Guardian General Insurance Jamaica Limited

Financial Statements
31 December 2021

SECTION 3 EXPRESSION OF OPINION

The liabilities described in this report by the term "policy and claims liabilities" refer to the liabilities described in the regulations to *The Insurance Act, 2001* by the term "actuarial liabilities". The author's opinion relates to the values of the policy and claims liabilities as summarized in Sections 3.2 and 3.3 of this report. The financial condition of the Company noted in Section 3.1 below refers to the financial state reflected by the amount, nature and composition of its assets, liabilities and equity, all at a particular point in time.

3.1 Report of the Appointed Actuary

I have examined the financial condition and valued the policy and claims liabilities of Guardian General Insurance Jamaica Limited for its balance sheet as at 31 December 2021 and the corresponding change in the policy and claims 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 general insurance companies in Jamaica. I have relied upon PwC, for the substantial accuracy of the 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 data are sufficient and reliable and fulfil acceptable standards of care;

ii) the valuation of policy and claims liabilities has been made in accordance with generally accepted actuarial practice, with such changes as determined and directions made by the Financial Services Commission;

iii) the methods and assumptions used to calculate the policy and claims liabilities are appropriate to the circumstances of the Company and of the said policies and claims;

iv) the amount of the policy and claims liabilities represented in the balance sheet of Guardian General Insurance Jamaica Limited makes proper provision for the future payments under the Company's policies and meets the requirements of *The Insurance Act, 2001* 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 Financial Services Commission;

Xavier Bénarosch
Fellow, Canadian Institute of Actuaries

Kingston, Jamaica
9 February 2022

Independent auditor's report

To the Members of Guardian General 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 Guardian General 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.

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica
T: (876) 922 6230, F: 876) 922 7581, www.pwc.com/jm

Responsibilities of management 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.

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
18 March 2022

Guardian General Insurance Jamaica Limited
Statement of Comprehensive Income
Year ended 31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2021 $'000	2020 $'000
Gross premiums written		10,390,775	9,569,283
Outward reinsurance premiums		(8,173,277)	(7,326,696)
Premiums written, net of reinsurance		2,217,498	2,242,587
Change in provision for unearned premiums		12,894	(74,238)
Premiums earned, net of reinsurance		2,230,392	2,168,349
Claims incurred, net of reinsurance		(1,704,765)	(1,501,752)
Commissions earned		1,122,220	1,039,091
Commissions paid		(685,783)	(704,656)
Change in net deferred policy acquisition costs		(5,117)	(9,059)
Interest expense	22	(1,607)	(1,766)
Administrative expenses	8	(807,953)	(728,954)
Underwriting profit		147,387	261,253
Investing Activities			
Interest income earned from financial assets measured at:			
Fair value through profit and loss and other investment income		294,125	277,695
Amortised cost and held-to-maturity		16,172	14,678
Interest income	10	310,297	292,373
Other investment income	10	33,426	22,120
Net fair value gains/(losses)	10	152,570	(337,161)
Net impairment reversal on financial assets	10	14,750	36,028
Other income		(1,024)	4,979
Foreign exchange gains		216,402	129,424
Profit before taxation		873,808	409,016
Taxation	11	(255,410)	(191,347)
Net profit attributable to owners of the parent		618,398	217,669
Other comprehensive income:			
Amount not to be reclassified to profit or loss in future periods:			
Re-measurement of employee benefit obligation, net of taxes	25	867	267
Amount to be reclassified to profit or loss in future periods:			
Investment fair value (loss) / gain, net of taxes	26	(109,111)	28,048
Expected credit loss on financial assets at FVOCI	26	(20,154)	(57,279)
Total other comprehensive loss		(128,398)	(28,964)
Total comprehensive income attributable to owners of the parent		490,000	188,705

The accompanying notes form an integral part of these financial statements.

Guardian General Insurance Jamaica Limited
Statement of Financial Position
31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2021 $'000	2020 $'000
Assets			
Property and equipment	12	67,828	90,035
Right-of-use assets	22	40,242	9,143
Investments	13	7,704,932	6,756,344
Due from policyholders, brokers and agents		1,521,147	1,316,245
Deferred policy acquisition costs	14	296,495	296,636
Recoverable from reinsurers	15	5,771,344	4,400,404
Other receivables	16	38,783	13,960
Cash and cash equivalents	17	1,976,056	2,119,581
Total assets		17,416,827	15,002,348
Equity			
Share capital	18(a)	1,138,500	1,138,500
Other capital reserves	18(b)	213,167	213,167
Revaluation reserves	26	407,727	536,992
Retained earnings		3,435,227	2,923,962
Total equity		5,194,621	4,812,621
Liabilities			
Insurance reserves	15	10,193,264	8,502,629
Deferred tax liabilities, net	19	308,603	231,397
Due to reinsurers and co-insurers		1,337,692	1,048,950
Other creditors	20	260,701	227,870
Lease liabilities	22	40,863	10,968
Employee benefit obligation	25	17,800	18,600
Taxation payable		63,283	149,313
Total liabilities		12,222,206	10,189,727
Total equity and liabilities		17,416,827	15,002,348

The accompanying notes form an integral part of these financial statements.

On 8 February 2022, the Board of Directors authorised these financial statements for issue.

Peter Thwaites Director

David Williams Director

Guardian General Insurance Jamaica Limited
Statement of Changes in Equity
Year ended 31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

	Notes	Share Capital $'000	Other Capital Reserves $'000	Revaluation Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 January 2020		1,138,500	213,167	566,223	2,706,026	4,623,916
Net profit for the year, restated		–	–	–	217,669	217,669
Other comprehensive (losses) / income	26	–	–	(29,231)	267	(28,964)
Total comprehensive income		–	–	(29,231)	217,936	188,705
Balance at 31 December 2020		1,138,500	213,167	536,992	2,923,962	4,812,621
Net profit for the year		–	–	–	618,398	618,398
Other comprehensive (losses)/ income	26	–	–	(129,265)	867	(128,398)
Total comprehensive income		–	–	(129,265)	619,265	490,000
Transactions with owners -:						
Dividends paid	24	–	–	–	(108,000)	(108,000)
Balance at 31 December 2021		1,138,500	213,167	407,727	3,435,227	5,194,621

The accompanying notes form an integral part of these financial statements.

Guardian General Insurance Jamaica Limited

Statement of Cash Flows

Year ended 31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2021 $'000	2020 $'000
Cash flows from operating activities			
Net profit for the year		618,398	217,669
Adjustments for:			
Depreciation of property and equipment and right of use	12 & 22	44,439	53,394
Impairment gains (net)	10	(10,682)	(47,831)
Loss / (gain) on disposal of property and equipment		2,816	(3,248)
Gain on disposal of investments	10	–	(2,670)
Interest expense		1,607	1,766
Interest and dividend income	10	(356,173)	(326,066)
Tax expense	11	255,410	191,347
Employee benefit obligations	25	1,600	1,400
Unrealised fair value (gains)/losses on investments	10	(152,570)	339,831
Changes in operating assets and liabilities			
Net increase in insurance reserves		1,690,635	916,958
Net increase in due from policyholders, brokers and agents		(204,902)	(89,809)
Net decrease / (increase) in deferred policy acquisition costs		141	(31,722)
Net increase in recoverable from reinsurers		(1,370,940)	(672,767)
Net (increase) / decrease in other receivables		(24,815)	7,966
Net (increase) / decrease in due from/to related parties		(9,635)	8,247
Net increase in due to reinsurers and co-insurers		288,742	324,055
Net increase / (decrease) in other creditors		42,458	(121,915)
Net cash provided by operating activities		816,529	766,605
Taxation paid		(291,946)	(169,062)
Interest and dividend received		348,747	325,494
Net cash provided by operating activities		873,330	923,037
Cash flows from investing activities			
Purchase of property and equipment	12	(13,817)	(27,286)
Proceeds from disposal of property and equipment		3,013	3,248
Investments, net		(888,362)	123,052
Net cash (used in) / provided by investing activities		(899,166)	99,014
Cash flows from financing activities			
Repayment of lease liabilities		(17,049)	(16,454)
Dividends paid	24	(108,000)	–
Net cash used in financing activities		(125,049)	(16,454)
Net (decrease) / increase in cash and cash equivalents		(150,885)	1,005,597
Effect of impairment gains / (losses)	10	4,068	(11,803)
Effect of exchange rate on cash and cash equivalents		1,574	1,023
Cash & cash equivalents at beginning of year		2,422,816	1,427,999
Cash and cash equivalents at end of year		2,277,573	2,422,816
Cash and cash equivalents comprise:			
Short-term investments	13	301,517	303,235
Cash and bank	17	1,976,056	2,119,581
		2,277,573	2,422,816

The accompanying notes form an integral part of these financial statements.

Guardian General Insurance Jamaica Limited
Notes to the Financial Statements
31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Activity

Guardian General Insurance Jamaica Limited (the "Company") is a limited liability company, incorporated and domiciled in Jamaica, with registered office at 19 Dominica Drive, Kingston 5, Jamaica. The Company is a wholly-owned subsidiary of Guardian Group St. Lucia Holdings Limited (formerly Globe Holdings Limited) which is incorporated in St. Lucia. Guardian Group St. Lucia Holdings Limited is a wholly-owned subsidiary of Guardian Holdings Limited, a company which is incorporated in the Republic of Trinidad and Tobago. Effective May 2019, the ultimate parent became Portland Holdings Inc., incorporated in Canada and controlled by the Honourable Michael A. Lee-Chin, OJ through NCB Financial Group (NCBFG), a company domiciled in Jamaica and listed on the Jamaica Stock Exchange (JSE).

The Company is licensed to operate as a general insurance company under the Insurance Act 2001. Its principal activity is the underwriting of property and casualty risks.

The financial statements were authorised for issue by the directors on 8 February 2022. The directors have the power to amend and reissue the financial statements.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. Basis of preparation

(i) Statement of compliance
These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and the requirements of the Jamaican Companies Act.

The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in the notes. Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense will not be offset in the statement of comprehensive income unless required or permitted by an accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

(ii) Basis of measurement
The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment securities classified as fair value through profit or loss and fair value through other comprehensive income.

(iii) Judgements
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6.

2. Significant accounting policies (Continued)

2.2. Adoption of new and revised International Financial Reporting Standards

(i) New standards and amendments/revisions to published standards and interpretations effective in 2021

Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions, (effective for annual periods beginning on or after 1 June 2020). As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The company did not obtain any COVID-19 related rent concessions during the year.

