779,249)	(1,661,644)
	83,862,989	77,413,612
Ceded to reinsurers	(75,663,455)	(69,594,829)
Excess of loss reinsurance	(3,512,780)	(3,317,246)
Net retained premiums	4,686,754	4,501,537
Portfolio premium transfer	123,924	-
Change in unearned premium reserve *(Note 14)*	(131,641)	(38,821)
Net premium earned	$ 4,679,037	$ 4,462,716

17. INCOME AND EXPENSES

Net revenue from contracts with customers consists of	2022	2021
Reinsurance contracts	$ 12,104,341	$ 11,284,775
Agency contracts	5,006,081	4,887,608
Contracts with Related parties *(Note 23)*	1,589,431	1,564,097
Broker contracts	6,804,192	5,663,103
	25,504,045	23,399,583
Cost to obtain a contract	(3,136,161)	(2,642,927)
	$ 22,367,884	$ 20,756,656

Investment income consists of:	2022	2021
Interest income *(Notes 6 and 7)*	$ 652,964	$ 657,863
Dividend income *(Note 8)*	352,229	333,796
Other income	775,217	804,266
	$ 1,780,410	$ 1,795,925

Other operating expenses consist of:

	2022	2021
Office expenses	$ 2,077,533	$ 1,729,540
General expenses	1,506,179	1,272,482
Premise costs	862,822	896,914
Computer related expenses	609,947	931,625
Travel and entertainment	256,222	129,979
	$ 5,312,703	$ 4,960,540

18. DIVIDENDS

During the year, the Company declared and paid dividends of $0.62 per share (2021 – $0.56 per share) totaling $5,703,690 (2021 – $4,871,586) in respect of the final quarter of 2021 and the first three quarters of 2022.

19. PENSION PLAN

The Group's employees are members of a defined contribution plan covering all eligible employees. This plan provides for benefits to be paid upon retirement. Employees are required to contribute an amount equal to 5% of their eligible earnings, which is matched by the Group. The amount charged to salaries and employee benefits in the consolidated statement of comprehensive income during the year for pension costs was $435,306 (2021 – $352,501).

20. RETAINED EARNINGS

ICB has made an appropriation to a general reserve for unforeseeable risks and future losses. The general reserve can only be distributed following approval by the Board of Directors of ICB. Included in retained earnings is $800,000 (2021 – $800,000) representing the Company's 40% share of this reserve.

21. CONTINGENCIES

Contingencies

In the normal course of its business, the Group is involved in various legal proceedings arising out of and incidental to its operations. Management of the Company does not anticipate that the losses, if any, incurred as a result of these legal proceedings will materially affect the financial position of the Group.

22. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the net income attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2022	2021
Net income attributable to equity holders of the Company	$ 8,094,322	$ 6,883,279
Weighted average number of ordinary shares in issue	8,000,000	8,000,000
Less: Interest in own shares	(30,000)	(30,000)
	7,970,000	7,970,000
Basic & diluted earnings per share	$ 1.02	$ 0.86

ICB holds 30,000 (2021 – 30,000) shares at a cost of $84,600 (2021 – $84,600) in the Company's own shares, which have been excluded from the weighted average number of ordinary shares in issue in the calculation of the earnings per share.

During December 2021, the Board approved an authorized share capital increase to 40,000,000 at $.01 cents per share. To date, no shares besides the 8,000,000 noted above has been issued.

23. RELATED–PARTY TRANSACTIONS

Related parties comprise: i) major shareholders, directors and key management personnel of the Group; ii) entities in which the parties in (i) have control or significant influence; and iii) entities that have control or significant influence of the parties in (i).

Aon UK Holdings Intermediaries Ltd. (formerly Bain Hogg Management Ltd.), a company incorporated in the United Kingdom, and a subsidiary of Aon Corporation ("Aon"), is the Company's principal shareholder with a shareholding of 40% (2021 – 40%) of the Company's outstanding shares. Aon, through its subsidiaries, serves as the Group's reinsurance broker. In these consolidated financial statements, an affiliate is defined as a subsidiary, or associate of Aon.

