AUDITED FINANCIAL STATEMENTS

Coralisle Life Assurance Company Ltd.
(formerly Colonial Life Assurance Company Limited)
Year Ended December 31, 2020
With Independent Auditor's Report

Ernst & Young Ltd.

Building a better working world

Coralisle Life Assurance Company Ltd.
(formerly Colonial Life Assurance Company Limited)

Audited Financial Statements

Year Ended December 31, 2020

Contents

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Independent Auditor's Report

The Shareholder
Coralisle Life Assurance Company Ltd.
(formerly Colonial Life Assurance Company Limited)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Coralisle Life Assurance Company Ltd. (formerly Colonial Life Assurance Company Limited) (the Company) which comprise the statement of financial position as at December 31, 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the *International Code of Ethics for Professional Accountants* (*including International Independence Standards*) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Bermuda 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.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

We communicate with the Board of Directors 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.

Ernst & Young Ltd.

Hamilton, Bermuda
April 29, 2021

Coralisle Life Assurance Company Ltd.
(formerly Colonial Life Assurance Company Limited)

Statement of Financial Position
(Expressed in Bermuda Dollars)

	December 31 2020	December 31 2019
Assets		
Cash and cash equivalents *(Note 3)*	**$ 4,099,843**	$ 1,785,594
Financial assets *(Notes 4 and 12)*	**17,226,989**	17,370,709
Accounts receivable and accrued interest *(Note 5)*	**1,684,131**	703,441
Amounts due from related companies *(Note 12)*	**6,234,698**	6,245,414
Insurance balances receivable *(Note 5)*	**1,707,392**	1,894,592
Provision for future policy benefits *(Note 6)*	**3,664,939**	2,226,581
Losses recoverable from reinsurers	**531,419**	2,180,549
Prepaid reinsurance premiums	**272,784**	295,017
Prepaid and other assets	**183,674**	67,642
Deferred acquisition costs *(Note 6)*	**599,189**	657,660
Property, plant and equipment *(Note 7)*	**119,069**	182,346
Intangible assets *(Note 8)*	**8,505**	6,171
Total general assets	**36,332,632**	33,615,716
Segregated fund assets *(Notes 11 and 12)*	**88,969,936**	75,180,105
Total assets	**$ 125,302,568**	$ 108,795,821
Liabilities		
Amounts due to related companies *(Note 12)*	**$ 268,893**	$ 2,111,822
Reinsurance balances payable	**398,112**	274,583
Policyholder benefits payable *(Note 6)*	**4,691,832**	4,200,289
Reinsurance liabilities *(Note 6)*	**8,603,529**	7,532,781
Accounts payable and other liabilities	**222,742**	198,492
Funds held on behalf of clients	**107,935**	80,491
Premiums received in advance	**515,764**	350,007
Total general liabilities	**14,808,807**	14,748,465
Segregated fund liabilities *(Notes 11 and 12)*	**88,969,936**	75,180,105
Total liabilities	**103,778,743**	89,928,570

Coralisle Life Assurance Company Ltd.
(formerly Colonial Life Assurance Company Limited)

Statement of Financial Position (continued)
(Expressed in Bermuda Dollars)

	December 31	
	2020	**2019**
Shareholder's equity		
Share capital *(Note 10)*	**4,000,000**	4,000,000
Contributed surplus *(Note 10)*	**14,812,195**	14,812,195
Accumulated retained earnings *(Note 10)*	**2,711,630**	55,056
Total equity attributable to the equity holder of the Company	**$ 21,523,825**	$ 18,867,251
Total liabilities and shareholder's equity	**$ 125,302,568**	$ 108,795,821

See accompanying notes.

On behalf of the Board:

/s/ James Finbarr Mathias O'Shaughnessy
Director Date: April 29, 2021

/s/ Edmund Graham (Grant) Gibbons III
Director Date: April 29, 2021

Coralisle Life Assurance Company Ltd.
(formerly Colonial Life Assurance Company Limited)

Consolidated Statement of Comprehensive Income
(Expressed in Bermuda Dollars)

	Year Ended December 31	
	2020	**2019**
Premiums written	**$ 6,320,035**	$ 6,117,087
Reinsurance premium assumed *(Note 12)*	**484,498**	492,196
Total premiums written	**6,804,533**	6,609,283
Reinsurance premiums ceded	**(1,894,092)**	(1,784,476)
Net premiums earned	**4,910,441**	4,824,807
Fees and other income earned		
Policy service fees on insurance contracts	**770,209**	775,285
Policy service fees on investment contracts *(Note 13)*	**300,414**	434,133
Interest earned on loans to policyholders	**133,489**	119,044
Net investment income *(Notes 4 and 12)*	**924,000**	821,035
Investment management fees on segregated funds *(Note 13)*	**1,421,961**	1,437,328
Net premiums earned, fees and other income	**8,460,514**	8,411,632
Claims paid *(Note 12)*	**(77,450)**	(171,088)
Policyholder benefits paid	**(2,084,378)**	(4,931,427)
Change in provision for future policy benefits *(Note 6)*	**1,438,358**	(664,725)
Loss recoveries	**471,419**	3,358,549
Change in reinsurance liabilities *(Note 6)*	**(1,070,748)**	289,499
Net insurance benefits and claims	**(1,322,799)**	(2,119,192)
Commissions	**(526,656)**	(574,747)
Amortized deferred acquisition expense *(Note 6)*	**(216,475)**	(235,894)
Other underwriting expenses	**(148,427)**	(148,547)
General and administrative expenses *(Note 14)*	**(3,589,583)**	(3,745,568)
Total expenses	**(4,481,141)**	(4,704,756)
Net income and comprehensive income for the year	**$ 2,656,574**	$ 1,587,684

See accompanying notes.

Coralisle Life Assurance Company Ltd.
(formerly Colonial Life Assurance Company Limited)

Statement of Changes in Shareholder's Equity
(Expressed in Bermuda Dollars)

	Share Capital	Contributed Surplus	Accumulated Retained Earnings	Total Equity Attributable to the Equity Holder of the Company
Balance at December 31, 2018	$ 4,000,000	$ 14,812,195	$ (1,532,628)	$ 17,279,567
Total comprehensive income for the year	–	–	1,587,684	1,587,684
Balance at December 31, 2019	$ 4,000,000	$ 14,812,195	$ 55,056	$ 18,867,251
Total comprehensive income for the year	–	–	2,656,574	2,656,574
Balance at December 31, 2020	**$ 4,000,000**	**$ 14,812,195**	**$ 2,711,630**	**$ 21,523,825**

See accompanying notes.

Coralisle Life Assurance Company Ltd.
(formerly Colonial Life Assurance Company Limited)

Statement of Cash Flows

(Expressed in Bermuda Dollars)

	Year Ended December 31	
	2020	**2019**
Operating activities		
Net income	**$ 2,656,574**	$ 1,587,684
Adjustments for items not affecting cash:		
Depreciation and amortization *(Notes 7 and 8)*	**82,463**	85,469
Net unrealized (gains) loss on investments	**(170,059)**	(47,165)
Net realized gains on investments	**(25,144)**	(48,535)
Bond amortization	**38,252**	(1,968)
Operating cash flow before changes in operating working capital	**2,582,086**	1,575,485
Change in operating working capital *(Note 15)*	**1,285,225**	(494,323)
Net cash provided by operating activities	**3,867,311**	1,081,162
Investing activities		
Proceeds from sale of investments	**2,199,223**	3,261,991
Purchase of investments	**(1,898,552)**	(6,684,628)
Purchase of property, plant, equipment and intangible assets *(Notes 7 and 8)*	**(21,520)**	(68,895)
Repayments from related parties	**(1,832,213)**	2,311,108
Net cash used in investing activities	**(1,553,062)**	(1,180,424)
Net increase (decrease) in cash and cash equivalents	**2,314,249**	(99,262)
Cash and cash equivalents at beginning of year	**1,785,594**	1,884,856
Cash and cash equivalents at end of year	**$ 4,099,843**	$ 1,785,594

See accompanying notes.

1. General

Coralisle Life Assurance Company Ltd. (formerly Colonial Assurance Company Limited, the "Company") was incorporated in 1991 under the laws of Bermuda and is licensed as a long term (Class C) insurer under the Insurance Act 1978 of Bermuda and related regulations to carry on business as an insurance company.

The Company is a wholly owned subsidiary of Coralisle Group Ltd. (formerly Colonial Group International Limited "the Parent Company") and principally writes unit linked investment policies, personal pension plans and life insurance risks. The registered office and principal place of business of the Company is Jardine House, 33–35 Reid Street, Hamilton, Bermuda.

2. Summary of Significant Accounting Policies

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements, including all notes, were authorized for issue by the Board of Directors on April 29, 2021.

Basis of Measurement

The financial statements have been compiled on the going concern basis and prepared on the historical cost basis, except for the financial assets at fair value through profit or loss, which are stated at fair value, and financial assets carried at amortized cost, which are carried at their amortized cost value. The statement of financial position is presented in order of liquidity.

Functional and Presentation Currency

The financial statements are presented in Bermuda dollars, the Company's functional currency.

