Consolidated Financial Statements

Coralisle Group Ltd.
(formerly Colonial Group International Ltd.)
Year Ended December 31, 2020
With Independent Auditor's Report

Ernst & Young Ltd.

Building a better working world

Coralisle Group Ltd.
(formerly Colonial Group International Ltd.)

Consolidated Financial Statements

Year Ended December 31, 2020

Contents

Ernst & Young Ltd.
3 Bermudiana Road
Hamilton HM 08
P.O. Box HM 463
Hamilton HM BX
BERMUDA

Tel: +1 441 295 7000
Fax: +1 441 295 5193
ey.com

Independent Auditor's Report

The Shareholder
Coralisle Group Ltd.
(formerly Colonial Group International Ltd.)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Coralisle Group Ltd. (formerly Colonial Group International Ltd.) and its subsidiaries (the Group) which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in shareholder's equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the *International 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 consolidated financial statements in Bermuda and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 the Board of Directors for the Consolidated Financial Statements

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

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

The board of directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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
May 13, 2021

Coralisle Group Ltd.
(formerly Colonial Group International Ltd.)

Consolidated Statement of Financial Position
(In Thousands of Bermuda Dollars)

	December 31	
	2020	**2019**
	$	**$**
Assets		
Cash and cash equivalents (*Note 3)*	**83,889**	87,002
Financial assets (*Notes 4)*	**317,901**	255,783
Accounts receivable and accrued interest	**8,068**	6,616
Amounts due from related companies *(Note 11)*	**19,272**	19,036
Insurance balances receivable	**32,671**	33,503
Reinsurance balances receivable	**6,382**	8,201
Losses recoverable from reinsurers (*Note 5)*	**14,279**	35,984
Prepaid reinsurance premiums	**31,121**	26,428
Deferred acquisition costs	**5,285**	4,697
Property, plant and equipment *(Note 8)*	**38,357**	39,232
Goodwill and intangible assets *(Note 7)*	**9,705**	10,448
Other assets *(Note 6)*	**16,954**	15,820
Total general fund assets	**583,884**	542,750
Segregated fund assets (*Note 13)*	**819,150**	866,438
Total assets	**1,403,034**	1,409,188
Liabilities		
Bank overdraft *(Note 3)*	**1,984**	2,036
Lease liabilities *(Note 12)*	**26,542**	25,581
Amounts due to related companies *(Note 11)*	**728**	1,051
Reinsurance balances payable – Non-life	**19,230**	15,931
Outstanding losses and loss expenses *(Note 5)*	**49,473**	88,105
Reinsurance balances payable – Life *(Note 5)*	**8,752**	7,636
Unearned premiums	**56,955**	51,228
Deferred commission income	**8,093**	7,003
Other liabilities *(Note 17)*	**27,113**	20,248
Total general fund liabilities	**198,870**	218,819
Segregated fund liabilities *(Note 13)*	**819,150**	866,438
Total liabilities	**1,018,020**	1,085,257

Coralisle Group Ltd.
(formerly Colonial Group International Ltd.)

Consolidated Statement of Financial Position (continued)
(In Thousands of Bermuda Dollars)

	December 31	
	2020	**2019**
	$	**$**
Shareholder's equity		
Share capital *(Note 10)*	**1,512**	1,512
Share premium *(Note 10)*	**2,500**	2,500
Contributed surplus *(Note 10)*	**9,804**	9,804
Retained earnings	**354,652**	295,714
Other comprehensive (loss) income	**(260)**	103
Total equity attributable to the equity holder of the group	**368,208**	309,633
Non-controlling interest *(Note 10)*	**16,806**	14,298
Total equity	**385,014**	323,931
Total liabilities and equity	**1,403,034**	1,409,188

See accompanying notes to consolidated financial statements.

On behalf of the Board:

/s/ James Finbarr Mathias O'Shaughnessy
Director Date: May 13, 2021

/s/ Edmund Graham (Grant) Gibbons III
Director Date: May 13, 2021

Coralisle Group Ltd.
(formerly Colonial Group International Ltd.)

Consolidated Statement of Comprehensive Income
(In Thousands of Bermuda Dollars)

	Year Ended December 31	
	2020	**2019**
	$	**$**
Revenues		
Gross premiums written	**420,670**	402,292
Reinsurance premiums ceded	**(99,087)**	(86,452)
Net premiums written	**321,583**	315,840
Net change in unearned premium	**(1,034)**	(885)
Net premiums earned	**320,549**	314,955
Investment income *(Note 4)*	**17,994**	20,137
Commission, service fee and other income	**31,180**	32,405
Total revenues	**369,723**	367,497
Expenses		
Net claims incurred	**(194,967)**	(239,412)
Commission and acquisition cost expense	**(18,109)**	(18,117)
Operating expenses *(Note 14)*	**(86,799)**	(79,055)
Total expenses	**(299,875)**	(336,584)
Net income for the year	**69,848**	30,913

See accompanying notes to consolidated financial statements.

Coralisle Group Ltd.
(formerly Colonial Group International Ltd.)

Consolidated Statement of Comprehensive Income (continued)
(In Thousands of Bermuda Dollars)

	Year Ended December 31	
	2020	**2019**
	$	**$**
Other comprehensive income:		
Unrealized loss on financial assets held at fair value through Other comprehensive income (FVOCI)	**(363)**	(340)
Other comprehensive loss	**(363)**	(340)
Total comprehensive income for the year	**69,485**	30,573
Attributable to:		
Owners of the Group	**65,575**	28,235
Non-controlling interests	**3,910**	2,338
	69,485	30,573

See accompanying notes to consolidated financial statements.

Coralisle Group Ltd.
(formerly Colonial Group International Ltd.)

Consolidated Statement of Changes in Shareholder's Equity
(In Thousands of Bermuda Dollars)

	Attributable to the Equity Holder of the Group							
	Share Capital	**Share Premium**	**Contributed Surplus**	**Retained Earnings**	**Other Comprehensive (Loss)/Income**	**Total**	**Non-Controlling Interest**	**Total Equity**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Adjusted Balance at January 1, 2019	1,512	2,500	9,804	271,139	443	285,399	12,722	298,121
Dividends *(Note 16)*	–	–	–	(4,000)	–	(4,000)	(762)	(4,762)
Net income for the year	–	–	–	28,575	(340)	28,235	2,338	30,572
Balance at December 31, 2019	**1,512**	**2,500**	**9,804**	**295,714**	**103**	**309,633**	**14,298**	**323,931**
Dividends *(Note 16)*	–	**–**	**–**	**(7,000)**	**–**	**(7,000)**	**(1,402)**	**(8,402)**
Net income for the year	**–**	**–**	**–**	**65,938**	**(363)**	**65,575**	**3,910**	**69,485**
Balance at December 31, 2020	**1,512**	**2,500**	**9,804**	**354,652**	**(260)**	**368,208**	**16,806**	**385,014**

See accompanying notes to consolidated financial statements.

Coralisle Group Ltd.
(formerly Colonial Group International Ltd.)

Consolidated Statement of Cash Flows

(In Thousands of Bermuda Dollars)

	Year Ended December 31	
	2020	**2019**
	$	**$**
Operating activities		
Total Comprehensive income for the year	**69,485**	30,572
Adjustments for:		
Depreciation and amortization	**6,027**	6,828
Gain on disposal of assets	**–**	(5)
Interest on lease liabilities	**1,264**	1,323
Net unrealized (gains) losses on financial assets held at fair value through profit and loss	**(9,975)**	(7,720)
Net unrealized losses (gains) on financial assets at FVOCI	**(1,382)**	340
Share of (gain) loss in associated company	**(1,369)**	268
Realized (gains) on sale of financial assets	**(671)**	(7,607)
Bond amortization	**34**	(179)
Operating cash flow before changes in operating working capital	**63,413**	23,820
Change in operating working capital *(Note 15)*	**(4,125)**	17,070
Cash flows provided by operating activities	**59,288**	40,890
Investing activities		
Proceeds from sale of financial assets	**66,148**	147,936
Purchase of financial assets	**(116,272)**	(150,379)
Purchase of intangible assets *(Note 7)*	**(546)**	(863)
Purchase of property, plant and equipment *(Note 8)*	**(796)**	(2,392)
Proceeds from sale of property, plant and equipment	**5**	20
Repayments from related companies	**(559)**	1,479
Investment in Associate *(Note 17)*	**–**	(11,642)
Short term loan to Associate *(Note 17)*	**1,448**	(1,448)
Cash used in investing activities	**(50,572)**	(17,289)
Financing activities		
Payments on principal portion of lease liabilities	**(3,375)**	(3,365)
Dividends paid to owners *(Note 16)*	**(7,000)**	(4,000)
Dividends paid to noncontrolling interest	**(1,402)**	(762)
Cash used in financing activities	**(11,777)**	(8,127)
Net (decrease) increase in cash and cash equivalents	**(3,061)**	15,474
Cash and cash equivalents at beginning of year	**84,966**	69,492
Cash and cash equivalents at end of year	**81,905**	84,966

Coralisle Group Ltd.
(formerly Colonial Group International Ltd.)

Consolidated Statement of Cash Flows (continued)
(In Thousands of Bermuda Dollars)

	Year Ended December 31	
	2020	**2019**
	$	**$**
Represented by:		
Cash and cash equivalents	**83,889**	87,002
Bank overdraft	**(1,984)**	(2,036)
	81,905	84,966

See accompanying notes to consolidated financial statements.

1. General

Coralisle Group Ltd., (formerly Colonial Group International Ltd.) (the "Company") was incorporated in Bermuda as a holding company and has its head office at the Jardine House, 33-35 Reid Street, Hamilton HM 12, Bermuda. The Company is a wholly-owned subsidiary of Edmund Gibbons Limited (the "Parent Company").

The Company and its subsidiaries (together forming the "Group") operate in Bermuda, the Bahamas, the Cayman Islands, the British Virgin Islands, the Turks and Caicos Islands and Barbados underwriting primarily health and property and casualty insurance. The Group also underwrites certain life products and issues a diversified portfolio of investment contracts to provide its customers with asset management solutions for their savings and retirement assets.