The consolidated financial statements include the following balances and transactions with related parties:

	2022	2021
Assets/(Liabilities)		
Prepayments and other assets	$ 50,000	$ 125,599
Due to related parties	(492,901)	(116,705)
Transactions		
Net revenue from contracts with customers and net premiums earned	6,093,834	6,039,452
Key management compensation:		
Salaries and other short-term employee benefits, including directors fees	2,636,328	2,464,748
Post employee benefits	52,187	53,125
Dividends paid	1,984,000	1,792,000

24. SEGMENT INFORMATION

The Group is organized into two business segments, which are described below. Each segment offers different services, and is managed separately. For each business segment, the Group's Managing Director reviews internal management reports on, at least, a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Insurance agents & brokers, where the Group sells and administers insurance policies on behalf of those insurance companies it represents. The Group bears no business risk associated with the insurance policies.

- General insurance underwriting where the Group assumes its portion of the business risk associated with the insurance policies.

All transactions between the business segments are conducted on normal commercial terms and conditions.

The segment results for the year ended December 31, 2022, are as follows:

	Agents & Brokers	Underwriting	Total
Net commissions & fees	$ 22,337,692	$ 30,192	$ 22,367,884
Net premiums earned *(Note 16)*	–	4,679,037	4,679,037
Interest income *(Note 17)*	46,921	606,043	652,964
Dividend income *(Note 17)*	–	352,229	352,229
Change in net unrealized gain on investments in securities	–	813,832	813,832
Other income *(Note 17)*	174,805	600,412	775,217
	$ 22,559,418	$ 7,081,745	$ 29,641,163

	Agents & Brokers	Underwriting	Total
Insurance expenses	$ –	$ 1,409,174	$ 1,409,174
Depreciation and amortization	631,203	49,474	680,677
Provision for expected credit loss	–	51,933	51,933
Other expenses	15,368,296	1,630,175	16,998,471
	$ 15,999,499	$ 3,140,756	$ 19,140,255
Net income	$ 6,559,919	$ 3,940,989	$ 10,500,908

The segment results for the year ended December 31, 2021 are as follows:

	Agents & Brokers	Underwriting	Total
Net commissions & fees	$ 20,730,861	$ 25,795	$ 20,756,656
Net premiums earned *(Note 16)*	–	4,462,716	4,462,716
Interest income *(Note 17)*	54,517	603,346	657,863
Dividend income *(Note 17)*	–	333,796	333,796
Change in net unrealized gain on investments in securities	–	223,254	223,254
Other income *(Note 17)*	153,032	651,234	804,266
	$ 20,938,410	$ 6,300,141	$ 27,238,551

	Agents & Brokers	Underwriting	Total
Insurance expenses	$ –	$ 1,205,178	$ 1,205,178
Depreciation and amortization	660,260	46,267	706,527
Loss on sale of investment property	108,358	–	108,358
Provision for tax assessment	–	181,730	181,730
Other expenses	14,676,076	1,321,836	15,997,912
	$ 15,444,694	$ 2,755,011	$ 18,199,705
Net income	$ 5,493,716	$ 3,545,130	$ 9,038,846

The segment assets and liabilities at December 31, 2022, for the year then ended are as follows:

	Agents & Brokers	Underwriting	Total
Total assets	$ 37,999,922	$ 70,350,523	$ 108,350,445
Total liabilities	$ 18,354,584	$ 36,915,574	$ 55,270,158

The segment assets and liabilities at December 31, 2021, for the year then ended are as follows:

	Agents & Brokers	Underwriting	Total
Total assets	$ 36,686,793	$ 70,040,654	$ 106,727,447
Total liabilities	$ 18,996,340	$ 39,448,038	$ 58,444,378