2. Summary of Significant Accounting Policies (continued)

Foreign Currency Translation

Transactions involving currencies other than the Bermuda dollar are translated at exchange rates ruling at the time of those transactions. All monetary assets and liabilities originating in such currencies are translated at the rates ruling at the statement of financial position date. Any profits or losses on exchange are included in the statement of comprehensive income.

Use of Estimates and Judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, and the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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 the Notes 4, 6 and 9.

2. Summary of Significant Accounting Policies (continued)

The following are the critical judgements that the directors have made in the process of applying IFRS 15 "Revenue from Contracts with Customers" and that have the most significant effect on amounts recognized in the financial statements:

Revenue for investment management and administration services is generally recognized over time, like most services revenue. This is because the customer generally receives and consumes the benefits from these services simultaneously as the Company performs them. Promoter fees are calculated based on the market value of the managed assets weekly; this allocation will typically lead to recognizing the fees as revenue in full at the end of each month. The consideration is allocated to the distinct time increments of service up to the measurement date at the end of the month, and all of the variability associated with those time increments is resolved.

Fair Value Measurement

Fair value is determined based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value is measured using the assumptions that market participants would use when pricing an asset or liability. The Company determines fair value by using quoted prices in active markets for identical or similar assets or liabilities. When quoted prices in active markets are not available, fair value is determined using valuation techniques that maximize the use of observable inputs. When observable valuation inputs are not available, significant judgment is required to determine fair value by assessing the valuation techniques and valuation inputs. The use of alternative valuation techniques or valuation inputs may result in a different fair value. A description of the fair value methodologies and assumptions by type of asset is included in Note 4.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Company considers all cash on hand, time deposits with an original maturity of three months or less and money market funds which can be redeemed without penalty as equivalent to cash.

2. Summary of Significant Accounting Policies (continued)

Financial Assets

The Company has the following financial assets: (i) financial assets at fair value through profit or loss and (ii) financial assets held at amortized cost. Management determines the classification at initial recognition and is dependent on the nature of the assets and the purpose for which the assets were acquired. Financial assets are recognized in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. No assets are reported under OCI.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

2. Summary of Significant Accounting Policies (continued)

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial Assets Carried at Amortized Cost

The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- 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 rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets classified as investments at amortized cost include all notes and bonds, loans and other receivables and term deposits unless at acquisition they have been indicated as being held at fair value through profit and loss (FVTPL).

2. Summary of Significant Accounting Policies (continued)

Financial Assets at Fair Value Through OCI (Debt Instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling
- 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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon de-recognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

Financial Assets at Fair Value Through OCI (Equity Instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company has not designated any financial assets under this classification.

2. Summary of Significant Accounting Policies (continued)

Financial Assets 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. 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 amortized 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 recognized in the statement of profit or loss.

This category includes listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the statement of profit or loss when the right of payment has been established.

De-recognition

A financial asset is de-recognized when the Company's rights to contractual cash flows expires, when the Company transfers substantially all its risks and rewards of ownership or when the Company no longer retains control.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

2. Summary of Significant Accounting Policies (continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of Financial Assets

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Company's expected credit loss ("ECL") calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

- The Company's criteria for assessing if there has been a significant increase in credit risk, and so allowances for financial assets should be measured on a Lifetime ECL ("LTECL") basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, Exposure at Default ("EAD") and Loss Given Defaults ("LGD")
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

2. Summary of Significant Accounting Policies (continued)

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 Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. Further, the Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2. Summary of Significant Accounting Policies (continued)

Impairment of Non-Financial Assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Company bases its impairment calculation on detailed budgets and forecast calculations.

Impairment losses are recognized in the statement of comprehensive income. Impairment losses are 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.

Insurance and Investment Contracts

Insurance contracts are those contracts where the Company has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Contracts under which the Company does not accept significant insurance risk are classified as either investment contracts or considered service contracts and are accounted for in accordance with IFRS 15 "Revenue from Contracts with Customers".

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its term, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

2. Summary of Significant Accounting Policies (continued)

Long-Term Life Insurance Contracts

Long-term life insurance contracts insure events associated with human life (for example, death) over a long duration. Premiums are earned over the policy risk period. Premiums are shown before deduction of commission.

Benefits are Recorded as an Expense When They are Incurred

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the contractual premiums. The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. An inflation assumption is also made. Margins for adverse deviations are included in the assumptions.

The discount rate used to value the future cash flows is dependent on the portfolio assets held to support the liabilities for long term insurance contracts. Adjustments are made for default risk, investment expense, and adverse deviation.

The liabilities are computed on both a direct and reinsurance ceded basis, providing a net reserve result.

The liabilities are recalculated at each end of reporting period using current assumptions.

Unit-Linked Long-Term Insurance Contracts

A unit-linked insurance contract is an insurance contract with an embedded derivative linking payments on the contract to the value of units of an internal investment fund set by the Company with the consideration received from the contract holders. This embedded derivative meets the definition of an insurance contract and is not therefore accounted for separately from the host insurance contract. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets.

2. Summary of Significant Accounting Policies (continued)

Expected insurance premiums for these contracts are recognized directly in the liability computation. Premium suspension rates, contract surrender rates, and the impact of the contract's nominal term are recognized. These liability computations recognize anticipated changes in the unit values as well as expected revenue from policy administration fees, mortality and surrender charges. As with other insurance contracts, expected future administrative expenses and death and surrender claims are recognized. The assumed future unit growth rate is 7.24% (7.04% – 2019) and the discount rate is set at 9.14% (8.88% – 2019).

Investment Contracts

Investment contract liabilities are recognized when contracts are entered into and premiums are charged. These liabilities are initially recognized at fair value, this being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition investment, the liability for these contracts is computed as the present value of future administrative costs allocable to these contracts, and death and withdrawal claims, less contractual premiums and any charges that are anticipated to be levied. Contractual lapse rates are applied to develop future expected values.

Fair value of the segregated fund is calculated as the number of units allocated to the policyholder in each unit-linked fund multiplied by the unit-price of those funds at the reporting date. The fund assets and fund liabilities used to determine the unit prices at the reporting date are valued on a basis consistent with their measurement basis in the Company's statement of financial position. See note on Segregated Funds. For the liability computation, a 5% level appreciation rate was assumed and the discount rate is set at a level 7% for years 2018 and prior. For 2019 and 2020 a more in-depth review was performed. The segregated assets were model using actual customer allocations between the funds and the fund performance over the past five years. The results produced a liability computation rate of 7.24% (7.04% – 2019) and a discount rate of 9.14% (8.88% – 2019) to calculate year end reserves for unit-linked insurance products, referred to previously.

The liability is derecognized when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value of the contract cannot be less than the surrender value.

2. Summary of Significant Accounting Policies (continued)

Aside from those contracts falling under the scope of IFRS 9 and IFRS 4, the Company recognizes revenue on investment contracts from the following sources:

- Policy fee
- Enhanced allocation fee upon investment
- Promoter fee

Revenue is measured based on the consideration specified in the contract with the customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue evenly as services are provided to customers.

Policy Fee

Covers initial set-up and close down of the contract and changes to the contract at the request of the policyholder. Premium receipt processing and collecting and processing of documents required to meet regulatory requirements.

Enhanced Allocation Fee Upon Investment

This fee is collected upon receipt of the policy premium and covers the process of investing the funds.

Promoter Fee

This fee is collected from the value of the assets held and supports the maintenance of holding the assets in segregated accounts and producing the weekly asset valuations.

Receivables and Payables Related to Insurance Contracts and Investment Contracts

Receivables and payables are recognized when due. These include amounts due to and from insurance contract holders, brokers and agents. Receivable balances are recorded at amounts due less any allowance for estimated uncollectible balances receivable.

2. Summary of Significant Accounting Policies (continued)

Included in the insurance balances receivable, loans to policyholders inclusive of accrued interest. These loans are fully secured by the cash surrender values on the policies on which the respective loans are issued.

Deferred Acquisition Costs (DAC)

Deferred acquisition costs represent the cost of acquiring new business, consisting of commission expenses, policy issuance and other costs, which are directly related to the production of new business. Deferred acquisition costs on investment contracts (contracts not deemed to have a significant amount of insurance risk) are amortized over the expected average lives of the contracts.

Deferred acquisition costs on investment contracts are reviewed for recoverability from future income on Investment contracts computed as described above and amounts which are deemed unrecoverable are expensed in the period in which the determination is made.

Reinsurance Contracts Held

The Company uses reinsurance in the normal course of business to manage its risk exposure. Insurance ceded to a reinsurer does not relieve the Company from its obligations to policyholders. The Company remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet its obligations for reinsurance ceded to it under the reinsurance agreements.

Reinsurance assets represent the benefit derived from reinsurance agreements in force at the reporting date and reinsurance liabilities represent the cost of agreements. Amounts recoverable from reinsurers are estimated in accordance with the terms of the relevant reinsurance contract.

Premiums ceded and claims reimbursed are presented on a gross basis in the statements of comprehensive income. Reinsurance assets are not offset against the related insurance contract liabilities and are presented separately in the statements of financial position.

2. Summary of Significant Accounting Policies (continued)

The Company also assumes business through two reinsurance contracts. The first agreement is a 100% assumption of business of another Bermuda-based direct insurer. The second agreement is where the company insures three individual group life policies and assumes a portion of certain group life contracts managed by an affiliate.