(ii) New standards and amendments/revisions to published standards and interpretations effective in 2021 but not applicable to the Company

Amendments to IFRS 9, IFRS 4 and IFRS 16 – interest rate benchmark reform – Phase 2, (effective for annual periods beginning on or after 1 January 2021). These amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform, and in addition to reliefs for accounting for changes in the basis for determining the contractual cash flows for cash instruments

Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9, (effective for annual periods beginning on or after June 2020). These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial instrument until 1 January 2023.

(iii) New standards, interpretations and revised or amended standards that are not yet effective and have not been early adopted by the Company

The following is a list of new standards, interpretations and amendments issued that are not yet effective as at 31 December 2021 and have not been early adopted by the Company.

Amendments to to IFRS 16, 'Leases' – COVID-19 related rent recession Extension of the practical expedient, (effective for annual periods beginning on or after 1 April 2021). As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

Guardian General Insurance Jamaica Limited
Notes to the Financial Statements
31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant accounting policies (continued)

2.2. Adoption of new and revised International Financial Reporting Standards (continued

(iii) New standards, interpretations and revised or amended standards that are not yet effective and have not been early adopted by the Company (continued)

A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (effective for annual periods beginning on or after 1 January 2022).

- Amendments to IAS 16, ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- Amendments to IAS 37, ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.
- Annual improvements make minor amendments to IFRS 1, ‘First-time Adoption of IFRS’, IFRS 9, ‘Financial instruments’, IAS 41, ‘Agriculture’ and the Illustrative Examples accompanying IFRS 16, ‘Leases’.

The company is currently evaluating the impact of these amendments, however they are not expected to have a material impact on the financial statements.

IFRS 17, ‘Insurance contracts’, as amended in December 2021, (effective for annual periods beginning on or after 1 January 2023).This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The Company's assessment of the impact of IFRS 17, including work to ensure implementation by the effective date, is ongoing.

Amendments to IAS 1, Practice statement 2 and IAS 8, (effective for annual periods beginning on or after 1 January 2023). The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. The company is currently evaluating the impact of these amendments, however they are not expected to have a material impact on the financial statements.

Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction, (effective for annual periods beginning on or after 1 January 2023). These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. The company is currently evaluating the impact of these amendments, however they are not expected to have a material impact on the financial statements.

Amendments to IAS 1, Presentation of financial statements’, on classification of liabilities,(effective for annual periods beginning on or after 1 January 2024). These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means where it refers to the ‘settlement’ of a liability. The company is currently evaluating the impact of these amendments, however they are not expected to have a material impact on the financial statements.

2. Significant accounting policies (continued)

2.3 Revenue recognition

(i) Underwriting income

Premiums are recognised over the life of the policies written. The portion of premiums written in the current year which relates to coverage in subsequent years is deferred as unearned premiums (Note 2.6). Commissions earned on the reinsurance of risks are credited to revenue over the life of the policies.

(ii) Investment income

Interest income is recognised using the effective interest method. Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except under IFRS 9 for:

- Purchased or originated credit-impaired financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
- Financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, for which interest revenue is calculated by applying the effective interest rate to their amortised cost i.e. net of the expected credit loss provision.

(iii) Dividend

Dividend income for equities is recognised when the right to receive payment is established.

(iii) Realised and unrealised investment gains and losses

Realised and unrealised gains and losses on investments measured at amortised cost or fair value through profit or loss are recognised in profit or loss in the period in which they arise.

Unrealised gains and losses on investment securities measured at fair value through other comprehensive income are recognised in other comprehensive income. On derecognition, debt securities gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Guardian General Insurance Jamaica Limited
Notes to the Financial Statements
31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant accounting policies (Continued)

2.4 Insurance contracts (continued)

Insurance contracts are those contracts that transfer significant insurance risk. The Company's insurance contracts are classified as short-term insurance contracts which include casualty, marine, motor insurance and property insurance contracts.

- Property insurance contracts mainly compensate the Company's customers in the event of loss from a specified insured peril up to the insured amount and within the terms of the policy conditions. These contracts are issued for both private and commercial risks. Customers who undertake commercial activities on their premises could also receive compensation for consequential loss/business interruption caused by insured perils.
- Motor insurance contracts indemnify the Company's customers for their legal requirement under the road traffic legislation. These contracts may be extended for additional coverage such as physical damage, theft and personal accident.
- Casualty insurance contracts provide coverage for liability exposures that indemnify the Company's customers against actions from third parties, which are subject to the policy limits and conditions. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and employers who become liable to pay compensation to third parties for bodily harm or property damage (public liability).
- Marine insurance contracts indemnify the Company's customers for loss or damage to their insured cargo, commercial hull and pleasure craft vessels. Third party coverage is also provided.

For these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risk at the statement of financial position date is reported as the unearned premium liability. Premiums are shown before deductible commissions payable agents and brokers and exclude any taxes or duties levied on such premiums. Premium income includes premiums collected by agents and brokers not yet received by the Company.

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim (salvage). The Company may also have the right to pursue third parties for payment of some of all costs (subrogation). The estimated cost of claims includes a deduction for the expected value of salvage and other recoveries.

Claims and loss adjustments expenses are charged to profit or loss as incurred based on estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the statement of financial position date even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims other than for disability claims. Liabilities for unpaid claims are estimated using techniques such as the input of assessments for individual cases reported to the Company and statistical analyses for claims incurred but not reported (IBNR), and to estimate the expected ultimate cost of more complex claims that may be affected by external factors such as court decisions. Estimates are continually revised as more information becomes available and for the effects of anticipated inflation. Adjustments arising on these revisions are recognized within claims expense in the current year.

2. Significant accounting policies (Continued)

2.5 Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance 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 the impairment loss in profit or loss.

2.6 Provision for unearned premiums

Unearned premiums represent the portion of premiums written in the current year that relate to periods of insurance subsequent to the statement of financial position date calculated using the three hundred and sixty-fifths method. Unearned premiums relating to marine cargo are calculated using the shorter of the three hundred and sixty-fifths method and the term of the contract effective after the first date of sailing.

2.7 Provision for unexpired risks

The provision for unexpired risks is determined by the appointed actuary and represents the expected future costs associated with the unexpired portion of policies in force as of the statement of financial position date, in excess of the net unearned premium minus net deferred policy acquisition costs.

2.8 Provision for claims outstanding

The provision for claims outstanding represents estimates of the cost of settling claims made, but not paid as of the statement of financial position date, less expected reinsurance recoveries. The provision for claims incurred but not reported ("IBNR") is actuarially determined by the appointed actuary in accordance with the actuarial regulations of the Insurance Act, 2001. Estimates are continually revised as more information becomes available and for the effects of anticipated inflation. Adjustments arising on these revisions are included with claims expense in the current year.

Liability adequacy test

At each statement of financial position date, the Company assesses whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate, the deficiency is recognised in the statement of income and the amount of the relevant insurance liabilities is increased.

2. Significant accounting policies (Continued)

2.9 Reinsurance

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 are classified as reinsurance contracts.

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 as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with 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.

Estimated amounts of reinsurance recoverable, which represent the unearned portion of premiums ceded to the reinsurers are included in recoverable from reinsurers on the statement of financial position.

The Company assesses its reinsurance assets for impairment. 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 profit or loss.

2.10 Unearned commission

The unearned commission represents the actual commission income on premium ceded on proportional reinsurance contracts relating to the unexpired period of risk carried. The income is deferred as unearned commission reserves, and amortised over the period in which the commissions are expected to be earned. These reserves are calculated on the 365th method.

2.11 Deferred policy acquisition costs (“DAC”)

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are deferred and recognised as an asset. All other costs are recognised as expenses when incurred. The DAC is subsequently amortised as premium is earned over the life of the contracts.

Guardian General Insurance Jamaica Limited
Notes to the Financial Statements
31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant accounting policies (Continued)

2.12 Property and equipment and intangible assets

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment, if any. Intangible assets are stated at historical cost less accumulated amortisation and accumulated impairment, if any. Historical cost includes expenditure directly attributable to the acquisition of the items.

Acquired computer software licences and website development costs are capitalised as intangible assets on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are also recognised as intangible assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Property and equipment and intangible assets with the exception of freehold land, on which no depreciation is provided, are depreciated/amortised on a straight-line basis over the estimated useful lives of the assets as follows:

Computer and Equipment	33 1/3 %
Furniture and fixtures	10% - 20%
Motor vehicles	20%
Leasehold improvements	Shorter of period of lease or useful life of asset
Intangible assets	33 1/3 %

The residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with their carrying amount. These are included in the statement of comprehensive income.

2.13 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in thousands of Jamaican dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses 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.

2. Significant accounting policies (Continued)

2.14 Investments

(a) Initial recognition and measurement

Financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, the date on which the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

At initial recognition, the Company measures financial assets at its fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

The Company's financial assets include cash and bank deposits, investment in debt and equity securities, interest receivable, receivables arising from insurance contracts and reinsurance contracts and other loans and receivables.

(b) Classification and subsequent measurement

Debt instruments

The Company's debt instruments are measured in accordance with the business models determined for managing the asset and the cash flow characteristics of the asset.

There are three measurement categories into which the Company classifies its debt instruments:

(i) Amortised cost - Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The carrying amounts of these assets are adjusted by any expected credit loss allowance recognised. In addition to certain debt securities, the Company's loans and receivables are carried at amortised cost.

(ii) Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss.

2. Significant accounting policies (Continued)

2.14 Investments (continued)

(b) Classification and subsequent measurement (continued)

Debt instruments (continued)

(iii) Fair value through profit or loss - Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss in the period in which it arises. The Company may, on initial recognition, irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or fair value through other comprehensive income as fair value through profit or loss, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets held for trading, or are managed and whose performance is evaluated on a fair value basis, are measured at fair value through profit or loss.

The Company reclassifies debt instruments when and only when its business model for managing these assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be infrequent.

Business model assessment

The Company determines its business models at the level that best reflects how it manages groups of financial assets to achieve its business objective. Factors considered by the business units in determining the business model for a group of assets include:

- the stated policies and objectives for the group of assets and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets with the duration of any related liabilities or expected cash outflows or realising cash flows through sale of the assets;
- how performance of the group of assets is evaluated and reported to management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

If cash flows after initial recognition are realised in a way that is different from original expectations, the business units do not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets.

Guardian General Insurance Jamaica Limited
Notes to the Financial Statements
31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant accounting policies (Continued)

2.14 Investments (continued)

(b) Classification and subsequent measurement (continued)

Debt instruments (continued)

The solely payment of principal and interest (SPPI) test
'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and other basic lending risks and costs, as well as a profit margin.