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

The consolidated financial statements, including all notes, were authorized for issue by the Board of Directors on May 13, 2021.

The consolidated financial statements of the Group include:

Company	Former Name	Domicile	Principal Activities	Ownership Percentage
Coralisle Insurance Company Ltd. (CIC)	Colonial Insurance Company Limited	Bermuda	Property and casualty insurance: motor, home and commercial property, marine, general liability.	100%
Coralisle Medical Insurance Company Ltd. (CMIC)	Colonial Medical Insurance Company Limited	Bermuda	Group and individual medical and group life insurance.	100%

1. General (continued)

Company	Previous Legal Name	Domicile	Principal Activities	Ownership Percentage
Coralisle Life Assurance Company Ltd. (CLAC)	Colonial Life Assurance Company Limited	Bermuda	Individual life and annuities, accidental death. CLAC also writes unit linked investment policies and personal pension plans	100%
Atlantic Medical Insurance Limited (AMI)	N/A	Bahamas	Group and individual medical and life insurance	100%
Security & General Insurance Company Limited (S&G)	N/A	Bahamas	Property and casualty insurance: motor, home and commercial property, marine, general liability	70%
British Caymanian Holdings Limited (BCH)[1]	N/A	Cayman Islands	Property and casualty insurance: motor, home and commercial property, marine, general liability	75%
Coralisle Private Trustee Ltd. (CPT)	Colonial Private Trustee Limited	Bermuda	Trustee of assets of the pension plans administered by CPS	100%
Coralisle Pension Services Ltd. (CPS)[2]	Colonial Pension Services Ltd	Bermuda	Pension plans administration and investment business	100%
Coralisle Pension Services (Bahamas) Ltd. (CPSB) [2]	Colonial Pension Services (Bahamas) Limited	Bahamas	Pension plans administration and investment business	99.98%
Coralisle Re Ltd. (CRe)	Colonial Re Ltd.	Bermuda	Property catastrophe reinsurance	100%

(In Thousands of Bermuda Dollars)

1. General (continued)

Company	Previous Legal Name	Domicile	Principal Activities	Ownership Percentage
Coralisle Insurance (BVI) Ltd. (CI (BVI))	Colonial Insurance (BVI) Limited	British Virgin Islands	Property and casualty insurance: motor, home and commercial property, marine, general liability. Group and individual medical	*50%
Coralisle Re Ltd. (CRe)	Colonial Re Ltd.	Bermuda	Property catastrophe reinsurance	100%
Nassau Insurance Brokers and Agents Limited (NIBA)	N/A	Bahamas	Insurance broker of S&G	*40%
CGI Property Holding (Bahamas) Limited	N/A	Bahamas	Land development	100%
CGI Property Holding (Bermuda) Limited	N/A	Bermuda	Property holding company	100%
Coralisle Insurance Brokers (TCI) Ltd. (CIB (TCI))	CGI Insurance Holdings Limited (formerly Colonial Insurance Brokers Limited)	Turks & Caicos Islands	Insurance agent for S&G and CMIC	100%

[1] BCH acts as a holding company for shareholders' ownerships in British Caymanian Insurance Company Limited (BritCay Insurance) and British Caymanian Insurance Agencies (BritCay Agencies), both are Cayman Islands registered companies and are direct wholly owned subsidiaries.

[2] On November 30, 2020, the Company acquired 4,999 of the 5,000 shares of CPSB in the form of a dividend in kind from CPS, valued at $5,262,505. This represented the approximate fair value of the net assets of CPSB as of the disposal date.

[3] The Group considers that it controls CI (BVI) and NIBA entities even through the Group does not own more than 50% of the voting rights. This is because the management of CI (BVI)'s and NIBA's operations and decision-making power is held by the Group.

2. Summary of Significant Accounting Policies

Basis of Preparation

The preparation of consolidated 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 the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results may differ from these estimates. The most significant estimation processes relate to assumptions used in measuring insurance and investment contract liabilities, assessing assets for impairment and fair valuation of certain invested assets. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

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 Consolidated Financial Statements. Management has considered the effect of COVID-19 to the extent possible in its estimates and assumptions.

Although some variability is inherent in these estimates, management believes that the amounts recorded are appropriate. The significant accounting policies used and the most significant judgments made by management in applying these accounting policies in the preparation of these Consolidated Financial Statements are summarized below.

Basis of Measurement

The consolidated 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 and financial assets at fair value through other comprehensive income, which are stated at fair value, and financial assets carried at amortized cost, which are carried at amortized cost. The consolidated statement of financial position is presented in order of liquidity.

2. Summary of Significant Accounting Policies

Basis of Consolidation

The Company consolidates the financial statements of all entities it controls. Subsidiaries are entities controlled by the Company. The Company has control over an entity when the Company has the power to govern the financial and operating policies of the entity, is exposed to variable returns from its activities which are significant in relation to the total variable returns of the entity and the Company is able to use its power over the entity to affect its share of variable returns. In assessing control, significant judgment is applied while considering all relevant facts and circumstances. When assessing decision-making power, the Company considers the extent of its rights relative to the management of an entity, the level of voting rights held in an entity which are potentially or presently exercisable, the existence of any contractual management agreements which may provide the Company with power over an entity's financial and operating policies and to the extent of other parties' ownership in an entity, if any, the possibility for de facto control being present. When assessing returns, the Company considers the significance of direct and indirect financial and non-financial variable returns to the Company from an entity's activities in addition to the proportionate significance of such returns. The Company also considers the degree to which its interests are aligned with those of other parties investing in an entity and the degree to which it may act in its own interest.

The financial statements of subsidiaries are included in the Company's consolidated results from the date control is established and are excluded from consolidation from the date control ceases. The initial control assessment is performed at inception of the Company's involvement with the entity and is reconsidered at a later date if the Company acquires or loses power over key operating and financial policies of the entity; acquires additional interests or disposes of interests in the entity; the contractual arrangements of the entity are amended such that the Company's proportionate exposure to variable returns changes; or if the Company's ability to use its power to affect its variable returns from the entity changes.

The Group's consolidated financial statements have been prepared using uniform accounting policies for like transactions and events in similar circumstances. Intercompany balances, and income and expenses arising from intercompany transactions, have been eliminated in preparing the consolidated financial statements.

Non-controlling interests are interests of other parties in the equity of the Company's subsidiaries and are presented within total equity, separate from the equity of the Company's shareholders. Non-controlling interests in the net income and other comprehensive income ("OCI") of the Company's subsidiaries are included in total net income and total OCI, respectively. An exception to this occurs where the subsidiary's shares are required to be redeemed for cash on a fixed or determinable date, in which case other parties' interests in the subsidiary's capital are presented as liabilities of the Company and other parties in the subsidiary's income and OCI are recorded as expenses of the Company.

2. Summary of Significant Accounting Policies

The equity method of accounting is used to account for entities over which the Company has significant influence ("associates"), whereby the Company records its share of the associate's net assets and financial results using uniform accounting policies for similar transactions and events. Significant judgment is used to determine whether voting rights, contractual management and other relationships with the entity, if any, provide the Company with significant influence over the entity. Gains and losses on the sale of associates are included in income when realized, while impairment losses are recognized immediately when there is objective evidence of impairment. Gains and losses on commercial transactions with associates are eliminated to the extent of the Company's interest in the associate. Investments in associates are included in other assets on the Company's consolidated statements of financial position.

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 Group 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.

The Group categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Group'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.

2. Summary of Significant Accounting Policies

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 Group 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.

Cash and Cash Equivalents

For the purposes of the consolidated statement of cash flows, the Group considers all cash on hand, net of overdrafts and 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.

Financial Assets

The Group has the following classifications for measurement of financial assets: (i) financial assets at fair value through profit or loss, (ii) financial assets held at amortised cost, and (iii) financial assets at fair value through other comprehensive income.

Initial Recognition and Measurement

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. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group 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 Group has applied the practical expedient are measured at the transaction price determined under IFRS 15, *Revenue from Contracts with Customers* ("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 Group'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

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 Group commits to purchase or sell the asset.

Subsequent Measurement

Financial Assets Carried at Amortized Cost

The Group 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 notes and bonds, loans and other receivables and term deposits.

Financial Assets at Fair Value Through OCI (Debt Instruments)

The Group 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.

2. Summary of Significant Accounting Policies (continued)

Financial assets classified as FVTOCI include holdings in Bahamian Government bonds.

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 as a component of investment income.

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

Impairment of Financial Assets

The Group assesses all debt instruments not held at fair value through profit or loss to determine if an allowance for expected credit losses (ECLs) is required. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group 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.

2. Summary of Significant Accounting Policies (continued)

The Group'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 Group'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

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 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.

2. Summary of Significant Accounting Policies (continued)

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. Further, the Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. 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 Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group 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.

Insurance and Investment Contracts

Insurance contracts are those contracts where the Group 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 Group does not accept significant insurance risk are classified as either investment contracts or considered service contracts and are accounted for in accordance with IFRS 9 *Financial Instruments* or IFRS 15 *Revenue from Contracts with Customers*, respectively.

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. Investment contracts can be reclassified as insurance contracts if insurance risk subsequently becomes significant.

2. Summary of Significant Accounting Policies (continued)

Premiums

The Group's insurance premiums from health property and casualty and short-duration life insurance contracts are earned pro rata over the term of the applicable risk period specified in the insurance policy. The Group's insurance policies cover losses occurring or claims made during the term of the policy. Generally, the Group receives a fixed premium which is identified in the policy and is recorded on the inception date of the contract and earned evenly over the policy term. Unearned premiums represent the portion of premiums written applicable to the unexpired terms of policies in force. Premiums from long-term life insurance contracts are recognized as revenue when they become payable by the contract holder. Net premiums represent gross premiums, net of the share ceded to reinsurers for insuring part of the risk.