Liability Adequacy Test

At each end of the reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is charged to profit or loss through adjustments to the reserve provisions.

The DAC asset held on the balance sheet solely arises from the sale of products that do not incur a material insurance risk to the Company. At each end of the reporting period, future cash flow tests are performed to ensure the adequacy of the DAC asset held. In performing these tests, current best estimates of future contractual cash flows are compared to the DAC asset held. Any deficiency is immediately charged to profit or loss initially by writing off DAC to bring the balance sheet asset in line with the projected future cash flows.

Segregated Funds

Segregated funds arise as a result of the Company issuing investment contracts where the amount of the benefits ultimately payable is directly linked to the market value of the investments held in the segregated funds. The trustee of the segregated funds is Clarien Trust Limited, a related party (Note 11).

Segregated fund net assets are recorded at fair value and primarily include investments in mutual funds, debt securities, equities, real estate, short-term investments and cash and cash equivalents. The segregated assets are not available to creditors of the Company and the holders of the unit-linked life and investment contracts have no recourse to the Company’s assets. Segregated funds liabilities are measured based on the value of the segregated fund assets.

2. Summary of Significant Accounting Policies (continued)

The methodology applied to determine the fair value of investments held in segregated funds is consistent with that applied to direct investments held by the Company, as described above in the note Financial Assets. The segregated fund assets and liabilities are presented on separate lines on the statement of financial position.

Investment return on segregated fund assets belong to policyholders and pension plan holders and the Company does not bear the risk associated with these assets outside of guarantees offered on certain variable life and annuity products, for which the underlying investment is segregated funds.

Accordingly, investment income earned by segregated funds and expenses incurred by segregated funds are offset and are not separately presented in the statement of comprehensive income. Fee income earned by the Company for managing the segregated funds is included in statement of comprehensive income.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses. The cost of replacing a component of an item of property or 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 Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized as incurred in general and administrative expenses in the statement of comprehensive income.

Depreciation is charged to general and administrative expenses in the statement of comprehensive income on a straight-line basis over the estimated useful life of the asset. The estimated useful lives are as follows:

Computer hardware	5 years
Furniture and office equipment	5 years
Leasehold improvements	shorter of lease term or 10 years

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2. Summary of Significant Accounting Policies (continued)

Identifiable Intangible Assets

Finite-life intangible assets are amortized on a straight-line basis over their useful life. The Company has classified software costs as intangible assets if they are not an integral part of the computer equipment. Finite-life intangible assets are recorded at cost less accumulated amortization. Amortization is provided for on a straight-line basis over the following estimated useful lives.

Computer software	5 years

Investment Income

Interest on cash and debt securities is recorded on an accrual basis. Dividend income is recognized when the right to receive it is established. For loans and receivables reported at amortized cost, interest income is calculated using the effective interest rate method and is reported in the statement of comprehensive income. Investment income on policy loan balances is earned as accrued.

Leases

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

As of December 31, 2020, the company has not entered into any lease contracts.

2. Summary of Significant Accounting Policies (continued)

Defined Contribution Plan

Contributions to the defined contribution plan are recognized as an expense in net income or loss in the statement of comprehensive income as incurred. A defined contribution plan is a pension plan under which the Company pays fixed contributions to a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient funds to pay all employees the benefits relating to employee service in current and prior periods.

Taxation

Under the laws of Bermuda there is presently no income, withholding or capital gains tax payable by the Company.

Retirement Health Benefits

Coralisle Life employees are part of the Edmund Gibbons Limited Retirees Pension and Health Insurance benefits (EGL Plan) whereby, the retirees will be reimbursed by the Company for a portion of the Basic Medical Plan premium from 25% – 100%, depending on the number of years of service. There is no contractual agreement or stated policy with EGL for charging the Company its share of net defined benefit cost and therefore, the portion of premium paid for the eligible retiree is included in expenses.

2. Summary of Significant Accounting Policies (continued)

New Standards, Interpretations and Amendments to Published Standards

New Standards, Amendments and Interpretations Effective and Adopted for the Financial Year Beginning January 1, 2020

Amendments to IAS 1 and IAS 8 Definition of Material provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to, the Company.

New Standards, Amendments and Interpretations Issued but Not Yet Effective for the Financial Year Beginning January 1, 2020 and not Early Adopted

IFRS 17, *Insurance Contracts* was issued in May 2018 and provides a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. The standard is effective for reporting periods starting on or after January 1, 2023. Early application is permitted, provided that the Company also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Company intends to adopt the standard at it mandatory effective date and is currently evaluating the impact of this standard.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

There were no other such standards, interpretations or amendments to existing standards that are expected to have a significant impact on the Company.

(Expressed in Bermuda Dollars)

3. Cash and Cash Equivalents

Cash and cash equivalents represent current account and demand deposit balances, with 72% (2019 – 47%) held by Clarien Bank (Note 12), 16% (2019 – 37%) held with unrelated Bermuda banks, and 12% (2019 – 15%) held by Cayman-based banks.

4. Financial Assets

At the balance sheet date, financial assets are categorized as follows:

	2020		**2019**	
	Carrying Value	**Cost Amortized Cost**	**Carrying Value**	**Cost Amortized Cost**
At fair value through profit or loss	**$ 7,200,135**	**$ 7,144,074**	$ 7,318,182	$ 7,435,223
Amortized cost	**10,026,854**	**10,026,854**	10,052,527	10,052,527
	$ 17,226,989	**$ 17,170,928**	$ 17,370,709	$ 17,487,750

Management having gained comfort in the experience and abilities of the managers of this portfolio decided to change the business model and grant the managers with the more freedom to manage the portfolio within the updated investment guidelines. The core of this change is to manage and improve the credit risk of the portfolio.

(Expressed in Bermuda Dollars)

4. Financial Assets

Financial Assets at cost, include those assets held within a business model whose objective is 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 Cost are presented in the Statement of Financial Position.

At Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss comprise the following:

	2020		**2019**	
	Fair Value	**Cost**	**Fair Value**	**Cost**
Managed funds	**$ 52,664**	**$ 45,000**	$ 64,983	$ 41,174
US Government bonds	**5,901,002**	**5,752,109**	6,392,614	6,357,912
Non-US Government bonds	**224,489**	**197,755**	212,283	206,104
Corporate bonds	**902,650**	**845,001**	618,565	593,342
Preferred stock	**80,314**	**74,705**	–	–
Common equity securities	**39,016**	**229,504**	29,737	236,691
	$ 7,200,135	**$ 7,144,074**	$ 7,318,182	$ 7,435,223

The managed funds owned by the Company are invested in private equity. These investments are subject to the conditions and restrictions as further defined in the terms of the offering of each fund, which are usually contained in a formal offering memorandum. Such offering memoranda generally define the nature and types of investments in which a managed fund can invest and provide for specified procedures regarding further investment in and redemption from the particular fund.

(Expressed in Bermuda Dollars)

4. Financial Assets (continued)

Whilst investments in managed investment funds can achieve investment diversification, these investments can also subject the Company to a concentration of risk in one company or investment strategy. Because the investments in managed investment funds can only be redeemed or transferred in accordance with the terms of the offering of the particular fund, generally weekly, monthly, or quarterly, the ability of the Company to realize such investments may be restricted.

The investment portfolio is monitored by the Investment Committee and is subject to investment guidelines approved by the Board of Directors.

The maturity profile of fixed maturity securities, comprising Corporate, Non-US Government and US Government debt categorized at fair value through profit or loss, at their carrying value as at the Statement of Financial Position date for the current and prior financial reporting period are as follows:

	Corporate		Non-US Government		US Government	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Due less than one year	**$ 101,969**	$ 411,619	**$ –**	$ –	**$ 3,394,355**	$ 1,640,002
Due from one through five years	**544,774**	206,946	**109,366**	105,315	**1,749,830**	3,497,606
Due from five through ten years	**–**	–	**115,123**	106,968	**756,817**	1,255,007
Due greater than ten years	**255,907**	–	**–**	–	**–**	–
	$ 902,650	$ 618,565	**$ 224,489**	$ 212,283	**$ 5,901,002**	$ 6,392,615

The Company's largest Bond concentration in any one holding is US Treasury bills which is 34.2% (2019 – 35.2%) of the total investments.

4. Financial Assets (continued)

Fair Value Measurement

The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical instruments.

Level 2 – Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates, credit risks, etc.) and inputs that are derived from or corroborated by observable market data. Most debt securities are classified within Level 2.

Level 3 – Model derived valuations in which one or more significant inputs or significant value drivers are unobservable. These measurements include circumstances in which there is little, if any, market activity for the asset or liability. In making the assessment, the Company considers factors specific to the asset or liability and such an assessment will involve significant management judgment. Because of the inherent uncertainty in the valuation of these Level 3 investments, fair values of such investments may differ from the values that would have been used had a ready market for these investments existed, and the differences could be material.