Where the business model is to hold assets and collect contractual cash flows or to collect contractual cash flows and sell, the Company's business units assess whether the financial assets' cash flows represent solely payments of principal and interest. In making this assessment, the business units considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. the definition of interest. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Equity instruments
Subsequent to initial recognition, the Company measures all equity investments at fair value, and changes in the fair value of equity instruments are recognised in profit or loss.

(c) Derecognition of financial asset
A financial asset (or when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired.
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement.
- the Company has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risk and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to profit or loss.

2. Significant accounting policies (Continued)

2.15 Income taxes

Taxation expense in the statement of comprehensive income comprises current and deferred income tax charges.

Current income tax charges are based on taxable profits for the year, which differ from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The Company's liability for current income tax is calculated at tax rates that have been enacted at statement of financial position date.

Deferred tax is the tax expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. 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 amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is charged or credited in profit or loss, except in instances where deferred tax relates to items recognised directly in other comprehensive income, in which case, deferred tax is charged or credited to other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current income tax liabilities and when the deferred taxes relate to the same fiscal liability.

2.16 Employee benefits

(i) Pension Scheme
The Company operates a defined contribution scheme. A defined contribution scheme is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal 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 and prior periods. The contributions are recognised as employees' benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available.

(ii) Leave accrual
Employees' entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date.

2. Significant accounting policies (Continued)

2.16 Employee benefits (continued)

(iii) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve (12) months after the statement of financial position date are discounted to present

(iv) Employee benefit obligations

Post-retirement medical benefits are provided for the pensioners of the Company. Post retirement obligation included in the financial statements has been actuarially determined by an independent qualified actuary that was appointed by management. The actuarial valuation was conducted in accordance with the requirements of IAS 19, using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through the statement of comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation under expenses in profit or

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

(v) Cash-based long-term performance incentive plan

Effective 1 January 2017, the Company replaced its equity-settled share-based compensation plan with a cash-based long-term performance incentive plan. Accruals are made annually based on the ultimate expected and approved payments to eligible executives.

(vi) Bonus plan

The Company recognizes a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company recognizes a provision where contractually obligated or where there is a past practice that has created a constructive obligation.

2. Significant accounting policies (Continued)

2.17 Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

2.18 Leases

As a lessee
Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

2.19 Share Capital

Shares are classified as equity when there is no obligation to transfer cash and other assets. Incremental cost directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds

2.20 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash and bank balances, deposits held at call with banks, and other short-term highly liquid investments with maturities of 90 days or less, net of bank overdrafts.

Cash and cash equivalents are carried at amortised cost on the statement of financial position.

2.21 Impairment of non-financial assets

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

2. Significant accounting policies (Continued)

2.22 Impairment of financial assets

At each reporting date, the Company assesses, on a forward-looking basis, the expected credit losses (ECL) associated with its financial assets measured at amortised cost and fair value through other comprehensive income (excluding equity instruments).

The Company measures loss allowances on its debt instruments at an amount equal to lifetime ECL, except in the following cases, for which the amount recognised is 12-month ECL:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments for which credit risk has not increased significantly since initial recognition.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial asset, whereas 12-month ECL are the portion of ECL that results from default events that are possible within the 12 months after the reporting date.

For receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Loss allowances for ECL are presented in the financial statements as follows:

- Financial assets measured at amortised cost: the loss allowance is deducted from the gross carrying amount of the assets in the statement of financial position. Movement in ECL is recognised in profit or loss.
- Debt instruments measured at fair value through other comprehensive income: the loss allowance is recognised in other comprehensive income with the corresponding entry recognised in profit or loss. The loss allowance does not reduce the carrying amount of the financial asset in the statement of financial position.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring as at the reporting date with the risk of default occurring as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

The quantitative assessment to identify whether a significant increase in credit risk has occurred for an exposure is performed by comparing:

- the remaining lifetime probability of default as at the reporting date; with
- the remaining lifetime probability of default for this point in time that was estimated at the time of initial recognition of the exposure.

2. Significant accounting policies (Continued)

2.22 Impairment of financial assets (continued)

Significant increase in credit risk (continued)

The qualitative assessment to identify whether credit risk has increased significantly since initial recognition takes into account the following:

- Actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor’s ability to meet its obligations;
- Actual or expected significant changes in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the debtor;
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor;
- Actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant change in the debtor's ability to meet its debt obligation.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrated otherwise.

Despite the aforementioned, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if the financial instrument has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations. The Company considers a debt instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt instruments carried at fair value through comprehensive income are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the debtor or issuer;
- A breach of contract, such as a default or past due event;
- The disappearance of an active market for a financial asset because of financial difficulties;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- Rating agencies’ assessments of creditworthiness.

2. Significant accounting policies (Continued)

2.22 Impairment of financial assets (continued)

Definition of default

The Company considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the debtor is past due more than 90 days unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

In assessing whether a debtor is in default, the Company considers indicators that are qualitative, quantitative and based on data developed internally and obtained from external sources.

Write off

The Company writes off financial assets, either partially or in full, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity and where the Company's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount.

Measurement of expected credit losses

The measurement of expected credit losses is a function of:

(i) Probability of default - an estimate of the likelihood of default over a given time horizon;
(ii) Loss given default - an estimate of the loss arising in the case where a default occurs at a given time; and
(iii) Exposure of default - an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Forward-looking information considered by the Company includes economic data and forecasts published by governmental bodies and monetary authorities, supranational organisations such as the Organization for Economic Cooperation and Development and the International Monetary Fund, and selected private-sector and academic forecasters.

Expected credit losses are measured as the present value of all cash shortfalls i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive, discounted at the original effective interest rate.

2. Significant accounting policies (Continued)

2.23 Fair value measurement

The mechanics of the expected credit losses method are summarised below:

- A financial instrument that is not credit-impaired on initial recognition, a 12-month ECL allowance is calculated. The Company calculates the12-month ECL allowance based on the expectation of a default occurring in the twelve months following the reporting date. The expected12-month default probability is applied to a forecast exposure at default and multiplied by the expected loss given default, and discounted by the original effective interest rate.

- When a financial instrument has shown a significant increase in credit risk since initial recognition, the Company records an allowance for life-time ECL. The mechanics are similar to 12-month ECL calculation on a financial instrument that is not credit-impaired on initial recognition, but default probability and loss given default are estimated over the life of the instrument.

- For a financial instrument that is credit-impaired, but is not a purchased or originated credit-impaired financial instrument, the Company records an allowance for lifetime ECL calculated similar to lifetime ECL on a financial instrument that has shown a significant increase in credit risk since initial recognition.

- Purchased or credit-impaired financial assets are assets that are credit-impaired on initial recognition. ECL on these assets are always measured on a lifetime basis, discounted by a credit adjusted effective interest rate. The Company has no purchased or credit-impaired financial instruments.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the basis of shared risk characteristics that include: instrument type; credit risk ratings; nature, size and industry of debtors; collateral type; and geographic location of the debtor.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Company measures financial instruments at fair value at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2. Significant accounting policies (Continued)

2.23 Fair value measurement (continued)

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. When one is available the Company measures the fair value of an instrument using quoted prices in an active market. If there is no quoted price in an active market, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis making use of market inputs and relying as little as possible on entity-specific inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

(i) Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities. Financial assets in this category are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(ii) Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Financial assets are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions, and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in mutual funds with published net asset values and evidence of trades and assets that are valued using the Company's own models whereby the majority of assumptions are market observable.

(iii) Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. Assets and liabilities included in Level 3 are held at cost, being the fair value of the consideration paid on acquisition and are regularly assessed for impairment. These financial assets are not quoted as there are no active markets to determine a price. The main asset class in this category is unlisted equity instruments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.24 Financial instruments

Financial instruments carried on the statement of financial position include cash, investments, other receivables, and other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. The determination of the fair values of the Company's financial instruments is discussed in Note 5.

2.25 Dividend distribution

Dividends are recorded as a deduction from shareholders' equity in the period in which they are approved.

3. Insurance and Financial Risk Management

The Company's activities expose it to a variety of insurance and financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Company's financial performance.

The Company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the Company's risk management framework. The Board has established committees/departments for managing and monitoring risks, as follows:

(i) Finance Department

The Finance Department is responsible for managing the Company's assets and liabilities and the overall financial structure. It is also primarily responsible for managing the funding and liquidity risks of the Company.

(ii) Investment Committee

The Investment Committee is responsible for monitoring the investment portfolio, and the development of investment strategies for the Company. The Investment Committee is also responsible for the establishment of appropriate trading limits, reports and compliance controls to ensure that its mandate is properly followed.

(iii) Audit Committee

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit

The most important types of risk faced by the Company are insurance risk, credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate and equity price risk.

(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 claim payments exceed the carrying amount of the insurance liabilities.

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 underwriting 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.

Guardian General Insurance Jamaica Limited
Notes to the Financial Statements
31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

3. Insurance and Financial Risk Management (Continued)

(a) Insurance Risk (continued)

Management maintains an appropriate balance between commercial and personal policies and type of policies based on guidelines set by the Board of Directors. Insurance risk arising from the Company's insurance contracts is, however, concentrated within Jamaica.

The Company has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. Where applicable, contracts are underwritten by reference to the commercial replacement value of the properties or other assets and contents insured. Claims payment limits are always included to cap the amount payable on occurrence of the insured event. The cost of rebuilding properties, of replacement or indemnity for other assets and contents and the time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies.

The frequency or severity of claims and benefits can be affected by the increasing number of cases that are going to court for settlement and the level of awards. Estimated inflation is also a significant factor due to the long period typically required to settle these cases.

Claims on insurance contracts are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and a portion of the claims provision relates to IBNR claims.

There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted.

The compensation paid on these contracts is the monetary awards granted for bodily injury suffered by employees (for employer's liability covers) or members of the public (for public liability covers). Such awards are lump-sum payments that are calculated as the present value of the lost earnings and rehabilitation expenses that the injured party will incur as a result of the accident.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks at the statement of financial position date. The amount of casualty claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. Casualty contracts are also subject to the emergence of new types of latent claims, but no allowance is included for this at the statement of financial position date.

In calculating the estimated cost of unpaid claims (both reported and not), the Company uses estimation techniques that 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.

Guardian General Insurance Jamaica Limited
Notes to the Financial Statements
31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

3. Insurance and Financial Risk Management (Continued)

(a) Insurance Risk (continued)

The initial loss-ratio estimate is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as premium rate changes, anticipated market experience and historical claims inflation. The initial estimate of the loss ratios used for the current year (before reinsurance) is analysed by type of risk and industry where the insured operates for current and prior year premiums earned.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims. For casualty contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities.