25. RISK MANAGEMENT

The Group is exposed to insurance risk and financial risk through its insurance assets and insurance liabilities, financial assets and financial liabilities. The insurance risk covers such things as the vagaries of the weather, the unpredictability of serious injury losses and fortuitous events such as outbreaks of fire. The main components of the financial risk are credit risk, liquidity risk and interest-rate risk. The Group's financial performance is affected by its capacity to understand and effectively manage these risks. The Group's challenge is not only to measure and monitor these risks but also to manage them as profit opportunities. A critical goal of the Group is to ensure that its financial assets are always more than sufficient to fund the obligations arising from its insurance contracts. Close attention is also paid to cash management policies.

The following notes expand on the nature of the aforementioned risks and the manner in which the Group manages them.

(a) Insurance Risk

Insurance risk is the risk that the insured event might occur. At the individual policy level and also at the portfolio level, there is uncertainty in terms of both frequency of occurrence and severity of loss. For any given portfolio of insurance contracts, where the theory of probability is applied to pricing and loss reserving, the principal risk that the Group faces is that claims and other costs might exceed premiums earned. This could occur because the frequency or severity of claims is greater than estimated or that estimated original policy rates prove not to be sustainable or a combination of both. Experience shows that the greater the commonality of risk within a class of business, the smaller will be the relative variability in the expected outcome. In addition, a more diversified portfolio is less vulnerable to deterioration in the loss experience in any particular class of business. The Group has developed its underwriting strategy to produce a diversified portfolio of insurance risks. Within each of the individual classes of business it has sought to achieve, wherever possible, a sufficiently large population of risks to reduce the variability of the expected outcome.

At the macro level, the Group suffers from a lack of diversification in the sense that it only insures the non-life risks of individuals located in The Bahamas and Turks and Caicos; therefore, there is a concentration of insurance risk within the industry sector and territory in which the Group operates.

Casualty Insurance Risks

(i) Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. Claims frequency can be influenced by changes in the size, composition and quality of a portfolio. Changes in social/economic conditions can also severely impact claims frequency. Claim severity isimpacted by such things as general inflation. In the case of liability claims, the most significant factor is the increasing level of awards for personal injury. Claims involving serious long term injury can take five years or more to settle.

The Group manages these risks by means of its well-developed underwriting and reinsurance strategies and also by adopting a proactive approach to claims handling. The underwriting strategy attempts to ensure that the portfolio remains biased towards high quality risks. Underwriting guidelines are in place to enforce appropriate risk selection criteria. The reinsurance arrangements include both proportional and catastrophe excess of loss coverage.

The effect of such reinsurance arrangements is to limit the total net insurance loss that the Group can suffer in any one year.

(ii) Sources of uncertainty in the estimation of future claim payments

Claims on casualty contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occur during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and an element of the claims provision relates to IBNR claims and unexpired risks. Given the uncertainty in establishing claims provisions, it is likely in many cases that the final cost of a claim will vary significantly from the initial reserve. In calculating the estimated cost of outstanding claims (both reported or not), the Group uses various industry standard loss estimation techniques and the experience of its staff in settling claims of similar types.

Property Insurance Contracts

(i) Frequency and severity of claims

For property insurance contracts, climatic changes are giving rise to more frequent severe extreme weather events (e.g., hurricanes, flooding, etc.) and their consequences. The Group has the right to re-price each individual risk on renewal. It also has the ability to impose or increase deductibles. Contracts are priced on the basis of the commercial replacement value of the properties and contents insured. The sum insured represents the maximum amount payable under a policy. The cost of repairing or rebuilding properties, the cost of providing indemnity for damaged or stolen contents and time taken to restart business operations (business interruption insurances) are the key factors that influence the value of claims under these policies. The most likely cause of major loss under the property portfolio arises from a hurricane event or other serious weather related event. The Group has reinsurance coverage in place to limit the impact of such losses in any one year.