(Expressed in Bermuda Dollars)

4. Financial Assets (continued)

The following table presents the Company's fair value hierarchy for those assets or liabilities measured at fair value and for which fair values are disclosed as of December 31, 2020:

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Managed funds	**$ –**	**$ –**	**$ 52,664**	**$ 52,664**
US Government bonds	**5,901,002**	–	–	**5,901,002**
Non-US Government bonds	–	**224,489**	–	**224,489**
Corporate bonds	–	**902,650**	–	**902,650**
Common equity securities	**26,250**	–	**12,766**	**39,016**
Preferred Shares	**80,314**	–	–	**80,314**
	$ 6,007,566	**$ 1,127,139**	**$ 65,430**	**$ 7,200,135**
Assets for which fair values are disclosed				
Amortized cost	**$ –**	**$ 12,254,759**	**$ –**	**$ 12,254,759**
Segregated fund assets *(Note 11)*	**$ –**	**$ 88,969,936**	**$ –**	**$ 88,969,936**
Total	**$ 6,007,566**	**$ 102,351,834**	**$ 65,430**	**$ 108,424,830**

The following table presents the Company's fair value hierarchy for those assets or liabilities measured at fair value and for which fair values are disclosed as of December 31, 2019:

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Managed funds	$ –	$ –	$ 64,983	$ 64,983
US Government bonds	6,392,614	–	–	6,392,614
Non-US Government bonds	–	212,283	–	212,283
Corporate bonds	–	618,565	–	618,565
Common equity securities	12,625	–	17,112	29,737
	$ 6,405,239	$ 830,848	$ 82,095	$ 7,318,182
Assets for which fair values are disclosed				
Amortized cost	$ –	$ 10,845,192	$ –	$ 10,845,192
Segregated fund assets *(Note 11)*	$ –	$ 75,180,105	$ –	$ 75,180,105
Total	$ 6,405,239	$ 86,856,145	$ 82,095	$ 93,343,479

4. Financial Assets (continued)

(a) Financial Assets in Level 1

The fair value of investments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These investments are included in Level 1. Investments included in Level 1 comprise primarily domestic and foreign quoted equity shares and managed funds.

(b) Financial Assets in Level 2 and Level 3

The fair value of investments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Specific valuation techniques include market standard valuation methodologies, which include discounted cash flow analysis, consensus pricing from various broker dealers that are typically the market makers, or other similar techniques. The assumptions and valuation inputs in applying these market standard valuation methodologies are determined primarily using observable market inputs, which include, but are not limited to, benchmark yields, reported trades of identical or similar instruments, broker-dealer quotes, issuer spreads, bid prices, and reference data including market research publications. In limited circumstances, non-binding broker quotes are used. If all significant inputs required to fair value an investment are observable, the investment is included in Level 2. Investments included in Level 2 comprise primarily corporate debt securities and managed funds.

(Expressed in Bermuda Dollars)

4. Financial Assets (continued)

Fair values of the Company's interests in unquoted managed fund investments are based upon the Net Asset Values of the underlying investment funds as reported by the investment managers, or their independent administrators. The Company's ability to redeem its managed fund investments at the reported net asset value per share (or its equivalent) determines whether the managed fund investment is categorized within Level 2 or Level 3 of the fair value hierarchy. If the managed fund can be redeemed within a time period of 3 months with no gates or other redemption restrictions it is classified within Level 2. Otherwise the managed fund is classified within Level 3.

Level 3 common equity securities represent holdings not on a recognized stock exchange and are valued at book value less a discount to recognize illiquidity.

(c) Financial Assets in Level 3

The following table provides a summary of the changes in fair value of the Company's Level 3 financial assets for the year ended December 31, 2020:

	Managed Funds	Common Equities	Total
Beginning balance at January 1, 2020	$ 64,983	$ 17,112	$ 82,095
Movement in unrealized losses	(12,319)	(4,346)	(16,665)
Ending balance at December 31, 2020	$ 52,664	$ 12,766	$ 65,430
Total gains for the year included in income on Level 3 assets (recognized in investment income)	$ (12,319)	$ (4,346)	$ (16,665)

(Expressed in Bermuda Dollars)

4. Financial Assets (continued)

The following table provides a summary of the changes in fair value of the Company's Level 3 financial assets for the year ended December 31, 2019:

	Managed Funds	Common Equities	Total
Beginning balance at January 1, 2019	$ 69,739	$ 33,996	$ 103,735
Movement in unrealized losses	(4,756)	(16,884)	(21,640)
Ending balance at December 31, 2019	$ 64,983	$ 17,112	$ 82,095
Total gains for the year included in income on Level 3 assets (recognized in investment income)	$ (4,756)	$ (16,884)	$ (21,640)

A review of the fair value hierarchy classifications is conducted on an ongoing basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets and liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in/out of the Level 3 category as of the beginning of the period in which the reclassifications occur.

Investment Income

Investment income comprises the following:

	2020	2019
Interest and dividend income on investments	**$ 463,823**	$ 420,065
Interest income relating to amounts due from related companies	**359,613**	361,304
Realized gains on sale of investments	**25,144**	48,535
Net unrealized gains (losses) on investments	**170,059**	47,165
Bond amortization	**(38,252)**	1,968
Investment management fees	**(56,387)**	(58,002)
	$ 924,000	$ 821,035

(Expressed in Bermuda Dollars)

5. Accounts and Insurance Receivables

Premiums receivable, included in insurance receivables, are presented net of an allowance for doubtful accounts of $6,487 (2019 – $4,663). The Company increased allowance for doubtful accounts in 2020 by $1,824 (2019 – $153).

Included in accounts receivable at December 31, 2020, are $364,183 (2019 – $Nil) Promoter fee revenue from contracts with clients.

6. Provision for Future Policy Benefits and Policyholder Benefits Payable

Composition of the provision for future policy benefits and policyholder benefits payable is as follows:

	2020	2019
Participating:		
Individual life	**$ 6,693,893**	$ 6,965,511
Non-participating:		
Individual life	**(718,304)**	(1,380,982)
Universal life	**(13,984,971)**	(11,395,663)
Annuities	**4,344,443**	3,584,553
Total provision for future policy benefits	**(3,664,939)**	(2,226,581)
Add: Policyholder benefits payable	**4,691,832**	4,200,289
	$ 1,026,893	$ 1,973,708

Policyholder Benefits Payable

Policyholder benefits payable is comprised of policyholder dividends on deposit and other insurance benefits payable on reported claims and surrenders.

Dividends on deposit represent provision for the policyholders' share of earnings on participating business. The Company discontinued dividends with effect from January 1, 2009.

(Expressed in Bermuda Dollars)

6. Provision for Future Policy Benefits and Policyholder Benefits Payable (continued)

As of December 31, 2020, dividends on deposit of $1,901,038 (2019 – $2,007,791) and accrued deposit interest of $535,434 (2019 – $532,160) are included in policyholder benefits payable. For the year ended December 31, 2020, interest on dividends on deposit of $75,708 (2019 – $70,562) is included in insurance benefits in the statement of comprehensive income.

Provision for Future Policy Benefits

Changes in provision for future policy benefits during the year are as follows:

	2020			**2019**		
	Gross	**Ceded**	**Net**	**Gross**	**Ceded**	**Net**
Provision for future policy benefits, beginning of year	**$ (2,226,581)**	**$ 7,532,781**	**$ 5,306,200**	$ (2,891,306)	$ 7,822,280	$ 4,930,974
Change in reserves for existing business on non-investment plans and impact of decrease (increase) in net asset value of segregated funds	**960,681**	**(128,286)**	**832,395**	423,237	(264,350)	158,887
Change in assumptions or methodology	**(1,934,450)**	**897,649**	**(1,036,801)**	1,360,698	(368,746)	991,952
Addition for changes in modelling						
Reserve for new business	**(464,589)**	**301,385**	**(163,204)**	(1,119,210)	343,597	(775,613)
Increase (decrease) in actuarial liabilities	**(1,438,358)**	**1,070,748**	**(367,610)**	664,725	(289,499)	375,226
Provision for future policy benefits, end of year	**$ (3,664,939)**	**$ 8,603,529**	**$ 4,938,590**	$ (2,226,581)	$ 7,532,781	$ 5,306,200

The Company estimates the present value of future policy benefits related to long duration contracts using assumptions for investment yields, mortality, and expenses, including a provision for adverse deviation. The Company's Appointed Actuary is responsible for determining the amount of life and annuity policy reserve in accordance with standards established by the Canadian Institute of Actuaries. Insurance contract liabilities, net of reinsurance assets, have been determined using the Canadian PPM (Policy Premium Method) method as permitted by IFRS 4 "Insurance Contracts"

6. Provision for Future Policy Benefits and Policyholder Benefits Payable (continued)

Certain life insurance and annuity contracts provide the holder with a guarantee that the benefit received upon death will be no less than a minimum prescribed amount. The contracts are accounted for in accordance with the authoritative guidance on Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Separate Accounts, which requires that the best estimate of future experience be combined with actual experience to determine the anticipated benefits used to calculate the policy benefit reserve.

The Company examines the assumptions used in determining the provision for future policy benefits and policyholder benefits payable on an ongoing basis to ensure they appropriately reflect emerging experience and changes in risk profile.

The Company uses best estimate assumptions for expected future experience. Some assumptions relate to events that are anticipated to occur many years in the future and are likely to require subsequent revision. Additional provisions are included in provision for future policy benefits to provide for possible adverse deviations from management's best estimates. If the assumption is more susceptible to change or if there is uncertainty about the underlying best estimate assumption, a correspondingly larger provision is included in provision for future policy benefits.