In estimating the liability for the cost of reported claims not yet paid, the Company considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

Sensitivity analysis of actuarial liabilities
Actuarial liabilities comprise 100% of total insurance liabilities. The determination of actuarial liabilities is sensitive to a number of assumptions, and changes in those assumptions could have a significant effect on the valuation results. These factors are discussed below.

Actuarial assumptions

(i) In applying the noted methodologies, the following assumptions were made:

- With respect to the analysis of the incurred claims development history, the level of outstanding claims reserve adequacy is relatively consistent (in inflation adjusted terms) over the experience period.
- With respect to the analysis of the gross and net paid claims development history, the rate of payment of ultimate incurred losses for the recent history is indicative of future settlement patterns. This assumption was based on our discussion with management and the change in the Company's claims settlement practices in recent years.
- With respect to the Bornhuetter-Ferguson method, the average on-level ultimate net loss ratios are representative of recent historical loss ratios.
- The claims inflation rate implicit in the valuation is equivalent to the rate which is part of the historical data.
- Claims are expressed at their estimated ultimate undiscounted value, in accordance with the requirement of the Insurance Act, 2001.

Provision for adverse deviation assumptions
The basic assumptions made in establishing insurance reserves are best estimates for a range of possible outcomes. To recognise the uncertainty in establishing these best estimates, to allow for possible deterioration in experience and to provide greater comfort that the reserves are adequate to pay future benefits, the appointed actuary is required to include a margin for adverse deviation in each assumption.

Development of claim liabilities
In addition to sensitivity analysis, the development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The table below illustrates how the Company's estimate of the ultimate claims' liability for accident years 2016 - 2020 has changed at successive year-ends, up to 2021. Updated unpaid claims and adjustment expenses ("UCAE") and IBNR estimates in each successive year, as well as amounts paid to date are used to derive the revised amounts for the ultimate claims' liability for each accident year, used in the development calculations.

Guardian General Insurance Jamaica Limited
Notes to the Financial Statements
31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

3. Insurance and Financial Risk Management (Continued)

(a) Insurance Risk (continued)

		2016 and prior $'000	2017 $'000	2017 and prior $'000	2018 $'000	2018 and prior $'000	2019 $'000	2019 and prior $'000	2020 $'000	2020 and prior $'000	2021 $'000	2021 and prior $'000
2017	Paid during year	614,778	566,950	1,181,728								
	UCAE, end of year	1,513,370	563,325	2,076,695								
	IBNR, end of year	215,599	352,424	568,023								
	Ratio: excess (deficiency)	10.40%										
2018	Paid during year	336,779	336,192	672,971	568,470	1,241,441						
	UCAE, end of year	1,113,374	344,027	1,457,401	495,682	1,953,083						
	IBNR, end of year	136,161	80,617	216,778	317,605	534,383						
	Ratio: excess (deficiency)	15.85%		11.25%								
2019	Paid during year	240,337	98,754	339,092	328,065	667,157	646,345	1,313,502				
	UCAE, end of year	803,690	262,858	1,066,548	337,638	1,404,186	538,130	1,942,316				
	IBNR, end of year	133,712	14,588	148,300	74,337	222,637	321,030	543,667				
	Ratio: excess (deficiency)	15.51%		8.57%		2.73%						
2020	Paid during year	228,282	57,405	285,687	84,128	369,815	336,638	706,453	666,126	1,372,579		
	UCAE, end of year	603,086	176,652	779,738	283,691	1,063,429	414,249	1,477,678	550,634	2,028,312		
	IBNR, end of year	114,676	42,276	156,952	16,889	173,841	60,250	234,091	352,752	586,843		
	Ratio: excess (deficiency)	18.26%		15.51%		8.57%		2.73%				
2021	Paid during year	146,921	48,512	195,434	47,376	242,810	102,310	345,120	307,430	652,550	724,602	1,377,152
	UCAE, end of year	408,793	139,727	548,520	233,942	782,462	366,242	1,148,704	452,581	1,601,285	654,640	2,255,925
	IBNR, end of year	69,595	62,431	132,026	51,580	183,605	38,684	222,289	81,427	303,716	383,127	686,843
	Ratio: excess (deficiency)	21.80%	18.87%	17.81%	8.39%	9.71%	1.78%	2.55%	6.86%	2.20%		

Guardian General Insurance Jamaica Limited
Notes to the Financial Statements
31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

3. Insurance and Financial Risk Management (Continued)

(b) Reinsurance risk

The Company relies upon reinsurance agreements to limit the potential for losses and to increase its capacity to write insurance. Reinsurance arrangements are effected under reinsurance treaties and by negotiation on individual risks. Reinsurance does not relieve the Company from liability to its policyholders. To the extent that a reinsurer may be unable to pay losses for which it is liable under the terms of the reinsurance agreement, the Company is exposed to the risk of continued liability for such losses. However, in an effort to reduce the risk of non-payment, the Company requires all of its reinsurers to have a Standard & Poor or equivalent rating of BBB or better.

To limit its exposure of potential loss on an insurance policy, the insurer may cede certain levels of risk to a reinsurer. The Company selects reinsurers who have established capability to meet their contractual obligations and which generally have high credit ratings. The credit ratings of reinsurers are monitored.

Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit.

Facultative reinsurance placements are independent of the Company reinsurance treaties and all facultative placements are individually rated.

The amount of reinsurance recoveries recognised during the year is as follows:

	2021 $'000	2020 $'000
Property	3,929,435	200,611
Motor	10,677	14,008
Marine	479	3,660
Accident	182,424	86,525
Engineering	8,518	1,710
	4,131,533	306,514

(c) Financial risk

The Company is exposed to financial risk through its financial assets and financial liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk include market risk (currency risk, interest rate risk and other price risk), liquidity risk and credit risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and liabilities are interest rate risk, credit risk and market risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the Company's financial performance.

(i) Credit risk

The Company takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the Company by failing to discharge their contractual obligations. Credit exposures arise principally from the amounts due from reinsurers, amounts due from insurance contract holders and insurance brokers, and investment activities. The Company manages its credit risk, using the credit review process as outlined below.

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Credit review process

The Company has established a credit control team which analyses and assesses the ability of customers and other counterparties to meet repayment obligations.

(i) Reinsurance
The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. The team assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information.

(ii) Premium and other receivables
The credit control team examines the payment history for significant contract holders with whom they conduct regular business. Management information reported to the Company includes details of provisions for impairment on loans and receivables and subsequent write-offs. Internal audit performs regular reviews to assess the degree of compliance with the Company's credit policies. Exposures to individual policyholders and groups of policyholders are managed within the ongoing monitoring of the controls associated with regulatory solvency.

(iii) Investments
The Company limits its exposure to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality and Government of Jamaica securities. Accordingly, management does not expect any counterparty to fail to meet its obligations.

(iv) Cash and bank
The Company limits its exposure to credit risk by placing cash and deposits with counterparties that are regulated and publicly disclose their financial information. Management assesses each counterparty's credit quality and levels of liquidity. Accordingly, management seeks to mitigate the risk that any single counterparty will fail to meet its obligations. Furthermore, management takes steps to diversify its cash and bank among a group of counterparties in order to further mitigate the risk of loss.

a) Asset bearing credit risk

	Maximum Exposure	
	2021	**2020**
	$'000	**$'000**
Credit risk exposures are as follows:		
Reinsurance recoverable	2,510,087	1,512,846
Investment securities measured		
- Fair value through other comprehensive income	5,767,706	5,043,141
Due from policyholders, brokers and agents	1,521,147	1,316,245
Other receivables	26,360	7,127
Cash and bank	1,976,056	2,119,581
	11,801,356	9,998,940

Guardian General Insurance Jamaica Limited
Notes to the Financial Statements
31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

b) Credit quality of reinsurance and financial assets

The credit quality of financial assets can be assessed by reference to external credit ratings, if available, or to a rating assigned by the investment manager using an approach consistent with that 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, adverse 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.

Guardian General Insurance Jamaica Limited
Notes to the Financial Statements
31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

b) Credit quality of reinsurance and financial assets (continued)

The following tables set out the credit quality analysis for financial assets measured at amortised cost and fair value through other comprehensive income:

	12-month ECL 2021 $'000	Lifetime ECL 2021 $'000	Not credit impaired 2021 $'000	Total 2021 $'000
Investment securities measured at fair value through other comprehensive income				
A	1,242,716	-	-	1,242,716
Below BBB	4,524,990	-	-	4,524,990
Gross carrying amount	5,767,706	-	-	5,767,706
Amortised costs				
Not rated	-	1,556,380	2,536,447	4,092,827
Gross carrying amount	-	1,556,380	2,536,447	4,092,827
Loss allowance – Due from policy holders, brokers and agents	-	(35,233)	-	(35,233)
Net carrying amount	-	1,521,147	2,536,447	4,057,594
Cash and bank				
A	1,385,429	-	-	1,385,429
BBB	36,539	-	-	36,539
Below BBB	565,739	-	-	565,739
Gross carrying amount	1,987,707	-	-	1,987,707
Loss allowance	(11,652)	-	-	(11,652)
Net carrying amount	1,976,055	-	-	1,976,055

Guardian General Insurance Jamaica Limited
Notes to the Financial Statements
31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

b) Credit quality of reinsurance and financial assets (continued)

	12-month ECL 2020 $'000	Lifetime ECL 2020 $'000	Not credit impaired 2020 $'000	Total 2020 $'000
Investment securities measured at fair value through other comprehensive income				
A	605,796	-	-	605,796
Below BBB	4,437,345	-	-	4,437,345
Gross carrying amount	5,043,141	-	-	5,043,141
Amortised costs				
Not rated	-	1,350,620	1,519,973	2,870,593
Gross carrying amount	-	1,350,620	1,519,973	2,870,593
Loss allowance – Due from policy holders, brokers and agents	-	(34,375)	-	(34,375)
Net carrying amount	-	1,316,245	1,519,973	2,836,218
Cash and bank				
A	1,377,575	-	-	1,377,575
BBB	14,226	-	-	14,226
Below BBB	743,500	-	-	743,500
Gross carrying amount	2,135,301	-	-	2,135,301
Loss allowance	(15,720)	-	-	(15,720)
Net carrying amount	2,119,581	-	-	2,119,581

c) Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial asset. Reconciling items include the following:

- New assets originated or purchased, which reflect the allowance related to assets newly recognized during the period.
- Assets derecognised, which reflect the allowance related to assets derecognized during the period without a credit loss being incurred, including those assets that were derecognized following a modification of
- Net transfer to/(from) 12-month ECL and lifetime ECL, which are presumed to occur before any corresponding remeasurement of the allowance.
- Remeasurements, which comprise the impact of changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions; changes in the measurement following a transfer between 12-month ECL and lifetime ECL; and unwinding of the time value discount due to the passage of time.

