CUNA Caribbean Insurance Jamaica Limited

Financial Statements

31 December 2021

(Expressed in Jamaican Dollars unless otherwise indicated)

CUNA Caribbean Insurance Jamaica Limited

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REPORT OF APPOINTED ACTUARY

I have examined the financial condition and valued the policy benefit liabilities of CUNA Caribbean Insurance Jamaica Limited for its balance sheet as at 31 December, 2021 and the corresponding change in the policy liabilities in the statement of operations for the year then ended. I meet the appropriate qualification standards and am familiar with the valuation and solvency requirements applicable to life insurance companies in Jamaica. I have relied upon Rayon Kirby, Vice President – Finance & Corporate Governance, CCIJ for the substantial accuracy of the in force records and information concerning other liabilities, as certified in the attached statement.

In my opinion:

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

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

(iii) The methods and assumptions used to calculate the actuarial and other policy benefit liabilities are appropriate to the circumstances of the company and the said policies and claims;

(iv) The amount of the policy benefit liabilities represented in the balance sheet of CUNA Caribbean Insurance Jamaica Limited makes proper provision for the future payments under the companies' policies and meet the requirements of the Insurance Act and other appropriate regulations of Jamaica;

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

(vi) There is sufficient capital available to meet the solvency standards as established by the Commission.

Kyle Rudden Fellow of the Institute and Faculty of Actuaries		March 29, 2022
Name of Appointed Actuary	Signature of Appointed Actuary	Date

Independent auditor's report

To the Members CUNA Caribbean Insurance Jamaica Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of CUNA Caribbean Insurance Jamaica Limited (the Company) as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers

Chartered Accountants
Kingston, Jamaica
29 March 2022

CUNA Caribbean Insurance Jamaica Limited

Statement of Financial Position
31 December 2021

(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	Year ended 31 December 2021 $	2020 $
Assets			
Intangible assets	9(a)	299,952,676	295,151,359
Property, plant and equipment	9(b)	58,363,318	71,092,008
Retirement benefit asset	10	33,179,000	30,820,000
Deferred tax asset	21(c)	65,389,374	42,578,712
Investment securities	11	1,815,323,882	1,936,821,723
Loans on policies		23,710,824	22,933,813
Other assets	12	121,139,714	155,265,893
Taxation recoverable	21(d)	143,513,297	18,952,095
Due from ultimate parent company	13	178,818,319	--
Due from other related parties	13	167,400	80,033
Cash and cash equivalents	14	441,492,092	505,955,176
Total assets		3,181,049,896	3,079,650,812
Equity and liabilities			
Equity			
Stated capital	15	167,294,598	167,294,598
Contributed capital	15	494,442,850	494,442,850
Reserves	16	84,189,716	83,618,210
Retained earnings		1,609,581,379	1,545,544,204
Total equity		2,355,508,543	2,290,899,862
Liabilities			
Insurance contracts	17	605,763,061	410,647,013
Reinsurance payable	13	18,093,510	17,224,156
Accounts payable and unallocated premium	18	130,875,385	98,419,025
Lease liabilities	22	32,008,960	34,626,402
Due to ultimate parent company	13	24,156,353	16,634,748
Due to related other parties	13	14,644,084	24,488,481
Taxation payable		--	186,711,125
Total liabilities		825,541,353	788,750,950
Total equity and liabilities		3,181,049,896	3,079,650,812

The notes on pages 7 to 54 are an integral part of these financial statements.

Approved for issue on behalf of the Board of Directors on 18 March 2022 and signed on its behalf by:

ANDRE GOINDOO Director

COLIN MAXWELL Director

CUNA Caribbean Insurance Jamaica Limited

Statement of Comprehensive Income
31 December 2021

(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	Year ended 31 December 2021 $	2020 $
Revenue			
Gross premium income		3,556,764,677	3,342,871,624
Reinsurance expense	13(b)(i)	(71,124,463)	(66,933,594)
Net premium income		3,485,640,214	3,275,938,030
Net investment income		110,366,874	83,134,883
Commission		1,557,654	2,249,483
Other income		2,167,376	1,377,798
		3,599,732,118	3,362,700,194
Policyholders' benefits			
Claims and other benefits	19	(2,918,634,969)	(2,079,117,807)
Reinsurance recoveries	13	433,223,864	--
Net claims and other benefits		(2,485,411,105)	(2,079,117,807)
Change in reserve for future policyholders' benefits	17	(192,870,674)	638,069,712
Total policyholders' benefits		(2,678,281,779)	(1,441,048,095)
Other expenses			
Management and operating expenses	20	(509,088,835)	(516,043,928)
Policy administrative fees		(342,196,149)	(310,218,122)
		(3,529,566,763)	(2,267,310,145)
Profit before taxation		70,165,355	1,095,390,049
Taxation	21	(6,128,180)	(279,682,200)
Net profit for the year		64,037,175	815,707,849
Other comprehensive income			
Items that will not be recognised in profit or loss			
Remeasurement of retirement benefit plan	10	747,000	(2,970,000)
Taxation	21(c)	186,750	742,500
Other comprehensive income/ (loss) for the year, net of tax		933,750	(2,227,500)
Total comprehensive income for the year, net of tax		64,970,925	813,480,349

The notes on pages 7 to 54 are an integral part of these financial statements.

CUNA Caribbean Insurance Jamaica Limited

Statement of Changes in Equity
31 December 2021

(Expressed in Jamaican dollars unless otherwise indicated)

	Share capital $	Contributed capital $	Reserves $	Retained earnings $	Total $
Balance as at 1 January 2020	167,294,598	494,442,850	23,493,750	792,188,315	1,477,419,513
Net profit	--	--	--	815,707,849	815,707,849
Other comprehensive income	--	--	(2,227,500)	--	(2,227,500)
Transfer to COVID-19 Corporate Social Responsibility Fund	--	--	62,351,960	(62,351,960)	--
Year ended 31 December 2020	167,294,598	494,442,850	83,618,210	1,545,544,204	2,290,899,862
Net profit	--	--	--	64,037,175	64,037,175
Other comprehensive income	--	--	933,750	--	933,750
Movement in COVID-19 Corporate Social Responsibility Fund	--	--	(362,244)	--	(362,244)
Year ended 31 December 2021	167,294,598	494,442,850	84,189,716	1,609,581,379	2,355,508,543

The notes on pages 7 to 54 are an integral part of these financial statements.

CUNA Caribbean Insurance Jamaica Limited

Statement of Cash Flows
31 December 2021

(Expressed in Jamaican dollars unless otherwise indicated)

	Note	Year ended 31 December 2021 $	2020 $
Cash flows from operating activities			
Profit before taxation		70,165,355	1,095,390,049
Adjustments to reconcile profit before taxation to net cash from operating activities:			
Amortisation	9(a)	39,121,763	42,105,360
Depreciation	9(b)	22,359,047	20,065,228
Net investment income		(110,366,874)	(83,134,883)
Net investment income received		100,302,069	122,653,827
Loss on disposal of property, plant & equipment		--	95,067
Change in insurance contracts		192,870,674	(638,069,712)
Change in accounts payable and unallocated premium		32,456,360	(4,850,733)
Change in unearned premium revenue-Direct Life		1,191,110	1,377,070
Change in policyholders' dividend & other amounts on deposit		1,054,264	718,927
Change in retirement benefit asset		(2,359,000)	1,853,000
Change in other assets		34,126,177	25,104,918
Change in due to parent company		7,521,605	(8,794,453)
Change in due to related parties		(9,844,397)	(36,736,559)
Change in due from parent company		(178,818,319)	--
Change in due from related parties		(87,367)	(35,654)
Change in due to reinsurer		869,354	816,169
Change in taxation recoverable		(5,314,158)	378,529
Tax paid		(307,835,694)	(94,804,860)
Net cash (used in)/generated from operating activities		(112,588,031)	444,131,291
Cash flows from investing activities			
Purchase of intangible assets	9(a)	(43,923,080)	(68,190,237)
Purchase of property, plant and equipment	9(b)	(6,423,688)	(34,206,117)
Net movement in term deposits		(37,998,427)	(293,292,580)
Purchase of bonds		(124,452,846)	(151,997,439)
Redemption of bonds		261,700,000	--
Policy loans granted, net of repayments		(777,012)	(2,606,821)
Net cash generated from/(used in) investing activities		48,124,947	(550,293,194)
Net decrease in cash and cash equivalents for the year		(64,463,084)	(106,161,903)
Cash and cash equivalents, beginning of year		505,955,176	612,117,079
Cash and cash equivalents, end of year		441,492,092	505,955,176
Cash and cash equivalents represented by:			
Cash in hand and at bank	14	422,927,278	441,187,185
Fixed Deposits classified as cash and cash equivalent		18,564,814	64,767,991
		441,492,092	505,955,176

The notes on pages 7 to 54 are an integral part of these financial statements.

1 Incorporation and principal activities

CUNA Caribbean Insurance Jamaica Limited (the Company) was incorporated in Jamaica on June 11, 2013 and is a wholly-owned subsidiary of CUNA Caribbean Holdings St. Lucia Limited, which is incorporated in St. Lucia, under the International Business Corporation Act of 1999. The ultimate parent company is CUNA Mutual Holding Company which is incorporated in the United States of America. The Company is domiciled in Jamaica and its registered office is located at 2A Manhattan Road, Kingston 5.

The Company is licenced by the Financial Services Commission (FSC) to conduct ordinary life insurance business.