The Group underwrites property insurance in The Bahamas and Turks and Caicos.

(ii) Sources of uncertainty in the estimation of future claim payments

The development of large losses/catastrophes is analyzed separately. Property claims can be estimated with greater reliability due to the shorter settlement period for these claims resulting in lesser amounts of IBNR held at year end.

(b) Financial Risks

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. In the normal course of business, the Group seeks to limit its exposure to losses that may arise from any single occurrence. Reinsurance is primarily placed using a combination of proportional and excess of loss treaties. Obtaining reinsurance does not, however, relieve the Group of its primary obligations to the policyholders; therefore the Group is exposed to the risk that the reinsurers may be unable to fulfill their obligations under the contracts. The Group seeks to mitigate this risk by placing its reinsurance coverage with large multi-national companies and syndicates. The Group, with the assistance of its reinsurance broker, also evaluates the financial condition of its reinsurers and monitors the credit risk of the reinsurers on an ongoing basis to minimize its exposure to significant losses from insurer insolvency.

The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

The Group's credit risk exposure emanates from reinsurers in the form of prepaid premiums held or claims recoveries still to be made/paid under the various proportional and excess of loss treaties and is disclosed in total on the consolidated statement of financial position. It is the Group's policy that no single counterparty exposure with specific reinsurers should exceed 25% of the total reinsurance assets at any given time. In addition, the Group's proportional treaties contain a "Reinsurer Participation Review Clause", which provides the Group with the option of canceling any individual reinsurer's participation whose financial strength rating (as determined by Standard & Poor and/or A.M. Best) falls below A– or equivalent and to call for the return of prepaid premiums and loss reserves. The Group is required to serve notice of its intention within thirty days of the date of downgrade.

The Group monitors its credit risk exposure relating to accounts receivable on a daily basis. Management separately reviews all trade receivables (provided mainly to commercial businesses) that are in excess of $100,000 on a monthly basis for any indication of impairment. As at December 31, 2022, the total of trade receivables in excess of this amount was $6,600,009 (2021: $6,146,374).

The following procedures are also in place to mitigate the Group's exposure to credit risk:

- places cash with credit-worthy banks;
- monitors the payment history of its customers before continuing to do business with them; and
- invests in debt securities of The Bahamas Government, Government-backed companies and financially sound companies.

The carrying amounts of the financial assets, excluding reinsurance balances, on the consolidated statement of financial position represents the current risk exposure.

Liquidity Risk

The objective of liquidity management is to ensure the availability of sufficient funds to honor all of the Group's financial commitments including claims. The Group maintains a level of liquid assets, which mature or could be sold immediately to meet cash requirements for normal operating purposes. The tables included in Note 7 for term deposits and Note 8 for investments in securities show the expected recovery or settlement of financial instruments held from the dates of acquisition. Cash and bank balances as disclosed in Note 6 have original maturities of less than three months.

The following table summarizes the expected recovery or settlement of financial assets held (within 12 months from the reporting date) and the maturity profile of the Group's liabilities relating to financial instruments and insurance contracts:

Year Ended December 31	2022			2021		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Financial assets						
Cash and bank balances	$ 20,557,403	-	$ 20,557,403	$ 19,986,684	-	$ 19,986,684
Term deposits	5,609,916	5,351,101	10,961,017	9,776,920	1,006,203	10,783,123
Accounts receivable	11,084,442	557,513	11,641,955	11,471,660	668,780	12,140,440
Due from insurance carriers	217,151	-	217,151	1,350	-	1,350
Investments in securities:						
fair value through profit or loss	10,152,703	-	10,152,703	9,338,871	-	9,338,871
Amortized cost	-	13,815,579	13,815,579	-	10,731,218	10,731,218
Other assets	625,400	-	625,400	671,189	-	671,189
Reinsurance recoverables	7,710,796	-	7,710,796	11,331,776	-	11,331,776
Total	**$ 55,957,811**	**$ 19,724,193**	**$ 75,682,004**	**$ 62,578,450**	**$ 12,406,201**	**$ 74,984,651**
Financial liabilities						
Outstanding claims	8,964,000	-	8,964,000	12,441,000	-	12,441,000
Due to related-parties	492,901	-	492,901	116,705	-	116,705
Accounts payable	5,684,062	-	5,684,062	5,787,220	-	5,787,220
Due to reinsurers	2,286,120	-	2,286,120	4,136,453	-	4,136,453
Lease liability	71,177	142,354	213,531	79,749	159,499	239,248
Accrued expenses and other liabilities	3,658,071	-	3,658,071	3,266,511	-	3,266,511
Total	**$ 21,156,331**	**$ 142,354**	**$ 21,298,685**	**$ 25,827,638**	**$ 159,499**	**$ 25,987,137**
Liquidity gap	**$ 34,801,480**	**$ 19,581,839**	**$ 54,383,319**	**$ 36,750,812**	**$ 12,246,702**	**$ 48,997,514**

Market Risk

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

Interest–Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group mitigates this risk by investing in interest–bearing assets with floating interest rates, or investing for short time periods. The rates of interest on financial instruments are disclosed in Notes 4, 6, 7 and 8. All other financial assets and financial liabilities are non–interest bearing.

At December 31, 2022, an increase of 25 basis points in interest rates with all other variables remaining constant, would have increased the net income of the Company by approximately $61,941 (2021 – $53,786). A decrease of 25 basis points would have an opposite effect with all other variables remaining constant.

Price Risk

Price risk is the risk that the value of the financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all financial instruments traded in the market.

As the Group's investments in securities at fair value through profit or loss are carried at fair value with fair value changes recognized in net income or loss in the consolidated statement of comprehensive income, all changes in market conditions will directly affect operating income.

The Group is exposed to price risks arising from equity investments. Price risk is mitigated by the Group by investing in a diversified portfolio of instruments.

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

Most of the Group's financial assets and liabilities are measured at cost or amortized cost, except for financial instruments at fair value through profit or loss and available for sale financial instruments which are measured at fair value as of the reporting date or are carried at values which approximate fair value. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision.

The Group measures fair values of financial assets using the fair value hierarchy as disclosed in Note 8.

Except as stated elsewhere in the notes, the carrying amounts of the Group's financial assets and liabilities approximate their fair values due to one or both of the following reasons:

a) immediate or short–term maturity; or
b) carrying amount approximates or equals fair value.

27. CAPITAL MANAGEMENT

The Group's capital management policies are based on the following requirements:

Externally imposed capital requirements are set by The Insurance Commission of the Bahamas ("the Commission") and by the Financial Services Commission ("the FSC") in Turks and Caicos Islands. These requirements are put in place to ensure sufficient solvency margins.

The Company and ICB are registered under the Insurance Act 2005 ("the Act") and the Company and ICB have met the required minimum paid up and unencumbered capital of $50,000 and $2,000,000 respectively. ICB is also required to establish and maintain a statutory deposit in respect of its insurance business in The Bahamas, such deposit to be held in trust pursuant to Section 43(2) of the Act and regulation 62 of the Insurance (General) Regulations, 2010 ("the Regulations"). ICB established a Statutory Deposit Trust ("the Trust") in the sum of $1,000,000 included in the term deposit (Note 7) in the consolidated statement of financial position with a recognized financial institution appointed as trustees of the Trust and the Insurance Commission of The Bahamas ("the Commission") as the protectors of the Trust.

Solvency ratios are established on the basis of risk assessment for each particular entity. ICB is required to meet a minimum margin of solvency. The Act defines solvency as the inability of any Company to pay its debts if, at any time, the value of its admissible assets does not exceed its liabilities by such amount as the Commission may prescribe. Of the value of admissible assets, at least 75% must be in the form of qualifying assets, as defined in Section 70 of the Regulations. As at December 31, 2022, ICB exceeded the minimum margin of solvency required under the Act.