Guardian General Insurance Jamaica Limited
Notes to the Financial Statements
31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

c) Loss allowance (continued)

	12-month ECL	Lifetime ECL Not credit impaired	Lifetime ECL Credit impaired	Total
		2021		
	$'000	$'000	$'000	$'000
Investment securities measured at fair value through other comprehensive				
Balance at 1 January	31,208	-	-	31,208
New assets originated or purchased	2,071	-	-	2,071
Remeasurements	(22,225)	-	-	(22,225)
Balance at 31 December	11,054	-	-	11,054
Cash and cash equivalents				
Balance at 1 January	15,720	-	-	15,720
Remeasurements	(4,068)	-	-	(4,068)
Balance at 31 December	11,652	-	-	11,652
Loans and receivables				
Balance at 1 January	-	34,375	-	34,375
Remeasurements	-	9,472	-	9,472
Write Off	-	(8,614)	-	(8,614)
Balance at 31 December	-	35,233	-	35,233

Guardian General Insurance Jamaica Limited
Notes to the Financial Statements
31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

c) Loss allowance (continued)

		Lifetime ECL		
	12-month ECL	Not credit impaired	Credit impaired	Total
		2020		
	$'000	$'000	$'000	$'000
Investment securities measured at fair value through other comprehensive income				
Balance at 1 January	88,487	-	-	88,487
New assets originated or purchased	9,333	-	-	9,333
Remeasurements	(66,612)	-	-	(66,612)
Balance at 31 December	31,208	-	-	31,208
Cash and cash equivalents				
Balance at 1 January	3,917	-	-	3,917
Remeasurements	11,803	-	-	11,803
Balance at 31 December	15,720	-	-	15,720
Loans and receivables				
Balance at 1 January	-	25,358	-	25,358
Remeasurements	-	9,017	-	9,017
Write Off	-	-	-	-
Balance at 31 December	-	34,375	-	34,375

Guardian General Insurance Jamaica Limited

Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

c) Loss allowance (continued)

Cash and cash equivalents

Impairment on cash and bank balances measured at amortised cost has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Company uses a similar approach for the assessment of expected credit losses for cash and cash equivalents to those used for debt

The amount of the allowance decreased by $4,068,000 during the year to $11,652,000 (2020 - $15,720,000).

Credit Risk - Economic Variable Assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 December 2021 and 2020 are set out below.

The PDs and LGDs are impacted by long-term changes in the various data sets gathered from external rating agencies such as Moody's. Macroeconomic variables used in the Company's ECL models also include, but are not limited to, gross domestic product growth, inflation rates, national budget deficits, debt to GDP ratio.

Refer to the table below for the ranges applied to each scenario for the two most significant assumptions. The weighting assigned to each scenario as at 31 December 2021.

	GDP Growth assumption	Inflation assumption	Weights
Base scenario	Stable	Positive	65% - 70%
Optimistic	Positive	Positive	5% - 10%
Pessimistic	Negative	Negative	15% - 20%
pessimistic	Negative	Negative	5% - 10%

Refer to Note 6 for descriptions of the scenarios.

Credit Risk - Sensitivity analysis

Set out below are the changes in ECL allowance at the reporting date that would result from a reasonably possible change in the PDs used by the Company.

	Actual PDs applied		**% Change in PD**	**Impact on ECL**	
	2021	**2020**		**2021 $'000**	**2020 $'000**
Investment securities measured at fair value through other comprehensive income	0.04% - 7.45%	0.05% - 7.99%	+/- 20%	13,265	37,450
Cash and cash equivalents	0.04% - 2.84%	0.05% - 3.10%	+/- 20%	13,988	18,864
				27,253	56,314

Guardian General Insurance Jamaica Limited
Notes to the Financial Statements
31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

d) Financial assets subject to ECL

The following tables show an analysis of changes in the gross carrying amount of financial assets subject to ECL.

	12-month ECL	Lifetime ECL Not credit impaired	Lifetime ECL Credit impaired	Total
		2021		
	$'000	$'000	$'000	$'000
Investment securities measured at fair value through other comprehensive income				
Balance at 1 January	5,043,141	-	-	5,043,141
New assets originated or purchased	3,243,807	-	-	3,243,807
Assets derecognised (excluding write-offs)	(2,444,836)	-	-	(2,444,836)
Changes in interest accrual	7,427	-	-	7,427
Other movements	(81,833)	-	-	(81,833)
Balance at 31 December	5,767,706	-	-	5,767,706
Cash and cash equivalents				
Balance at 1 January	2,135,301	-	-	2,135,301
Other movements	(147,593)	-	-	(147,593)
Balance at 31 December	1,987,708	-	-	1,987,708
Loans and receivables				
Balance at 1 January	-	1,357,747	-	1,357,747
New assets originated or purchased	-	-	-	-
Amounts written-off	-	(8,614)	-	(8,614)
Changes in interest accrual	-	-	-	-
Other movements	-	233,599	-	233,599
Balance at 31 December	-	1,582,732	-	1,582,732

Guardian General Insurance Jamaica Limited
Notes to the Financial Statements
31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

d) Financial assets subject to ECL (continued)

	12-month ECL	Lifetime ECL Not credit impaired	Lifetime ECL Credit impaired	Total
		2020		
	$'000	$'000	$'000	$'000
Investment securities measured at fair value through other comprehensive income				
Balance at 1 January	5,273,334	-	-	5,273,334
New assets originated or purchased	-	-	-	-
Assets derecognised (excluding write-offs)	(272,837)	-	-	(272,837)
Changes in interest accrual	572	-	-	572
Other movements	42,072	-	-	42,072
Balance at 31 December	5,043,141	-	-	5,043,141
Cash and cash equivalents				
Balance at 1 January	1,177,688	-	-	1,177,688
Other movements	957,613	-	-	957,613
Balance at 31 December	2,135,301	-	-	2,135,301
Loans and receivables				
Balance at 1 January	-	1,273,718	-	1,273,718
New assets originated or purchased	-	-	-	-
Amounts written-off	-	(431)	-	(431)
Changes in interest accrual	-	-	-	-
Other movements	-	84,460	-	84,460
Balance at 31 December	-	1,357,747	-	1,357,747

Guardian General Insurance Jamaica Limited
Notes to the Financial Statements
31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

d) Concentrations of risks of reinsurance and financial assets with credit risk exposure

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The following table breaks down the Company's main credit risk exposure as categorised by the industry sectors of its counterparties.

	2021 $'000	2020 $'000
Financial services and corporate	3,773,166	3,541,735
Public sector	3,987,933	3,658,353
Insurance and reinsurance	4,012,058	2,710,266
Other industries	28,199	88,586
	11,801,356	9,998,940

(ii) Liquidity Risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to fulfil claims and other liabilities incurred.

Liquidity risk management process
The Company's liquidity management process includes:

(i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required.
(ii) Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.
(iii) Optimising cash returns on investment.
(iv) Monitoring statement of financial position liquidity ratios against internal and regulatory requirements. The most important of these is to maintain limits on the ratio of net liquid assets to claims liabilities.

Monitoring of cash flows is done on a daily basis to ensure that the Company maintains sufficient liquid assets to honour its short-term obligations as they fall due.

Guardian General Insurance Jamaica Limited
Notes to the Financial Statements
31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity Risk (continued)

Financial liabilities cash flows

The table below presents the undiscounted cash flows payable with respect to the Company's financial liabilities, based on contractual repayment obligations as at 31 December.

		Contracted/Expected Undisclosed Cashflows			
	Carrying amount $'000	Less than 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
As at 31 December 2021:					
Claims outstanding	5,452,855	2,575,299	2,372,042	505,514	5,452,855
Due to reinsurers and	1,337,692	1,337,692	-	-	1,337,692
Other creditors	152,537	152,537	-	-	152,537
Lease liabilities	40,863	13,910	26,953	-	40,863
Total financial liabilities (contractual maturity dates)	6,983,947	4,079,438	2,398,995	505,514	6,983,947

		Contracted/Expected Undisclosed Cashflows			
	Carrying amount $'000	Less than 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
As at 31 December 2020:					
Claims outstanding	4,128,001	1,511,549	2,123,759	492,693	4,128,001
Due to reinsurers and	1,048,950	1,048,950	-	-	1,048,950
Other creditors	184,699	184,699	-	-	184,699
Lease liabilities	10,968	10,968	-	-	10,968
Total financial liabilities (contractual maturity dates)	5,372,618	2,756,166	2,123,759	492,693	5,372,618

Assets available to meet all of the liabilities and to cover financial liabilities include cash and bank balances and investment securities.

(iii) Market risk

Market risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk – currency risk, interest rate risk and other price risk, each of which are considered below.

There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

Guardian General Insurance Jamaica Limited
Notes to the Financial Statements
31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iv) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company manages its foreign exchange net exposure by ensuring that it continuously monitors its foreign currency position to ensure that there are adequate foreign assets available to meet its foreign liabilities.

The Company also has transactional currency exposure. Such exposure arises from having financial assets in currencies other than those in which financial liabilities are expected to settle.

