# Guardian Life Limited

## Financial Statements
**31 December 2022**

# Guardian Life Limited
Index
**31 December 2022**

ECKLER

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# GUARDIAN LIFE LIMITED
# 2022 REPORT OF THE APPOINTED ACTUARY
# TO THE SHAREHOLDERS AND POLICYHOLDERS

I have examined the financial condition and valued the insurance policy benefit liabilities of Guardian Life Limited (Guardian) for its balance sheet as at 31st December 2022 and the corresponding change in the policy liabilities in the statement of operations for the year then ended. I meet the appropriate qualification standards and I am familiar with the valuation, solvency and financial condition requirements applicable to life insurance companies in Jamaica.

In my opinion:

(1) the method and procedures used in the verification of the valuation data are sufficient and reliable and fulfill acceptable standards of care;

(2) the valuation of actuarial and other insurance policy liabilities has been made in accordance with accepted actuarial practice with such changes as determined and directions made by the Financial Services Commission;

(3) the valuation of actuarial and other insurance policy liabilities has been made in accordance with the Caribbean Actuarial Association's Actuarial Standard of Practice APS2, the Prudential Supervision of Long-Term Insurance Business;

(4) the methods and assumptions used to calculate the actuarial and other insurance policy benefit liabilities are appropriate to the circumstances of the Company and of the said policies and claims;

(5) the amount of the insurance policy liabilities represented in the balance sheet of Guardian Life Limited makes proper provision for the future payments under the Company's policies and meet the requirements of the Insurance Act and other appropriate regulations of Jamaica;

(6) a proper charge on account of these liabilities has been made in the statement of operations; and

(7) there is sufficient capital available to meet the solvency standards as established by the Financial Services Commission using the Jamaican MCCSR measure.

The valuation of Guardian was conducted by myself with the technical support of the actuarial staff of Guardian, using the Policy Premium Method (PPM), assuming best-estimate assumptions together with margins for adverse deviations in accordance with the Standards of Practice (Life) of the Canadian Institute of Actuaries and the Jamaican Regulations.

| | | |
|---|---|---|
| Sylvain Goulet, FCIA, FSA, MAAA<br>Affiliate Member of the Institute and Faculty of Actuaries<br>Member of the Caribbean Actuarial Association | Sylvain Goulet | 9th March 2023 |
| Appointed Actuary of<br>Guardian Life Limited | Signature | Date |

# Independent auditor's report

To the Members of Guardian Life Limited

## Report on the audit of the consolidated and stand-alone financial statements

### Our opinion

In our opinion, the consolidated financial statements and the company financial statements give a true and fair view of the consolidated financial position of Guardian Life Limited (the Company) and its subsidiaries (together 'the Group') and the stand-alone financial position of the Company as at 31 December 2022, and of their consolidated and stand-alone financial performance and their consolidated and stand-alone 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 Group's consolidated and stand-alone financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of other comprehensive income for the year ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the company statement of financial position as at 31 December 2022;
- the company statement of profit or loss for the year then ended;
- the company statement of other comprehensive income for the year ended;
- the company statement of changes in equity for the year then ended;
- the company 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 consolidated and stand-alone 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.

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

***Independence***
We are independent of the Group 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.

## Responsibilities of management for the consolidated and company financial statements

Management is responsible for the preparation of the consolidated and stand-alone 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 consolidated and stand-alone financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and stand-alone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and stand-alone 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 consolidated and stand-alone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and stand-alone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and stand-alone financial statements, including the disclosures, and whether the consolidated and stand-alone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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 consolidated and stand-alone 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
23 March 2023

# Guardian Life Limited

Consolidated Statement of Financial Position
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

| | Notes | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| **Assets** | | | |
| Property and equipment | 5 | 5,448,297 | 4,122,512 |
| Right-of-use assets | 6 | 6,441 | 8,363 |
| Investment properties | 7 | 4,912,845 | 3,747,493 |
| Property for development and sale | 8 | 2,026,228 | 5,032,961 |
| Intangible assets | 9 | 3,853,622 | 3,707,882 |
| Taxation recoverable | | 2,529,746 | 2,474,705 |
| Financial assets | 11 | 113,614,293 | 117,812,905 |
| Pledged assets | 12 | 655,389 | 649,174 |
| **Loans and receivables** | 13 | 4,405,212 | 4,009,381 |
| Cash and cash equivalents | 14(a) | 5,990,419 | 4,773,151 |
| Cash and cash equivalents of mutual fund unit holders | 14(b) | 36,799 | 63,417 |
| **Total assets** | | 143,479,291 | 146,401,944 |
| **Equity and liabilities** | | | |
| Share capital | 15 | 13,526,525 | 13,526,525 |
| Reserves | 16 | 1,644,566 | 4,123,116 |
| Retained earnings | | 43,539,511 | 36,559,368 |
| **Equity attributable to owners of the parent** | | 58,710,602 | 54,209,009 |
| **Liabilities** | | | |
| **Policyholders' Funds** | | | |
| Insurance contracts | 17 | 36,002,992 | 41,941,786 |
| Investment contracts | 18 | 36,553,124 | 36,561,106 |
| Other policy liabilities | 19 | 4,402,004 | 4,235,476 |
| | | 76,958,120 | 82,738,368 |
| Deferred tax liabilities | 20 | 1,619,218 | 2,027,626 |
| Lease liabilities | 6 | 54 | 634 |
| Provision for taxation | | 1,462,882 | 975,892 |
| Other liabilities | 21 | 4,728,415 | 6,450,415 |
| **Total liabilities** | | 84,768,689 | 92,192,935 |
| **Total equity and liabilities** | | 143,479,291 | 146,401,944 |