As at December 31, 2022, the Group has complied with the regulatory imposed capital requirement, met the required restricted deposit and exceeded the minimum margin of solvency required under the Act.

ICB is registered as a Foreign Ordinary Company in accordance with the Insurance Ordinance (Ordinance) 1989 in TCI and as such ICB's annual return, pursuant to section 4 of the Ordinance, includes the filing of the solvency margins on the consolidated business and TCI domestic business. ICB is required to maintain a minimum solvency margin relating to an excess of permitted assets over its liabilities. In addition, ICB is required to maintain a restricted deposit, as approved by the Financial Services Commission in TCI, with an approved financial institution in TCI, and as such $500,000 is included in term deposits (Note 7) in the consolidated statement of financial position.

As at December 31, 2022, ICB has met the required restricted deposit and its solvency requirement in accordance with the Ordinance.

The Group's policy is to maintain a strong capital base to sustain future development of the business and limit the need to borrow funds. Dividends are paid after the Group ensures that it has sufficient cash on demand to meet operational expenses. There has been no change in the Group's management of capital during the year.

28. EVENTS AFTER REPORTING DATE

Subsequent to December 31, 2022, the Company declared a quarterly dividend of $0.17 per share as of record date February 24, 2023.

There are no other subsequent events from December 31, 2022 through to the date of these financial statements.

COMMUNITY MINDED

UNIVERSITY OF THE BAHAMAS FUN RUN WALK BIKE SKATE PUSH

JS Johnson proudly sponsored the University of The Bahamas Fun Run Walk Bike Skate Push 5K, 10K, 15K and their mission to continue building community and staying fit, healthy and safe.



HANDS 4 HUNGER COMMUNITY DRIVE THROUGH

JS Johnson volunteers teamed up with Hands 4 Hunger to lend food assistance to Mt. Pleasant Village and Adelaide Village in New Providence.


PAINT DA STREETS PINK FUN RUN/WAK

More than 20 staff members participated in the 9th annual Paint Da Streets Pink Fun Run/Walk in support of breast cancer awareness organized by Southeast Rotary's Rotaract group. A portion of the proceeds raised were donated to the Sister Sister Breast Cancer Support Group.



THE BAHAMAS OPTIMIST NATIONAL CHAMPIONSHIPS

JS Johnson proudly sponsored the Bahamas Optimist Open National Championships. The annual regatta–which took place over two days in Nassau Harbour–was attended by 67 boats and 98 children, ages 8-15, from Abaco, Exuma, Eleuthera, Harbour Island, Grand Bahama, USA, and Puerto Rico.



BOARD OF DIRECTORS

MARVIN V. BETHELL
Chairman
Director since 1985. Retired Managing Director in 2012. Appointed Chairman in 2019.

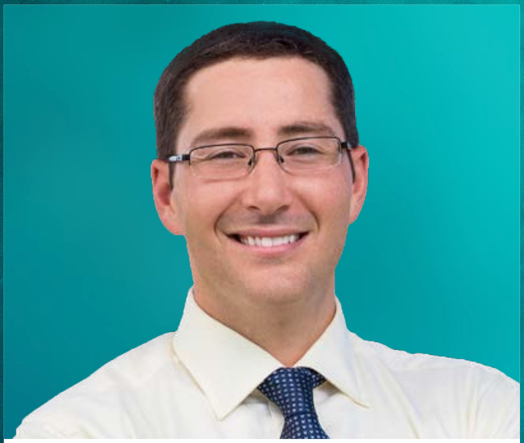
ALISTER I. MCKELLAR
Managing Director
Executive Director since 1989. Appointed Managing Director in 2012.

WILLIAM P. MILLS
Deputy Managing Director
Executive Director since February 2018. Appointed Deputy Managing Director in 2015.