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 units of an internal investment fund set by the Group 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. Insurance premiums for these contracts are recognized directly as liabilities. These liabilities are increased by the change in the unit price and are decreased by policy administration fees, mortality and surrender charges and any withdrawals.

The liability for these contracts includes any amounts necessary to compensate the Group for services to be performed over future periods. The mortality charges deducted in each period from the contract holders as a group are considered adequate to cover the expected total death benefit claims in excess of the contract account balances in each period; no additional liability is established for these claims.

Revenue from these contracts consists of fees deducted for mortality, policy administration and surrender charges. Interest or charges in the unit price credited to the account balances and excess benefit claims incurred in the period are charged as expense in the consolidated statement of comprehensive income.

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 contract liabilities are measured at fair value through profit or loss.

2. Summary of Significant Accounting Policies (continued)

Fair value 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 Group's consolidated statement of financial position. See note on Segregated Funds.

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.

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. Premiums receivable are recorded at amounts due less any allowance for estimated uncollectible premiums receivable in the amount of $3,293 (2019 – $2,643).

Included in the insurance balances receivable are loans to policyholders inclusive of accrued interest in the amount of $1,678 (2019 – $1,693). These loans are fully secured by the cash surrender values on the policies on which the respective loans are issued.

Deferred Acquisition Costs

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. Acquisition costs on insurance business are deferred and amortized to income over the period in which the premiums are earned. Deferred acquisition costs on investment contracts are amortized over the expected average lives of the contracts as a constant percentage of the present value of estimated gross profits arising principally from investment results, mortality and expenses margins and surrender charges, based on historical and anticipated future experience. Deferred acquisition costs on investment contracts are reviewed for recoverability from future income, including investment income, and amounts which are deemed unrecoverable are expensed in the period in which the determination is made.

Reinsurance Contracts Held

The Group uses reinsurance in the normal course of business to manage its risk exposure. Insurance ceded to a reinsurer does not relieve the Group from its obligations to policyholders. The Group 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.

2. Summary of Significant Accounting Policies (continued)

Reinsurance assets represent the benefit derived from reinsurance agreements in force at the reporting date, taking into account the financial condition of the reinsurer. Amounts recoverable from reinsurers are estimated in accordance with the terms of the relevant reinsurance contract. Reinsurance assets are not offset against the related insurance contract liabilities and are presented separately in the consolidated statements of financial position.

Premiums ceded and claims reimbursed are presented on a gross basis in the consolidated statements of comprehensive income. Reinsurance profit commission is calculated based on past underwriting results, and in accordance with the terms of the reinsurance contracts. The reinsurance profit commission is recorded on the accrual basis.

Outstanding Losses and Loss Expenses

Unpaid losses and loss expenses in the consolidated statement of financial position include (i) reserves for reported unpaid losses and loss expenses, (ii) losses incurred but not reported (referred to as IBNR reserves) and (iii) provision for future policy benefits.

(i) Reserves for reported unpaid losses

The reserve for reported unpaid losses and loss expenses is established for losses that have been reported, but not yet paid. The reserve for reported unpaid losses and loss expenses is estimated based on claims reported from insureds or amounts reported from ceding companies, and represent the estimated ultimate cost of events or conditions that have been reported to or specifically identified by the Group.

(ii) IBNR reserves

IBNR reserves represent provision for claims that have been incurred but not yet reported to the Group, as well as future losses development on losses already reported, in excess of the reserve for reported unpaid losses and loss expenses. The Group appointed actuaries are responsible for determining the amount of the IBNR reserves. The Group actuaries employ a variety of generally accepted methodologies to determine estimated ultimate loss reserves, including the “Bornhuetter-Ferguson incurred loss method” and frequency and severity approaches.

2. Summary of Significant Accounting Policies (continued)

(iii) Provision for future policy benefits

The Group 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 Group appointed actuaries are 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 Asset Liability Method ("CALM") as permitted by IFRS 4, *Insurance Contracts.*

The Group's outstanding losses and loss expense reserves are reviewed regularly, and adjustments, if any, are reflected in earnings in the period in which they become known. The establishment of new losses and loss expense reserves or the adjustment of previously recorded loss and loss expense reserves could result in significant positive or negative changes to the Group's financial condition for any particular period. While management believes the Group's estimate of losses and loss expense reserves is reasonable, the ultimate loss experience may not be reliably predicted, and it is possible losses and loss expenses may be materially different than the total reserve for losses and loss expenses recorded by the Group.

Insurance Benefits

Insurance benefits are recorded as expense when they are incurred. These insurance benefits include death benefits, annuity benefits, surrenders and interest paid on policy dividends held on deposit. Insurance benefits which are outstanding and unpaid at year-end are included in outstanding losses and loss expenses.

(i) Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses.. Depreciation is charged to general and administrative expenses in the consolidated 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 – 10 years
Leasehold improvements	10 years
Property	50 years
Motor vehicles	5 years

2. Summary of Significant Accounting Policies (continued)

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.

Goodwill and Intangible Assets

Goodwill arises on the acquisition of subsidiaries and represents the excess of the acquisition cost over the fair value of the Group's proportionate share of net identifiable assets and liabilities of an acquired business at the acquisition date. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed for impairment on an annual basis. Any impairment is recognized immediately as an expense.

Finite-life intangible assets are amortized on a straight-line basis over their useful life. The Group 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
Portfolio acquisition costs	10 – 20 years

Impairment of Non-Financial Assets

The Group 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 Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU'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 or CGU 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 or CGU. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated.

2. Summary of Significant Accounting Policies (continued)

Goodwill is tested for impairment annually as at December 31 and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized.

Impairment losses are recognized in the consolidated statement of comprehensive income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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.

Segregated Funds

Segregated funds arise as a result of the Group entering into contractual arrangements to administer pension schemes and issuing investment contracts. Segregated funds are products for which the Group issues a contract where the benefit amount is directly linked to the fair value of the investments held in the particular segregated fund. Although the underlying assets are registered in the Group and its subsidiaries’ name and the segregated fund contract holder has no direct access to the specific assets, the contractual arrangements are such that the segregated fund policyholder bears the risks and rewards of the fund’s investment performance.

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

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 Group, as described above in the note 4 *Financial Assets.* The segregated fund assets and liabilities are presented in separate lines in the consolidated statement of financial position.

2. Summary of Significant Accounting Policies (continued)

Investment returns on segregated fund assets belong to policyholders and pension plan holders and the Group does not bear the risk associated with these assets. Accordingly, investment income earned by segregated funds and expenses incurred by segregated funds are offset and are not separately presented in the consolidated statement of comprehensive income.

Fees and Commission Income

Fees and commission income primarily represent fees earned from the management of the Group's segregated funds, administrative services income and reinsurance commission income. Fees and commission income are recorded on an accrual basis when services are rendered.

Leases

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

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

Right of Use Assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option. The right-of use assets are also subject to periodic review for impairment.

The right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the asset as follows:

Right of use asset – Motor vehicles	Up to 3 years
Right of use asset – Buildings	Up to 14 years

2. Summary of Significant Accounting Policies (continued)

Lease Liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-Term Leases

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

Investment Income

Interest on cash and cash equivalents and debt securities is recorded on an accrual basis. Dividend income is recognized when the right to receive the dividend 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 consolidated statement of comprehensive income. Rental income from investment properties is reported in the consolidated statement of comprehensive income linearly according to the term of the lease.

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 consolidated statement of comprehensive income as incurred. A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate entity. The Group 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.

Retiree Health Benefits

Group employees are part of the Colonial Group International Ltd Retirees Pension and Health Insurance benefits (Colonial Plan) whereby, the retirees will be reimbursed by the Group for a portion of the Provident Medical Plan premium at 50%, after 15 years of service. This plan is sponsored by the Parent Company. There is no contractual agreement or stated policy with the Parent Company for charging the Group its share of net defined benefit cost and therefore, the portion of premium paid for the eligible retiree is included in expenses.

Provisions and Contingent Liabilities

The Group is, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Group, in conjunction with internal counsel, makes its best estimate of the likelihood or outcome of these actions and considers this in the Group's accrued liabilities based on information as of the date the financial statements are available to be issued. The Group does not disclose information usually required by IAS 37 on the grounds to not prejudice seriously the outcome of any litigation but does not believe that adverse decisions in any pending or threatened proceedings will have a material impact on the financial condition or future results of operations.

Foreign Currency Transactions and Translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Bermuda dollars, which is the Group's presentation currency.

2. Summary of Significant Accounting Policies (continued)

Monetary assets and liabilities denominated in currencies other than the functional currency of the Group or its subsidiaries are translated into the functional currency using the rate of exchange prevailing at the balance sheet date. Income and expenses are translated at rates of exchange in effect on the transaction dates. Foreign exchange gains and losses are expensed in the consolidated statement of comprehensive income. Translation differences on non-monetary financial assets and liabilities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain and loss. Translation differences on non-monetary financial assets classified as available for sale are included in other comprehensive income.

The financial statements of foreign operations are translated from their respective functional currency to Bermuda dollars, the Group's presentation currency. Assets and liabilities are translated at rates of exchange at the balance sheet date, and income and expenses are translated using the average rates of exchange. The accumulated gains and losses arising from translation of functional currencies to the presentation currency are included in other comprehensive income in the consolidated statement of comprehensive income.

Prior year changes in the presentation of consolidated financial statements

During 2020, the Company changed the presentation of its consolidated financial statements and grouped certain balances on its consolidated statement of financial position and consolidated statement of comprehensive income. These changes did not impact the net income or the shareholder's equity and prior year balances were reclassified accordingly. These reclassifications within the financial statements were made with the objective of simplifying the Company's financial statements presentation.

Taxation

Under the laws of Bermuda, the Cayman Islands, the Bahamas and the British Virgin Islands there are presently no income, withholding or capital gains taxes payable by the Group and its subsidiaries.

2. Summary of Significant Accounting Policies (continued)

New Standards, Interpretations and Amendments to Published Standards

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

IFRS 17 *Insurance Contracts* was issued in May 2017 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. IFRS 17 is effective for reporting periods starting on or after January 1, 2023. Early application is permitted, provided that the Group also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Group intends to adopt the standard at its 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 Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not effective.