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

**Approved for issue by the Board of Directors on 9 March 2023 and signed on its behalf by:**

| | |
|---|---|
| Gladstone Lewars Director | Meghon Miller-Brown Director |

# Guardian Life Limited
Consolidated Statement of Profit or Loss
**Year ended 31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

| | Notes | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| **Insurance activities** | | | |
| Insurance premium income | 22(a) | 21,354,149 | 22,383,961 |
| Insurance premium ceded to reinsurers | 22(b) | (317,905) | (227,555) |
| **Net premium income** | | 21,036,244 | 22,156,406 |
| Reinsurance commission income | | 72,370 | 31,351 |
| **Net underwriting revenue** | | 21,108,614 | 22,187,757 |
| Policy acquisition expenses | 23 | (3,773,514) | (3,051,301) |
| Net insurance benefits and claims | 24 | (13,175,285) | (12,378,764) |
| Decrease/(increase) in reserves for future policy benefits | 17(a) | 5,264,318 | (276,745) |
| **Underwriting expenses** | | (11,684,481) | (15,706,810) |
| **Net result from insurance activities** | | 9,424,133 | 6,480,947 |
| **Investing activities** | | | |
| Interest income earned from financial assets measured at: | | | |
| Fair value through profit or loss and other investment | | 1,852,508 | 1,296,559 |
| Fair value through other comprehensive income | | 4,357,137 | 4,006,105 |
| Amortised cost | | 3,157,886 | 2,582,128 |
| Investment income | 25 | 9,367,531 | 7,884,792 |
| Net fair value (losses)/gains on financial assets at fair value through profit or loss and investment properties | 26 | (2,041,337) | 1,776,028 |
| Net realized gains on financial and other assets | 27 | 1,323,712 | 242,116 |
| Net impairment losses on financial assets | 30 | (124,114) | (3,949) |
| Fee income | 28 | 889,751 | 772,390 |
| Foreign exchange (losses)/gains | | (141,697) | 774,800 |
| Other income | 29 | 230,602 | 1,422,458 |
| Investment contract benefits | 18,31 | (445,906) | (1,571,077) |
| **Net income from investing activities** | | 9,058,542 | 11,297,558 |
| Net income from all activities | | 18,482,675 | 17,778,505 |
| Operating expenses | 32 | (5,568,981) | (5,460,266) |
| **Operating profit** | | 12,913,694 | 12,318,239 |
| Finance charges | | (15) | (47) |
| **Operating profit before taxation** | | 12,913,679 | 12,318,192 |
| Taxation | 33 | (1,867,614) | (2,056,833) |
| **Profit attributable to equity holders of the parent** | | 11,046,065 | 10,261,359 |

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

# Guardian Life Limited

## Consolidated Statement of Other Comprehensive Income

**Year ended 31 December 2022**

(Expressed in Jamaican dollars unless otherwise indicated)

| | **Notes** | **2022 $'000** | **2021 $'000** |
|---|---|---|---|
| Profit attributable to equity holders of the parent | | 11,046,065 | 10,261,359 |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange gains/(losses) on translating foreign operations | 16 | 4,464 | (67,391) |
| Net fair value losses on debt securities at fair value through other comprehensive income | 11 | (3,410,484) | (1,030,277) |
| Net change in allowance for expected credit losses on debt securities at fair value through other comprehensive income | 30 | (24,139) | 48,861 |
| Deferred tax on fair value through other comprehensive income securities | 33(c) | 432,349 | 149,865 |
| **Net other comprehensive loss that may be reclassified subsequently to profit or loss** | | (2,997,810) | (898,942) |
| *Items that will not be reclassified subsequently to profit or loss:* | | | |
| Gains on property revaluation | 5 | 1,367,938 | 33,763 |
| Deferred tax charge on revaluation gains | 33(c) | (463,602) | (8,441) |
| **Net other comprehensive income that will not be reclassified subsequently to profit or loss** | | 904,336 | 25,322 |
| **Other comprehensive loss for the year, net of tax** | | (2,093,474) | (873,620) |
| **Total comprehensive income for the year, net of tax** | | 8,952,591 | 9,387,739 |
| **Total comprehensive income attributable to**: | | | |
| Equity holders of the parent | | 8,952,591 | 9,387,739 |

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

# Guardian Life Limited

Consolidated Statement of Changes in Equity

**Year ended 31 December 2022**

(Expressed in Jamaican dollars unless otherwise indicated)

| | Notes | Share Capital (Note 15) $'000 | Reserves (Note 16) $'000 | Retained Earnings $'000 | Total Equity $'000 |
|---|---|---|---|---|---|
| | | **The Group** **Attributable to Equity Holders of the Parent** | | | |
| **Balance at 1 January 2022** | | 13,526,525 | 4,123,116 | 36,559,368 | 54,209,009 |
| Profit for the year | | - | - | 11,046,065 | 11,046,065 |
| Other comprehensive loss | | - | (2,093,474) | - | (2,093,474) |
| **Total comprehensive (loss)/income** | | - | (2,093,474) | 11,046,065 | 8,952,591 |
| Transfer of gains on disposal of properties to retained earnings | | - | (200,164) | 200,164 | - |
| Transfer to/(from) retained earnings | | - | (184,912) | 184,912 | - |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Dividends declared | 34 | - | - | (4,450,998) | (4,450,998) |
| **Balance at 31 December 2022** | | 13,526,525 | 1,644,566 | 43,539,511 | 58,710,602 |

| | Notes | Share Capital (Note 15) $'000 | Reserves (Note 16) $'000 | Retained Earnings $'000 | Total Equity $'000 |
|---|---|---|---|---|---|
| | | **The Group** **Attributable to Equity Holders of the Parent** | | | |
| **Balance at 1 January 2021** | | 13,526,525 | 4,600,866 | 29,470,094 | 47,597,485 |
| Profit for the year | | - | - | 10,261,359 | 10,261,359 |
| Other comprehensive loss | | - | (873,620) | - | (873,620) |
| **Total comprehensive (loss)/income** | | - | (873,620) | 10,261,359 | 9,387,739 |
| Transfer to/(from) retained earnings | | - | 395,870 | (395,870) | - |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Dividends declared | 34 | - | - | (2,776,215) | (2,776,215) |
| **Balance at 31 December 2021** | | 13,526,525 | 4,123,116 | 36,559,368 | 54,209,009 |