2 Statement of compliance and basis of preparation

a. *Statement of compliance*

The financial statements as at and for the year ended 31 December 2021 (the reporting date) are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Standards Interpretations Committee (IFRIC) and comply with the provisions of the Jamaican Companies Act.

b. *Basis of preparation*

The financial statements are prepared on the historical cost basis, except as modified for insurance contract liabilities and retirement benefit plan obligations, where carrying values are determined by actuarial methods, and retirement benefit plan assets measured at fair value.

c. *Functional and presentation currency*

The financial statements are presented in Jamaican dollars, which is the Company's functional currency.

d. *Use of estimates and judgement*

The preparation of the financial statements in conformity with IFRS requires management to make estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts could differ from those estimates. Management is also required to make critical judgements in applying accounting policies.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed in Note 8.

2 Statement of compliance and basis of preparation (continued)

e. *Impact of COVID-19*

In March 2020, the World Health Organization declared the novel coronavirus, COVID-19, a global pandemic. The pandemic is still ongoing and the measures to control its impact have resulted in disruptions to economic and social activities, locally and globally, which could ultimately have a negative financial effect on the Company, depending on factors which are highly uncertain and cannot be estimated reliably at this time.

Due to the nature of this event, management is unable to fully quantify the impact of the pandemic on these financial statements. The impact on future performance and on the measurement of some assets and liabilities, or on liquidity, might be significant, however, management has determined that the circumstances do not, at the time of reporting, create a material uncertainty that casts significant doubt upon the entity's ability to continue as a going concern.

3 Significant accounting policies

Unless otherwise stated, the Company has consistently applied the accounting policies as set out below to all periods presented in these financial statements.

a. *Foreign currency*

Transactions denominated in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date.

Foreign exchange differences resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

b. *Financial instruments*

Consistent with the provisions of IFRS 4, revised, the Company has deferred the adoption of IFRS 9 until the adoption of IFRS 17 in 2023, and continues to use IAS 39 to account for its financial instruments. The Company classifies its financial assets into the following categories: loans and receivables, and held-to-maturity. The classification is determined by management at initial recognition and depends on the purpose for which the instruments were acquired.

For the purpose of these financial statements, financial instruments comprise term deposits, government bonds, loans on policies, premiums receivable, due from/to the ultimate parent company, due from/to other related parties cash balances, reinsurance assets and liabilities, accounts payable, and policy liabilities.

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

(i) *Recognition and initial measurement*

A financial asset or financial liability is measured at fair value plus transaction costs that are directly attributable to its acquisition or issue, except for financial assets classified as held for trading where transaction costs are expensed as incurred.

The Company initially recognises loans on policies on the date on which they are originated. All other financial assets and liabilities are initially recognised on the settlement date at which the Company becomes a party to the contractual provisions of the instrument.

3 **Significant accounting policies (continued)**

b. *Financial instruments (continued)*

(ii) *Classification*

Financial assets

(a) *Loans and receivables*

Loans and receivables include financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as available-for-sale. Loans on policies are fully secured by the cash surrender value of the related policies.

Interest on financial assets classified as loans and receivables is recognised in the statement of comprehensive income as part of investment income.

(b) *Held-to-maturity financial assets*

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the Company's management has the positive intent and ability to hold to maturity. These include certain debt investments.

Interest on held-to-maturity investments calculated using the effective interest method is recognised in the statement of comprehensive income as part of investment income. When a held-to-maturity asset is purchased at a premium or discount, the Company reduces or increases the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the premium or discount as interest costs or interest income.

Financial liabilities

The Company recognises its financial liabilities at fair value and subsequently measures them at amortised cost.

(iii) *Derecognition*

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in the statement of comprehensive income.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as an asset or liability in the statement of financial position.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expired.

3 **Significant accounting policies (continued)**

b. *Financial instruments (continued)*

(iv) *Offsetting*

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

(v) *Amortised cost measurement*

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

c. *Intangible assets*

Costs associated with developing or maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use;
- Management intends to complete the software and use or sell it;
- There is an ability to use or sell the software;
- It can be demonstrated how the software will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available: and
- The expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use, at rates of 10% - 33 1/3%.

3 **Significant accounting policies (continued)**

d. *Property, plant and equipment*

(i) *Owned assets*

Items of property, plant and equipment are stated at cost less accumulated depreciation (Note 3(d) (iv)) and impairment losses (see accounting policy Note 3(e) (ii)).

(ii) *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the statement of comprehensive income.

(iii) *Disposal*

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with their carrying amounts and are recognised in the statement of comprehensive income.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if appropriate.

(iv) *Depreciation*

Depreciation is calculated on the depreciable amount, which is the cost of an asset less its residual value. Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of items of property, plant and equipment.

The rates of depreciation for the current period are as follows:

Office furniture and equipment	10% - 16 2/3%
Computer equipment	20% - 33 1/3%
Leased motor vehicles	Over the period of the lease
Leasehold improvements	Over the period of the lease
Right-of-use assets	Over the period of the lease

3 **Significant accounting policies (continued)**

e. *Impairment of assets*

(i) *Financial assets at amortised cost*

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becomes probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:
  - adverse changes in the payment status of issuers or debtors in the company; or
  - national or local economic conditions that correlate with defaults on the assets in the Company.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to-maturity investments carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income.

If a held-to-maturity investment or a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

3 **Significant accounting policies (continued)**

e. *Impairment of assets (continued)*

(i) *Financial assets at amortised cost (continued)*

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income.

(ii) *Impairment of other non-financial assets*

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(iii) *Reversals of impairment*

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that an asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

f. *Leases*

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

3 **Significant accounting policies (continued)**

f. *Leases (continued)*

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as part of property, plant and equipment in the statement of financial position. The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

3. **Significant accounting policies (continued)**

g. *Receivables and payables related to insurance contracts*

Insurance receivables are carried at cost less impairment losses (Note 3(e)). Bad debts are written-off when identified.

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

h. *Cash and cash equivalents*

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash balances, and short-term highly liquid investments with original maturities of three months or less from the acquisition date.

i. *Insurance contracts – classification*

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk.

(i) *Long-term contracts*

These contracts insure events associated with human life over a long duration. Premiums are recognised as revenue when they become receivable from the contract holder. Premiums are shown before deduction of commission.

Benefits are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. Typically, the liability is determined as the sum of the expected discounted value of the benefit payments less the expected discounted value of the theoretical premiums that would be required to meet the benefits based on the valuation assumptions used (the valuation premiums). In particular, the liability is based on assumptions as to mortality and investment income that are established at the time the contract is issued. A margin for adverse deviations is included in the assumptions.

The liabilities are actuarially recalculated at each statement of financial position date and the change in the liability is recognised as an expense in the statement of comprehensive income.

(ii) *Outstanding claims*

Provision for outstanding claims and the related costs of settlement are based on incidents reported before the end of the financial year. These financial statements also include appropriate provisions for claims incurred but not yet reported. Estimates are continually revised as more information becomes available and for the effect of anticipated inflation. Adjustments arising on these revisions are included within the net (increase)/decrease in reserve for policyholders' benefits in the current year. The historical claims experience and corresponding reserves have been disclosed in note 4(b)(iii).

(iii) *Policyholders' benefits*

Death and disability claims and surrenders are recognised in the financial statements in the year in which they are incurred.

Differences between the estimated claims and subsequent settlements are included in the statement of comprehensive income in year of settlement.

3 Significant accounting policies (continued)

i. *Insurance contracts – classification (continued)*

(iv) *Reinsurance contracts held*

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers. Short-term balances are included in current financial assets. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Company assesses its reinsurance assets, for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of comprehensive income. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated following the same method used for financial assets. These processes are described in accounting policy 3(e).

(v) *Receivables and payables related to insurance contracts*

Receivables and payables are recognised when due. These include amounts due to and from contract holders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the statement of comprehensive income.

j. *Accounts payable and accrued liabilities*

Liabilities for accounts payable and accrued liabilities are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

k. *Future policyholders' benefits*

The provision for future policy benefits represents the amount which, in the judgment of the Actuary, together with future premiums and investment income, is required to provide for benefits, administrative expenses and taxes on insurance and annuity policies. The amount is calculated using the Policy Premium Method (PPM), as required by the provisions of the Insurance Regulations 2001, which considers mortality and other assumptions considered to be appropriate to provide for the liabilities of the Company under the terms of its policies in force.

l. *Revenue recognition*

Premium income

Premium income is recognised in the period in which the insured risk is covered.

Investment income

Investment income is accounted for on the accruals basis that takes into account the effective yield of the asset and is shown net of direct investment expenses incurred in relation thereto.

3 **Significant accounting policies (continued)**

m. *Retirement benefit plans*

The Company maintains both a defined benefit and a contribution retirement benefit plan for its employees.

These are funded schemes and the Company's contributions are charged against other comprehensive income and profit for the year, respectively as incurred.

During the year, $2,327,000 (2020: $2,282,000) was recognised in other comprehensive income in respect of contributions to the retirement benefit plan. (Note 10).

Prior to 1 January 2016, the defined benefit plan operated under CMFG Life Insurance Company Limited and, upon transfer of the insurance business effective 1 January 2016, the employees of CMFG Life Insurance Company Limited became employees of the new Company. Effective 31 December 2016, the defined benefit plan was closed to new members.

The plans are governed by trust/fund deeds and rules and are administered in accordance with the laws of Jamaica. Responsibility for the governance of the plans, including investment strategies, lies with the Board of Trustees.

A defined benefit plan is a retirement benefit plan that defines an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a retirement benefit plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods.