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

(In Thousands of Bermuda Dollars)

3. Cash and Cash Equivalents

The following table provides a summary of cash and cash equivalents, and restricted cash as of December 31, 2020 and 2019:

	2020	2019
	$	$
Cash and cash equivalents	**77,514**	77,544
Restricted cash held on behalf of clients[1]	**5,747**	8,830
Restricted cash deposited with a regulator[2]	**628**	628
Bank overdraft	**(1,984)**	(2,036)
	81,905	84,966

[1] Restricted cash held on behalf of clients pertain to money held in favor of clients which cannot be reduced or removed without the prior consent of the respective client.

[2] Restricted cash deposited with a regulator pertains to money held as a licensing requirement.

4. Financial Assets

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

	2020		2019	
	Carrying Value	Cost/ Amortized Cost	Carrying Value	Cost/ Amortized Cost
	$	$	$	$
At fair value through profit or loss	**219,294**	**192,027**	177,318	161,641
At fair value through OCI	**67,464**	**67,732**	50,949	50,846
Amortized cost	**31,143**	**31,143**	27,516	27,516
	317,901	**290,902**	255,783	240,003

(In Thousands of Bermuda Dollars)

4. Financial Assets (continued)

The Group reclassified investments held in a Trust for the benefit of the Cayman Islands regulator from Amortized Cost to At Fair Value Through Profit or Loss. The change occurred as at September 30, 2019. 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 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. The amounts reclassified out of Amortized Cost and into At Fair Value Through Profit or Loss and the unrealized gain upon reclassification as at September 30, 2019, are presented below:

	Amortized Cost	**Market Value**	**Unrealized Cost**
	$	**$**	**$**
US Government bonds	4,585	4,742	157
Non-US Government bonds	1,342	1,402	60
Corporate bonds	8,575	8,948	373
	14,502	15,092	590

At Fair Value Through Profit or Loss

	2020		**2019**	
	Fair Value	**Cost**	**Fair Value**	**Cost**
	$	**$**	**$**	**$**
Managed funds	**164,485**	**136,843**	134,506	117,664
Common equity securities	**263**	**1,822**	261	1,888
Preferred shares	**749**	**696**	–	-
Non-US Govt bonds	**4,086**	**4,060**	717	712
US Government bonds	**43,007**	**42,194**	35,368	35,024
Corporate bonds	**6,704**	**6,352**	6,466	6,352
	219,294	**192,027**	177,318	161,640

The managed funds owned by the Group invest in a number of different types of investments which include: large cap, small cap and emerging market equity, US bonds, high yield bonds, and alternative investments which can include 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 memoranda. 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.

(In Thousands of Bermuda Dollars)

4. Financial Assets (continued)

Whilst investment in managed funds can achieve investment diversification, these investments can also subject the Group to a concentration of risk in one company or investment strategy. Because the investment in managed 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 Group 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 balance sheet date is as follows:

	2020	2019
	$	$
Due less than one year	**23,114**	14,566
From one year to five years	**24,337**	22,995
Over five years	**6,346**	4,990
	53,797	42,551

For all securities regardless of classification, the Group's largest concentrations in any one investee or related group of investees is 12.77% (2019 – 11.80%) of total investments in a Bermuda-based fund investing in fixed income securities and 22.51% (2019 – 21.31%) of total investments in Bahamas Government Registered Stock. No other individual security represents more than 8.95% of total investments (2019 – 8.25%).

FVOCI investments consist of the following fixed maturity securities:

	2020	2019
	$	$
Bahamas Government Registered Stock	**67,464**	50,046
Bahamas Treasury Stock	**–**	903
	67,464	50,949

Included in the accounts receivable and accrued interest in the statement of financial position is accrued interest totaling $445 (2019 – $628) on financial assets at FVOCI.

(In Thousands of Bermuda Dollars)

4. Financial Assets (continued)

As at December 31, 2020, the Group had $3,000 (2019 – $3,000) of Bahamas Government Registered Stock with a maturity dates of 2026 and 2027 (2019 – 2026 and 2027) in trust by Butterfield Bank to meet requirements of the Insurance Act 2005 (Bahamas), and as such this amount is not available for general corporate use.

Amortized Cost Investments

Investments held at amortized cost include fixed maturity short-term deposits which are held for more than three months from the date of acquisition and have the following maturities and interest rates:

	Interest Rates		Interest Rates	
	2020	**2020**	**2019**	**2019**
Three months – one year	**0.75% – 2.5%**	**$ 2,566**	0.75% – 1.875%	$ 4,533

The fair value of these investments at the statement of financial position date is $2,566 (2019 – $4,533).

Investments held at amortized cost also include fixed maturity debt instruments which mature as follows:

	2020	**2019**
	$	**$**
From one year through five years	**18,318**	10,655
From five years through ten years	**10,259**	12,328
	28,577	22,984

The fair value of these investments at the statement of financial position date is $31,896 (2019 – $24,335).

(In Thousands of Bermuda Dollars)

4. Financial Assets (continued)

The following table presents the Group'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 measured at fair value	**$**	**$**	**$**	**$**
Managed funds	8,494	154,773	1,218	164,485
US Government bonds	43,007	–	–	43,007
Non-US Govt bonds	–	4,086	–	4,086
Common equity securities	110	–	153	263
Preferred shares	749	–	–	749
Fixed Maturity Corporate Securities	–	6,704	–	6,704
Total	52,360	165,563	1,371	219,294
Financial assets at fair value through other comprehensive income "FVTOCI"	–	67,464	–	67,464
Segregated fund assets *(Note 13)*	–	677,872	-	677,872
Assets for which fair values are disclosed				
Financial assets at amortized cost	570	33,892	–	34,462

(In Thousands of Bermuda Dollars)

4. Financial Assets (continued)

The following table presents the Group'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 measured at fair value	**$**	**$**	**$**	**$**
Managed funds	4,639	128,364	1,503	134,506
US Government bonds	35,368	–	–	35,368
Non-US Govt bonds	–	717	–	717
Common equity securities	56	–	205	261
Fixed Maturity Securities	–	6,466	–	6,466
Total	40,063	135,547	1,708	177,318
Financial assets at fair value through other comprehensive income "FVTOCI"	–	50,949	–	50,949
Segregated fund assets *(Note 13)*	17,996	848,442	1	866,439
Assets for which fair values are disclosed				
Financial assets at amortized cost	–	28,868	–	28,868

There were no reclassifications of investments between Level 1 and Level 2 during the year ended December 31, 2020 and December 31, 2019. There were no reclassifications of investments between Level 3 and Level 2 during the year ended December 31, 2020.

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 Group 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

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.

Fair values of the Group'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 Group'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.

(In Thousands of Bermuda Dollars)

4. Financial Assets (continued)

(c) Financial Assets in Level 3

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

	Managed Funds	Common Equity	Segregated Assets	Total
	$	$	$	$
Beginning balance at January 1, 2020	1,503	205	1	1,709
Movement in unrealized gains (losses)	(285)	(52)	–	(337)
Ending balance at December 31, 2020	1,218	153	1	1,372
Total gains (losses) for the year included in income on Level 3 assets (recognized in investment income)	(285)	(52)	–	(337)

(In Thousands of Bermuda Dollars)

4. Financial Assets (continued)

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

	Managed Funds	Common Equity	Segregated Assets	Total
	$	$	$	$
Beginning balance at January 1, 2019	11,401	407	1	11,809
Movement in unrealized gains (losses)	528	(202)	–	326
Realized (losses)	(4)	–	–	(4)
Purchases and issuances	1,002	–	–	1,002
Impairment loss	(307)	–	–	(307)
Transfers	(11,117)	–	–	(11,117)
Ending balance at December 31, 2019	1,503	205	1	1,709
Total gains (losses) for the year included in income on Level 3 assets (recognized in investment income)	524	(202)	–	322

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. As a result of this ongoing assessment, during the year ended December 31 2019, there was a transfer of an unquoted managed fund from Level 3 to Level 2 in accordance with the Group's policy cited above.

The Level 3 financial assets of $1,372 (2019 – $1,709) are primarily composed of funds valued on a Net Asset Value (NAV) basis. The most significant input in the valuation is the NAV of the underlying fund. Generally, an increase in the NAV of each underlying fund will have an equal increase in the fair value of the financial assets.

(In Thousands of Bermuda Dollars)

4. Financial Assets (continued)

Investment Income

Investment income (loss) comprises the following:

	2020	2019
	$	**$**
Dividend and interest income	**5,738**	5,879
Realized gains on sale of investments	**671**	7,607
Gain (loss) in value of investment in associate (*Note 17*)	**1,369**	(268)
Net unrealized gains on investments	**11,357**	7,720
Bond (amortization) accretion	**(34)**	179
Management fees	**(1,157)**	(1,055)
Net foreign exchange gain	**49**	75
	17,994	20,137

5. Outstanding Losses and Loss Expense Reserves

Outstanding losses and loss expenses are reported gross of reinsurance ceded and the ceded liabilities are reported separately as a reinsurance asset. Outstanding losses and loss expenses include reserves for reported unpaid losses and losses and loss expense incurred but not reported as well as future policy benefits and policyholder benefits payable.