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

# Guardian Life Limited

Consolidated Statement of Cash Flows

**31 December 2022**

(Expressed in Jamaican dollars unless otherwise indicated)

| | Notes | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before taxation | | 12,913,679 | 12,318,192 |
| Finance charges | | 15 | 47 |
| Investment income | 25 | (9,367,531) | (7,884,792) |
| Adjustment for non-cash items | 35 | 1,714,615 | (2,926,464) |
| Interest received | | 7,686,048 | 6,758,183 |
| Dividends received | | 443,559 | 355,853 |
| **Operating profit before changes in operating assets/liabilities** | | 13,390,385 | 8,621,019 |
| Net decrease in insurance contracts | | (5,938,794) | (85,372) |
| Net (decrease)/increase in investment contracts | | (7,982) | 1,771,110 |
| Net increase in other policy liabilities | | 166,528 | 1,254,583 |
| Net (decrease)/increase in loans and receivables | | (1,587,401) | 39,299 |
| Net increase in other liabilities | | 2,106,233 | 1,742,014 |
| **Cash provided by operating activities** | | 8,128,969 | 13,342,653 |
| Interest paid | | (18) | (49) |
| Net taxation paid | | (1,875,326) | (3,408,606) |
| **Net cash provided by operating activities** | | 6,253,625 | 9,933,998 |
| **Cash flows from investing activities** | | | |
| Purchase of financial assets | 11 | (7,922,928) | (18,207,366) |
| Proceeds from sale of financial assets | 11 | 6,624,905 | 7,868,797 |
| Purchase of investment properties | 7 | (179,567) | - |
| Expenditure on properties for development and sale | 8 | (988,345) | (1,603,808) |
| Purchase of property and equipment | 5 | (142,328) | (482,344) |
| Proceeds on sale of property and equipment | | 6,524 | 28,736 |
| Proceeds from property for development and sale | | 1,715,960 | - |
| Purchase of intangible assets | 9 | (374,481) | (108,625) |
| Proceeds from lease equipment financing | 13 | 1,194,816 | - |
| **Net cash used in investing activities** | | (65,444) | (12,504,610) |
| **Cash flows from financing activities** | | | |
| Repayment of lease liabilities | | (580) | (601) |
| Dividends paid to equity holders of the parent | | (4,974,987) | (1,978,537) |
| **Net cash used in financing activities** | | (4,975,567) | (1,979,138) |
| Net increase/(decrease) in cash and cash equivalents | | 1,212,614 | (4,549,750) |
| Effective of exchange rates changes on cash and cash equivalents | | (14,496) | 19,463 |
| Cash and cash equivalents at beginning of year | | 4,844,270 | 9,374,557 |
| **Cash and cash equivalents at end of year** | 14(a) | 6,042,388 | 4,844,270 |

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

# Guardian Life Limited

Company Statement of Financial Position

**31 December 2022**

(Expressed in Jamaican dollars unless otherwise indicated)

| | Notes | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| **Assets** | | | |
| Property and equipment | 5 | 5,448,297 | 4,122,512 |
| Right-of-use assets | 6 | 6,441 | 8,363 |
| Investment properties | 7 | 4,912,845 | 3,747,493 |
| Property for development and sale | 8 | 2,026,228 | 5,032,961 |
| Intangible assets | 9 | 3,853,622 | 3,707,882 |
| Investment in subsidiaries | 10 | 70 | 70 |
| Taxation recoverable | | 2,529,746 | 2,474,705 |
| Financial assets | 11 | 113,614,293 | 117,812,905 |
| Pledged assets | 12 | 655,389 | 649,174 |
| Loans and receivables | 13 | 4,405,162 | 4,009,331 |
| Cash and cash equivalents | 14(a) | 5,990,419 | 4,773,151 |
| Cash and cash equivalents of mutual fund unit holders | 14(b) | 36,799 | 63,417 |
| **Total assets** | | 143,479,311 | 146,401,964 |
| **Equity and liabilities** | | | |
| Share capital | 15 | 13,526,525 | 13,526,525 |
| Reserves | 16 | 1,644,566 | 4,123,116 |
| Retained earnings | | 43,539,531 | 36,559,388 |
| **Equity attributable to owners of the parent** | | 58,710,622 | 54,209,029 |
| **Liabilities** | | | |
| **Policyholders' Funds** | | | |
| Insurance contracts | 17 | 36,002,992 | 41,941,786 |
| Investment contracts | 18 | 36,553,124 | 36,561,106 |
| Other policy liabilities | 19 | 4,402,004 | 4,235,476 |
| | | 76,958,120 | 82,738,368 |
| Deferred tax liabilities | 20 | 1,619,218 | 2,027,626 |
| Lease liabilities | 6 | 54 | 634 |
| Provision for taxation | | 1,462,882 | 975,892 |
| Other liabilities | 21 | 4,728,415 | 6,450,415 |
| **Total liabilities** | | 84,768,689 | 92,192,935 |
| **Total equity and liabilities** | | 143,479,311 | 146,401,964 |

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

**Approved for issue by the Board of Directors on 9 March 2023 and signed on its behalf by:**

| | | | |
|---|---|---|---|
| Gladstone Lewars | Director | Meghon Miller-Brown | Director |

# Guardian Life Limited

Company Statement of Profit or Loss

**Year ended 31 December 2022**

(Expressed in Jamaican dollars unless otherwise indicated)

| | Notes | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|---|
| **Continuing operations:** | | | |
| **Insurance activities** | | | |
| Insurance premium income | 22(a) | 21,354,149 | 22,383,961 |
| Insurance premium ceded to reinsurers | 22(b) | (317,905) | (227,555) |
| **Net premium income** | | 21,036,244 | 22,156,406 |
| Reinsurance commission income | | 72,370 | 31,351 |
| **Net underwriting revenue** | | 21,108,614 | 22,187,757 |
| Policy acquisition expenses | 23 | (3,773,514) | (3,051,301) |
| Net insurance benefits and claims | 24 | (13,175,285) | (12,378,764) |
| Decrease/(increase) in reserves for future policy benefits | 17(a) | 5,264,318 | (276,745) |
| **Underwriting expenses** | | (11,684,481) | (15,706,810) |
| **Net result from insurance activities** | | 9,424,133 | 6,480,947 |
| **Investing activities** | | | |
| Interest income earned from financial assets measured at: | | | |
| Fair value through profit and loss and other investment income | | 1,852,508 | 1,296,559 |
| Fair value through other comprehensive income | | 4,357,137 | 4,006,105 |
| Amortised cost | | 3,157,886 | 2,582,128 |
| Net other investment income | 25 | 9,367,531 | 7,884,792 |
| Net fair value (losses)/gains on financial assets at fair value through profit or loss and investment properties | 26 | (2,041,337) | 1,776,028 |
| Net realized gains on financial and other assets | 27 | 1,323,712 | 242,116 |
| Net impairment losses on financial assets | 30 | (124,114) | (3,949) |
| Fee income | 28 | 889,751 | 772,390 |
| Foreign exchange (losses)/gains | | (141,697) | 774,800 |
| Other income | 29 | 230,602 | 1,422,458 |
| Investment contract benefits | 18,31 | (445,906) | (1,571,077) |
| **Net income from investing activities** | | 9,058,542 | 11,297,558 |
| Net income from all activities | | 18,482,675 | 17,778,505 |
| Operating expenses | 32 | (5,568,981) | (5,460,266) |
| **Operating profit before interest and taxes** | | 12,913,694 | 12,318,239 |
| Finance charges | | (15) | (47) |
| **Operating profit before tax** | | 12,913,679 | 12,318,192 |
| Taxation | 33 | (1,867,614) | (2,056,833) |
| **Profit attributable to equity holders of the parent** | | 11,046,065 | 10,261,359 |