Concentrations of currency risk
The table below summarises the Company's exposure to foreign currency exchange rate risk at 31 December

	Jamaican$ $'000	US$ $'000	Other$ $'000	Total $'000
At 31 December 2021:				
Financial Assets				
Investment securities	4,157,234	1,610,472		5,767,706
Due from policyholders, brokers and agents	611,058	945,322	(35,233)	1,521,147
Recoverable from reinsurers	822,789	1,687,298	-	2,510,087
Other receivables	26,360	-	-	26,360
Cash and cash equivalents	1,169,164	818,544	(11,652)	1,976,056
Total assets	6,786,605	5,061,636	(46,885)	11,801,356
Financial Liabilities				
Insurance reserves	3,620,089	1,832,766	-	5,452,855
Due to reinsurers and co-insurers	78,918	1,258,774	-	1,337,692
Other creditors	255,953	4,748	-	260,701
Lease liabilities	33,472	7,391	-	40,863
Total liabilities	3,988,432	3,103,679	-	7,092,111
Net financial position	2,798,173	1,957,957	(46,885)	4,709,245

Guardian General Insurance Jamaica Limited
Notes to the Financial Statements
31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iv) Currency risk (continued)

Concentrations of currency risk (continued)

	Jamaican $ $'000	US$ $'000	Other$ $'000	Total $'000
At 31 December 2020:				
Financial Assets				
Investment securities	3,426,354	1,616,787	-	5,043,141
Due from policyholders, brokers and agents	692,751	657,869	(34,375)	1,316,245
Recoverable from reinsurers	713,529	799,317	-	1,512,846
Other receivables	7,127	-	-	7,127
Cash and bank	1,609,300	526,001	(15,720)	2,119,581
Total assets	6,449,061	3,599,974	(50,095)	9,998,940
Financial Liabilities				
Insurance reserves	3,239,773	888,228	-	4,128,001
Due to reinsurers and co-insurers	247,929	801,021	-	1,048,950
Other creditors	170,324	14,375	-	184,699
Lease liabilities	10,968	-	-	10,968
Total liabilities	3,668,994	1,703,624	-	5,372,618
Net financial position	2,780,067	1,896,350	(50,095)	4,626,322

Foreign currency sensitivity

The following tables show the sensitivity of the Company's net profit and equity to changes in the rate of exchange for the currency to which the Company had significant exposure, the US dollar. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis is done for outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2020: 5%) change in foreign currency rates. The percentage change in the currency rate will impact each financial asset/liability included in the sensitivity analysis differently. Consequently, individual sensitivity analyses were performed. The effect on net profit shown below is the total of the individual sensitivities done for each of the assets/liabilities. There is no impact on equity.

	% Change in Currency Rate 2021	Effect on Net Profit 2021 $'000	% Change in Currency Rate 2020	Effect on Net Profit 2020 $'000
Currency:				
USD – Positive	5%	97,898	5%	94,818
USD – Negative	5%	(97,898)	5%	(94,818)

Guardian General Insurance Jamaica Limited
Notes to the Financial Statements
31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

3. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(v) Interest rate risk
Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

The Company's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial bearing liabilities.

In respect of the interest bearing accounts held in cash and bank, these amounts have a short time to maturity and are maintained at market rates, accordingly, these are not significantly exposed to interest rate risk.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. For the sensitivity analysis, a 1% movement in interest rates was used for 2021 for the Jamaican market (2020 - 1%) and a 2% movement was used for 2021 for the United States market (2020 - 2%). The following table shows the estimated effect of an increase or decrease in the above rates on the profit or loss and fair value reserve.

	Effect on Net Profit 2021 $'000	Effect on Equity 2021 $'000	Effect on Net Profit 2020 $'000	Effect on Equity 2020 $'000
Increase in interest rates	12,138	574,348	(527,513)	(12,601)
Decrease in interest rates	(7,838)	(526,247)	689,085	12,601

(vi) Price risk
The Company is exposed to equity securities price risk because of investments held by the Company on the statement of financial position classified at fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. The Company's investments in equity of other entities are publicly traded on the Jamaica Stock Exchange or other international stock exchanges, with the exception of the unquoted equities disclosed in Note 13.

Price sensitivity
The table below summaries the impact of increases/decreases of equity securities process on the Company's post tax profit for the year and on equity. The analysis is based on the assumption that the equity index has increased/decreased by 10% with all other variables held constant.

	Effect on Net Profit 2021 $'000	Effect on Net Profit 2020 $'000
Change in basis points:		
-10 % (2020: -15%)	(193,723)	(171,320)
+10 % (2020: +15%)	193,723	171,320

4. Capital Management

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

(i) To comply with the 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 stockholders and benefits to other stakeholders; and

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

Capital adequacy is managed by the Company's management. It is calculated by management, certified by the appointed actuary and reviewed by executive management, the audit committee and the board of directors. In addition, the Company seeks to maintain internal capital adequacy ratios at levels higher than the regulatory requirements. To assist in evaluating the current business and strategic opportunities, the Company currently uses the Minimum Capital Test ("MCT") as stipulated by the insurance regulations.

	2021		2020	
	Actual	**Minimum Standard**	**Actual**	**Minimum Standard**
MCT	312.56%	250.00%	309.09%	250%

5. Fair Values of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market (such as a recognised stock exchange) exists as it is the best evidence of the fair value of a financial instrument.

For financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at statement of financial position date.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

(i) Investment securities classified as fair value through profit or loss or fair value through other comprehensive income are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or valuation techniques such as discounted cash flow analysis;

(ii) The carrying amount of short-term assets and liabilities maturing within one year is assumed to approximate their fair value. This assumption is applied to the short-term elements of all other financial assets and financial liabilities.

5. Fair Values of Financial Instruments (Continued)

The classification of financial instruments at fair value can be determined by reference to the source of inputs used to derive the fair value. The classification uses the following three-level hierarchy:

Level 1

Included in the Level 1 category are financial assets and liabilities that are measured by reference to quoted price in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

Included in the Level 2 category are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions, and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Company's own models whereby the majority of assumptions are market observable.

Level 3

Included in the Level 3 category are financial assets and liabilities that are measured using non-market observable inputs. This means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset class in this category is unlisted equity investments. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Company. Therefore, unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available which might include the Company's own data.

The following table shows an analysis of financial instruments (excluding reverse repurchase agreements and interest receivable) recorded at fair value by level of fair value hierarchy:

Financial assets

	2021			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total Fair Value $'000**
Investment securities at fair value through profit or loss:				
- Equity securities	1,790,456	25,483	121,287	1,937,226
Investment securities at fair value through other comprehensive income:				
- Debt securities	-	5,688,052	1,838	5,689,890
	1,790,456	5,713,535	123,125	7,627,116

5. Fair Values of Financial Instruments (Continued)

Financial assets (continued)

	2020			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total Fair Value $'000**
Investment securities at fair value through profit or loss:				
- Equity securities	1,639,870	23,671	49,662	1,713,203
Investment securities at fair value through other comprehensive income:				
- Debt securities	-	4,970,913	1,838	4,972,751
	1,639,870	4,994,584	51,500	6,685,954

There were no transfers between Level 1 and Level 2 during the year.

The fair values of the equity securities in Level 1 are based on price quotations at the reporting date.

The debt securities are comprised of government bonds, corporate bonds, certificate of deposits and reverse repurchase agreements. Government bonds and corporate bonds are valued using interpolated yields derived from quoted prices of similar instruments or broker quotes from market makers. The carrying amount of certificates of deposit and reverse repurchase agreements maturing within one year is assumed to approximate their fair value.

There was $71,625,000 (2020 - nil) movement between the opening and closing recorded amount of Level 3 assets and which are recorded at fair value.

6. Critical Accounting Estimates and Judgements in Applying Accounting Policies

Judgements and estimates are continually evaluated and are based on historical experience and other factors, indicating expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Sources of estimation uncertainty

(a) Income taxes

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made (Notes 11 and 19).

Guardian General Insurance Jamaica Limited

Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

6. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Sources of estimation uncertainty (continued)

(b) Ultimate liability arising from claims

The determination of the liabilities under insurance contracts represents the liability for future claims payable by the Company based on contracts for the insurance business in force at the statement of financial position date using several methods, including the Paid Loss Development method, the Incurred Loss Development method, the Bornhuetter-Ferguson Paid Loss method, the Bornhuetter-Ferguson Incurred Loss method and the Frequency-Severity method. These liabilities represent the amount of future premiums that will, in the opinion of the actuary, be sufficient to pay future claims relating to contracts of insurance in force, as well as meet the other expenses incurred in connection with such contracts. A margin for risk or uncertainty (adverse deviations) in these assumptions is added to the liability. The assumptions are examined each year in order to determine their validity in light of current best estimates or to reflect emerging trends in the Company’s experience. (Note 3(a)). At December 2021, the carrying amounts of short-term insurance contracts (claims) was $5.45 billion (2020 - $4.13 billion) (Note 15(i)).

(c) Fair value of financial instruments

The fair value of financial assets that are not traded in an active market is determined by using an internally developed bond valuation model. Assumptions used in this model are validated and periodically reviewed internally by qualified personnel. Where applicable, data is calibrated to ensure that outputs reflect actual data and comparative market prices. Changes in assumptions used in valuations could affect reported fair value of financial assets. Key assumptions are based on current market yields. At 31 December 2021, the carrying amount of financial assets that were fair valued using an internally developed bond valuation model was $5.69 billion (2020 - $4.97 billion). (Note 5).

The following table shows the effect on the profit or loss and fair value reserve to changes in the market yields.

	Effect on fair value reserve		Effect on fair value reserve	
	2021		2020	
	$'M	$'M	$'M	$'M
Decrease/(increase) in market yields (+ / - 2%)	582,186	(538,385)	527,513	(689,084)

(d) Post-retirement medical plan

In conducting valuation exercises to measure the effect of the post-retirement medical plan, the company's external qualified actuaries use judgment and assumptions in determining discount rates and health care costs. These assumptions are detailed in Note 25.

6. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Sources of estimation uncertainty (continued)

Judgements in applying accounting policies

(a) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

(b) Impairment losses on financial assets

The measurement of expected credit loss allowance for financial assets measured at amortised cost and fair value through other comprehensive income requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

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

- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime expected credit loss basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Selection of forward-looking macroeconomic scenarios to derive the economic inputs into the expected credit loss models
- Determination of associations between macroeconomic scenarios and, economic inputs and the effect on probabilities of default, exposure at default and loss given default

The Company regularly reviews its internal models in the context of actual loss experience and adjust when necessary.

Guardian General Insurance Jamaica Limited
Notes to the Financial Statements
31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

6. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Sources of estimation uncertainty (continued)

Judgements in applying accounting policies (continued)

(b) Impairment losses on financial assets (continued)

Covid-19 Pandemic

Given the economic impact of the ongoing Covid-19 pandemic, the Company made some adjustments to its ECL models, such as increasing the likelihood attributed to more pessimistic scenarios, and overlaying a further pessimistic scenario that explicitly accounts for acute negative economic fallout.

The added pessimistic scenario was modelled on the default rates and losses given defaults that incurred at the height of the 2007 - 2009 financial crisis. The likelihood attributed to each scenario was further varied depending on the current and projected macroeconomic factors that prevailed in Jamaica. The resulting escalated probability of default and losses given default were applied to all financial assets.

IFRS 9 requires that entities assess the risk of default over the life of expected assets. Many assets held by the Company have several years remaining to maturity. While there is escalated default risk in the current economic environment which may continue for up to 3 years, this risk is expected to return to pre-pandemic levels thereafter. Management therefore believes that the lifetime default risk of assets with several years to maturity is not significantly higher than prior to the onset of the Covid-19 pandemic.