The outstanding losses and loss expense reserves are comprised of the following:

	2020	2019
	$	**$**
Property and casualty	**18,820**	57,282
Medical, dental and vision	**21,050**	22,062
Long term disability	**4,911**	4,561
Reserves for reported unpaid losses and losses and loss expense incurred but not reported	**44,781**	83,905
Policyholder benefits payable	**4,692**	4,200
Total outstanding losses and loss expense reserves	**49,473**	88,105

(In Thousands of Bermuda Dollars)

5. Outstanding Losses and Loss Expense Reserves (continued)

Non-life Business

Movements in non-life insurance liabilities and reinsurance assets are as follows:

	2020			2019		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Loss reserves	**$**	**$**	**$**	**$**	**$**	**$**
Notified claims	**59,287**	**33,367**	**25,919**	**40,949**	**28,063**	**12,886**
Incurred but not reported	**24,618**	**494**	**24,125**	**27,257**	**2,647**	**24,610**
Total at beginning of year	**83,905**	**33,861**	**50,044**	68,206	30,710	37,496
Movements during the year						
Claims incurred – current year	**208,852**	**14,357**	**194,495**	308,374	74,187	234,187
Claims incurred – prior years	**(13,249)**	**(12,075)**	**(1,174)**	(3,242)	(5,811)	2,569
Total claims incurred	**195,603**	**2,282**	**193,321**	305,132	68,376	236,756
Claims settled in the year	**(234,727)**	**(25,334)**	**(209,393)**	(289,433)	(65,225)	(224,208)
Total at end of year	**44,781**	**10,809**	**33,972**	83,905	33,861	50,044
Notified claims	**20,934**	**9,430**	**11,505**	59,287	33,367	25,919
Incurred but not reported	**23,847**	**1,379**	**22,468**	24,618	494	24,125
Total at end of year	**44,781**	**10,808**	**33,973**	83,905	33,861	50,044

(In Thousands of Bermuda Dollars)

5. Outstanding Losses and Loss Expense Reserves (continued)

The development of non-life insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The top half of the table below illustrates how the Group's estimate of net retained total claims outstanding for each accident year has changed at successive year ends. The bottom half of the table reconciles the cumulative claims to the amount included within property and casualty reserves in the consolidated statement of financial position. The non-life insurance liabilities for property claims have been excluded from the table below as such claim payments are typically resolved quickly.

Reporting year/period ended:	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
Estimate of ultimate claims costs:		**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
At end of reporting year/period	12,841	11,489	11,041	10,927	10,959	11,415	13,026	12,074	13,292	13,678	8,320	
One year later	13,914	12,279	12,261	11,919	12,308	12,255	14,456	12,841	14,674	15,437		
Two years later	14,281	12,767	12,248	11,826	12,886	12,411	14,344	12,984	14,364			
Three years later	14,662	12,938	12,360	11,777	13,646	12,637	14,397	12,848				
Four years later	14,657	12,970	12,331	11,958	13,553	12,909	14,451					
Five years later	14,706	12,732	12,212	12,015	13,709	12,959						
Six years later	14,802	12,749	12,132	11,990	13,686							
Seven years later	14,900	12,727	12,114	11,995								
Eight years later	14,899	12,717	12,114									
Nine years later	14,884	12,717										
Ten years later	14,736											
Current estimate of cumulative claims	14,736	12,717	12,114	11,995	13,686	12,959	14,451	12,848	14,364	15,437	8,320	128,901
Cumulative payments to date	14,728	12,575	12,109	11,991	13,411	12,816	14,049	12,354	13,180	13,234	5,689	121,409
Liability recognized in the consolidated statement of financial position	8	142	5	4	275	153	402	494	1,184	2,203	2,631	7,492
Net Reserve, prior years												19
Add: applicable reinsurance												1,694
Total casualty loss reserves at December 31, 2020												**$ 9,205**

(In Thousands of Bermuda Dollars)

5. Outstanding Losses and Loss Expense Reserves (continued)

Life Business

The Group had provisions for future policy benefits of ($3,471) (2019 – ($2,123)). Changes in provision for future policy benefits during the year are as follows:

	2020 Gross	**2020 Ceded**	**2020 Net**	**2019 Gross**	**2019 Ceded**	**2019 Net**
	$	**$**	**$**	**$**	**$**	**$**
Provision for future policy benefits, beginning of year	**(2,123)**	**7,636**	**5,513**	(2,817)	7,918	5,101
Change in reserves for existing business on non-investment plans and impact of (increase) decrease in net asset value of segregated funds	**858**	**(88)**	**770**	380	(262)	118
Change in assumptions or methodology	**(1,637)**	**900**	**(737)**	1,602	(357)	1,245
Reserve for new business	**(569)**	**304**	**(265)**	(1,288)	337	(951)
Increase (decrease) in actuarial liabilities	**(1,348)**	**1,116**	**(232)**	694	(282)	412
Provision for future policy benefits, end of year	**(3,471)**	**8,752**	**5,281**	(2,123)	7,636	5,513

The Group 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 Group'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 CALM as permitted by IFRS 4 *Insurance Contracts.*

(In Thousands of Bermuda Dollars, Except Share Amounts)

5. Outstanding Losses and Loss Expense Reserves (continued)

The Group had policyholder benefits payable of $4,692 (2019 – $4,200). Policyholder benefits payable is comprised of policyholder dividends on deposit and other insurance benefits payable on reported claims and surrenders. Dividends on deposit represent the provision for the policyholders' share of earnings on participating business. The Group suspended dividends with effect from January 1, 2009, due to the significant fall in the equity markets during 2008. As of December 31, 2020, dividends on deposit of $1,901 (2019 – $2,008) and accrued deposit interest of $535 (2019 – $532) are included in policyholder benefits payable. For the year ended December 31, 2020, interest on dividends on deposit of $76 (2019 – $71) is included in policyholder benefits paid in the consolidated statement of comprehensive income.

The Group had deferred acquisition costs of $5,285 (2019 – and $4,697). The amortization expense is combined with commission expense in the Consolidated Statement of Income.

6. Other Assets

	2020	**2019**
	$	**$**
Prepaids and other assets	**4,210**	2,997
Investment in Associate	**12,744**	11,375
Short term loan to Associate	**–**	1,448
	16,954	15,820

On June 12, 2019, the group completed the purchase of 40% of the shareholders' equity of Beacon Insurance Company Limited ("BICL") for a total of $11,643. The group has the option to make additional investment in 2021. If an additional investment is made, on completion, this acquisition will deliver 6 additional licenses to offer insurance products in the southern and eastern Caribbean.

For the year ended December 31, 2020 and the period ended December 31, 2019, BICL reported net income (loss) after tax of $3,423 and $(668), respectively, representing $1,369 and $(268), respectively, for the group's 40% share. The income (loss) from this investment in BICL is included in investment income in the group's consolidated statement of comprehensive income.

(In Thousands of Bermuda Dollars, Except Share Amounts)

7. Goodwill and Intangible Assets

Included in Goodwill and Intangible Assets is Goodwill of $6,518 (2019 – $6,518) allocated to one cash-generating unit (CGU), BCH.

When testing for impairment, the recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. A Group-specific risk-adjusted discount rate of 5% (2019 – 5%) is used. The projected cash flows are determined by budgets based on past performances and management expectations for market developments.

No impairment loss was recorded as of December 31, 2020 and 2019.

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

	2019	Additions	Disposals	2020
Cost	**$**	**$**	**$**	**$**
Computer software	12,536	550	(567)	**12,519**
Portfolio acquisition cost	2,648	–	–	**2,648**
	15,184	550	(567)	**15,167**

	2019	Amortization Expense	Disposals	2020
Accumulated amortization	**$**	**$**	**$**	**$**
Computer software	9,722	1,024	(563)	**10,183**
Portfolio acquisition cost	1,532	265	–	**1,797**
	11,254	1,289	(563)	**11,980**
Net book value	3,930			**3,187**

(In Thousands of Bermuda Dollars, Except Share Amounts)

7. Goodwill and Intangible Assets (continued)

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

	2018	Additions	Disposals	2019
Cost	**$**	**$**	**$**	**$**
Computer software	11,766	863	(93)	**12,536**
Portfolio acquisition cost	2,688	–	(40)	**2,648**
	14,454	863	(133)	**15,184**

	2018	Amortization Expense	Disposals	2019
Accumulated amortization	**$**	**$**	**$**	**$**
Computer software	8,277	1,538	(93)	**9,722**
Portfolio acquisition cost	1,308	265	(41)	**1,532**
	9,585	1,803	(134)	**11,254**
Net book value	4,869			**3,930**

No impairment was recorded as of December 31, 2020 and 2019.

(In Thousands of Bermuda Dollars, Except Share Amounts)

8. Property, Plant and Equipment

Property, plant and equipment as at December 31, 2020, comprise the following:

	2019	Additions	Disposals	2020
Cost	**$**	**$**	**$**	**$**
Land	1,805	–	–	**1,805**
Property	8,842	–	–	**8,842**
Leasehold improvements	12,598	163	(210)	**12,551**
Right of use assets	28,768	3,071	(88)	**31,751**
Computer hardware	10,720	321	(129)	**10,912**
Furniture and office equipment	9,605	133	(195)	**9,543**
Motor vehicles	345	180	(34)	**491**
	72,683	3,868	(656)	**75,895**

	2019	Depreciation Expense	Reallocation/ Disposals	2020
Accumulated depreciation	**$**	**$**	**$**	**$**
Land	–	–	–	**–**
Property	3,439	173	–	**3,612**
Leasehold improvements	10,229	689	(208)	**10,710**
Right of use assets	2,609	2,596	(88)	**5,117**
Computer hardware	8,829	783	(114)	**9,498**
Furniture and office equipment	8,116	446	(215)	**8,347**
Motor vehicles	229	52	(27)	**254**
	33,451	4,739	(652)	**37,538**
Net book value	39,232			**38,357**

The additions to property, plant and equipment include $3,071 representing three lease agreements for properties located in British Virgin Islands, Turks and Caicos Islands and Cayman Islands, all subject to lease financing arrangements.