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

# Guardian Life Limited

Company Statement of Other Comprehensive Income
**Year ended 31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

| | Notes | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| **Profit attributable to equity holders of the parent** | | 11,046,065 | 10,261,359 |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange gains/(losses) on translating foreign operations | 16 | 4,464 | (67,391) |
| Net fair value losses on debt securities at fair value through other comprehensive income | 11 | (3,410,484) | (1,030,277) |
| Net change in allowance for expected credit losses on debt securities at fair value through other comprehensive income | 30 | (24,139) | 48,861 |
| Deferred tax on fair value through other comprehensive income securities | 33(c) | 432,349 | 149,865 |
| **Net other comprehensive loss that may be reclassified subsequently to profit or loss** | | (2,997,810) | (898,942) |
| *Items that will not be reclassified subsequently to profit or loss:* | | | |
| Gains on property revaluation | 5 | 1,367,938 | 33,763 |
| Deferred tax charge on revaluation gains | 33(c) | (463,602) | (8,441) |
| **Net other comprehensive income that will not be reclassified subsequently to profit or loss** | | 904,336 | 25,322 |
| **Other comprehensive loss for the year, net of tax** | | (2,093,474) | (873,620) |
| **Total comprehensive income for the year, net of tax** | | 8,952,591 | 9,387,739 |
| **Total comprehensive income attributable to:** | | | |
| Equity holders of the parent | | 8,952,591 | 9,387,739 |

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

# Guardian Life Limited

Company Statement of Changes in Equity

**Year ended 31 December 2022**

(Expressed in Jamaican dollars unless otherwise indicated)

| | | The Company | | | |
|---|---|---|---|---|---|
| | | **Attributable to Equity Holders of the Parent** | | | |
| | **Notes** | **Share Capital (Note 15)** | **Reserves (Note 16)** | **Retained Earnings** | **Total Equity** |
| | | **$'000** | **$'000** | **$'000** | **$'000** |
| **Balance at 1 January 2022** | | 13,526,525 | 4,123,116 | 36,559,388 | 54,209,029 |
| Profit for the year | | - | - | 11,046,065 | 11,046,065 |
| Other comprehensive loss | | - | (2,093,474) | - | (2,093,474) |
| **Total comprehensive (loss)/ income** | | - | (2,093,474) | 11,046,065 | 8,952,591 |
| Transfer of gains on disposal of properties to retained earnings | | - | (200,164) | 200,164 | - |
| Transfer to/(from) retained earnings | | - | (184,912) | 184,912 | - |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Dividends declared | 34 | - | - | (4,450,998) | (4,450,998) |
| **Balance at 31 December 2022** | | 13,526,525 | 1,644,566 | 43,539,531 | 58,710,622 |

| | | The Company | | | |
|---|---|---|---|---|---|
| | | **Attributable to Equity Holders of the Parent** | | | |
| | **Notes** | **Share Capital (Note 15)** | **Reserves (Note 16)** | **Retained Earnings** | **Total Equity** |
| | | **$'000** | **$'000** | **$'000** | **$'000** |
| **Balance at 1 January 2021** | | 13,526,525 | 4,600,866 | 29,470,114 | 47,597,505 |
| Profit for the year | | - | - | 10,261,359 | 10,261,359 |
| Other comprehensive loss | | - | (873,620) | - | (873,620) |
| **Total comprehensive (loss)/income** | | - | (873,620) | 10,261,359 | 9,387,739 |
| Transfer to/(from) retained earnings | | - | 395,870 | (395,870) | - |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Dividends declared | 34 | - | - | (2,776,215) | (2,776,215) |
| **Balance at 31 December 2021** | | 13,526,525 | 4,123,116 | 36,559,388 | 54,209,029 |

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

# Guardian Life Limited

Company Statement of Cash Flows

**31 December 2022**

(Expressed in Jamaican dollars unless otherwise indicated)