The asset or liability recognised in the statement of financial position in respect of defined benefit retirement benefit plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. Plan assets exclude any insurance contracts issued by the Company.

For defined benefit plans, the retirement benefit accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing retirement benefits is charged to the statement of comprehensive income so as to spread the regular cost over the service lives of employees in accordance with the advice of a qualified actuary, who carries out full valuations of the plans every year. The retirement benefit obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability.

Re-measurements of the net defined benefit liability, which comprises actuarial gains and losses and the return on plan assets (excluding interest), are recognised immediately through other comprehensive income in the statement of comprehensive income and are included in reserves in the statement of changes in equity and in the statement of financial position.

The defined benefit plan mainly exposes the Company to actuarial risks such as investment risk, interest rate risk and longevity risk.

3 Significant accounting policies (continued)

n. *Taxation*

Tax charges recognised for the period include current tax and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In those cases, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax charge is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Irrecoverable general consumption tax and asset tax are included as part of management and operating expenses.

Income tax for the Company is charged annually at 25% on chargeable income.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the financial statements.

o. *Dividend distribution*

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

p. *New, revised and amended standards and interpretations that became effective in 2021*

Certain new standards, amendments and interpretations to existing standards have been published that became effective during the current financial year. Management has reviewed these new standards, amendments and interpretations to existing standards and has determined that these amendments do not have a significant impact on these financial statements and therefore the disclosures have not been made.

- COVID-19-related Rent Concessions – Amendments to IFRS 16
- Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

q. *New, revised and amended standards and interpretations not yet effective:*

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which were not effective at the statement of financial position date, and which the Company has not early adopted. The Company has assessed the relevance of all such new standards, interpretations and amendments and has determined that the following will be relevant to its operations and has concluded as follows:

- *IFRS 17, 'Insurance contracts' (effective for annual periods beginning on or after 1 January 2023).*

3 **Significant accounting policies (continued)**

q. *New, revised and amended standards and interpretations not yet effective:*

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short-duration which typically applies to certain non-life insurance contracts.

The main features of the new accounting model for insurance contracts are, as follows:

a. The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows).
b. A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period).
c. Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period.
d. The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.
e. The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period.
f. Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the statement of financial position.
g. Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense.
h. Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

As at the date of these financial statements, the Company has conducted a Gap Analysis with regards to the requirements of IFRS 17. The Company's assessment of the impact of this standard, including work to ensure implementation by the effective date, is ongoing.

3 Significant accounting policies (continued)

r. *New, revised and amended standards and interpretations not yet adopted:*

IFRS 9, *Financial Instruments*

Nature of change

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The financial assets held by the Company include debt instruments and deposits currently classified as held-to-maturity and measured at amortised cost which appear to meet the conditions for classification at amortised cost under IFRS 9.

Accordingly, the Company does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income (FVOCI), contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Company has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard. The Company has exercised the option to adopt the temporary exemption from applying IFRS 9 until 2023 given to companies whose activities are predominantly connected with insurance due to the amendment to IFRS 4 'Insurance contracts', as discussed below.

Amendments to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments'.

These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard gives all companies that issue insurance contracts the option to recognise in other comprehensive income (OCI), rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard IFRS 17 is issued; and give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2023. The entities that defer the application of IFRS 9 continues to apply the existing financial instruments standard IAS 39.

3 **Significant accounting policies (continued)**

r. *New, revised and amended standards and interpretations not yet adopted (continued):*

A company's activities are predominately connected with insurance if, and only if:

a. The amount of its insurance liabilities is significant compared with its total amount of liabilities; and
b. The percentage of its liabilities connected with insurance relative to its total amount of liabilities is greater than 90%; or less than or equal to 90% but greater than 80% and the Company does not engage in a significant activity unconnected with insurance.

Provided that the Company has not previously applied any version of IFRS 9, along with its activities being predominantly related to insurance, which comprise contractual activities within the scope of IFRS 4, demonstrated by liabilities whose carrying amount was significant compared with the total carrying amount of the entitiy's liabilities the qualifying criteria for temporary exemption would have been met. The predominance ratio to support the exemption would have been determined as followed:

An assessment conducted on the Company's liabilities for the years ended 31 December 2016 to 31 December 2021 shows the calculated percentages to be above 90%. Although the insurance liabilities did not exist as at 2015, the portfolio existed in the CMFG branch and was transferred to the Company effective 1 January 2016. It can be argued that there was a change in the Company's activities and the assessment applied accordingly.

	2016
Insurance contracts	935,058,646
Reinsurance payables	32,479,916
Unallocated premiums and premiums paid in advance (note 1	28,667,106
(A) *Liabilities arising from activities related to insurance*	996,205,668
(B) *Total liabilities*	1,098,131,397
Predominance Ratio(A/B)	91%

Overall, having satisfied the eligibility criteria of not having applied any version of IFRS 9, and the entity predominance ratio being 91%, with no existence of any significant activity that is unrelated to insurance, the Company has opted to apply the deferral approach and, therefore, apply the temporary exemption allowed by the IFRS 9 standard.

3 **Significant accounting policies (continued)**

r. *New, revised and amended standards and interpretations not yet adopted (continued):*

IFRS 9, Solely Payments of Principal and Interest (SPPI) Assessment

This is an assessment of a financial instrument's contractual cash flows characteristic to determine whether contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding on specified dates i.e., the contractual cash flows are consistent with a basic lending arrangement. The SPPI test is one of the criteria that must be met for a debt instrument to be subsequently measured at amortised cost. The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. The Company undertakes a comprehensive review of financial asset documentation and the terms of securities to assess what the entity is being compensated for and whether there is a basic amortization arrangement. As such, both Government and Term Deposits are recorded at amortized cost having satisfied the SPPI criteria. An analysis of the Company's investments which satisfy the SPPI test is shown below.

Fair values for the following investments were determined by reference to published price quotations in an active market (classified as level 1) or valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data (classified as level 2 in the fair value hierarchy).

	2021 $	2020 $	Change $
Debt securities with contractual terms that are Solely Payments of Principal and Interest (SPPI):			
Held to maturity:			
Listed Government of Jamaica USD bonds	530,744,538	514,429,025	16,315,513
Unlisted Government of Jamaica JMD bonds	1,278,141,591	1,297,598,787	(19,457,196)

4 Management of insurance risk

The Company issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Company manages them.

a. *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 Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Some insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwritings strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

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.

b. *Long-term insurance contracts*

(i) *Frequency and severity of claims*

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or wide spread changes in lifestyle, such as eating, smoking and exercise habits resulting in earlier or more claims than expected. The historical claims experience and corresponding reserves for group life products have been disclosed in note 4(b)(iii).

The Company manages these risks through its underwriting and reinsurance arrangement. The Company uses an excess over loss reinsurance arrangement for its products.

(ii) *Sources of uncertainty in the estimation of future benefit payments and premium receipts*

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behavior.

In calculating the estimated cost of unpaid claims (both reported and IBNR), the Company's estimation techniques are a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a particular financial year in relation to such claims) and an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes.

(iii) *Process used to decide on assumptions*

For long-term insurance contracts with fixed and guaranteed terms, estimates are made in two stages. At inception of the contract, the Company determines assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses.

4 **Management of insurance risk (continued)**

b. *Long-term insurance contracts (continued)*

(iii) *Process used to decide on assumptions (continued)*

These assumptions are used to calculate the liabilities during the life of the contract. A margin for risk and uncertainty is added to these assumptions. These assumptions are 'locked in' for the duration of the contract.

Subsequently, new estimates are developed at each reporting date to determine whether the liabilities are adequate in the light of the latest current estimates. The initial assumptions are not altered if the liabilities are considered adequate. If the liabilities are not considered adequate, the assumptions are 'unlocked' to reflect the current estimates. The sensitivity of the liabilities to changes in key assumptions are included in note 4(b)(v).

The following table illustrates the PPM best estimate assumptions and Margins for Adverse Deviation (MADs) that were applied to the Individual Life business for 2021.

	Best Estimate Valuation Assumption	**MAD**
Interest Rates	2021: 6.80% in 2021, falling to 5.61% over 23 years and remaining at 5.61% thereafter (2020: 6.99% in 2020, falling to 5.61% over 22 years and remaining at 5.40% thereafter.)	-0.5% at all terms
Expense Inflation	2021: 5.20% in 2021, falling to 4.00% over 6 years and constant thereafter (2020: 5.40% in 2020, falling to 4.00% over 8 years and constant thereafter)	-0.5% at all terms
Expense Level	2021: JM$1,400 per policy in 2021 (2020: JM$1,200 per policy in 2020)	+10% of best estimate, including inflation.
Mortality	2021: 125% CIA 8692 M/F (2020: 125% CIA 8692 M/F)	+15 per 1,000 of sum assured divided by curtate expectation of life.
Lapses	2021: 5% % per year at all terms and durations (2020: 5% per year at all terms and durations)	-20% of best estimate.

4 **Management of insurance risk (continued)**

b. *Long-term insurance contracts (continued)*

(iii) *Process used to decide on assumptions (continued)*

Group Life products include FIP, Loan Protection and Life Savings (LP and LS), Golden Harvest (GH) and Group Term Life/Directors and Employees (GTL D&E). Group Life reserves were estimated using the following approaches, involving a claim runout triangle. The same methodology was used in the prior year valuation.

- Completion Factor Method
- Historical Runout Method
- Number of Months Method

IBNR Reserving Methods

Data for the LP and LS products were aggregated to enhance data credibility. In all three methods, monthly in-force coverage was used as an exposure base to take growth into account in the calculations.