(In Thousands of Bermuda Dollars, Except Share Amounts)

8. Property, Plant and Equipment (continued)

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

	2018	Additions	Disposals	2019
Cost	**$**	**$**	**$**	**$**
Land	1,803	2	–	**1,805**
Property	8,633	209	–	**8,842**
Leasehold improvements	13,269	75	(746)	**12,598**
Right of use assets	–	28,792	(24)	**28,768**
Computer hardware	10,022	708	(10)	**10,720**
Furniture and office equipment	9,500	229	(124)	**9,605**
Motor vehicles	335	10	–	**345**
	43,562	30,025	(906)	**72,683**

	2018	Depreciation Expense	Reallocation/ Disposals	2019
Accumulated depreciation	**$**	**$**	**$**	**$**
Land	–	–	–	**–**
Property	3,266	173	–	**3,439**
Leasehold improvements	10,084	891	(746)	**10,229**
Right of use assets	–	2,618	(9)	**2,609**
Computer hardware	7,992	847	(10)	**8,829**
Furniture and office equipment	7,788	452	(124)	**8,116**
Motor vehicles	174	55	–	**229**
	29,304	5,036	(889)	**33,451**
Net book value	14,258			39,232

9. Risk Management and Financial Instruments

The activities of the Group involve the use of insurance contracts and financial instruments. As such, the Group is exposed to insurance risks and financial risks. This note presents information about the Group's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk and the Group'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 Group's risk management framework. The Board has established an Investment Committee, Risk Oversight Committee and Audit Committee, which along with the President of the Group are responsible for developing and monitoring the Group's risk management policies. The committees and President report regularly to the Board of Directors on their activities.

The risk management policies are established to identify and analyze the risks faced by the Group, 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 Group's activities. The Group, 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 Group 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 Management Committee meet at least three times per annum and report to the Board of Directors on their performance with respect to their respective terms of reference.

9. Risk Management and Financial Instruments (continued)

The principles used by the Group in managing its insurance risks are set out below.

Insurance Risk

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

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims is greater than estimated. Insurance events are random and the actual number and amount of claims will vary from year to year from the level established using statistical techniques.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered. The Group insures the risks of individuals located in Bermuda, British Virgin Islands, Barbados, Bahamas, the Cayman Islands, and Turks and Caicos Islands and internationally, therefore there is a diversification of geographic risk. There is a concentration of industry risk which is managed through its underwriting strategy and reinsurance arrangements. The Group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

The Group predominantly funds its net insurance liabilities (net of reinsurance recoveries) through its cash and in the normal course of its operations. In the event of a catastrophe, the net insurance liabilities may require to be funded through the disposal of the Group’s portfolio of investments.

The mean duration of liabilities is calculated using historical claims data to determine the expected settlement pattern for claims arising from insurance contracts in force at the consolidated statement of financial position date (both incurred claims and future claims arising from the unexpired risks at the consolidated statement of financial position date).

9. Risk Management and Financial Instruments (continued)

The mean durations are:

	2020	2019
Net short-term insurance liabilities – medical	**2 months**	2 months
Net short-term insurance liabilities – property risk	**3 months to 18 months**	3 months to 1 year
Net short-term insurance liabilities – casualty risk	**2–3 years**	3 months to 2–3 years

General Insurance

The Group provides property, casualty and health insurance coverage in Bermuda, Cayman, the Bahamas, the British Virgin Islands, Barbados and the Turks & Caicos Islands for motor vehicle, motor cycle, property, marine, general liability, medical, dental, vision, long term disability, short term disability, group life and accidental death and dismemberment risks.

The Group provides property and casualty coverage with the following per risk treaty limits:

	Treaty Limit Per Risk (in millions of Bermuda dollars)			
	Bermuda	**Bahamas**	**Cayman**	**BVI**
Property	13.0	10	7.3	2.5
Motor liability	5.0	2.5	12.2	1.0
General liability	5.0	5.0	6.0	5.0
Marine hull liability	0.5	0.5	0.5	0.5

Group provides health coverage with the following maximum limits:

	Maximum Coverage Limit
	$
Medical	5,000
Group life	2,000
Accidental death and dismemberment	2,000

9. Risk Management and Financial Instruments (continued)

The Group also offers international health insurance coverage for medical, dental, life, long term disability and accidental death and dismemberment risks for individuals and groups working outside their home country. The maximum annual coverage limit is $2,000 per insured.

Insurance contract risk is the risk that a loss arises from the following reasons:

- fluctuation in the timing, frequency and severity of claims relative to expectations;
- inadequate reinsurance protection; and
- large unexpected losses arising from a single event such as a catastrophe.

Insured events can occur at any time during the coverage period and can generate losses of variable amounts. An objective of the Group is to ensure that sufficient claims liabilities are established to cover future insurance claim payments related to past insured events. The Group's success depends upon its ability to accurately assess the risk associated with the insurance contracts underwritten by the Group. The group establishes claims liabilities to cover the estimated liability for the payment of all losses, including loss adjustment expenses incurred with respect to insurance contracts underwritten by the group. Claims liabilities do not represent an exact calculation of the liability. Rather, claims liabilities are the Group's best estimates of its expected ultimate cost of resolution and administration of claims.

The composition of the Group's insurance risk, as well as the methods employed to mitigate risks, are described below.

Risk Related to the Timing, Frequency and Severity of Claims

The occurrence of claims being unforeseeable, the Group is exposed to the risk that the number and the severity of claims would exceed the estimates.

Strict claim review policies are in place to assess all new and ongoing claims. Regular detailed reviews of claims handling procedures and frequent investigations of possible fraudulent claims reduce the Group's risk exposure. Further, the Group enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that could negatively impact the business.

9. Risk Management and Financial Instruments (continued)

Reinsurance Protection

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

The Group reinsures its property risks under property surplus and quota share treaties specific to each jurisdiction. For larger individual property risks the Group provides coverage by way of prearranged facilities and facultative reinsurance. The Group also purchases property catastrophe reinsurance for each jurisdiction in excess of $7,000 (2019 – $5,000) up to a maximum recovery of $140,000 (2019 – $130,000).

The Group's motor and general liability exposure is limited to $500 per claim through the purchase of excess of loss reinsurance which covers the maximum limits insured on any one risk in all jurisdictions.

The Group purchases an excess of loss reinsurance treaty which specifically limits marine losses to $125 per risk and per occurrence.

For Medical risks the Group follows the policy of underwriting and reinsuring all contracts of insurance, which limit the retained liability of the Group to a maximum amount of $350 on any one individual medical loss per year.

For group life, the Group purchases reinsurance for 80% of the first $250 per life under a quota share agreement. Group life and accidental death and dismemberment coverage in excess of $250 is fully reinsured on a quota share basis. For long term disability, the Group purchases reinsurance for 90% of the associated risk. Short term disability is reinsured for 60% of the Group's gross liability to a maximum gross weekly benefit of $3.5 per person.

The international health insurance coverage for medical, dental, life, long term disability and accidental death and dismemberment risks is reinsured at the same limits mentioned above.

9. Risk Management and Financial Instruments (continued)

Catastrophe Risk

Catastrophe risk is the risk of occurrence of a large number of claims arising from a single event such as an earthquake, hurricane or tsunami. Catastrophes can have a significant impact on the underwriting income of an insurer.

The Group has limited its exposure to catastrophe risk by imposing maximum claim amounts on certain contracts, as well as by using reinsurance arrangements. The Group buys a combination of proportional and non-proportional reinsurance to manage catastrophe exposure. Retentions and limits for ceded reinsurance vary by product line and jurisdiction. The Group purchased catastrophic excess of loss life reinsurance for losses in excess of $250 per occurrence limited to $5,000 each occurrence. This reinsurance provides cover for the loss of six lives or more that are involved in any one loss.

Exposure to Insurance Risk

The principal assumption underlying the unpaid claim estimates is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence: changes in market factors such as public attitude to claiming: economic conditions: as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

The non-life insurance claim liabilities are sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

(In Thousands of Bermuda Dollars, Except Share Amounts)

9. Risk Management and Financial Instruments (continued)

The claims liabilities' sensitivity to certain of these key assumptions is outlined below for the Group's property and casualty business and the Group's medical business, as there are various ratios of sensitivity used for this analysis. It is not possible to quantify the sensitivity to certain assumptions such as legislative changes or uncertainty in the estimation process. The analysis is performed for possible movements in the assumptions with all other assumptions held constant, showing the impact on net income. Movements in these assumptions may be non-linear and may be correlated with one another.

Sensitivity Factor	Description of Sensitivity Factor Applied
Average number of claims (frequency)	The impact of a change in number of claims by 10%
Average claim costs (severity)	The impact of a change in average claim cost by 10%

	Number of Claims +10%	Number of Claims -10%	Claim Costs +10%	Claim Costs -10%
	Increase (Decrease)			
P&C entities	$			
At December 31, 2020				
Impact on profit*	(1,304)	1,304	(1,304)	1,304
Impact on shareholder's equity*	(1,304)	1,304	(1,304)	1,304
Net of reinsurance				

	Frequency of Claims +16%	Frequency of Claims –14%	Severity of Claims +13%	Severity of Claims --12%
Medical Insurance Entities	Increase/(Decrease)			
At December 31, 2020	$	$	$	$
Impact on profit	(2,144)	1,589	(2,473)	2,283
Impact on shareholder's equity	(2,144)	1,589	(2,473)	2,283

9. Risk Management and Financial Instruments (continued)

Long Term Insurance

The Group 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 Group include: whole life, term assurance, single premium immediate annuity and variable life. Whole life and term assurance are conventional regular premium products where 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 Group is exposed to are as follows:

- Mortality risk – risk of loss arising due to policyholder death experience being different than expected. The Group 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.
- 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. The Group's policy of closely matching asset cash flows with those of the corresponding liabilities is designed to mitigate the Group's exposure to future changes in interest rates. The interest rate risk positions are monitored on an ongoing basis.
- Expense risk – risk of loss arising from expense experience being different than expected. The Group closely monitors expenses through an annual budgeting process and ongoing monitoring of any expense gaps between unit expenses assumed in pricing and actual expenses.
- Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected. The Group seeks to design products that minimize financial exposure to lapse, surrender and other policyholder decision risk. The Group monitors lapse, surrender and other policyholder decision experience.