| | Notes | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before taxation | | 12,913,679 | 12,318,192 |
| Finance charges | | 15 | 47 |
| Investment income | 25 | (9,367,531) | (7,884,792) |
| Adjustment for non-cash items | 35 | 1,714,615 | (2,926,464) |
| Interest received | | 7,686,048 | 6,758,183 |
| Dividends received | | 443,559 | 355,853 |
| **Operating profit before changes in operating assets/liabilities** | | 13,390,385 | 8,621,019 |
| Net decrease in insurance contracts | | (5,938,794) | (85,372) |
| Net (decrease)/increase in investment contracts | | (7,982) | 1,771,110 |
| Net increase in other policy liabilities | | 166,528 | 1,254,583 |
| Net (decrease)/increase in loans and receivables | | (1,587,401) | 39,299 |
| Net increase in other liabilities | | 2,106,233 | 1,742,014 |
| **Cash provided by operating activities** | | 8,128,969 | 13,342,653 |
| Interest paid | | (18) | (49) |
| Net taxation paid | | (1,875,326) | (3,408,606) |
| **Net cash provided by operating activities** | | 6,253,625 | 9,933,998 |
| **Cash flows from investing activities** | | | |
| Purchase of financial assets | 11 | (7,922,928) | (18,207,366) |
| Proceeds from sale of financial assets | 11 | 6,624,905 | 7,868,797 |
| Purchase of investment properties | 7 | (179,567) | - |
| Expenditure on property for development and sale | 8 | (988,345) | (1,603,808) |
| Purchase of property and equipment | 5 | (142,328) | (482,344) |
| Proceeds on sale of property and equipment | | 6,524 | 28,736 |
| Proceeds from property for development and sale | | 1,715,960 | - |
| Purchase of intangible assets | 9 | (374,481) | (108,625) |
| Proceeds from lease equipment financing | 13 | 1,194,816 | - |
| **Net cash used in investing activities** | | (65,444) | (12,504,610) |
| **Cash flows from financing activities** | | | |
| Repayments of lease liabilities | | (580) | (601) |
| Dividends paid to equity holders of the parent | | (4,974,987) | (1,978,537) |
| **Net cash used in financing activities** | | (4,975,567) | (1,979,138) |
| Net increase/(decrease) in cash and cash equivalents | | 1,212,614 | (4,549,750) |
| Effect of exchange rate changes on cash and cash equivalents | | (14,496) | 19,463 |
| Cash and cash equivalents at beginning of year | | 4,844,270 | 9,374,557 |
| **Cash and cash equivalents at end of year** | 14(a) | 6,042,388 | 4,844,270 |

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

# Guardian Life Limited

Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 1. Incorporation and Principal Activities

Guardian Life Limited was incorporated in Jamaica on 7 July 1999 and is registered as a limited liability company, operating under the provisions of the Insurance Act 2001. The main activities of the Company are the provision of ordinary life insurance, group life and health insurance and group pension administration. The Company is domiciled in Jamaica and its registered office is located at 12 Trafalgar Road, Kingston 5, Jamaica. The Company also services a small, closed Barbados portfolio.

The Company is a wholly-owned subsidiary of Guardian Insurance Limited, which is a wholly-owned subsidiary of Guardian Holdings Limited, the ultimate parent, both of which are 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's subsidiaries, which together with the Company are referred to as "the Group", are as follows:

| Subsidiary | Country of Incorporation and Domicile | Principal Activity | Percentage Ownership | |
|---|---|---|---|---|
| | | | 2022 | 2021 |
| Guardian Property Services Limited (formerly Guardian Life Properties Limited) | Jamaica | Property Management | 100 | 100 |
| PENACT Services Limited (formerly Guardian Life Pension Funds Limited) | Jamaica | Pension Administration and Actuarial Services | 100 | 100 |

The Company and its subsidiaries all have co-terminous year ends.

Effective 30 September 2020, the Company acquired the insurance and annuities portfolios from a fellow subsidiary, NCB Insurance Company Limited ("NCBIC"). The Scheme of Transfer was approved by the regulator, Financial Services Commission on 15 September 2020, pursuant to Section 31(3) of the Insurance Act and was settled in cash.

The financial statements were authorised for issue by the directors on 9 March 2023. The directors have the power to amend and reissue the financial statements.

## 2. Summary of Significant Accounting Policies

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

### (a) Basis of preparation

These consolidated 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. They have been prepared on an historical cost basis except for investment properties, freehold and leasehold properties classified as property and equipment and financial assets at fair value through profit or loss and fair value through other comprehensive income, which are carried at fair value.

# Guardian Life Limited

Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**2. Summary of Significant Accounting Policies (Continued)**

**(a) Basis of preparation (continued)**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

**New standards and amendments/revisions to published standards and interpretations effective in 2022**
The following new standards and amendments to published standards are mandatory for the Group's accounting period beginning on or after 1 January 2022:

**Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16**
The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

**Reference to the Conceptual Framework – Amendments to IFRS 3**
Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

**Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37**
The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

**Annual Improvements to IFRS Standards 2018–2020:**
- IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

**2. Summary of Significant Accounting Policies (Continued)**

**(a) Basis of preparation (continued)**

**New standards and amendments/revisions to published standards and interpretations effective in 2022 but not applicable to the Group**

**Annual Improvements to IFRS Standards 2018–2020:**

- IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
- IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

**New standards, interpretations and revised or amended standards that are not yet effective and have not been early adopted by the Group**

The following is a list of new IFRS standards, interpretations and amendments issued that are not yet effective as at 31 December 2022 and have not been early adopted by the Group. For all standards, interpretations and amendments effective 1 January 2023 and after, the Group is currently evaluating the impact of adoption, but does not anticipate they would have a material impact on its consolidated financial statements.

**Effective 1 January 2023:**

- Classification of Liabilities as Current or Non-current – Amendments to IAS 1 (Deferred until accounting periods starting not earlier than 1 January 2024)
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practices Statement 2
- Definition of Accounting Estimates – Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

**Effective 1 January 2024:**

- Amendment to IFRS 16 – Leases on sale and leaseback
- Amendment to IAS 1 – Non current liabilities with covenants

**2. Summary of Significant Accounting Policies (Continued)**

**(a) Basis of preparation (continued)**

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

**IFRS 17 Insurance Contracts**

**IFRS 17 Effective Date**

IFRS 17, 'Insurance Contracts' was issued in May 2017 with an original effective date of 1 January 2021. Amendments to IFRS 17 "Insurance Contracts" were issued in June 2020 and included a two-year deferral of the effective date to 1 January 2023. IFRS 17 will replace IFRS 4, 'Insurance Contracts' and will materially change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Group's financial statements. The Group will implement IFRS 17 effective 1 January 2023.

**Transition Approach**

IFRS 17 must be applied retrospectively. However, if full retrospective application to a group of contracts is impractical, the modified retrospective or fair value methods may be used. The drivers for impracticability for retrospective application relate to a lack of required data and the use of hindsight, consistent with the principles of IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. The transition approach can have a significant impact on the contractual service margin ("CSM"), and relatedly, on both shareholders' equity and profits on in-force business in future reporting periods. On transition, the Group will apply the fair value approach and the full retrospective approach according to the data that is available for the various groups of contracts, and the date from which it is available.