The Completion Factor Method is the traditional approach to setting IBNR reserves. Paid claims were arranged into a lag triangle by month of incurral and month of payment. The completion factors were then calculated using standard link ratio methods. These factors were applied to recent claims to estimate the ultimate amount of claims expected to be paid. The difference between the expected ultimate claims and the actual amount paid to date is the IBNR reserve. Actual data was considered when determining ultimate claim levels to help reduce the volatility which naturally occurs when using “early duration” completion factors. The IBNR estimate for more recent incurred “early duration” months is also partly based on an expectation approach. An assumed average claim cost (expected claims per $1,000 of coverage in force) was applied to the coverage for each month to determine the ultimate estimate for that period.

The Historical Runout Method is based on the same claims data from the first method. For each evaluation date, the Company calculated the amount of claims incurred prior to that date and paid after that date was calculated. This was added to the outstanding IBNR at each evaluation date. The historical runout amounts were used to estimate the runout expected for the current valuation period. This represents the second estimate of the IBNR.

The Number of Months Method uses the same completion factors from the first method to estimate the number of months of average claims which are outstanding at a given time. For example, if 1% of claims incurred in a month are paid in that same month, then that implies that 99% of that month’s claims are paid in later months. Similarly, if after two months, 5% of the ultimate claims have been paid, that indicates that 95% of that month’s claims are still outstanding. The number of months of claims outstanding at a given time, multiplied by the average monthly claim amount, provides the third estimate of the IBNR.

4 **Management of insurance risk (continued)**

b. *Long-term insurance contracts (continued)*

(iii) *Process used to decide on assumptions (continued)*

The final IBNR is the weighted average of IBNR estimates from the three methods. Generally, each method is given equal weight. Possible reasons for adjusting these weightings would be anomalies in the data, changes in payment patterns due to operations, or other events which might otherwise skew the results.

The FIP IBNR gives equal weight to the each of three methods. This is unchanged from the prior valuation.

In 2020 the mix of methods used to generate LP and LS IBNR estimates was no longer set at an aggregate level. Instead, weightings were applied to the different IBNR estimates for individual months of incurral, to reflect the emerging change in settlement patterns. More weighting was given to the expectation approach for those LP and LS claims occurring in the two most recent quarters. This provides an ultimate claim estimate that is independent of historic claim developments. If the portfolio's risk characteristics are stable but settlement patterns are volatile, the expectation approach provides more reliable estimates than completion factors. For 2020, a scaled weighting of the expectation approach was used for the most recent 9 months of incurral (202: 6 months). Otherwise, the approach was unchanged this year. For older mpnths, more emphasis was placed on the other methods.

The 2020 FIP IBNR estimate was based on equal weighting of the three methods at an aggregate level. For 2021, weightings were instead applied to individual incurred months. The expectation approach was used for the most recent quarter only. This ensured that the resulting IBNR estimate made sufficient provision for the expected level of COVID-19 claims arising from the most open quarter.

The 2021 FIP reserves include a margin of safety of 15% (2020: 15%). In 2021, the margin of safety for LPLS was raised from 15% to 20%. This increase allowed for the additional uncertainty over the risks faced and claim reporting patterns as a result of the COVID-19 pandemic.

It has been assumed that current tax legislation and rates continue unaltered.

Management reviews with the assumptions and changes in assumptions outlined above on an annual basis. The sensitivity of the liabilities to changes in key assumptions are included in note 4(b)(v).

4 **Management of insurance risk (continued)**

b. *Long-term insurance contracts (continued)*

(iii) *Process used to decide on assumptions (continued)*

Claims experience

The following table illustrates the historical claims experience of the Group Life products.

Product	Year	Claims ('000)	Year-end Reserves/ 3-year average Monthly claims
FIP	2019	1,746,000	1.53
	2020	1,827,112	1.46
	2021	2,595,176	1.89
LPLS	2019	215,767	7.33
	2020	235,282	7.28
	2021	304,998	9.85
GH	2019	4,348	5.60
	2020	5,054	8.40
	2021	4,727	8.92
GTL D&E	2019	9,831	1.07
	2020	6,417	1.17
	2021	9,304	1.06
FIP CI Rider	2019	--	222.80
	2020	3,500	35.09
	2021	3,000	21.87
FCIP	2019	500	108.07
	2020	--	339.51
	2021	--	376.76

(iv) *Change in assumptions*

In managing its insurance risk, the Company made some changes to its assumptions for the insurance contracts disclosed in this Note. These changes are disclosed in note 4(b)(iii) and the impact of same in note 17(i).

4 **Management of insurance risk (continued)**

b. *Long-term insurance contracts (continued)*

(v) *Sensitivity analysis*

For liabilities under long-term insurance contracts with fixed and guaranteed terms, changes in assumptions will not cause a change to the amount of the liability, unless the change is severe enough to trigger a liability adequacy test adjustment. In practice, this is unlikely to occur.

The tables below show the sensitivity of the liabilities under long-term contracts to changes in assumptions:

Individual Life

	Calculated	**Change from reported**
Reported Reserves	30,902,689	--
Increase interest by 1.0%	29,948,620	(954,070)
Decrease interest by 1.0%	32,027,610	1,124,920
Increase expenses by 10%	32,257,376	1,354,686
Decrease expenses by 10%	29,548,003	(1,354,686)
Increase mortality by 10%	30,912,375	9,686
Decrease mortality by 10%	30,893,004	(9,686)

Group Life

	Calculated	**Change from reported**
Reported Reserves	545,912,744	--
Increase mortality by 10%	600,504,018	54,591,274
Decrease mortality by 10%	491,321,469	(54,591,274)

(vi) *Liability adequacy test*

Individual life reserves as at 31 December 2021 for statutory reporting purposes are calculated using a Policy Premium Method. The assumptions used in these calculations include margins for adverse deviation, as required under Jamaican legislation.

For the Group Life business, reported IBNR claim reserves include a margin of safety as required under Jamaican legislation.

As such, no additional reserves were required for either block.

5 Financial risk management

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and reinsurance liabilities.

Introduction and overview

The Company has adopted risk management policies and has set appropriate limits and controls to manage and mitigate against financial risk. The Company has exposure to the following risks arising from its use of financial instruments and from foreign currency transactions.

- Market risk (note 5(i))
- Credit risk (note 5(ii))
- Liquidity risk (note 5(iii))
- Operational risk (note 5(iv))

(i) *Market risk*

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

The Company has approximately 76% of its investments denominated in Jamaican dollars thus hedging against significant exchange rate fluctuations. The Company has only invested in fixed rate bonds and short-term deposits that allows it to mitigate the effects of interest rate fluctuations.

5 **Financial risk management (continued)**

Introduction and overview (continued)

(i) *Market risk (continued)*

(a) *Interest rate risk*

Exposure to interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of changes in market interest rates.

The following table summarises carrying amounts of the statement of financial position assets and liabilities in order to arrive at the Company's interest rate exposure:

	Up to one year $	One to five years $	Over five years $	Non-interest bearing $	Total $
As at 31 December 2021					
Assets					
Investments	622,450,182	536,182,963	656,690,737	--	1,815,323,882
Loans on policies	23,710,824	--	--	--	23,710,824
Other assets	--	--	--	121,139,714	121,139,714
Due from ultimate parent	--	--	--	178,818,319	178,818,319
Due from other related	--	--	--	167,400	167,400
Cash and cash equivalents	441,492,092	--	--	--	441,492,092
Total assets exposed to interest rate risk	1,087,653,098	536,182,963	656,690,737	300,125,433	2,580,652,231
Liabilities					
Insurance contracts	--	--	--	605,763,061	605,763,061
Reinsurance payable	--	--	--	18,093,510	18,093,510
Lease liabilities	--	--	--	32,008,960	32,008,960
Accounts payable and unallocated premium	--	--	--	130,875,385	130,875,385
Due to ultimate parent company	--	--	--	24,156,353	24,156,353
Due to other related parties	--	--	--	14,644,084	14,644,084
Total liabilities exposed to interest rate risk	--	--	--	825,541,353	825,541,353
Interest rate gap	1,087,653,098	536,182,963	656,690,737	(525,415,920)	1,755,110,878
Rolling Interest rate gap	1,087,653,098	1,623,836,061	2,280,526,798	1,755,110,878	

5 **Financial risk management (continued)**

Introduction and overview (continued)

(i) *Market risk (continued)*

(a) *Interest rate risk (continued)*

Exposure to interest rate risk (continued)

	Up to one year $	One to five years $	Over five years $	Non-interest bearing $	Total $
As at 31 December 2020					
Assets					
Investments	556,537,500	619,428,483	760,855,740	--	1,936,821,723
Loans on policies	--	--	22,933,813	--	22,933,813
Other assets	--	--	--	155,265,893	155,265,893
Due from other related	--	--	--	80,033	80,033
Cash and cash equivalents	505,955,176	--	--	--	505,955,176
Total assets exposed to interest rate risk	1,062,492,676	619,428,483	783,789,553	155,345,926	2,621,056,638
Liabilities					
Insurance contracts	--	--	--	410,647,013	410,647,013
Reinsurance payable	--	--	--	17,224,156	17,224,156
Lease liabilities	--	--	--	34,626,402	34,626,402
Accounts payable and unallocated premium	--	--	--	98,419,025	98,419,025
Due to ultimate parent company	--	--	--	16,634,748	16,634,748
Due to other related parties	--	--	--	24,488,481	24,488,481
Total liabilities exposed to interest rate risk	--	--	--	602,039,825	602,039,825
Interest rate gap	1,062,492,676	619,428,483	783,789,553	(446,693,899)	2,019,016,813
Rolling Interest rate gap	1,062,492,676	1,681,921,159	2,465,710,712	2,019,016,813	

Sensitivity analysis

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. For financial instruments and insurance contracts described in this note, the sensitivity is solely associated with the former, as the carrying amounts of the latter are not directly affected by changes in market risks.