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

9. Risk Management and Financial Instruments (continued)

The Group mitigates its exposures to Long Term Insurance through the use of reinsurance. The Group 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 domestically and $100 internationally with the reinsurers' limit being $3,000. However, the Group's reinsurer has made exceptions on individual considerations and has accepted higher limits. The reinsurer can participate in risks up to $1,000 of accidental death benefit (ADB) per life with all carriers. The Group does not assure any individual ADB risks in excess of the reinsurer's limits. The Group does not retain any exposure to ADB risks.

Financial Risk

The Group 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 Group are discussed below:

Credit Risk

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

Cash and Investments

Investment asset allocation is determined by the Group's investment manager who manages the distribution of the assets to achieve the Group's investment objectives. Divergence from target asset allocations and the composition of the portfolio is monitored by the Group's Board of Directors and 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 Balances Receivable

The Group's exposure to credit risk is influenced by the financial stability of entities and individuals that purchase 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 Group has the right to cancel the policy for non-payment. Based on the Group's current aging analysis, all premiums receivable over 30 days are considered to be past due but not impaired. Customer accounts that become past due over 60 days are placed on-hold and those that are over 90 days past due are considered for impairment by management. Cancellation or extension of the terms of the credit is considered on a case by case basis.

Reinsurance Balances Receivable

Reinsurance contracts do not relieve the Group from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Group; consequently, allowances are established for amounts deemed uncollectible. The Group 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 Group 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 of the reinsurers are reviewed annually. Based on the individual reinsurance agreements, the Group 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 reinsurers who all have an A.M. Best rating of at least A-. Management considers that there is no significant credit risk associated with any of the Group's reinsurers.

(In Thousands of Bermuda Dollars, Except Share Amounts)

9. Risk Management and Financial Instruments (continued)

Related-Party Receivables

Amounts due from related parties are assessed and monitored for any indication of impairment. At December 31, 2020, the majority of amounts due from related parties were due from Gibbons Management Services Limited. At December 31, 2020, all amounts are considered collectible.

The following table analyses the aging of the Group's receivables as at December 31, 2020:

	Accounts Receivable and Accrued Interest	**Insurance Balances Receivable**	**Reinsurance Balances Receivable**	**Losses Recoverable From Reinsurers**	**Amounts Due From Related Companies**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Amounts not currently due or up to 30 days	**7,744**	**26,267**	**5,587**	**14,279**	**19,272**	**73,149**
31 – 60 days	**112**	**3,591**	**11**	**–**	**–**	**3,714**
61 – 90 days	**99**	**1,693**	**14**	**–**	**–**	**1,806**
Over 90 days	**113**	**1,120**	**770**	**–**	**–**	**2,003**
	8,068	**32,671**	**6,382**	**14,279**	**19,272**	**80,672**

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

	Accounts Receivable and Accrued Interest	**Insurance Balances Receivable**	**Reinsurance Balances Receivable**	**Losses Recoverable From Reinsurers**	**Amounts Due From Related Companies**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Amounts not currently due or up to 30 days	6,286	24,837	7,495	35,984	19,036	93,638
31 – 60 days	118	4,502	16	–	–	4,636
61 – 90 days	99	2,744	4	–	–	2,847
Over 90 days	113	1,420	686	–	–	2,219
	6,616	33,503	8,201	35,984	19,036	103,340

Included in insurance balances receivable are amounts past due of $6,294 (2019 – $8,359) that are not considered to be impaired.

(In Thousands of Bermuda Dollars, Except Share Amounts)

9. Risk Management and Financial Instruments (continued)

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group is exposed to daily calls on its available cash resources for the payment of claims, policy benefits and operating expenses. In order to manage the Group's liquidity risk, 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 Group's reputation.

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

	2020			2019		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Financial assets	**$**	**$**	**$**	**$**	**$**	**$**
Cash and cash equivalents	**83,639**	**250**	**83,889**	86,928	74	87,002
Financial assets	**223,812**	**94,089**	**317,901**	179,923	75,860	255,783
Accounts receivable and accrued interest	**8,068**	**–**	**8,068**	6,616	–	6,616
Insurance balances receivable	**32,671**	**–**	**32,671**	33,503	–	33,503
Reinsurance balances receivable	**6,382**	**–**	**6,382**	8,201	–	8,201
Losses recoverable from reinsurers	**10,808**	**3,471**	**14,279**	33,861	2,123	35,984
Amounts due from related companies	**13,041**	**6,231**	**19,272**	12,792	6,243	19,035
	378,421	**104,041**	**482,462**	361,824	84,300	446,124

(In Thousands of Bermuda Dollars, Except Share Amounts)

9. Risk Management and Financial Instruments (continued)

	2020			**2019**		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Financial liabilities	**$**	**$**	**$**	**$**	**$**	**$**
Bank overdraft	**1,984**	**–**	**1,984**	2,036	–	2,036
Outstanding losses and loss expenses	**49,473**	–	**49,473**	88,105	–	88,105
Reinsurance balances payable – NL	**19,230**	–	**19,230**	15,931	–	15,931
Lease liabilities	**3,448**	**23,094**	**26,542**	3,057	22,524	25,581
Accounts payable and other liabilities	**27,113**	–	**27,113**	20,248	–	20,248
Reinsurance balances payable-Life	**8,604**	**148**	**8,752**	7,533	103	7,636
Amounts due to related companies	**728**	–	**728**	1,051	–	1,051
Total	**110,580**	**23,242**	**133,822**	137,961	22,627	160,588
Liquidity margin	**267,841**	**80,799**	**348,640**	223,863	61,673	285,536

9. Risk Management and Financial Instruments (continued)

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 Group's income or the value of its holdings of financial instruments. The objective of the Group's market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Although the Group is not directly exposed to market risk on the net assets held in segregated funds arising from investment contracts issued, the valuation and recoverability of deferred acquisition costs associated with investment contracts may be adversely affected by changes in value of the segregated funds.

Interest-Rate Risk

The Group invests in fixed interest debt securities and managed funds, the fair values of which are affected by changes in interest rates. The coupon rates and maturity dates associated with the fixed interest debt securities held by the Group is disclosed in Note 4. Details of interest rate risk on related party balances are disclosed in Note 14.

As administrator of the segregated funds, the Group earns a fee based on the value of the segregated assets. Fluctuation in the valuation of segregated funds impact the fee earned by the Group.

Foreign Currency Risk

The Group's exposure to foreign exchange risk arises from some of its subsidiaries which report in currencies other than the Bermuda or US dollar. These subsidiaries are BCH which reports in the Cayman Islands dollar, and, S&G, NIBA and AMI which report in the Bahamas dollar. The Group is exposed to risks that the exchange rate of the Bermuda/US dollar relative to the Cayman Islands or Bahamas dollar may change in a manner which will have an adverse effect on the reported amounts of assets and liabilities, profit and related cash flows. This risk is mitigated as both the Cayman Islands and Bahamas dollar are pegged to the US dollar. As a result, exposure to these currencies is insignificant for the year ended December 31, 2020.

9. Risk Management and Financial Instruments (continued)

Equity Price Risk

The Group is subject to equity price risk due to daily changes in the market value 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 Group'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 common equities and equity based managed funds held, with all other variables held constant, would increase net income by approximately $5,213(2019 – $3,744). A 10% decrease in equity prices would have a corresponding decrease in net income.

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.

10. Capital Management and Statutory Requirements

The Group's capital base is structured to exceed regulatory targets and desired capital ratios, maintain strong credit ratings and provide flexibility to take advantage of growth opportunities and provide an adequate return to shareholders. Capital is managed on a consolidated basis under principles that consider all the risks associated with the business. It is also managed at the business unit level under the principles appropriate to the jurisdiction in which the business unit operates. The Board of Directors is responsible for devising the Group's capital plan with management responsible for the implementation of the plan. The policy is 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 Group to take advantage of opportunities for expansion.

(In Thousands of Bermuda Dollars, Except Share Amounts)

10. Capital Management and Statutory Requirements (continued)

Common Shares

	2020	2019
	$	**$**
Authorized share capital:		
3,012,000 common shares of par value $1 each	**3,012**	3,012
Issued and fully paid:		
1,512,000 common shares of par value $1 each	**1,512**	1,512

The group is authorized to issue 20,000,000 redeemable preferred shares.

Share Premium

Share premium represents the par value of the 2,500,000 common shares of CIC which were contributed to the Group as part of the corporate restructuring on January 30, 1996.

Contributed Surplus

A reassessment of assumptions used in valuing a business acquisition in 1995 resulted in $2,447 being recorded as contributed surplus.

During 2009, the Group received a cash contribution of $7,000 from the parent company.

In the periods 2010 through 2012 the Group received capital contributions totaling $357 by way of subsidized interest rates awarded to staff by an affiliate bank which was settled by the Group's parent. Thereafter the expense has been charged to group companies.

(In Thousands of Bermuda Dollars, Except Share Amounts)

10. Capital Management and Statutory Requirements (continued)

Non-Controlling Interests

Non-controlling interest of $16,806 (2019 – $14,298) has been recorded as noted below:

		2020	2019
Non-Controlling interest		**$**	**$**
BCH	25%	**12,010**	10,497
S&G	30%	**1,782**	1,097
BVI	50%	**2,180**	2,008
NIBA	60%	**834**	696
		16,806	14,298

Statutory Requirements

Management monitors the adequacy of the Group and its operating subsidiaries' capital from the perspective of relevant legislation in the jurisdictions in which it operates. The Group's subsidiaries are required to maintain certain minimum levels of capital and surplus stipulated within each subsidiary's jurisdiction. At the balance sheet date, the Group's subsidiaries had exceeded these requirements as noted below:

	2020		2019	
	Minimum Required	**Actual**	**Minimum Required**	**Actual**
	$	**$**	**$**	**$**
CIC	**19,564**	**27,894**	16,245	23,401
CMIC	**38,523**	**131,946**	31,638	117,179
CLAC	**3,774**	**21,213**	1,994	18,611
CRe	**10,679**	**16,646**	7,000	11,889
BritCay Insurance Ltd.	**4,486**	**40,793**	4,239	33,762
AMI	**22,150**	**76,694**	24,040	49,496
S&G	**4,184**	**9,777**	4,219	7,734

Each year the Group is required to file with the Bermuda Monetary Authority (the "BMA"), a capital and solvency return for the Group. The prescribed form of capital and solvency return comprises the insurer's Bermuda Solvency Capital Requirement model ("Group BSCR"), a schedule of fixed income investments by rating category, a schedule of net loss and loss expense provision by line of business, a schedule of premiums written by line of business, a schedule of risk management and a schedule of fixed income securities.