The fair value approach will be applied only to portfolios within the Life, Health, and Pensions businesses. Within this approach, the CSM is determined to be the difference between the fair value of a group of insurance contracts measured in accordance with IFRS 13 and its fulfilment cash flows at the transition date. Judgements will be made in estimating the fair value of groups of insurance contracts. IFRS 13 requires fair values to be determined using recent market transactions, however this is not available, therefore a valuation approach under IFRS 13 will be applied, with consideration to information from a market participant's perspective.

**Redesignation of Finance Assets**

The Group, having previously applied IFRS 9, is permitted to change its classification and designation of financial assets. This reassessment is relevant only to eligible financial assets held in connection with insurance contracts under the scope of IFRS 17. Any redesignation will be based on facts and circumstances that exist at the date of initial application of IFRS 17 and will be applied on that date. When applying the IFRS 9 transition requirements, the date of initial application is considered the date of initial application of IFRS 17. Some financial assets will be reclassified upon implementation of IFRS 17.

**Level of Aggregation**

For measurement purposes, IFRS 17 requires contracts to be grouped together into contracts that are managed together and have similar risk and profitability profiles, all within the same issue year. The resulting portfolios are roughly similar to that which existed under IFRS 4 for internal management reporting purposes, although the profitability and cohort grouping requirements are new. With respect to cohort grouping, the Group decided to apply annual cohorts to all portfolios where the Premium Allocation Approach ("PAA") is applied, and quarterly cohorts to all other portfolios.

**2. Summary of Significant Accounting Policies (Continued)**

**(a) Basis of preparation (continued)**

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

**IFRS 17 Insurance Contracts (continued)**

**Scope, Definition, and Classification**
All contracts classified as insurance products under IFRS 4 will continue to be defined as such under IFRS 17, and similarly, all contracts that meet the definition of an insurance contract under IFRS 17 also had done so under IFRS 4. The definition of insurance risk will also be maintained, except to add that benefits payable is determined on a present value basis. Further, there was no significant impact on the recognition and derecognition of insurance contracts under IFRS 4 as compared with IFRS 17.

**Measurement Models**
The standard requires that insurance liabilities be measured using the General Measurement Model (“GMM”), with modifications to this approach available for certain types of contracts. For contracts with participating features (where a substantial share of the fair value of the related investments and other underlying items is paid to policyholders), the CSM reflects the variable fee to shareholders, and therefore the Variable Fee Approach (“VFA”) will be utilised. For these contracts, the CSM is adjusted to reflect the changes in economic experience and assumptions. The Premium Allocation Approach (“PAA”) will be automatically applied to short-term contracts where the profit is realised within twelve months, but also to contracts with durations of up to 2 years, where the PAA eligibility criteria were successfully met. For all other contracts where the CSM is only adjusted for non-economic assumptions, the GMM will be applied.

**Onerous contracts**
IFRS 17 requires the identification of groups of onerous contracts. When these groups are identified, the Group is required to recognise a loss immediately in profit or loss along with an increase in the insurance contract liability known as a loss component. Where the Group has reasonable and supportable information to conclude that a set of contracts will all be in the same profitability group for IFRS 17, these contracts are evaluated together based on aggregate expected profitability to determine if the insurance contracts are onerous in the reporting period in which they are first effective.

**Reinsurance Contracts Held**
Reinsurance contracts held will apply GMM or PAA, adapted to reflect the characteristics of a reinsurance contract held. For contracts applying the GMM model, the CSM reflects the expected net cost or net gain rather than unearned profit. If certain criteria are met, a loss recovery component can be recognised to offset a portion of the losses recognised on the underlying insurance contracts.

**Contractual Service Margin**
CSM is a new concept in IFRS 17. The contractual service margin is a component of the asset or liability for a group of insurance contracts that represents the unearned profit the entity will recognise as it provides services in the future. An entity is required to determine the contractual service margin on initial recognition of a group of insurance contracts as follows:

- For profitable business, expected profits must not be recognised on day one but instead be captured within the CSM to be released as the service is provided over the life of that business.
- For onerous contracts, expected losses must not be deferred in a negative CSM, but instead recognised in full on day one.

## 2. Summary of Significant Accounting Policies (Continued)

### (a) Basis of preparation (continued)

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

**IFRS 17 Insurance Contracts (continued)**

**Major Accounting Policies**

Discount Rates

As allowed by IFRS 17.B80, the Group developed discount rates using the bottom-up approach.

For PAA business, no discounting will be applied to the Liability for Remaining Coverage (“LRC”) or to claims and other cash flows that are expected to occur within 1 year of the reporting period.

Risk Adjustment

The Group will use a risk margin approach for the risk adjustment within the Life, Health, and Pensions business units. The risk adjustment is based on the Margins for Adverse Deviation (MfADs) already used within IFRS 4, except with the financial assumption margins excluded. MfADs meet the criteria within IFRS 17 B.91 which requires a confidence interval to be attached to the level of each margin. In Jamaica, best practice, as outlined by the Canadian Institute of Actuaries, define the MfAD range to which the Group must adhere.

Insurance acquisition costs

The Group has elected not to apply the option allowed under IFRS 17.59(a) for contracts measured under the PAA to recognise insurance acquisition cash flows as an expense when incurred. Instead, these costs will be captured within the insurance contract liability and then amortised over the life of the insurance contract. Additionally, cost related to the starting, selling or underwriting of insurance contracts which are directly attributable to a portfolio are eligible to be capitalised on the statement of financial position within insurance acquisition cost as insurance acquisition cash flows and amortised over the life of the related group of insurance contracts to which they are allocated. The Group expects that this will result in additional cost being eligible to be capitalised and amortised as compared to IFRS 4.

**2. Summary of Significant Accounting Policies (Continued)**

**(a) Basis of preparation (continued)**

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

**IFRS 17 Insurance Contracts (continued)**

Presentation and Disclosure
The Group has made the following presentation and disclosure decisions:

- As allowed by IFRS 17.81, the entire change in the risk adjustment for non-financial risk will be included as part of the insurance service result.

- As allowed by IFRS 17.86, income and expenses from reinsurance contracts held will be presented on a net basis in the consolidated statement of income.

- As allowed by IFRS 17.89, the Group will disaggregate insurance finance income or expenses between amounts allocated to profit or loss to eliminate accounting mismatches with income and expenses in profit or loss on the underlying items held, and to other amounts allocated to other comprehensive income.