There is no exposure to interest rate movement as the Company did not hold any variable rate instruments as at the reporting date. In addition, the Company's assets are at carried amortised cost therefore there is no fair value risk.

5 **Financial risk management (continued)**

Introduction and overview (continued)

(i) *Market risk (continued)*

(b) *Currency risk*

Foreign currency risk is the risk that the market value of, or cash flows from, financial instruments will fluctuate because of changes in foreign exchange rates.

The Company is exposed to foreign currency risk on transactions that are denominated in currencies other than the Jamaica dollar. The currency giving rise to this risk is primarily the United States dollar, however, there are other transactions denominated in Trinidad and Tobago and Eastern Caribbean dollars. At the reporting date, the foreign currency balances were as follows:

			2021		
	JMD	**TTD**	**XCD**	**USD**	**Total**
Assets:					
Cash and cash equivalents	441,492,092	--	--	--	441,492,092
Other assets premiums receivable	72,375,461	--	--	--	72,375,461
Held-to-maturity Investments	1,374,978,311	--	--	440,345,571	1,815,323,882
Loans on policies	23,710,824	--	--	--	23,710,824
Other assets	46,973,237	--	--	--	46,973,237
Due from ultimate parent company	--	--	--	178,818,319	178,818,319
Due from related parties	--	111,600	55,800	--	167,400
Liabilities:					
Insurance contracts	(605,763,061)	--	--	--	(605,763,061)
Accounts payable & unallocated premiums	(130,875,385)	--	--	--	(130,875,385)
Due to ultimate parent Company	--	--	--	(42,249,863)	(42,249,863)
Due to related party	--	(14,644,084)	--	--	(14,644,084)
Net assets/(liabilities)	1,222,891,479	(14,532,484)	55,800	576,914,027	1,785,328,822

			2020		
	JMD	**TTD**	**XCD**	**USD**	**Total**
Assets:					
Cash and cash equivalents	505,955,176	--	--	--	505,955,176
Other assets premiums receivable	98,084,016	--	--	--	98,084,016
Held-to-maturity Investments	1,522,207,199	--	--	414,614,524	1,936,821,723
Loans on policies	22,933,813	--	--	--	22,933,813
Other assets	53,289,262	--	--	--	53,289,262
Due from related parties	--	72,033	8,000	--	80,033
Liabilities:					
Insurance contracts	(410,647,013)	--	--	--	(410,647,013)
Accounts payable & unallocated premiums	(98,419,025)	--	--	--	(98,419,025)
Due to ultimate parent Company	(33,858,903)	--	--	--	(33,858,903)
Due to related party	--	(24,488,481)	--	--	(24,488,481)
Net assets/(liabilities)	1,659,544,525	(24,416,448)	8,000	414,614,524	2,049,750,601

5 **Financial risk management (continued)**

Introduction and overview (continued)

(i) *Market risk (continued)*

(b) *Currency risk (continued)*

The exchange rates for the Jamaica dollar, in terms of the US$, EC$ and TT$, as at 31 December 2021, were J$ 153.06 = US$1.00 (2020: J$ 142.45 = US$1.00); J$ 55.84 = XCD$1.00 (2020: J$ 52.37 = XCD$1.00); J$ 22.93 = TT$1.00 (2020 J$ 20.97 = TT$1.00).

Sensitivity analysis

A 5% strengthening of the US$, EC$ and TT$ against the J$ at 31 December 2021 could result in a net impact of $28 million on the Company's assets and the statement of comprehensive income. This analysis assumes that all other variables, in particular interest rates, remain constant.

(ii) *Credit risk*

The Company is exposed to credit risk, which is the risk that a customer or counterparty will not be able to meet its obligations.

Key areas where the Company is exposed to credit risk are:

- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from insurance contract holders;
- Amounts due from loans and receivables;
- Amounts due from debt securities; and
- Amounts due from cash positions.

5 **Financial risk management (continued)**

Introduction and overview (continued)

(ii) *Credit risk (continued)*

Other Assets – Premiums receivable

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.

Management has a credit policy in place and exposure to credit risk is monitored on an on-going basis. The Company does not require collateral in respect of financial assets.

At the reporting date, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of the financial asset in the statement of financial position.

The Company mitigates its credit risk by maintaining a three (3) month accrual policy for its Group Life policies. All balances for Group Life policies which are outstanding for more than 90 days are fully provided for. The table below shows the aging of the premiums receivable balance as at the end of the period. Amounts overdue for more than 90 days relate primarily to Individual Life policies.

Currently the Premium Due stands at 2% (2020: 3%) of Premium Income in 2021.

	Total	0-30 days	31-60 days	61-90 days	>90days
2021	72,375,461	43,392,282	18,575,590	4,925,628	5,481,961
2020	98,084,016	66,597,568	21,639,124	5,172,778	4,674,546

Loans on policies

The Company grants Policy Loans to only those policyholders that have sufficient Cash Surrender Values. Only 85% of the Cash Surrender Values is utilized in the calculation of the loan to be granted. Existing loans are also deducted before a final amount is determined.

In the event the policy is surrendered, all policy loans and applicable taxes are deducted from the Cash Surrender Value and the balance paid to the customer. Where there is death of the insured all loans and applicable taxes are deducted from the Face Value and the balance paid to the customer.

In a case where the insured does not repay the loan, interest will accrue up to where loan principal plus interest equals the Cash Surrender Value, at which point the policy is automatically lapsed.

During the year, a provision of $3,155,385 (2020: $34,721) was made for delinquent policy loans and associated accrued interest.

5 **Financial risk management (continued)**

Introduction and overview (continued)

(ii) *Credit risk (continued)*

Reinsurance

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. Currently, all reinsurance contracts are with the Ultimate Parent.

Debt securities, and cash positions

Debt securities, mutual funds and cash positions are placed with financial institutions having sound credit rating.

Maximum exposure to credit risk before collateral held or other credit enhancements:

	2021 $	2020 $
Debt securities:		
Held to maturity:		
- Listed securities	440,345,571	414,614,524
- Unlisted securities	1,073,262,085	1,228,914,619
- Term deposits	301,716,225	293,292,580
Loans and receivables, at amortised cost:		
Insurance receivables	72,375,461	98,084,016
Loan on policies	23,710,824	22,933,813
Other	46,973,237	53,289,363
Due from ultimate parent company (Note 13b)	178,818,319	--
Cash and cash equivalents	441,492,092	505,955,176
Total assets bearing credit risk	2,578,693,814	2,617,084,091

The above table represents a worst case scenario of credit risk exposure to the Company at 31 December 2021 and 2020, without taking account of any collateral held or other credit enhancements attached.

The table below provides information regarding the credit risk exposure of the company by classifying financial assets according to the Standard & Poor's issued credit rating.

	A+ $	B+ $	NR $	Total $
As at 31 December 2021				
Term Deposits	101,159,315	--	200,556,910	301,716,225
Government Bonds	--	1,513,607,657	--	1,513,607,657
	101,159,315	1,513,607,657	200,556,910	1,815,323,882

5 **Financial risk management (continued)**

Introduction and overview (continued)

(ii) *Credit risk (continued)*

Reinsurance (continued)

	A+ $	B+ $	NR $	Total $
As at 31 December 2020				
Term Deposits	100,000,000	--	193,292,583	293,292,583
Government Bonds	--	1,643,529,140	--	1,643,529,140
	100,000,000	1,643,529,140	193,292,583	1,936,821,723

(b) *Credit quality of financial assets*

The credit quality of financial assets can be assessed by reference to external credit ratings used by Standard and Poor's.

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

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

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

BBB
An obligation rated 'BBB' exhibits adequate protection parameters. However, diverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

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

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

5 **Financial risk management (continued)**

Introduction and overview (continued)

(iii) *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities.

The Company manages its liquidity via prudent cash flow management, to allow it to meet all its financial obligations when they fall due.

The table below presents the cash flow payable by the Company for managing liquidity risk by remaining contractual maturities at the date of the statement of financial position. The amounts disclosed in the table are the contracted undiscounted cash flows.

The table also provides an aggregation of the liquidity analysis on a Company level. The maturity analysis is illustrated in Note 5(i) above. All liabilities are presented on a contractual cash flow basis except for the insurance liabilities, which are presented with their expected cash flows.