10. Capital Management and Statutory Requirements (continued)

The Group BSCR includes a standardized formula to measure the risk associated with an insurer's assets, liabilities and premiums. The BMA requires insurers to maintain their capital at a target level which is 120% of the amount calculated in accordance with the Group BSCR (the "Enhanced Capital Requirement" or "ECR").

At December 31, 2020, the Group's ECR was $64,743 (2019 – $70,686 (unaudited)).

11. Related-Party Transactions

The following transactions were carried out with related parties:

(a) Income and Expenses

The Group's subsidiaries insure the commercial and health risks of several related companies. These risks are written at standard commercial rates and are subject to the normal reinsurance protections of the Group. The premiums written for related companies are approximately $14,200 for the year ended December 31, 2020, (2019 – $11,963). Of this, $243 (2019 – $585) is included in insurance balances receivable at the statement of financial position date.

For the year ended December 31, 2020, general and administrative expenses include $1,294 (2019 – $1,802) of pensions costs payable to related companies.

Lease liabilities of $23,548 (2019 – $25,434) are due to companies owned in part by directors.

(In Thousands of Bermuda Dollars, Except Share Amounts)

11. Related-Party Transactions (continued)

(b) Year-end Balances

	2020	2019
Due from related parties	**$**	**$**
Gibbons Management Services Limited	**18,488**	18,812
Colonial Master Retirement Trust (CMT)	**–**	56
Colonial Master Deed (CMD)	**784**	168
	19,272	19,036

	2020	2019
Due to related parties	**$**	**$**
Colonial Master Retirement Trust	**728**	1,051
	728	1,051

The amounts due to and from companies related through common control are due on demand. No provisions are held against amounts due from related parties (2019 – $Nil). The balance due from Gibbons Management Services Limited bears interest at rates varying from 3% to 5.75% per annum. The balances due from CMT and CMD are repayable on demand and are non-interest bearing. Included in investment income is net interest income of $1,133 (2019 – $1,135) received from GMSL. Balances with all other related parties are non-interest bearing.

(c) Investments

During the year, the Group used Clarien Bank Limited and its wholly-owned subsidiaries (collectively, Clarien) for certain banking, investment custodian, and investment management services. Prior to December 31, 2013, the Group and Clarien were related by common control.

As at December 31, 2020, the Group has cash on deposit with Clarien of $11,448 (2019 – $13,715).

At December 31, 2020, the Group had 5 (2019 – 5) positions with an aggregate carrying value of $54,865 (2019 – $52,899) in investment funds managed by Clarien Bank Limited.

(In Thousands of Bermuda Dollars, Except Share Amounts)

11. Related-Party Transactions (continued)

At December 31, 2020, investments accounted for at fair value through profit and loss with a fair value of $179,531 (2019 – $141,496) and investments accounted for at amortized cost of $28,008 (2019 – $24,482) were held and managed by Clarien Bank Limited. The transactions with Clarien Bank Limited occur on standard commercial terms.

The Group paid investment fees of $1,109 (2019 – $1,004) to Clarien at fees ranging from 0.35% to 0.5% of total net asset value of the investment portfolio for the year ended December 31, 2020.

(d) *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	**9,931**	8,620
Defined contribution pension and medical insurance expenses	**781**	742
	10,712	9,362

(In Thousands of Bermuda Dollars, Except Share Amounts)

12. Leases

The Group lease contracts for buildings and motor vehicles with up to a five-year term and options to renew for up to a further ten years. Set out below are the carrying amounts of lease liabilities and movements during the period:

	2020
	$
As at January 1, 2020	25,581
Additions	3,072
Accretion of interest	1,273
Payments	(3,384)
As at December 31, 2020	26,542
Current	3,433
Non-current	23,109

The following are the amounts recognized in profit or loss:

	2020
	$
Depreciation expense on right-of-use assets	2,596
Interest expense on lease liabilities	1,278
Expense relating to short-term leases (included in property expenses)	99
Total amount recognized in profit or loss	3,973

The Group had total cash outflows for leases of $3,474 in 2020. The Group also had non-cash additions to right-of-use assets and lease liabilities of $3,072 in 2020.

(In Thousands of Bermuda Dollars, Except Share Amounts)

13. Segregated Funds

Segregated funds comprise holdings in mutual funds and cash held on behalf of pension plan clients, investors and holders of investment contracts.

The assets are held in the trust as follows:	**2020** **$**	**2019** **$**
Coralisle Private Trustee Ltd. – CPT (Formerly Colonial Private Trustee Limited)	**26,732**	35,739
Colonial Master Deed – Cayman Islands – CMD	**240,910**	312,241
Coralisle Master Retirement Trust – CMRT (Formerly Colonial Master Retirement Trust)	**209,589**	218,282
Coralisle Individual Master Retirement Trust – CIMRT (Formerly Colonial Individual Master Retirement Trust)	**110,951**	87,391
Coralisle Bahamas Fund (Formerly Colonial Bahamas Fund)	**132,894**	128,564
Privately Held Funds – Bahamas	**8,384**	8,704
Coralisle Life Unit Trust (Formerly Colonial Life Unit Trust)	**88,970**	75,180
Scotia Bank BVI/TCI Pension Plans	**720**	337
	819,150	866,438

The assets held in trust by CPT, CMT, CMD and CIMRT are in respect of pension plans administered by CPS in Bermuda and Cayman.

The assets held in trust by Colonial Bahamas Fund and private funds in Bahamas are in respect of pension plans administered by CPSB in the Bahamas.

Colonial Life Unit Trust is registered as an exempted trust in the Cayman Islands. The Fund is organized as a Multi Fund Unit Trust, providing for creation of any number of classes of units. The assets are held on behalf of holders of investment contracts issued by CLAC.

(In Thousands of Bermuda Dollars, Except Share Amounts)

13. Segregated Funds (continued)

The underlying investments of the segregated funds consist exclusively of managed funds and cash with the exception of funds administered by CPSB. The carrying value is as follows:

	2020	2019
	$	$
Managed funds	**100,229**	83,986
Fixed maturity securities	**274,118**	306,278
Common equity securities	**357,558**	392,402
Preferred shares	**17,687**	18,244
Cash and accruals	**69,558**	65,529
Total segregated fund assets at end of year	**819,150**	866,439

Changes in net assets during the year are as follows:

	2020	2019
	$	$
Net assets at beginning of period	**866,438**	765,729
Increase during the period		
Amounts received from unit holders	**96,400**	103,993
Net increase in market value of investments	**70,201**	106,078
	166,601	210,071
Decrease during the period		
Amounts withdrawn by unit holders	**212,733**	108,582
Amounts withdrawn for life premiums	**1,219**	928
Surrender values reverting to the Group	**(63)**	(148)
	213,889	109,362
Net assets at end of period	**819,150**	866,438

As a result of administering the above pension assets, the Group earned investment management fees in the amount of $10,608 (2019 – $11,437).

(In Thousands of Bermuda Dollars, Except Share Amounts)

14. General and Administrative

	2020	**2019**
	$	**$**
Staff	**46,040**	44,917
Property	**3,669**	3,947
Professional	**7,715**	5,542
Computer	**6,185**	5,066
Depreciation and amortization	**6,027**	6,737
Marketing	**5,051**	2,935
Travel	**639**	1,982
Office	**1,193**	1,609
Corporate fees	**1,436**	1,230
Communications	**1,163**	1,101
Provision for bad and doubtful debts	**1,268**	450
Donations	**512**	226
Memberships and subscriptions	**268**	178
Other expenses including finance charges	**5,633**	3,135
Total general and administration expenses	**86,799**	79,055

(In Thousands of Bermuda Dollars, Except Share Amounts)

15. Change in Operating Working Capital

	2020	2019
	$	**$**
(Increase) decrease in:		
Accounts receivable and accrued interest	**(1,452)**	461
Insurance and reinsurance balances receivable	**2,651**	(1,995)
Prepaid reinsurance premiums	**(4,693)**	(3,706)
Losses recoverable from reinsurers	**21,705**	(1,866)
Deferred acquisition costs	**(588)**	(385)
Other assets	**(1,213)**	245
Increase (decrease) in:		
Outstanding losses and loss expenses	**(38,632)**	15,699
Reinsurance balances payable – Life	**1,116**	(283)
Unearned premiums	**5,727**	4,591
Deferred commission income	**1,090**	961
Reinsurance balances payable – Non-life	**3,299**	3,241
Accounts payable and other liabilities	**6,865**	(519)
Adjustment for profit commission	**–**	626
	(4,125)	17,070

16. Dividends

During the year, the Group declared a dividend payable to its sole shareholder of $7,000 (2019 – $4,000). Subsequent to year-end, a dividend in the amount of $9,000 was declared.

(In Thousands of Bermuda Dollars, Except Share Amounts)

17. Other Liabilities

	2020	2019
	$	$
Cash held on behalf of clients and unallocated contributions	**4,191**	1,685
Premiums received in advance	**3,282**	1,895
Accounts payable and miscellaneous liabilities	**19,640**	16,668
	27,113	20,248

Cash held on behalf of clients represents a net amount owed to clients for cash held by the Group for funds in transit between unitholders and the segregated funds. Cash held on behalf of clients consists of contributions and redemptions payable, less contributions and redemptions receivable.

18. Commitments

At December 31, 2020, the Group had commitments of $15,000 (2019 – $Nil) relating to Administration Service Fees to be paid over a period of 10 years.

19. Subsequent Events

The Group has completed its subsequent events evaluation for the period subsequent to the balance sheet through May 13, 2021, the date the financial statements were available to be issued.

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

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

ey.com