- As allowed by IFRS 17.96(a), the Group will aggregate insurance contracts by type of contract or major product line for disclosure purposes. The categories will be as follows:
  - Traditional life & Interest Sensitive without Guarantees
  - Unit linked life & Interest Sensitive with Guarantees
  - Annuities
  - Short-term Group Life & Health

**Impact on Insurance Contract Balances and Profitability**
IFRS 17 introduces many new measurement criteria that will have an impact on the Group's results, including the following:

- Insurance Revenue
  IFRS 17 measures revenue based on the delivery of services to policyholders and, importantly, excludes any premiums related to the investment elements of policies. The determination of what constitutes an investment component is an area of judgement significantly affecting amounts of recognised insurance revenue and insurance service expenses as investment components should be excluded from those. An investment component exists where the contract requires the Group to pay the policyholder even if the insured event does not occur either upon the surrender of the policy or at the request of the policyholder. The impact of this is a reduction of insurance revenue.

  Applying considerations from IFRS 17 and IFRS 15, 'Contracts with Customers', the Group now combines fronting contracts with the related insurance policies if certain conditions are met, eliminating the premium income against the reinsurance premium expense. This adjustment will reduce insurance revenue and reinsurance expenses by a commensurate amount and therefore has no net impact to profitability.

## 2. Summary of Significant Accounting Policies (Continued)

### (a) Basis of preparation (continued)

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

**IFRS 17 Insurance Contracts (continued)**

**Impact on Insurance Contract Balances and Profitability (continued)**

- Insurance Service Expenses
  IFRS 17 requires the identification of all fulfilment cash flows including operating expenses and overheads that are directly attributable to the acquisition and management of insurance contracts. Such expenses have been classified within operating expenses under IFRS 4. A systematic and rational method to identify and allocate such overheads to insurance and reinsurance contracts has been implemented. These expenses will be reallocated – either directly to insurance service expenses, or initially as a reduction in the insurance contract liability, where they are then amortised to the insurance service expense over the contract duration. The result is a reduction in operating expenses, and a commensurate increase in insurance service expenses and decrease in the insurance contract liability.

- Insurance Contract Liability
  The establishment of a CSM on in-force business is expected to lead to an increase in insurance contract liabilities and a corresponding decrease in equity upon transition. The CSM represents unearned profits that are expected to amortise into income as services are provided.

  Further, the principles underlying IFRS 17 differ from the Caribbean Premium Policy Method (CPPM) that is permitted by IFRS 4. These differences include, but are not limited to:

  <u>Discount Rates</u>
  Under IFRS 17, the discount rate used to estimate the present value of insurance contract liabilities is based on the characteristics of the liability, whereas under CPPM, the Group uses the rates of returns for current and projected assets supporting insurance contract liabilities to value the liabilities. The difference in the discount rate approach also impacts the timing of investment-related experience earnings emergence. Under CPPM, investment-related experience includes the impact of investing activities. The impact of investing activities is directly related to the CPPM methodology. Under IFRS 17, the impact of investing activities will emerge over the life of the asset and is independent of the liability measurement.

  Under IFRS 17, the discount rate used to present value future cashflows is disconnected from the assets the Group holds to support its insurance contract liabilities. As a result, the Group is considering electing the other comprehensive income option under IFRS 17 for insurance contract liabilities and the fair value through other comprehensive income option under IFRS 9 for fixed income assets.

<u>The Timing of Recognition of Losses and Gains</u>
Under IFRS 17, new business gains are recorded on the Consolidated Statement of Financial Position (in the CSM component of the insurance contract liability) and amortized into income as services are provided. New business losses are recorded into income immediately. Under CPPM, both new business gains and new business losses are recognized in income immediately.

Note that the above changes, while impacting the insurance contract liability, may also have consequential impacts on revenue recognition, insurance service expenses, finance expenses, and other items in the consolidated statement of income.

**2. Summary of Significant Accounting Policies (Continued)**

**(a) Basis of preparation (continued)**

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

**IFRS 17 Insurance Contracts (continued)**

The Timing of Recognition of Losses and Gains (continued)

Overall, IFRS 17 will have a significant impact on the Group's consolidated financial statements, tax and regulatory capital positions and other financial metrics that are dependent upon IFRS accounting values. Despite these changes in recognition criteria, IFRS 17 does not impact the cash flows generated by the business, and hence, does not impact the economics of the Group's business.

**Implementation Project Structure and Status**
There is a Group-wide IFRS 17 implementation programme, led by an Executive Project Sponsor, which involves significant enhancements to the Group's IT, actuarial, and finance systems. These three (3) elements were organised into three (3) separate but highly collaborative project streams to ensure attention to detail while achieving the cohesiveness required of the programme. Key tasks within the programme included:

- Identifying data requirements
  This is one of the most significant aspects of the IFRS 17 implementation. This new standard requires a higher level of granularity in cash flow and other data to appropriately measure insurance contracts and make the necessary disclosures for reporting purposes.

- Identifying and implementing changes to systems and processes
  As a result of the IFRS 17 implementation, new systems were acquired, and functionality of existing systems were expanded. The new systems centre around the appropriate calculation and allocation of CSM and directly attributable expenses. Functionality was expanded for accounting and reporting systems.

- Modifying actuarial models
  Changes to actuarial models centred around discount rates and how policies were grouped.

- Determining the appropriate accounting policies and formulating disclosures
  There are many accounting policy options with IFRS 17, but also many ways in which a required policy or disclosure can be formulated. Various approaches were carefully considered before the Group arrived at its final result.

An IFRS 17 Executive and Technical Committee, which includes the Group's CEOs, provides oversight and strategic direction to the implementation programme. A Finance sub-committee was also in place to provide governance over the technical interpretation and accounting policies selected, design and delivery of the programme. During 2022, the Group commenced the build and testing of new actuarial and finance systems and started the transitioning of the new elements of the financial statement close process into its day-to-day operations. This is expected to be completed January 2023. IFRS 17 will be implemented effective 1 January 2023, with further refinement and consideration of estimates and areas of judgement ongoing.