		Payments due by period as at 31 December 2021			
	Carrying Amount $	**Total Undiscounted Amount $**	**0-1 Year $**	**2-5 Years $**	**Over 5 Years $**
Individual Life Business					
Insurance liabilities	30,902,689	55,625,979	3,704,533	12,444,993	39,476,453
Policyholders' deposits	15,384,227	15,384,227	--	15,384,227	--
Other liabilities and Payables	3,278,675	3,278,675	3,278,675	--	--
Total contractual Obligations	49,565,591	74,288,881	6,983,208	27,829,220	39,476,453
Group Life Business					
Insurance liabilities	545,912,744	545,912,743	413,155,341	130,586,121	2,171,281
Other liabilities and Payables	93,956,036	93,956,036	93,956,036	--	--
Total contractual Obligations	639,868,780	639,868,779	507,111,377	130,586,121	2,171,281
Total Life Business					
Insurance liabilities	576,815,433	601,538,722	416,859,874	143,031,114	41,647,734
Policyholders' deposits	15,384,227	15,384,227	--	15,384,227	--
Other liabilities and payables	97,234,711	97,234,711	97,234,711	--	--
Total contractual Obligations	689,434,371	714,157,660	514,094,585	158,415,341	41,647,734
Other contractual Obligations					
Other liabilities and Payables	136,106,983	139,800,096	113,516,907	26,283,189	--
Total contractual Obligations	825,541,354	853,957,756	627,611,492	184,698,530	41,647,734

5 **Financial risk management (continued)**

Introduction and overview (continued)

(iii) *Liquidity risk (continued)*

		Payments due by period as at 31 December 2020			
	Carrying Amount $	**Total Undiscounted Amount $**	**0-1 Year $**	**2-5 Years $**	**Over 5 Years $**
Individual Life Business					
Insurance liabilities	28,864,759	52,115,130	3,345,706	11,424,564	37,344,860
Policyholders' deposits	14,329,963	14,329,963	--	14,329,963	--
Other liabilities and Payables	3,062,683	3,062,683	3,062,683	--	--
Total contractual Obligations	46,257,405	69,507,776	6,408,389	25,754,527	37,344,860
Group Life Business					
Insurance liabilities	355,080,000	355,080,000	260,956,290	94,123,710	--
Other liabilities and Payables	76,916,240	76,916,240	76,916,240	--	--
Total contractual Obligations	431,996,240	431,996,240	337,872,530	94,123,710	--
Total Life Business					
Insurance liabilities	383,944,759	407,195,130	264,301,996	105,548,274	37,344,860
Policyholders' deposits	14,329,963	14,329,963	--	14,329,963	--
Mortality reserve	--	--	--	--	--
Other liabilities and payables	79,978,923	79,978,923	79,978,923	--	--
Total contractual Obligations	478,253,645	501,504,016	344,280,919	119,878,237	37,344,860
Other contractual Obligations					
Other liabilities and Payables	123,786,180	123,786,180	123,786,180	--	--
Total contractual Obligations	602,039,825	625,290,196	468,067,099	119,878,237	37,344,860

5 Financial risk management (continued)

Introduction and overview (continued)

(iv) *Operational risk*

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations. The objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is effective.

6 Capital management

The Company's objectives when managing capital are:

(i) To comply with capital requirements set by the regulators of the insurance industry within which the Company operates;

(ii) To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits to other stakeholders; and

(iii) To maintain a strong capital base to support the development of its business.

The Company's main regulator is the Financial Services Commission (FSC) which monitors the capital requirements for the Company. In implementing current capital requirements, the FSC requires the Company to maintain a minimum capital requirement of $150,000,000. The Company is in compliance with externally imposed capital requirements. These requirements are monitored by the Finance function.

Minimum Continuing Capital Requirement (MCCSR)

The MCCSR percentage required to be held by insurance companies is 150%. At the end of the reporting period, the MCCSR percentage held by the Company was 514% (2020:535%).

7 Fair value of financial instruments

The fair value of financial assets and liabilities that are traded in active markets are based on quoted market prices or dealer quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

(i) *Valuation models*

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

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

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

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

There were no transfers of financial instruments between levels during the year, neither were there any changes in the categorization from the prior year.

(ii) *Financial instruments measured at fair value – fair value hierarchy*

At year end, there were no financial instruments measured at fair value.

(iii) *Financial instruments not measured at fair value*

All of the Company's financial assets and liabilities are classified in Level 3 of the fair value hierarchy, and have carrying values that approximate their fair values, except for held to maturity securities and loans on policy, as follows:

	Level 1 $	Level 2 $	Level 3 $	Fair value $	Total carrying amount $
As at 31 December 2021					
Assets					
Held-to-maturity Securities	530,744,538	1,097,584,681	301,716,225	1,930,045,444	1,815,323,882
Loans on policy	--	--	23,710,824	23,710,824	23,710,824
As at 31 December 2020					
Assets					
Held-to-maturity Securities	514,429,025	1,034,353,868	556,537,500	2,105,320,393	1,936,821,723
Loans on policy	--	--	22,933,813	22,933,813	22,933,813

7 Fair value of financial instruments (continued)

(iii) *Financial instruments not measured at fair value (contnued)*

Due to the short-term nature of the fixed deposits and repurchase agreements, their carrying amount of $301,716,225 (2020: $293,292,580) is considered to be the same as their fair value. Cash, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

For policy loans, the fair values are not significantly different to their carrying amounts. They are classified as level 3 fair values in the fair value hierarchy.

8 Significant estimates and judgments

Management discusses with the Audit Committee the development, selection and disclosure of the Company's critical accounting policies and their application, and assumptions made relating to major estimation uncertainties.

a. *Key sources of estimation uncertainty*

(i) *Estimate of future benefit payments and premiums arising from long-term insurance contracts*

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Company. Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk. The Company bases these estimates on standard mortality tables adjusted where appropriate to reflect the Company's own experience or expectations.

The main source of uncertainty is epidemics and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Company has significant exposure to mortality risk.

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments. The historical claims experience and corresponding reserves have been disclosed in note 4(b)(iii).

(ii) *Valuation method*

Individual Life Reserves

Individual life reserves as at 31 December, 2021 for statutory reporting purposes were calculated using PPM. The assumptions used in these calculations include margins for adverse deviation, as required under Jamaican legislation.

Group Life Reserves

Reserves for the Company's Group business as at 31 December, 2021 include the following:

- Unearned Premium Reserves ("UPR") in respect of premiums received for unexpired coverage.
- Incurred but Not Reported Reserves, including outstanding claims.

Changes to key assumptions have been disclosed in note 4b(iii) and the impact of these changes are disclosed in note 17(i).

8 Significant estimates and judgments (continued)

a. *Key sources of estimation uncertainty (continued)*

(iii) *Allowances for credit losses*

The allowances for impairment are based upon management's best estimate of the cash flows expected to be received. In these estimates, judgments are made about the value of the counterparty's financial situation of any collateral. The Finance function approves these work-out strategies and cash flow estimates. Allowances for credit losses are made for individual exposures, not for groups of portfolios.

b. *Critical judgements in applying accounting policies*

(i) *Determining fair values*

Fair value reflects the present value of future cash flows associated with a financial asset or liability where an active market exists. Under normal circumstances, observable market prices or rates are used to determine fair value. For financial instruments with no active market or a lack of price transparency, fair values are estimated as the purchase cost; where there are no indicators that the financial asset is impaired. The assumptions and judgments applied here affect the derived fair value of the instruments.

(ii) *Held-to-maturity investments*

The Company follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires judgment. In making this judgment, the Company evaluates its intention and ability to hold such investments to maturity. If the Company fails to keep these investments to maturity other than for the specific circumstances - for example, selling other than an insignificant amount close to maturity - it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value, not amortised cost.

(iii) *Impairment of assets*

Judgment is required to determine whether there are indicators of impairment. If impairment is indicated then the amount is determined using the techniques described in accounting policy 3(e).

(iv) *Retirement benefit plan*

Estimates and judgements are used in determining the value of the Company’s defined benefit plan assets and obligations. Assumptions used are disclosed in note 10.

(v) *Income Taxes*

Judgements are required in determining the provision for income taxes. The tax liability or asset arising from certain transactions or events may be uncertain in the ordinary course of business. In cases of such uncertainty, the company recognises liabilities for possible additional taxes based on its judgement. Where, on the basis of a subsequent determination, the final tax outcome in relation to such matters is different from the amount that was initially recognised, the difference will impact the current and deferred income tax provisions in the period in which such determination is made.

(vi) *Depreciation methods, useful lives and residual values*

Depreciation methods, useful lives and residual values rely on judgement and estimates by management, one of which is that the relevant assets will continue to be used for their current purpose. In addition, useful lives and residual values vary between individual assets and are dependent upon continuation of the current level of maintenance. Should there be a change in the present use or level of maintenance this could change the charge for depreciation and net book value of property, plant and equipment within the next financial year.

9 Non-financial assets and liabilities

a. *Intangible assets*

	2021 $	2020 $
Year ended 31 December		
Opening net book value	295,151,359	269,066,482
Additions	43,923,080	68,190,237
Amortisation charge	(39,121,763)	(42,105,360)
Closing net book value	299,952,676	295,151,359
At 31 December		
Cost	427,693,834	383,770,754
Accumulated amortisation	(127,741,158)	(88,619,395)
Net book value	299,952,676	295,151,359

b. *Property, plant and equipment (PPE)*

	Office furniture and equipment $	Computer equipment software $	Leased motor vehicles $	Leasehold improvements $	Right-of-use assets $	Total $
Opening net book value	3,737,433	7,682,354	2,050,000	28,629,107	28,993,114	71,092,008
Additions to PPE	136,625	5,843,020	--	444,043	--	6,423,688
Additions to right of use asset	--	--	--	--	3,206,669	3,206,669
Depreciation charge	(633,871)	(5,689,369)	(1,640,000)	(7,129,393)	(7,266,414)	(22,359,047)
Closing net book value	3,240,187	7,836,005	410,000	21,943,757	24,933,369	58,363,318
At 31 December 2021						
Cost	18,821,796	43,785,411	14,190,000	46,299,239	46,741,756	169,838,202
Accumulated depreciation	(15,581,609)	(35,949,406)	(13,780,000)	(24,355,482)	(21,808,387)	(111,474,884)
Net book value	3,240,187	7,836,005	410,000	21,943,757	24,933,369	58,363,318
At 31 December 2020						
Opening net book value	3,956,857	9,772,531	3,690,000	3,362,701	17,737,535	38,519,624
Additions to PPE	380,608	4,179,270	--	29,646,239	--	34,206,117
Arising on adoption of IFRS 16	--	--	--	--	18,526,565	18,526,565
Disposals	--	(95,070)	--	--	--	(95,070)
Depreciation charge	(600,032)	(6,174,377)	(1,640,000)	(4,379,833)	(7,270,986)	(20,065,228)
Net book value	3,737,433	7,682,354	2,050,000	28,629,107	28,993,114	71,092,008

10 Retirement benefit plan assets

The following information explains the quantification of the assets and liabilities recognised in the statement of financial position and the net income for the year in accordance with the provisions.