With the passage of time and resulting reduction in estimation risk, excess provisions are released into income. In recognition of the long-term nature of provision for future policy benefits, the margin for possible deviations generally increases for contingencies further in the future. The best estimate assumptions and margins for adverse deviations are reviewed annually, and revisions are made as deemed necessary and prudent. The margins for adverse deviation are in accordance with applicable actuarial guidelines.

Assumptions and Sensitivities

Mortality

Mortality refers to the rates at which death is expected to occur for defined groups of people. Insurance mortality assumptions are based on industry experience specific for the jurisdictions where the Company writes business, since the Company's own experience is insufficient to be statistically fully credible.

6. Provision for Future Policy Benefits and Policyholder Benefits Payable (continued)

For all life insurance products (products with (Unit-Linked Long-Term Insurance Contracts UL)) and without segregated assets) an increase in mortality would have an adverse impact on financial results. A permanent 10% increase in mortality for the non-segregated asset products would necessitate a reserve increase of $173,747 (2019 – $201,247) and for life insurance products with segregated assets (UL) a reserve increases of $344,300 (2019 – $298,201). Non-insurance products with segregated assets have an insignificant death benefit and mortality changes would have virtually no impact on income.

For immediate (payout) annuities, a permanent 10% decrease in mortality would require a decrease of income and a reserve increase of $105,947 (2019 – $94,362).

For both life insurance products and annuities, a mortality improvement assumption is made. For life insurance products improvement is assumed in accordance with recent Canadian Institute of Actuaries guidance.

Investment Return and Interest Rate

Assets are segmented to correspond to the different liability categories of the Company. Cash flow matching has been addressed under a level economic scenario. These fixed income assets are of high quality and, along with policy loans, provide a gross investment income rate. Investment expenses, default provisions and margins are incorporated to produce a final, net, discount rate.

Interest rate risk associated with this assumption is measured by determining the effect on the present value of the projected net asset and liability cash flows of the Company of an immediate 1% increase or an immediate 1% decrease in the level of reserve discount rates.

The effect of an immediate 1% increase in discount rates on life insurance contracts (those without segregated funds) would be to decrease the present value of these net projected cash flows by approximately $3,730,949 (2019 – $3,312,914).

The effect of an immediate 1% decrease in discount rates would be to increase the present value of these net projected cash flows by approximately $6,002,738 (2019 – $5,365,072).

6. Provision for Future Policy Benefits and Policyholder Benefits Payable (continued)

The impact of discount rate changes on segregated fund life insurance and segregated fund non-insurance contracts would be small, less than $75,000 for either an increase or decrease in the discount rate.

The effect of an immediate 1% increase in discount rates on immediate annuities would be to decrease reserves by $344,402 (2019 – $262,136), and the effect of an immediate 1% decrease in discount rates on annuities would be to increase reserves by $400,547 (2019 – $301,257).

The company incorporates a 67 basis point margin for non-annuities and 75 basis points used for annuities in its discount rates for fixed dollar life insurance and a 191 basis point margin in all segregated fund business discount rates.

Policy Termination Rates (Lapse Rates)

Policyholders may allow their policies to terminate prior to the end of the contractual coverage period by choosing not to continue to pay premiums or by exercising one of the non-forfeiture options in the contract. Assumptions for termination experience on life insurance are based on industry experience. Termination rates may vary by product/plan, age at issue, method of premium payment, and policy duration. For universal life policies it is also necessary to set assumptions about premium cessation occurring prior to termination of the policy. A 10% adverse change in the assumption for policy termination would decrease net income and shareholder's equity by approximately $954,790 (2019 – $945,581).

Operating Expenses and Inflation

Policy liabilities include an estimate for future policy-related expenses. These include the costs of premium collection, claims adjudication and processing, actuarial calculations, preparation and mailing of policy statements and related indirect expenses and overheads. Expense assumptions are mainly based on recent Company experience using an internal expense allocation methodology. Future expense assumptions reflect inflation. The sensitivity of actuarial liabilities to a 10% increase in unit expenses Company-wide would result in a decrease in net income and shareholder's equity of approximately $1,156,480 (2019 – $1,155,870).

(Expressed in Bermuda Dollars)

6. Provision for Future Policy Benefits and Policyholder Benefits Payable (continued)

The composition of the assets supporting the liabilities of provision for future policy benefits as at December 31, 2020, is as follows:

	2020				
	Cash and Cash Equivalents	**Financial Assets**	**Accounts Receivable and Other Assets**	**Amounts Due from Related Companies**	**Total**
Participating:					
Individual life	**$ 4,099,843**	**$ 2,594,050**	**$ –**	**$ –**	**$ 6,693,893**
Non-participating:					
Annuities	**–**	**4,344,443**	**–**	**–**	**4,344,443**
Provision for future policy benefits	**4,099,843**	**6,938,493**	**–**	**–**	**11,038,336**
Policy benefits payable	**–**	**4,691,832**	**–**	**–**	**4,691,832**
Positive provision for future policy benefits	**$ 4,099,843**	**$ 11,630,325**	**$ –**	**$ –**	**$ 15,730,168**
Negative provision for future policy benefits					**(14,703,275)**
					$ 1,026,893

(Expressed in Bermuda Dollars)

6. Provision for Future Policy Benefits and Policyholder Benefits Payable (continued)

The composition of the assets supporting the liabilities of provision for future policy benefits as at December 31, 2019, is as follows:

	2019				
	Cash and Cash Equivalents	**Financial Assets**	**Accounts Receivable and Other Assets**	**Amounts Due from Related Companies**	**Total**
Participating:					
Individual life	$ 1,785,594	$ 5,179,917	$ –	$ –	$ 6,965,511
Non-participating:					
Annuities	–	3,584,553	–	–	3,584,553
Provision for future policy benefits	1,785,594	8,764,470	–	–	10,550,064
Policy benefits payable	–	4,200,289	–	–	4,200,289
Positive provision for future policy benefits	$ 1,785,594	$ 12,964,759	$ –	$ –	$ 14,750,353
Negative provision for future policy benefits					(12,776,645)
					$ 1,973,708

Deferred Acquisition Costs

The following reflects the amounts of acquisition costs deferred and amortized as of and for the year ended:

	2020	2019
Deferred acquisition costs, beginning of year	**$ 657,660**	$ 729,473
Expenses capitalized	**158,004**	164,081
Amortization expense	**(216,475)**	(235,894)
	$ 599,189	$ 657,660

(Expressed in Bermuda Dollars)

7. Property, Plant and Equipment

Property, plant and equipment as at December 31, 2019, comprise the following:

	2019	Purchases	Disposals	2020
Costs				
Leasehold improvements	$ 609,298	$ –	$ –	**$ 609,298**
Computer hardware	840,385	13,557	–	**853,942**
Furniture and fixtures	313,590	1,299	–	**314,889**
	$ 1,763,273	$ 14,856	$ –	**$ 1,778,129**

	2019	Depreciation Expense	Disposals	2020
Accumulated depreciation				
Leasehold improvements	$ 609,273	$ 25	$ –	**$ 609,298**
Computer hardware	659,661	76,908	–	**736,569**
Furniture and fixtures	311,993	1,200	–	**313,193**
Total	$ 1,580,927	$ 78,133	$ –	**$ 1,659,060**
Net book value	$ 182,346			**$ 119,069**

(Expressed in Bermuda Dollars)

7. Property, Plant and Equipment (continued)

Property, plant and equipment as at December 31, 2019, comprise the following:

	2018	Purchases	Disposals	2019
Costs				
Leasehold improvements	$ 609,298	$ –	$ –	**$ 609,298**
Computer hardware	774,541	65,844	–	**840,385**
Furniture and fixtures	313,149	441	–	**313,590**
	$ 1,696,988	$ 66,285	$ –	**$ 1,763,273**

	2018	Depreciation Expense	Disposals	2019
Accumulated depreciation				
Leasehold improvements	$ 609,170	$ 103	$ –	**$ 609,273**
Computer hardware	584,287	75,374	–	**659,661**
Furniture and fixtures	310,768	1,225	–	**311,993**
Total	$ 1,504,225	$ 76,702	$ –	**$ 1,580,927**
Net book value	$ 192,763			**$ 182,346**

(Expressed in Bermuda Dollars)

8. Intangible Assets

Intangible assets comprising computer software as at December 31, 2020, are detailed below:

	2019	Additions	Disposals	2020
Costs				
Computer software	$ 925,635	$ 6,664	$ –	**$ 932,299**

	2019	Amortization Expense	Disposals	2020
Accumulated depreciation				
Computer software	$ 919,464	$ 4,330	$ –	**$ 923,794**
Net book value	$ 6,171			**$ 8,505**

Intangible assets comprising computer software as at December 31, 2019, are detailed below:

	2018	Additions	Disposals	2019
Costs				
Computer software	$ 923,025	$ 2,610	$ –	**$ 925,635**

	2018	Amortization Expense	Disposals	2019
Accumulated depreciation				
Computer software	$ 910,697	$ 8,767	$ –	**$ 919,464**
Net book value	$ 12,328			**$ 6,171**

9. Risk Management and Financial Instruments

The activities of the Company involve the use of insurance contracts and financial instruments. As such, the Company is exposed to insurance risks and financial risks. This note presents information about the Company's exposure to each of the above risks, the objectives, policies, and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company is also guided by the risk management framework of its ultimate parent. The Board and the Company's parent have established an Investment Committee, Risk Oversight Committee and Audit Committee, which along with the President and CEO of the Company are responsible for developing and monitoring the Company's risk management policies. The committees and President regularly to the Board of Directors on their activities.

The risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks, and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee and Risk Oversight Committee of the Parent company are standing committees of the Board of Directors and assist the Board in fulfilling its oversight responsibilities relating to the financial reporting process, internal accounting and financial controls, audit and risk review process, risk assessment and risk management and compliance with legal and regulatory requirements. The Audit Committee, Risk Oversight Committee and Investment Committee meet at least three times per annum and report to the Board on their performance with respect to their respective terms of reference.

9. Risk Management and Financial Instruments (continued)

The principles used by the Company in managing its risks are set out below:

Insurance Risk

The Company provides life insurance and accidental death benefits coverage as well as investment and savings products in Bermuda, Cayman, British Virgin Islands and internationally. Life insurance contracts offered by the Company include: whole life, term assurance, single premium immediate annuity and variable life.

Whole life and term assurance are conventional regular premium products when lump sum benefits are payable on death.

All life insurance policies include the option to purchase contribution protection benefits that provide for payment of contributions on behalf of policyholders in periods of total disability.

The main risks that the Company is exposed to are as follows:

- Mortality risk – risk of loss arising due to policyholder death experience being different than expected.
- Longevity risk – risk of loss arising due to the annuitant living longer than expected.
- Investment return risk – risk of loss arising from actual returns being different than expected.
- Expense risk – risk of loss arising from expense experience being different than expected and the risk of future inflation causing expenses to be higher than projected, thus impacting reserves.
- Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

9. Risk Management and Financial Instruments (continued)

These risks do not vary significantly in relation to the location of the risk insured by the Company, type of risk insured or by industry.

Please refer to Note 6 for the concentration of life insurance and investment contract liabilities by type of contract.

Mortality Risk

Mortality risk is the risk that future experience could be worse than the assumptions used in the pricing and valuation of products. Mortality risk can arise in the normal course of business through random fluctuation in realized experience, through catastrophes, or in association with other risk factors such as product development and pricing or model risk.

The Company maintains underwriting standards to determine the insurability of applicants. Claim trends are monitored on an ongoing basis. Exposure to large claims is managed by establishing policy retention limits, which vary by market and geographic location. Policies in excess of the limits are reinsured with other companies. The impact of a 10% change in the mortality assumption is disclosed in Note 6.

Longevity Risk

Longevity risk is the potential for economic loss, accounting loss or volatility in earnings arising from uncertain adverse changes in rates of mortality improvement relative to the assumptions used in the pricing and valuation of products. This risk can manifest itself slowly over time as socioeconomic conditions improve and medical advances continue. It could also manifest itself more quickly, for example, due to medical breakthroughs that significantly extend life expectancy. Longevity risk affects contracts where benefits are based upon the likelihood of survival (for example, annuities, pensions and pure endowments). The impact of a 10% change in the mortality assumption is disclosed in Note 6.

9. Risk Management and Financial Instruments (continued)

Investment Return Rate

The Company's policy of closely matching asset cash flows with those of the corresponding liabilities is designed to mitigate the Company's exposure to future changes in interest rates. The interest rate risk positions are monitored on an ongoing basis. The reinvestment rate is developed using interest rate scenario testing and reflects the interest rate risk positions.

Equities, bonds and other long-duration assets are used to support liabilities where investment return experience is passed back to policyholders through dividends or credited investment return adjustments. Bonds, policy loans and other long-duration assets are also used to support long-dated obligations in the Company's annuity and life insurance businesses that is for long-dated insurance obligations on contracts where the investment return risk is borne by the Company.

The impact of a 1% change in the investment return rate assumption is disclosed in Note 6.

Expense Risk

Expense risk is the risk that future expenses are higher than the assumptions used in the pricing and valuation of products. This risk can arise from general economic conditions, unexpected increases in inflation, slower than anticipated growth or reduction in productivity leading to increase in unit expenses. Expense risk occurs in products where the Company cannot or will not pass increased costs onto the customer and will manifest itself in the form of a liability increase or a reduction in expected future profits.

The Company closely monitors expenses through an annual budgeting process and ongoing monitoring of any expense gaps between unit expenses assumed in pricing and actual expenses. The impact of a 10% change in the unit expenses assumption is disclosed in Note 6.

9. Risk Management and Financial Instruments (continued)

Policyholder Decision Risk

Policies are terminated through lapses and surrenders, where lapses represent the termination of policies due to nonpayment of premiums and surrenders represent the voluntary termination of policies by policyholders. Premium persistency represents the level of ongoing deposits on contracts where there is policyholder discretion as to the amount and timing of deposits.

The Company seeks to design products that minimize financial exposure to lapse, surrender and other policyholder decision risk. The Company monitors lapse, surrender and other policyholder decision experience. The impact of a 10% change in the policy termination rates assumption is disclosed in Note 6.

Reinsurance Protection

In the normal course of business, the Company limits the amount of loss on any one policy by reinsuring certain levels of risk with other insurers. Reinsurance ceded does not discharge the Company's liability as the primary insurer. In the event that the reinsurers are unable to meet their obligations under the reinsurance agreements, the Company would also be liable for the reinsured amount.

Life Risks

Reinsurance agreements are in place for individual life business. The Company does not assure any individual life risks in excess of the reinsurers' limits. The individual life business is reinsured on claims in excess of $100,000 domestically (2019 – $100,000) and $100,000 internationally (2019 – $100,000) with the reinsurers' limit being $3,000,000. However, the Company's reinsurer has made exceptions on individual considerations and has accepted higher limits.

From January 1, 2012 the Company assumed 50% of the domestic group life book of business written by an affiliate, Coralisle Medical Insurance Company Ltd. (formerly known as Colonial Medical Insurance Company Limited), and assumed a net retention equal to 20% of the first $250,000 per insured.

9. Risk Management and Financial Instruments (continued)

Accidental Death Benefit

The reinsurer can participate in risks up to $1,000,000 of accidental death benefit (ADB) per life with all carriers. The Company does not insure any individual ADB risks in excess of the reinsurer's limits. The Company does not retain any exposure to ADB risks.

Financial Risk

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

- credit risk
- liquidity risk
- market risk

The nature and extent of the financial instruments outstanding at the balance sheet date and the risk management policies of the Company are discussed below:

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Company's maximum credit risk exposure is the carrying value of assets less any provisions for irrecoverable amounts. The Company is exposed to credit risk in the following areas:

Cash and Investments

Investment asset allocation is determined by the Company's investment manager who manages the distribution of the assets to achieve the Company's investment objectives. Divergence from target asset allocations and the composition of the portfolio is monitored by the Company's Board of Directors and the Parent's Investment Committee. Details of concentrations of cash and cash equivalents and investments are disclosed in Notes 3 and 4.

9. Risk Management and Financial Instruments (continued)

Insurance Balance Receivable

The Company's exposure to credit risk is influenced by the financial stability of entities and individuals purchasing insurance products. This credit risk is controlled by monitoring the aging of all amounts outstanding on an ongoing basis and monitoring the customers' financial health by reference to the media and discussions with the customers. A provision is made for non-recovery if considered necessary.

Collateral is not held against any of the outstanding balances, however the Company has the right to cancel the policy for non-payment. Cancellation or extension of the terms of credit is instituted on a case by case basis.

Reinsurance Balances Receivable

Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company; consequently, allowances are established for amounts deemed uncollectible. The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of its reinsurers to minimize the exposure to significant losses from reinsurer insolvencies.

The Company reviews the creditworthiness of reinsurers on an annual basis and only enters and maintains contracts with reinsurers that (1) have been rated as A+ or higher by the AM Best credit rating agency and (2) have in excess of $500 million in capital and surplus. Current financial statements for the reinsurers are reviewed annually. Based on the individual reinsurance agreements, the Company may have the right to offset amounts due to reinsurers against any amounts due from reinsurers.

Amounts due from reinsurers are assessed regularly, for any indication of impairment. At December 31, 2020, losses recoverable from reinsurers were due from two reinsurers both having an A.M. Best rating of A+. At year end there is no significant credit risk associated with any of the Company's reinsurers.

(Expressed in Bermuda Dollars)

9. Risk Management and Financial Instruments (continued)

Related-Party and Other Receivables

Amounts due from related parties and other receivables are assessed and monitored on a monthly basis for any indication of impairment. As at December 31, 2020, $6.23million (2019 – $6.24 million) of amounts due from related parties were due from Gibbons Management Services Limited, representing 99.9% (2019 – 99.9%) of total amounts due from related parties. As at December 31, 2020, all amounts were considered to be collectible.