The carrying amount of impairment provisions on financial assets as at 31 December 2021 was $57,939,000 (2020 - $81,303,000) (Note 3(c)(i)).

(c) Property and equipment and intangible assets

Management exercises judgement in determining whether costs incurred can accrue significant future economic benefits to the Company to enable the value to be treated as a capital expense. Further judgement is applied in the annual review of the useful lives of all categories of property and equipment and intangible assets, and the resulting depreciation or amortisation determined thereon. (Note 2.12).

7. Responsibilities of the Appointed Actuary and External Auditors

The Board of Directors pursuant to the Insurance Act, 2001 appoints the actuary. The actuary's responsibility is to carry out an annual valuation of the Company's insurance reserves in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders and shareholders.

The shareholders pursuant to the Jamaican Companies Act appoint the external auditors. Their responsibility is to conduct an independent and objective audit of the financial statements in accordance with International Standards on Auditing and report thereon to the shareholders. In carrying out their audit, the auditors also make use of the work of the appointed actuary and the actuary's report on the insurance liabilities.

Guardian General Insurance Jamaica Limited
Notes to the Financial Statements
31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

8. Expenses by Nature

Total expenses:	2021 $'000	2020 $'000
Advertising and promotion	25,005	26,813
Asset tax	22,854	21,487
Auditor's remuneration	10,251	10,611
Computer and data processing	152,419	139,103
Depreciation and amortisation	44,439	53,394
Directors' fees (Note 23(d))	11,751	10,236
Insurance regulatory fees and other licence fees	35,355	32,183
Legal and professional fees	183,900	119,437
Motor vehicle	10,719	9,662
Other	22,475	40,488
Repairs and maintenance	40,353	39,532
Staff costs (Note 9)	509,601	461,403
Utilities and rent	8,149	7,590
	1,077,271	971,939
Less: Claims related expenses	(269,318)	(242,985)
	807,953	728,954

9. Staff Costs

	2021 $'000	2020 $'000
Wages and salaries	380,518	309,379
Statutory contributions	44,263	27,352
Long-term incentive scheme (Note 23(d))	15,415	13,347
Pension costs - defined contribution scheme (Note 21)	21,356	22,049
Employee benefit obligations (Note 25)	1,600	1,400
Redundancy costs	60	38,519
Other staff related costs	46,389	49,357
	509,601	461,403

10. (a) Investment Income

	2021 $'000	2020 $'000
Interest income		
- Fair value through other comprehensive income investment securities	294,125	277,695
- Amortised cost investment securities	16,172	14,678
Total Interest income	310,297	292,373
Other investment income		
Dividend income	45,876	33,693
Direct investment expense	(12,450)	(11,573)
	33,426	22,120

(b) Net fair value gains / (losses)

	2021 $'000	2020 $'000
Realised fair value gains on fair value through profit or loss investment securities	-	2,670
Unrealised fair value gains / (losses) on fair value through profit or loss investment securities	152,570	(339,831)
	152,570	(337,161)

(c) Net impairment losses on financial assets

	2021 $'000	2020 $'000
Investment securities at fair value through other comprehensive income (Note 26)	20,154	57,279
Loans and receivables	(9,472)	(9,448)
Cash and bank	4,068	(11,803)
	14,750	36,028

11. Taxation

Taxation is based on the profit for the year adjusted for taxation purposes and comprises income tax at 33 1/3%:

	2021 $'000	2020 $'000
Current income tax	205,916	209,575
Prior year over accrual	-	(5,091)
Deferred income tax (Note 19)	49,494	(13,137)
	255,410	191,347

The tax charge on the Company's profit differs from the theoretical amount that would arise using the statutory tax rate as follows:

	2021 $'000	2020 $'000
Profit before taxation	873,808	409,016
Tax calculated at a rate of 33 1/3%	291,269	136,339
Adjusted for effects of:		
Income not subject to tax	(1,068)	(2,868)
Expenses not deductible for tax	10,764	14,219
Prior year over accrual	-	(5,091)
Other	(45,555)	48,748
Income tax expense	255,410	191,347

Guardian General Insurance Jamaica Limited
Notes to the Financial Statements
31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

12. Property and Equipment

	Computer Equipment	Furniture and Fixtures	Motor Vehicles	Leasehold Improvements	Total
	$'000	$'000	$'000	$'000	$'000
At Cost:					
At 31 December 2019	86,974	34,243	94,229	46,295	261,741
Additions	15,719	1,511	10,056	-	27,286
Disposals	-	-	(6,816)	-	(6,816)
At 31 December 2020	102,693	35,754	97,469	46,295	282,211
Additions	392	2,253	10,464	708	13,817
Disposals	-	-	(12,023)	-	(12,023)
At 31 December 2021	103,085	38,007	95,910	47,003	284,005
Accumulated Depreciation:					
At 31 December 2019	77,910	27,295	33,530	24,764	163,499
Charge for the year	9,856	3,107	17,901	4,629	35,493
Disposals	-	-	(6,816)	-	(6,816)
At 31 December 2020	87,766	30,402	44,615	29,393	192,176
Charge for the year	6,353	1,949	17,250	4,643	30,195
Disposals	-	-	(6,194)	-	(6,194)
As at 31 December 2021	94,119	32,351	55,671	34,036	216,177
Net Book Value:					
At 31 December 2021	8,966	5,656	40,239	12,967	67,828
At 31 December 2020	14,927	5,352	52,854	16,902	90,035

13. Investments

These comprise investments primarily in government securities as follows:

	2021		
	Fair Value through Other Comprehensive Income $'000	**Fair Value through Profit & Loss $'000**	**Total $'000**
Financial assets			
Government of Jamaica ("GOJ") securities	3,925,808	-	3,925,808
Equity securities - Quoted	-	1,911,743	1,911,743
Other:			
Deposits (more than 90 days)	425,446	-	425,446
Treasury bills	301,517	-	301,517
Corporate bonds	1,037,119	-	1,037,119
Unit trust	-	25,483	25,483
	1,764,082	25,483	1,789,565
Accrued interest	77,816	-	77,816
Total	5,767,706	1,937,226	7,704,932
Classified as:			
Current			1,724,504
Non-current			5,980,428
			7,704,932

Guardian General Insurance Jamaica Limited

Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

13. Investments (Continued)

	2020		
	Fair Value through Other Comprehensive Income $'000	**Fair Value through Profit & Loss $'000**	**Total $'000**
Financial assets			
Government of Jamaica ("GOJ") securities	3,144,604	-	3,144,604
Equity securities - Quoted	-	1,689,532	1,689,532
Other:			
Deposits (more than 90 days)	417,638	-	417,638
Treasury bills	303,235	-	303,235
Corporate bonds	1,107,274	-	1,107,274
Unit trust	-	23,671	23,671
	1,828,147	23,671	1,851,818
Accrued interest	70,390	-	70,390
Total	5,043,141	1,713,203	6,756,344
Classified as:			
Current			794,056
Non-current			5,962,288
			6,756,344

Treasury Bills are short term investments with a maturity of less than 90 days are regarded as cash equivalents for purposes of the statement of cash flows and amounted to $301,517,000 (2020 – $303,235,000).

Interest rates on the debt securities ranged from to 1% - 12.25% (2020 - 1% to 11.875%) per annum.

The regulator, the Financial Services Commission ("FSC") holds GOJ securities valued at $45,000,000 (2020 – $45,000,000) for the Company as security, in accordance with Section 8(1) (B) of the Insurance Regulations 2001.

14. Deferred Policy Acquisition Costs

These are comprised as follows:

	2021 $'000	**2020 $'000**
Deferred commissions (Note 15(v))	296,495	296,636

Guardian General Insurance Jamaica Limited
Notes to the Financial Statements
31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

15. Insurance Liabilities and Reinsurance Assets

These reserves are as follows:

Short-term insurance contracts

		2021 $'000	2020 $'000
(i)	Gross insurance liabilities		
	Unearned premiums	4,437,970	4,077,166
	Claims outstanding	5,452,855	4,128,001
	Unearned commissions	302,439	297,462
	Total insurance liabilities, gross	10,193,264	8,502,629
(ii)	Recoverable from reinsurers		
	Unearned premiums	3,261,257	2,887,558
	Claims outstanding	2,510,087	1,512,846
	Total reinsurers' share of the insurance liabilities	5,771,344	4,400,404
(iii)	Provision for unearned premiums		
	Gross unearned premiums	4,437,970	4,077,166
	Recoverable from reinsurers	(3,261,257)	(2,887,558)
	Net unearned premiums at end of year	1,176,713	1,189,608
(iv)	Provision for claims outstanding		
	Gross claims outstanding	5,452,855	4,128,001
	Recoverable from coinsurers and reinsurers	(2,510,087)	(1,512,846)
	Net claims outstanding at end of year	2,942,768	2,615,155
(v)	Deferred policy acquisition costs		
	Deferred commissions (Note 14)	296,495	296,636
	Unearned commissions	(302,439)	(297,462)
	Net deferred policy acquisition costs	(5,944)	(826)

Guardian General Insurance Jamaica Limited
Notes to the Financial Statements
31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

16. Other Receivables

	2021 $'000	2020 $'000
Staff loans and advances	205	210
Prepayments	12,423	6,833
Due from related parties (Note 23 (b))	8	-
Sundry receivables	26,147	6,917
	38,783	13,960

17. Cash and cash equivalents

	2021 $'000	2020 $'000
Cash and bank balances – J$	1,169,164	1,609,300
Cash and bank balances – US$	782,399	432,104
	1,951,563	2,041,404
Deposits on call	36,145	93,897
Impairment allowance	(11,652)	(15,720)
Cash and bank balances	1,976,056	2,119,581

The weighted average effective interest rates on cash balances for the year were as follows:

	2021 %	2020 %
Cash at bank and call deposits		
- J$	0.15 - 0.60	0.47 – 0.71
- US$	0.00 - 0.01	0.08 – 0.20

In an effort to maximise interest income, the Company transfers cash from short-term deposits to its current accounts only when required.

18. Share Capital and Other Capital Reserves

(a) Share Capital:

	2021 No. of Shares ('000)	2020 No. of Shares ('000)
Authorised – ordinary shares of no par value:		
1 January and 31 December	462,575	462,575
	$'000	**$'000**
Issued and fully paid - ordinary shares of no par value:		
1 January and 31 December	1,138,500	1,138,500

Guardian General Insurance Jamaica Limited
Notes to the Financial Statements
31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

18. Share Capital and Other Capital Reserves (Continued)

(b) Other capital reserves:

Other capital reserves consist of the following:

	2021 $'000	2020 $'000
Capital redemption reserve (i)	213,000	213,000
Capital reserves (ii)	167	167
	213,167	213,167

(i) Capital redemption reserve:

	2021 $'000	2020 $'000
Transfer from retained earnings to facilitate redemption of 213,000,000 15% cumulative redeemable convertible preference shares of no par value	213,000	213,000

The preference shares were fully redeemed during 2011.