	2021 $	2020 $
Funded status reconciliation at end of period		
Present value of the obligation	(105,636,000)	(94,708,000)
Fair value of plan assets	138,815,000	132,353,000
Over-funded obligation	33,179,000	37,645,000
Effect of asset ceiling	--	(6,825,000)
Asset recognised in statement of financial position	33,179,000	30,820,000
Movements in net asset		
Opening net asset	30,820,000	32,673,000
Retirement benefit expense	(715,000)	(1,165,000)
Total remeasurements included in OCI	747,000	(2,970,000)
Employer's contributions	2,327,000	2,282,000
Closing net asset	33,179,000	30,820,000

The amount in the Statement of Comprehensive Income is made up as follows:-

Expense recognised in profit or loss (P&L)		
Employer’s current service cost	(3,080,000)	(2,935,000)
Interest cost on obligation	(8,326,000)	(6,350,000)
Interest income on plan assets	11,926,000	9,361,000
Interest on effect of asset ceiling	(614,000)	(475,000)
Past service cost	--	--
Administrative expenses	(621,000)	(766,000)
Components of defined benefit cost recognised in the P&L	(715,000)	(1,165,000)
Components of OCI (Remeasurements)		
Actuarial loss on obligation	(1,542,000)	(1,469,000)
Actuarial loss on plan assets	(5,151,000)	(1,489,000)
Change in effect of asset ceiling	7,440,000	(12,000)
Components of defined benefit cost/surplus recorded in OCI	747,000	(2,970,000)
Defined benefit cost	32,000	(4,135,000)

10 Retirement benefit plan assets (continued)

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

	2021 $	2020 $
Fair value of plan assets at beginning of period	132,353,000	124,389,000
Employees' contributions	2,371,000	2,239,000
Employer's contributions	2,327,000	2,282,000
Interest income	11,926,000	9,361,000
Benefits paid	(4,390,000)	(3,663,000)
Administrative expenses	(621,000)	(766,000)
Actuarial loss on plan assets	(5,151,000)	(1,489,000)
Fair value of plan assets at end of period	138,815,000	132,353,000

The movement in the obligation to plan members over the year is as follows:

Changes in the present value of the obligation		
Present value of obligation at beginning of period	94,708,000	85,377,000
Employer's current service cost	3,080,000	2,935,000
Employees' contributions	2,371,000	2,239,000
Interest cost	8,326,000	6,350,000
Benefits paid	(4,390,000)	(3,663,000)
Actuarial gain - experience adjustments	(1,486,000)	2,086,000
Actuarial loss/(gain) - changes in financial assumptions	3,027,000	(616,000)
Present value of obligation at end of period	105,636,000	94,708,000

10 Retirement benefit plan assets (continued)

The principal actuarial assumptions used for accounting purposes were:

The economic assumptions adopted for the current and prior Measurement Dates are shown below.		
Measurement Date:	**2021**	**2020**
(1) Discount Rate (% p.a.)	8.0	9.0
(2) Salary Increases (% p.a.)	5.5	6.5
(3) Retirement Benefit Increases (% p.a.)	3.75	4.5
(4) Price inflation (% p.a.)	5.00	6.00

The following demographic assumptions are applicable for the valuation as at 31 December 2021.

(1) Mortality in Service and Retirement	RP-2014 Employee and Healthy Annuitant Mortality Rates projected to the Measurement Date, using the Society of Actuaries' Scale MP-2014. Specimen mortality rates (number of occurrences per 1,000 members) are given below:		
	Attained Age	**Males**	**Females**
	25	0.427	0.155
	30	0.405	0.204
	35	0.477	0.271
	40	0.561	0.362
	45	0.856	0.588
(2) Withdrawal	Withdrawal rates were adopted as follows:		
	Attained Age	**Males**	**Females**
	25	12.0%	8.0%
	30	8.0%	4.0%
	35	5.0%	2.5%
	40	5.0%	2.5%
	45	2.0%	1.0%
	50	2.0%	1.0%
	55	--	--
(3) Incapacity Retirement	Nil		
(4) Retirement Rates	100% for persons at the Normal Retirement Age.		
(5) Actuarial Value of the Fund	Statement of Financial Position Value of the Fund.		
(6) Income Tax	The Fund will continue to be tax exempt.		

10 Retirement benefit plan assets (continued)

Retirement benefit plan assets are comprised as follows:

Distribution Of Assets By Type Of Security				
	2021		**2020**	
	Market Value of Assets	**Distribution of Assets**	**Market Value of Assets**	**Distribution of Assets**
	$'000	**% Total**	**$'000**	**% Total**
J$ Debentures	36,090	26%	41,412	31%
Investment Properties	31,670	23%	32,102	24%
Quoted Equities	32,109	23%	26,937	21%
US$ Debentures	18,295	13%	20,922	16%
Repurchase Agreements	12,404	9%	2,739	2%
US$ Certificates of Deposit	1,156	1%	3,816	3%
Unit Trusts	7,388	5%	5,586	4%
Real Estate Investment Trusts	1,563	1%	1,443	1%
Net Current Assets	(1,860)	-1%	(2,604)	-2%
Total	138,815	100%	132,353	100%

The expected Employer's Contribution for the 2022 Fiscal Year is $2.33 million, based on a contribution rate of 8% of pensionable salaries.

The average duration of the defined benefit plans obligation at the end of the reporting period is 9.0 to 19.5 years (2020: 9.2 to 19.6 years).

Shown below is the impact of the change in the Defined Benefit Obligation (DBO) of a one percent (1%) change in each of the key economic assumptions is shown. In determining the impact of each assumption, the others are held constant.

Sensitivity Analysis of Key Economic Assumptions ($'000)				
Measurement date	**2021**		**2020**	
Assumption	**+1%**	**-1%**	**+1%**	**-1%**
Discount rate	(13,727)	17,442	(12,116)	15,378
Future salary increases	4,990	(4,324)	4,039	(3,510)
Future pension increases	11,083	(9,420)	10,299	(8,664)

10 Retirement benefit plan assets (continued)

Liability duration

The liability duration for each category of Member as at the current and prior measurement dates is shown below.

Category of participant	Liability duration (Years)	
	2021	2020
Active members	19.5	19.6
Deferred pensioners	20.5	24.0
Retirees	9.0	9.2
All participants	**15.1**	**15.0**

The effect on the Defined Benefit Obligation of an increase of one year in the life expectancy is about $2.79 million (2020 $2.44 million).

11 Investment securities

The Company's investment securities are summarised by measurement category in the table below:

	CV2021 $	FV2021 $	CV2020 $	FV2020 $
Held-to-maturity	1,815,323,882	1,930,045,444	1,936,821,723	2,105,320,393

The following table presents the changes in held-to-maturity securities for the periods ended 31 December 2021 and 31 December 2020:

	2021 $	2020 $
Held-to-maturity		
Opening balance 1 January	1,936,821,723	1,575,075,944
Acquisitions	528,651,971	445,290,019
Maturities	(657,249,118)	(71,679,785)
Amortisation of premium	(22,859,710)	(20,932,465)
Foreign exchange gain	29,959,016	9,068,010
Closing balance 31 December	1,815,323,882	1,936,821,723

All held-to-maturity investments are fixed rate instruments.

Section 8(1) (b) of the Insurance Regulations 2001 requires the Company to pledge to the Financial Services Commission, investment securities with a minimum face value of $90,000,000. The amount of $100,322,500 (2020 - $104,889,000) represents the fair value of these investment securities including interest receivable, pledged as at 31 December 2021.

	2021 $	2020 $
Current	622,450,181	556,537,502
Non-Current	1,192,873,701	1,380,284,221
	1,815,323,882	1,936,821,723

12 Other assets

	2021 $	2020 $
Premiums receivable	72,375,461	98,084,016
Interest receivable	45,248,134	50,832,504
Prepayments	1,557,704	3,972,547
Other receivable	1,958,415	2,376,826
	121,139,714	155,265,893

13 Related parties

a. *Identity of related party*

The Company has a related party relationship with its parent, other group companies, directors and key management personnel.

A number of transactions have been entered into with related parties in the normal course of business.

b. *Related party transactions and balances*

(i) *Transactions during the period*

Management fees		103,364,650	134,989,482
Software development recharges		58,570,795	44,003,142
Acquisition of intangible assets		20,565,410	59,186,273
Reinsurance premiums		71,124,463	66,933,594
Reinsurance recoveries	(a)	433,223,864	--
Directors' fees		6,301,380	5,916,000

(ii) *Amounts due from/to ultimate parent, and related parties*

Due from:			
Ultimate parent company- Reinsurance	(b)	178,818,319	--
Other related parties		167,400	80,033
		178,985,719	80,033
Due to:			
Ultimate parent company- Reinsurance		18,093,510	17,224,156
Software Upgrade		24,156,353	16,634,748
Other related parties		14,644,084	24,488,481
		56,893,947	58,347,385

The amounts payable to related parties are interest-free, unsecured and are repayable within three months.