The following table analyses the aging of the Company's receivables:

	Insurance Balances Receivable	Accounts Receivable and Accrued Interest	Losses Recoverable From Reinsurers	Due From Related Parties	Total
Up to 30 days	**$ 1,684,131**	**$ 1,707,392**	**$ 459,419**	**$ 6,234,698**	**$ 10,085,640**
Over 90 days	**–**	**–**	**72,000**	**–**	**72,000**
	$ 1,684,131	**$ 1,707,392**	**$ 531,419**	**$ 6,234,698**	**$ 10,157,640**

The following table analyses the aging of the Company's receivables as at December 31, 2019:

	Insurance Balances Receivable	Accounts Receivable and Accrued Interest	Losses Recoverable From Reinsurers	Due From Related Parties	Total
Up to 30 days	$ 703,441	$ 1,894,592	$ 2,108,549	$ 6,245,414	$ 10,951,996
Over 90 days	–	–	72,000	–	72,000
	$ 703,441	$ 1,894,592	$ 2,180,549	$ 6,245,414	$ 11,023,996

(Expressed in Bermuda Dollars)

9. Risk Management and Financial Instruments (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company is exposed to daily calls on its available cash resources for the payment of claims and operating expenses. In order to manage liquidity, management seeks to maintain levels of cash and short-term deposits sufficient to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following summarizes the contractual recovery or settlement of other assets held (within 12 months from the balance sheet date) and the maturity profile of the Company's liabilities relating to financial instruments and insurance contracts:

	December 31, 2020			December 31, 2019		
	Current	**Non-Current**	**Total**	**Current**	**Non-Current**	**Total**
Financial assets						
Cash and cash equivalents	**$ 4,099,843**	**$ –**	**$ 4,099,843**	$ 1,785,594	$ –	$ 1,785,594
Financial assets	**3,668,319**	**13,558,670**	**17,226,989**	1,334,347	16,036,362	17,370,709
Losses recoverable from reinsurers	**531,419**	–	**531,419**	2,180,549	–	2,180,549
Insurance balances receivable	**1,707,392**	–	**1,707,392**	1,894,592	–	1,894,592
Accounts receivable and accrued interest	**1,684,131**	–	**1,684,131**	703,441	–	703,441
Amounts due from related companies	**6,234,698**	–	**6,234,698**	6,245,414	–	6,245,414
Total	**$ 17,925,802**	**$ 13,558,670**	**$ 31,484,472**	$ 14,143,937	$ 16,036,362	$ 30,180,299

	December 31, 2020			December 31, 2019		
	Current	**Non-Current**	**Total**	**Current**	**Non-Current**	**Total**
Financial liabilities						
Premiums received in advance	**$ 515,764**	**$** –	**$ 515,764**	$ 350,007	$ –	$ 350,007
Policyholder benefits payable	**4,691,832**	–	**4,691,832**	4,200,289	–	4,200,289
Funds held on behalf of clients	**107,935**	–	**107,935**	80,491	–	80,491
Reinsure balances payable	**398,112**	–	**398,112**	274,583	–	274,583
Amounts due to related companies	**268,893**	–	**268,893**	2,111,822	–	2,111,822
Accounts payable and other liabilities	**222,742**	–	**222,742**	198,492	–	198,492
Total	**$ 6,205,278**	**$** –	**$ 6,205,278**	$ 7,215,684	$ –	$ 7,215,822
Liquidity margin	**$ 11,720,524**	**$ 13,558,670**	**$ 25,279,194**	$ 6,928,253	$ 16,036,362	$ 22,964,615

9. Risk Management and Financial Instruments (continued)

The Company is dependent on the continued support of the Parent Company and/or related through common control companies. The Company has obtained a commitment letter from its Parent Company to further finance operations and maintain solvency if needed.

Market Risk

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

Interest-Rate Risk

The Company invests in managed funds, the fair values of which are affected by changes in interest rates. Details of interest rate risk on related party balances are disclosed in Note 12. The Company's interest rate risk exposure on its corporate bond securities is not considered significant as they are classed as held-to-maturity.

Currency Risk

The majority of the Company's financial assets and liabilities are denominated in Bermuda dollars therefore the Company is not normally exposed to significant currency risk.

Equity Price Risk

The Company is subject to equity price risk due to daily changes in the market values of securities in its fund and equity portfolios. Equity price risk is actively managed in order to mitigate anticipated unfavorable market movements where this lies outside the risk appetite of the parent company's Investment Committee. Diversified portfolios of assets are held in order to reduce exposure to individual equities. At the balance sheet date, management estimates that a 10% increase in prices for securities held, with all other variables held constant, would increase net income by approximately $3,902. A 10% decrease in equity prices would have a corresponding decrease in net income.

9. Risk Management and Financial Instruments (continued)

Limitations of Sensitivity Analysis

The sensitivity information included in this note demonstrates the estimated impact of a change in a major input assumption while other assumptions remain unchanged. In reality, there are normally significant levels of correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results. Furthermore, estimates of sensitivity may become less reliable in unusual market conditions such as instances when risk free interest rates fall towards zero. Finally, a compound impact of several assumption changes has not been devised.

10. Capital Management and Statutory Requirements

Capital Management

The Company's capital base is structured to exceed regulatory and internal capital targets while maintaining an effective capital structure. The Board of Directors is responsible for designing the Company's capital plan with management responsible for the implementation of the plan. The policy is designed to ensure that adequate capital is maintained to provide the flexibility necessary to take advantage of growth opportunities, to support the risks associated with the business and to provide returns to shareholder. The policy is also designed to provide an appropriate level of risk management over capital adequacy risk, which is defined as the risk that capital is not or will not be sufficient to withstand adverse economic conditions, to maintain financial strength or to allow the Company to take advantage of opportunities for expansion. The Company is required by the Bermuda Monetary Authority to maintain certain levels of capital and surplus. At the balance sheet date the Company has met these requirements.

(Expressed in Bermuda Dollars)

10. Capital Management and Statutory Requirements (continued)

The Company's capital base consists of common share and contributed surplus, net of accumulated deficit.

Shareholder's Equity

	2020	**2019**
Authorized share capital of par value BD$1 each:		
4,000,000 (2020 – 4,000,000) ordinary shares	**$ 4,000,000**	$ 4,000,000
Issued and fully paid:		
4,000,000 (2019 – 4,000,000) ordinary shares	**$ 4,000,000**	$ 4,000,000

Contributed Surplus

Contributed surplus represents amounts paid to the Company by the shareholder in addition to its subscription to the Company's share capital.

Statutory Requirements

The Company is registered as a long term (Class C) insurer pursuant to the Bermuda Insurance Act 1978 and accordingly is required to meet and maintain certain standards of solvency and to maintain a minimum margin of solvency under the Act of $500,000. At December 31, 2020, the Company's statutory capital and surplus was $21,212,577 of which $18,812,195 comprised statutory capital and $2,400,382 pertains to the Company's accumulated retained earnings.

(Expressed in Bermuda Dollars)

10. Capital Management and Statutory Requirements (continued)

Actual statutory capital and surplus at December 31, 2020, as determined using statutory accounting principles, is as follows:

	2020	2019
Total shareholder's equity	**$ 21,523,825**	$ 18,867,251
Less non-admitted assets:		
Property, plant and equipment	**(119,069)**	(182,346)
Intangible assets	**(8,505)**	(6,171)
Prepaid expenses	**(183,674)**	(67,642)
	$ 21,212,577	$ 18,611,092

Cayman Statutory Requirements

The Company must separately disclose Cayman risk according to the insurance laws of the Cayman Islands.

	2020	2019
Premiums/policy fees written/received	**$ 2,383,161**	$ 2,374,636
Reinsurance premiums ceded	**824,440**	748,534
Net insurance premium revenue	**$ 1,558,721**	$ 1,626,102
Net claims benefits	**$ 196,000**	$ 450,000

Included in the provision for future policy benefits is negative $928,385 (2019 – $773,799 negative) which represents the portion related to Cayman Risk. The reasonableness of the Cayman provision for future policy benefits is supported by a separate independent actuarial study in accordance with the Company's accounting policies stated in Note 2.

Due from reinsurers at year end amounted to $96,000 (2019 – $Nil) and represents the net amount for Cayman recoveries. These reinsurers have been rated as A+ by AM Best.

(Expressed in Bermuda Dollars)

10. Capital Management and Statutory Requirements (continued)

In order to comply with the insurance laws of the Cayman Islands the Company has investments in bonds and cash totaling $2,402,268 (2019 – $2,227,919 (cash only)) in a Cayman Trust held in favor of the Cayman Islands Monetary Authority in compliance of the Authority's requirements. The bonds are held at amortized costs.

There are no liens or encumbrances on the Company's assets.

11. Segregated Funds

Managed funds comprising the segregated funds are as follows:

	2020	2019
Coralisle Life Unit Trust – American Growth Fund	**$ 23,078,371**	$ 19,697,991
Coralisle Life Unit Trust – Emerging Companies Fund	**8,245,758**	7,519,317
Coralisle Life Unit Trust – American Value Fund	**6,587,243**	6,392,109
Coralisle Life Unit Trust – Global Equity Fund	**14,988,032**	12,310,591
Coralisle Life Unit Trust – European Equities Fund	**4,425,391**	4,433,717
Coralisle Life Unit Trust – Global Bonds Fund	**10,950,459**	9,125,111
Coralisle Life Unit Trust – SE Asia Equities Fund	**3,902,186**	2,906,655
Coralisle Life Unit Trust – Balanced Fund	**5,294,330**	5,318,945
Coralisle Life Unit Trust – Global Equities-Active	**6,802,173**	6,329,292
Cash Equivalent	**3,691,034**	1,146,3977
Coralisle Life Unit Trust – US Government Bonds	**1,004,959**	–
	$ 88,969,936	$ 75,180,105

Coralisle Life Unit Trust (formerly Colonial Life Unit Trust) is registered as an exempted trust in the Cayman Islands. The trust is organized as a Multi-Fund Unit Trust, providing for the creation of any number of classes of units.