(ii) Capital reserves:

	2021 $'000	2020 $'000
Realised gain on disposal of investments	151,141	151,141
Share premium	170	170
	151,311	151,311
Capitalisation as bonus shares	(151,144)	(151,144)
	167	167

Realised capital reserves are available for distribution to shareholders, subject to transfer tax at 4% (2020 - 4%).

19. Deferred Tax Liabilities, Net

Deferred taxes are calculated on all temporary differences under the liability method using a tax rate of 33 1/3%. Net liabilities recognised on the statement of financial position are as follows:

	2021 $'000	2020 $'000
Deferred tax assets	80,448	13,176
Deferred tax liabilities	(389,051)	(244,573)
Net deferred tax liabilities	(308,603)	(231,397)

	2021 $'000	2020 $'000
Net liabilities at beginning of year	(231,397)	(230,377)
Deferred tax charged to income tax expense (Note 11)	(49,495)	13,137
Deferred tax charged to other comprehensive income	(27,711)	(14,157)
Net liabilities at end of year	(308,603)	(231,397)

The movement in deferred tax during the year is as follows:

	Balance at beginning 2020 $'000	Credited/(charged) to Profit or loss $'000	Credited/(charged) to Other comprehensive income $'000	Balance at end 2021 $'000
Accelerated tax depreciation	3,285	4,972	–	8,257
Investments at fair value through profit or loss	(309,936)	(63,487)	–	(373,423)
Investments at fair value through other comprehensive income	77,787	–	(27,278)	50,509
Allowance for expected credit losses	(12,009)	(3,619)	–	(15,628)
Post-retirement medical benefit obligation	9,600	(3,233)	(433)	5,934
Right-of-use assets	(124)	15,872	–	15,748
	(231,397)	(49,495)	(27,711)	(308,603)

	Balance at beginning 2019 $'000	Credited/(charged) to Profit or loss $'000	Credited/(charged) to Other comprehensive income $'000	Balance at end 2020 $'000
Accelerated tax depreciation	(7,449)	10,734	–	3,285
Investments at fair value through profit or loss	(320,610)	10,674	–	(309,936)
Investments at fair value through other comprehensive income	91,811	–	(14,024)	77,787
Allowance for expected credit losses	(4,466)	(7,543)	–	(12,009)
Post-retirement medical benefit obligation	9,733	–	(133)	9,600
Right-of-use assets	604	(728)	–	(124)
	(230,377)	13,137	(14,157)	(231,397)

Guardian General Insurance Jamaica Limited
Notes to the Financial Statements
31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

20. Other Creditors

	2021 $'000	2020 $'000
Staff bonus and gratuity	115,778	132,407
General consumption tax and premium tax	108,164	43,171
Professional fees	15,602	15,306
Regulatory fees	8,676	8,010
Due to related parties (Note 23(b))	4,748	14,375
Other	7,733	14,601
	260,701	227,870

21. Retirement Benefit Plan

The Company has established a defined contribution plan covering all permanent employees. The assets of the funded plan are held independently of the Company's assets in separate trustee administered funds.

The defined contribution plan was established 1 January 2013. Employees are required to make a basic contribution of 5% of pensionable salary and may also make voluntary contributions of no more than 5%, while the Company matches employee contributions up to a maximum of 10%. Contributions for the year of $21,356,000 (2020 – $22,049,000) have been charged to the statement of comprehensive income (Note 9).

22. Leases

This note provides information for leases where the Company is a lessee. There are no leases where the Company is a

(i) Amounts recognised in the statement of financial position

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

	2021 $'000	2020 $'000
(a) Right-of-use assets		
Buildings	40,242	9,143

	2021 $'000	2020 $'000
Balance at beginning of year	9,143	28,966
Additions	45,023	-
Modification of lease term	320	(3,611)
Depreciation charge	(14,244)	(16,212)
Balance at end of year	40,242	9,143

Guardian General Insurance Jamaica Limited
Notes to the Financial Statements
31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

22. Leases (continued)

(b) Lease liabilities	**2021 $'000**	**2020 $'000**
Balance at beginning of year	10,968	31,164
Additions	45,023	-
Interest expense	1,607	1,766
Lease payments	(17,049)	(18,351)
Effect of modification to lease terms	17	(3,611)
Exchange rate adjustments	297	-
Balance at end of year	40,863	10,968
Lease liabilities		
Current	13,910	10,968
Non-current	26,953	-
	40,863	10,968

The total cash outflow for leases in 2021 was $17,049,000.

(ii) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

	2021 $'000	**2020 $'000**
Depreciation charge on right-of-use assets	14,244	16,212
Interest expense on lease liabilities	1,607	1,766
Total expenses related to leases	15,851	17,978

(iii) The Company's leasing activities and how these are accounted for

The Company leases two (2) offices. Rental contracts are typically made for fixed periods of 6 months to 8 years but may have extension options as described in (iv) below.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

22. Leases (continued)

(iii) The Company's leasing activities and how these are accounted for (continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. The Company has no low-value assets.

(iv) Extension and termination options

Extension and termination options are included in the property leases across the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company’s operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

Guardian General Insurance Jamaica Limited
Notes to the Financial Statements
31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

23. Related Party Transactions and Balances

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions or are under common control or influence.

(a) The following transactions were carried out with related parties:

	2021 $'000	2020 $'000
(i) Sale of insurance contracts		
Fellow subsidiaries:		
Guardian Life Limited	39,652	29,511
Guardian Resorts Jamaica Limited	84,519	79,328
National Commercial Bank Limited	424,254	400,856
	548,425	509,695
(ii) Other expenses		
Immediate parent:		
Guardian Holdings Limited	2,524	2,496
Fellow subsidiaries:		
Guardian General Limited	6,266	5,200
Guardian Life Limited	26,325	25,403
Guardian Shared Services Limited	102,079	80,807
	137,194	113,906
(iii) Dividend income		
NCB Financial Group Limited	1,217	2,434

(b) Year end balances due to/(from) related parties are as follows:

	2021 $'000	2020 $'000
Fellow subsidiaries:		
Guardian Life Limited	272	-
Guardian General Insurance Limited	(8)	695
Guardian Shared Services Limited	4,476	13,680
	4,740	14,375
Classified as:		
Due to related parties (Note 20)	4,748	14,375
Due from related party (Note 16)	(8)	–
	4,740	14,375

Guardian General Insurance Jamaica Limited
Notes to the Financial Statements
31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

23. Related Party Transactions and Balances (continued)

(c) Other balances related parties are as follows:

	2021	2020
	$'000	$'000
Bank balances and investments in equity securities:		
National Commercial Bank Limited	801,741	904,899
Due from policyholders, brokers and agents:		
National Commercial Bank Limited	19,927	23,760

All amounts due to related parties are unsecured, non-interest bearing and are without fixed repayment terms.

(d) Key management compensation

	2021	2020
	$'000	$'000
Salaries and other short-term employee benefits	72,604	111,770
Long-term incentive plan (Note 9)	15,415	13,347
Statutory contributions	9,937	12,503
Pension benefits	5,275	4,921
	103,231	142,541
Directors' emoluments - Fees (Note 8)	11,751	10,236

24. Dividends Paid

During the year, the Company declared and subsequently made a dividend payment of $108,000,000 to its parent company. The dividend per share is calculated as $0.23. No dividend was paid or declared for the year ended 31 December 2020.

25. Employee Benefit Obligation

Post-retirement medical benefits

	2021 $'000	2020 $'000
Present value of obligation	17,800	18,600
Net liability in statement of financial position	17,800	18,600
The amounts recognised in the statement of comprehensive income are as follows:		
Interest on obligation	1,100	1,100
Net cost for year recognised in the statement of comprehensive income (Note 9)	1,600	1,400
Items in Other Comprehensive Income (OCI):		
Re-measurement loss of employee benefit obligation, gross	(1,300)	(400)
Net cost from statement of comprehensive income	300	1,000
Re-measurement of employee benefit obligation, gross	(1,300)	(400)
Deferred income tax (Note 19)	433	133
Re-measurement of employee benefit, net of tax	(867)	(267)
Movements in the net liability recognised in the statement of financial position are as follows:		
Net liability at start of year	18,600	18,700
Net cost from statement of comprehensive income	300	1,000
Contributions paid by employer	(1,100)	(1,100)
	17,800	18,600
Principal actuarial assumptions at the statement of financial position date:		
Discount rate at end of year (pa)	8.00%	9.00%
Rate of increase in medical claims cost/premiums (pa)	8.00%	9.00%

The mortality assumptions used for the pensioners are based on the GAM 94 Tables for Pensioners with ages reduced by five years.

The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

	Impact on post-employment obligations		
	2021		
	Change in assumption	Increase in assumption $'000	Decrease in assumption $'000
Discount rate	1.00%	16,187	(19,802)
Medical cost	1.00%	19,802	(16,187)

	Impact on post-employment obligations		
	2020		
	Change in assumption	Increase in assumption $'000	Decrease in assumption $'000
Discount rate	0.50%	17,721	(19,643)
Medical cost	0.50%	19,643	(17,721)

26. Revaluation Reserves

This comprises the investment revaluation reserve.

	2021 $'000	2020 $'000
Balance 1 January	536,992	566,223
Charge to other comprehensive income	(129,265)	(29,231)
Balance 31 December	407,727	536,992

The movement in other comprehensive income is as follows:	2021 $'000	2020 $'000
Fair value gains on fair value through other comprehensive income securities	(81,833)	42,072
Effect on taxes on fair value gains and impairment (Note 19)	(27,278)	(14,024)
	(109,111)	28,048
Impairment losses reversed during the year (Note 10(c))	(20,154)	(57,279)
	(129,265)	(29,231)

27. Litigation and Contingent Liabilities

The Company is subject to various claims, disputes and legal proceedings, in the normal course of business. Provision is made for such matters when, in the opinion of management and its legal counsel, it is probable that a payment will be made by the Company, and the amount can be reasonably estimated.

In respect of claims asserted against the company which, according to the principles outlined above, have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended, cannot be reasonably estimated or will result in exposure to the company which is immaterial to both the financial position and results of operations.

28. Subsequent Events

On 8 February 2022, the Directors declared and approved an ordinary dividend of $0.68 per share to the ordinary shareholders.