(a) This balance comprise amounts recognised as reinsurance recoverable from CMFG Life Insurance Company, CCIJ's reinsurer. During the year as a result of the COVID-19 pandemic, losses exceeded 70% of net premium income which triggered a recoverable under the reinsurance agreement between both companies. The amount is interest free, unsecured and repayable within three months.

(b) This balance comprise amount due from CMFG Life Insurance Company for remaining payment of reinsurance recoveries as a result of the reinsurance agreement between both companies being triggered during the year. See note (a) above.The amount is interest free, unsecured and repayable within three months.

13 Related parties (continued)

c. *Transactions with key management personnel*

There were four (2020: four) key management personnel employed with the Company during the year. The key management personnel compensation is as follows:

	2021 $	2020 $
Long-term employee benefits	2,034,221	1,389,571
Short-term employee benefits	37,812,519	33,667,269
	39,846,740	35,056,840

14 Cash and cash equivalents

Cash in hand and at bank	422,927,278	441,187,185
Fixed deposits (maturing in less than three months)	18,564,814	64,767,991
	441,492,092	505,955,176

15 Stated capital

Authorised:
The Company has no limit on the number of shares that it is authorised to issue.

Issued and fully paid:
10,000 ordinary shares at no par value

In issue at 31 December	167,294,598	167,294,598

During 2016, the parent paid $494,442,850 into the Company, which was recorded as capital contribution. This has no fixed repayment terms and is expected to be capitalized as shares.

16 Reserves

	2021 $	2020 $
Defined Benefit Pension Plan	22,200,000	21,266,250
COVID-19 Corporate Social Responsibility Fund	61,989,716	62,351,960
	84,189,716	83,618,210

These reserves comprise the actuarial remeasurement of the Defined Benefit Pension Plan and the resultant deferred tax on same, as well as a COVID-19 Corporate Social Responsibility Fund. During 2020, the Company established a COVID-19 Corporate Social Responsibility Fund, which will be used to cover the monthly premiums (up to six months) for primary insured members who have become unemployed or, in the case of self- employment, were forced to close their business due to the pandemic.

17 Insurance contracts

Future policyholders' benefits (i)	2021 $	2020 $
- Individual Life	30,902,689	28,864,759
- Group Life	559,476,145	367,452,291
Policyholders' dividend and other amounts on deposits	15,384,227	14,329,963
	605,763,061	410,647,013
Net (increase)/decrease in reserve for policyholders' benefits	(192,870,674)	638,069,712
Net (increase)/decrease in reserve for unearned premiums	(1,191,110)	(1,377,070)
Net (increase)/decrease in reserve for policy holder dividends & other amounts on deposit	(1,054,264)	(718,927)
	(195,116,048)	635,973,715

(i) *Future policyholders' benefits*

Individual life reserves

Liability as at January 1	28,864,759	26,804,588
Interest during the year	1,819,230	1,671,099
Valuation premiums	618,868	626,203
Expenses	(1,444,232)	(1,180,216)
Claims	(1,194,345)	(1,116,867)
Change in assumptions	1,366,433	2,323,489
Other	871,976	(263,537)
Liability as at 31 December	30,902,689	28,864,759

The increase during 2021 is in keeping with the Company's actuarial valuation of the individual life portfolio.

	2021			
	FIP $	LP & LS $	Other $	Total $
Liability as at January 1	207,864,854	133,126,394	26,461,043	367,452,291
Add: Change in ultimate estimate for accident year 2020 and Prior	22,203,541	33,070,168	(10,739,223)	44,534,486
Add: Ultimate estimate for accident year 2021	2,697,456,392	348,430,285	28,257,599	3,074,144,276
Less: Payments made in 2021	(2,597,876,000)	(305,008,504)	(17,030,550)	(2,919,915,054)
Data Adjustments	(5,200,000)	(2,816,787)	--	(8,016,787)
Other	85,823	--	1,191,110	1,276,933
Liability as at December 31	324,534,610	206,801,556	28,139,979	559,476,145

18 Accounts payable and unallocated premium

	2021 $	2020 $
Accounts payable	49,871,034	32,438,466
Unallocated premium and advanced premiums	25,586,781	23,653,201
Accrued expenses	55,417,570	42,327,358
	130,875,385	98,419,025

19 Claims and other benefits

There were no reinsurance recoveries on claims incurred in 2020.

	2021 $	2020 $
Claims paid (death and disability)	2,917,204,387	2,077,365,198
Surrenders	1,370,536	1,615,121
Dividends to policyholders	60,046	137,488
	2,918,634,969	2,079,117,807

20 Management and operating expenses

Depreciation expense	22,359,047	20,065,228
Amortisation expense	39,121,763	42,105,360
Lease expense	17,378,626	15,237,910
Directors' fees	6,301,380	5,916,000
Employee related expense (20a)	140,841,976	136,003,250
Marketing and communication expense	34,232,240	33,266,002
Utilities expense	525,739	1,045,150
Audit fees	13,894,023	10,107,952
Professional services expense	39,653,890	19,225,271
Management fees	105,532,026	136,462,348
Other operating expenses	89,248,125	96,609,457
	509,088,835	516,043,928

a. *Employee Related Expense*

Salaries and wages	106,635,363	105,602,174
Post retirement benefits	4,900,850	2,403,971
Insurance	4,878,135	4,913,612
Payroll taxes	13,895,276	10,673,857
Other employee benefits	10,532,352	12,409,636
	140,841,976	136,003,250

21 Taxation

a. *Taxation charge is based on the profit for the year adjusted for tax purposes and is made up as follows:*

	2021 $	2020 $
Current income tax expense	28,752,092	291,586,427
Increase in deferred tax asset	(23,026,912)	(12,183,477)
(Increase)/decrease in deferred tax liability	403,000	279,250
	6,128,180	279,682,200

21 Taxation

b. Reconciliation of effective tax rate

	2021 $	2020 $
Profit before taxation	70,165,355	1,095,390,049
Expected tax charge 25% (2020: 25%)	17,541,339	273,847,512
Adjusted for:		
Capital allowance less depreciation and amortisation	(2,168,775)	584,022
Capital portion of finance lease	(1,595,659)	--
Movement on retirement benefits plan	(589,750)	463,500
Disallowed expenses and other capital adjustments	2,238,248	11,888,083
Net effect of other allowances	(9,297,223)	(7,100,917)
Actual taxation charge	6,128,180	279,682,200

c. *Deferred tax balances*

	Property plant and equipment $	Intangible assets $	Right-of-use assets $	Defined benefit obligation $	Other $	Total $
Movements						
As 1 January 2020	1,113,661	48,183,775	(1,840,662)	(8,168,250)	(9,356,539)	29,931,985
(Charged)/credited to profit or loss	(1,159,323)	11,623,596	5,070,790	(279,250)	(3,351,586)	11,904,227
(Charged)/credited to other comprehensive income	--	--	--	742,500	--	742,500
As 31 December 2020	(45,662)	59,807,371	3,230,128	(7,705,000)	(12,708,125)	42,578,712
As 1 January 2021	(45,662)	59,807,371	3,230,128	(7,705,000)	(12,708,125)	42,578,712
(Charged)/credited to profit or loss	(442,440)	19,984,302	2,088,957	(403,000)	1,396,093	22,623,912
(Charged)/credited to other comprehensive income	--	--	--	186,750	--	186,750
As 31 December 2021	(488,102)	79,791,673	5,319,085	(7,921,250)	(11,312,032)	65,389,374

A deferred tax asset of $73,310,623 (2020: $50,283,712) and deferred tax liability of $7,921,250 (2020: $7,705,000) arising from temporary differences relating to the Company's assets and liabilities respectively has been recognised by the Company, as management believes that the asset will be realised in the foreseeable future.

d. *Taxation recoverable comprises of:*

	2021 $	2020 $
Tax withheld at source	18,952,095	24,266,254
Over-payment of estimated tax liability	--	119,247,043
	18,952,095	143,513,297

21 Taxation (continued)

d. *Taxation recoverable comprises of: (continued)*

During 2020, the Company had a one-off release in reserves of $665,386,183, which was included as part of statutory income for that year; as a result the initial estimated tax computed for 2021 was more than the subsequent revised amount hence over-payment up to quarter three of 2021.

22 Leases

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

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

	Notes	2021 $	2020 $
Right-of-use assets			
Buildings	9(b)	24,933,369	28,993,114
Motor vehicles		410,000	2,050,000
		25,343,369	31,043,114
Lease liabilities			
Current		11,052,817	8,992,184
Non-current		20,956,143	25,634,218
		32,008,960	34,626,402

Additions to the right-of-use assets during the 2021 financial year were $3,206,669 (2020 – $18,526,566).

(ii) *Amounts recognised in the statement of comprehensive income*

Depreciation charge on right-of-use assets			
Buildings		7,266,414	7,270,986
Motor vehicles		1,640,000	1,640,000
	9(b)	8,906,414	8,910,986
Interest expense (included in management and operating expenses)	20	3,294,013	3,479,543
Maintenance costs related to leased buildings (included in management and operating expenses)	20	14,084,613	14,955,443

23 Subsequent events

There were no events subsequent to 31 December 2021 which resulted in required adjustments to the balances reported in these financial statements or a requirement for additional disclosures.

24 Contingent liability

There Company had no contingent liabilities as at 31 December 2021 (2020: Nil).