(Expressed in Bermuda Dollars)

11. Segregated Funds (continued)

Changes in net assets during the year are as follows:

	2020	2019
Net assets at beginning of year	**$ 75,180,105**	$ 66,715,091
Increase during the year:		
Amounts received from policyholders	**13,368,252**	6,903,739
Net increase in market value investments	**9,148,287**	13,808,115
	22,516,539	20,711,854
Decrease during the year:		
Amounts withdrawn by policyholders	**(7,571,146)**	(11,467,485)
Amounts withdrawn for policy fees, mortality and rider premiums	**(1,218,694)**	(927,603)
Surrender values reverting to Company	**63,132**	148,248
Net decrease in market value investments	**–**	–
	(8,726,708)	(12,246,840)
Net assets at end of year	**$ 88,969,936**	$ 75,180,105

These segregated funds, which are redeemable on a monthly basis, are classified under Level 2 of the fair value hierarchy.

Amounts received from policyholders noted above includes $7,587,728, in funds held by 94 clients of an affiliate company, Coralisle Pension Services Ltd. (formerly Colonial Pension Services Ltd. “CPS”) that were transfer to the Company just prior to the year end. These policies are not insurance products. Their fee structure and the investment options in the Company remained unchanged from that provided by CPS.

(Expressed in Bermuda Dollars)

12. Related-Party Transactions

The Company is a wholly-owned subsidiary of Coralisle Group Ltd. (incorporated in Bermuda). The Company's ultimate parent is Edmund Gibbons Limited (incorporated in Bermuda).

The following transactions were carried out with related parties:

(a) Income and Expenses

	2020 Income (Expense)	2019 Income (Expense)
Reinsurance premiums assumed[1]	**$ 484,498**	$ 492,196
Claims paid[1]	**(62,450)**	(71,088)
Administration expense[1]	**(53,971)**	(56,329)
Rent[2]	**(191,566)**	(309,325)
Investment advisory fees[3]	**(52,944)**	(55,206)
Commission expense[4]	**(508,614)**	(551,632)

[1] On January 1, 2012, the Company entered into a quota share group life reinsurance agreement with Coralisle Medical Insurance Company Ltd. (CMICL), a company related through common control. Under this agreement, the Company assumes 50% of the net group life insurance premium to CMICL with a 10% administration fee charged to the Company.

[2] Rent expense is charged by a company related through common control for the rental of office space and other group overhead expenses.

[3] The Company pays investment advisory fees at 0.5% of total net asset value of the investment portfolio to Clarien Bank Limited, a company related through common control.

[4] The Company pays an affiliated entity, British Caymanian Agencies Limited, commission for the sale of its products in Cayman.

(Expressed in Bermuda Dollars)

12. Related-Party Transactions (continued)

(b) Year-end Balances

	2020	2019
Due from related companies		
Gibbons Management Services Limited (GMSL)	**$ 6,231,233**	$ 6,243,458
Coralisle Insurance (BVI) Ltd.	**3,465**	1,956
	$ 6,234,698	$ 6,245,414

	2020	2019
Due to related companies		
British Caymanian Agencies Limited	**$ 71,916**	$ 18,685
Coralisle Insurance Company Ltd. (CICL)	**8,142**	99,781
Atlantic Medical Insurance Limited	**25,608**	4,665
Coralisle Medical Insurance Company Ltd. (CMICL)	**163,227**	1,988,691
	$ 268,893	$ 2,111,822

The amounts due to and from companies related through common control are due on demand. The amount due from GMSL was structured in 2016 into individual loan notes with varying maturities through to 2045. Interest on the notes continues to be settled monthly and the settlement of any maturing loan notes occurring on June 30 of the year for which they become due. No provisions are held against amounts due from related parties (2019 – $Nil). The balance due from GMSL bears interest at 5.75% per annum. The balance due to CICL is repayable on demand and bears interest at a rate of 3% per annum. Included in investment income is interest expense of $3,747 (2019 – $4,848) and interest income of $363,361 (2019 – $366,152) from related parties. Balances with all other related parties are non-interest bearing.

(Expressed in Bermuda Dollars)

12. Related-Party Transactions (continued)

(c) Investments

During the year, the Company used Clarien Bank Limited and its wholly owned subsidiaries (Clarien) for certain banking, investment custodian, and investment management services. Prior to December 31, 2013, the Company and Clarien were related by common control. On December 31, 2013, CGIL's parent company, Edmund Gibbons Limited (EGL), disposed of its controlling interest in Clarien. The Company and Clarien remained related parties due to a minority equity interest retained by EGL in 2014. During 2015 EGL has regained a 100% controlling interest in Clarien. During 2017 NCB Financial Group Limited acquired 50.1% if Clarien Group Limited with EGL retaining a 31.98% shareholding.

At December 31, 2020 investments at fair value for trading with a value of $Nil (2019 – $5,128,855) and investments held at amortized cost with a value of $10,026,854 (2019 – $10,052,527) were held and managed by Clarien Bank Limited. At December 31, 2020, segregated funds of $88,969,936 (2019 – $75,180,105) were held in trust with Clarien Bank. The transactions with Clarien Bank Limited occur on standard commercial terms.

(d) Segregated Funds

Prior to the year end $7,587,728 in funds held by 94 clients of an affiliate company, Coralisle Pension Services Ltd. (formerly Colonial Pension Services Ltd 'CPS') were transferred to the Company. These policies are not insurance products and their fee structure and investment options in the Company remain unchanged from that provided by CPS.

(a) Key Management Compensation

Compensation to key management employees deemed to be related parties under IAS 24 was as follows:

	2020	2019
Short term employee benefits	**$ 317,966**	$ 319,219
Defined contribution pension and medical insurance expenses	**40,610**	40,046
	$ 358,576	$ 359,265

(Expressed in Bermuda Dollars)

13. Revenue From Contracts With Customers

In accordance with IFRS 15 "Revenue from Contracts with Customers" which requires disaggregation of revenues prior to the deduction of associated expenses, the following table has been included.

Disaggregation of Revenue from Contracts with Customers

Sources of Revenue	**2020**	**2019**
Policy fees	**$ 87,439**	$ 96,091
Enhanced allocation	**212,975**	338,042
Total	**300,414**	434,133
Promoter fees	**1,421,961**	1,437,328
Total Contract Income	**$ 1,722,375**	$ 1,874,461

14. General and Administrative Expenses

	2020	**2019**
Staff costs *(refer below)*	**$ 1,720,271**	$ 1,706,373
Rent, maintenance, insurance and power	**322,032**	472,616
Depreciation and amortization *(Notes 7 and 8)*	**82,463**	85,470
Marketing	**57,274**	13,246
Computer expenses	**297,808**	254,343
Professional and legal fees	**703,817**	711,888
Office	**33,098**	38,719
Travel	**13,910**	118,395
Memberships and subscriptions	**26,528**	26,276
Corporate Fees	**172,733**	164,780
Donations	**85**	548
Communication	**41,442**	45,457
Other expenses including finance charges	**118,122**	107,457
	$ 3,589,583	$ 3,745,568

(Expressed in Bermuda Dollars)

14. General and Administrative Expenses (continued)

Staff Related Expenses

The Company maintains a defined contribution pension plan for all full-time employees. The monthly contributions by the employees and the Company are based on 5% of the employees' salaries. The Company's portion of the contribution's vests over 2 years. The Company paid contributions for the year amounting to \$56,490 (2019 – \$58,336) which are included in staff costs in the general and administrative expenses in the statement of comprehensive income.

15. Change in Non-Cash Operating Working Capital

	2020	2019
(Increase) decrease in:		
Accounts receivables and accrued interest	**$ (980,690)**	$ 713,258
Insurance balances receivable	**187,200**	(203,031)
Losses recoverable from reinsurers	**1,649,130**	(2,108,549)
Prepaid reinsurance premiums	**22,233**	(1,388)
Prepaid and other assets	**(116,032)**	97,761
Deferred acquisition costs	**58,471**	71,813
Increase (decrease) in:		
Funds held on behalf of clients	**27,444**	(26,884)
Accounts payable and other liabilities	**24,250**	24,513
Premiums received in advance	**165,757**	(5,572)
Reinsurance balances payable	**123,529**	(22,570)
Policyholder benefits payable	**491,543**	591,100
Provision for future policy benefits	**(1,438,358)**	664,725
Reinsurance liabilities	**1,070,748**	(289,499)
	$ 1,285,225	$ (494,323)

16. COVID-19

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, strain on alternative long duration asset prices, 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.

17. Subsequent Events

The Company has completed its subsequent events evaluation for the period subsequent to the statement of financial position through April 29, 2021, the date the financial statements were available to be issued.

There were no other subsequent events requiring disclosure or recognition in the audited financial statements.

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