BETTY A. ROBERTS
Director
Director since 2004. Retired banker, CEO First Trust Bank Limited.

C. R. BRUCE FERNIE
Director
Director since 2006. Former insurance executive, J.S. Johnson & Co. Ltd.

SHARON E. BROWN
Director
Director since 2010. Retired banker, MD CIBC First Caribbean International Bank.



KEVIN MOREE
Director
Director since 2020. Partner McKinney Bancroft & Hughes.

THOMAS F. HACKETT
Director
Director since 2007. Retired CEO Fidelity Bank.

TERRY L. WILCOX (USA)
Director
Director since 1998. Retired AON executive.

SENIOR MANAGERS

ROBERTHA BROWN
Senior Manager
(35 Years)
Ms. Brown oversees staff in the Commercial Underwriting and Commercial Processing Departments, with particular focus on the enhancement of internal controls and improving efficiency in these areas.

RACARDO UNDERWOOD
Chief Financial Officer (CFO)
(11 Years)
Mr. Underwood manages all of the company's financial functions, including accounting, audit, corporate finance, budgeting and reporting, with an additional focus on process reengineering, automation, innovation and corporate strategy.

ROBERT BARTLETT
Senior Manager
(45 Years)
Mr. Bartlett is specifically responsible for Customer Service at the Collins Avenue office, and administers customer complaints for the entire company.

CHARLES JOHNSON
Senior Manager
(34 Years)
Mr. Johnson is responsible for Motor Underwriting and Marketing, and operation and management of the company's branch offices, sub-agents and new business in general.

SHAREHOLDER INFORMATION & LOCATIONS

New Providence:

Collins Avenue (Head Office)
P.O. Box N-8337
Nassau, Bahamas
T: 242.397.2100

Soldier Road North
P.O. Box N-8337
Nassau, Bahamas
T: 242.676.6301

Thompson Boulevard Hillside Plaza
P.O. Box N-8337
Nassau, Bahamas
T: 242.676.6300

Family Islands:

Grand Bahama East Mall Drive
P.O. Box F-40269
Freeport
Grand Bahama, Bahamas
T: 242.352.7119

Abaco Abaco Shopping Centre
Marsh Harbour
Abaco, Bahamas
T: 242.367.2688

Exuma Queen's Highway
P.O. Box EX-29186
George Town
Exuma, Bahamas
T: 242.336.2420

Turks & Caicos:

Grace Way Plaza
P.O. Box 229
Providenciales
Turks & Caicos Islands, BWI
T: 649.946.4761

Registered Office:
McKinney, Bancroft & Hughes
Mareva House
4 George Street
P.O. Box N-3937
Nassau, Bahamas

Registrar and Transfer Agent:
Bahamas Central Securities Depository Limited
310 Cotton Tree Plaza
Unit 4
East Bay Street
P. O. Box N-9307
Nassau, Bahamas

Auditors:
Ernst & Young
Caves Corporate Centre
West Bay Street & Blake Road
P.O. Box N-3231
Nassau, Bahamas

Corporate Head Office:
J.S. Johnson & Company Limited
34 Collins Avenue
P.O. Box N-8337
Nassau, Bahamas

Subsidiary Company:
J.S. Johnson & Company (Turks & Caicos) Limited
Grace Way Plaza
P.O. Box 229
Providenciales
Turks & Caicos Islands, BWI

Secretary:
April N. Turner

SERVICES

- Homeowners
- Automobile
- Annuities
- Pensions
- Marine
- Aviation
- Computers
- Life & Health
- Special Risks

- Crime
- Bankers' Bonds
- Office
- Travel
- Sports
- Personal Accident
- Directors & Officers
- Commercial Liability
- Professional Indemnity


J.S. JOHNSON
PEACE OF MIND
INSURANCE AGENTS & BROKERS
jsjohnson.com