## 2. Summary of Significant Accounting Policies (Continued)

### (b) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries.

**Subsidiary**

A subsidiary is an entity over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts whether it has power over an investee, including:

- the contractual arrangement with the other vote-holders of the investee;
- rights arising from other contractual arrangements;
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of profit or loss.

All intra-group transactions and balances are eliminated on consolidation. The subsidiary's accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

## 2. Summary of Significant Accounting Policies (Continued)

### (b) Consolidation (continued)

**Subsidiary (continued)**

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interests;
- derecognizes the cumulative translation differences recorded in equity;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in profit or loss;
- reclassifies the parent's share of components previously recognised in other comprehensive income, taken to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

### (c) Foreign currency translation

*Functional and presentation currency*

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

*Transactions and balances in the financial statements*

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

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary financial instruments items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined. These rates represent the weighted average rates at year end.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates, are recognised in the statement of profit or loss, except when deferred in equity as gains or losses from qualifying cash flow hedging instruments and when part of shadow accounting. Foreign exchange gains and losses on other comprehensive income items are presented in other comprehensive income within the corresponding item.

# Guardian Life Limited

Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 2. Summary of Significant Accounting Policies (Continued)

### (c) Foreign currency translation (continued)

Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the statement of profit or loss, and other changes in the carrying amount are recognised in other comprehensive income. Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as fair value through other comprehensive income financial assets, are included in the fair value reserve in other comprehensive income.

Foreign operations
The statement of profit or loss of foreign operations and Group companies with functional currencies other than Jamaican dollars is translated into Jamaican dollars at average exchange rates for the year and the statement of financial position is translated at the exchange rates ruling at year-end. The resulting translation differences are recorded directly in the currency translation reserve in the statement of other comprehensive income. When a foreign operation is sold, the cumulative translation differences are recognized in the statement of profit or loss as part of the gain or loss on sale.

### (d) Property and equipment

Freehold and leasehold properties are shown at fair value, based on periodic, but at least triennial, valuations by external independent appraisers, less subsequent depreciation for buildings. Other items of property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

A revaluation surplus is recorded in the statement of other comprehensive income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in asset revaluation reserve.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

| | |
|---|---|
| Freehold property | 2% per annum |
| Leasehold property | over the period of the lease |
| Office furniture and equipment | 10% per annum |
| Computer equipment | 10% - 33 1/3% per annum |
| Motor vehicles | 20% per annum |

Land is not depreciated.

Gains and losses arising on the disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

An asset's carrying amount is written down immediately to the net realizable value where the carrying amount is greater.

**2. Summary of Significant Accounting Policies (Continued)**

**(d) Property and equipment (continued)**

Repair and maintenance expenditure is charged to the statement of profit or loss. Improvement expenditure is included in the cost of the related asset.

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

**(e) Investment properties, leases and property for development and sale**

**(i) Investment properties**

Investment properties are held for long-term rental yields and are not occupied by the Group. Investment properties are measured initially at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, representing open market value determined annually by professional external valuators. Changes in fair values are recorded in the statement of profit or loss. Investment properties are not subject to depreciation.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of profit or loss in the period of derecognition.

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

**(ii) Properties for development and sale**

Properties for sale or under construction that are intended for sale are classified as properties for development and sale. These balances are carried at the lower of cost and net realizable values. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated selling expenses. Impairment losses on properties for development and sale are recognized in the consolidated statement of profit or loss when the net realizable value is lower than cost.

**(iii) Leases (Right-of-use assets)**

**The group’s leasing activities and how these are accounted for**
The group leases various offices, warehouses, retail stores, equipment and vehicles. Rental contracts are typically made for fixed periods of 6 months to 8 years but may have extension options as described in (v) below.

Contracts may contain both lease and non-lease components. The group 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 group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

# Guardian Life Limited

Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 2. Summary of Significant Accounting Policies (Continued)

### (e) Investment properties, leases and property for development and sale (continued)

#### (iii) Leases (Right-of-use assets) (continued)

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.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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 group under residual value guarantees;
- the exercise price of a purchase option if the group 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.

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 Group, 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.

To determine the incremental borrowing rate, the Group:
- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Guardian Life Limited, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

## 2. Summary of Significant Accounting Policies (Continued)

### (e) Investment properties, leases and property for development and sale (continued)

#### (iii) Leases (Right-of-use assets) (continued)

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the statement of profit or loss 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.

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 Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

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 profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

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

**Residual value guarantees**
To optimise lease costs during the contract period, the Group sometimes provides residual value guarantees in relation to equipment leases.

## 2. Summary of Significant Accounting Policies (Continued)

### (f) Intangible assets

#### (i) Computer software and website development costs.

Acquired computer software licences and website development costs are recognised 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 Group, and that will probably generate economic benefits exceeding costs beyond one year, are also recognised as intangible assets. Amortisation is calculated using the straight-line method to allocate costs over their estimated useful lives which range between 3 and 5 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

#### (ii) Renewal rights

Renewal rights reflects the estimated fair value of in-force contracts acquired and represents the portion of the purchase price that is allocated to the value of the right to receive future cash flows from the life insurance and annuity contracts in force at the acquisition date. Renewal rights is based on actuarially determined projections, by each block of business, of future policy and contract charges, premiums, mortality and morbidity, separate account performance, surrenders, operating expenses, investment returns and other factors. The use of discount rates was necessary to establish the fair value of renewal rights. In selecting the appropriate discount rates, management considered its weighted average cost of capital as well as the weighted average cost of capital required by market participants.

Subsequent to initial recognition, renewal rights will be amortised using the straight-line method to allocate the value of the right to receive future cash flows over the weighted average lives of the in-force contracts acquired. Actual experience on the purchased business may vary from these projections. If estimated gross profits or premiums differ from expectations, the amortization of renewal rights is adjusted to reflect actual experience. The amortisation period of the renewal rights is 17.5 years. The renewal rights will be assessed annually for impairment.

Intangible assets that are fully amortised but which are still in use are disclosed in Note 9.

### (g) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the greater of an asset’s fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identified cash flows.

**2. Summary of Significant Accounting Policies (Continued)**

**(h) Financial assets**

**Initial recognition and measurement**
Financial assets are recognised when Group entities become 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 Group 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.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. All related transaction costs for financial assets recognised at fair value through profit of loss are expensed.

The Group's financial assets include cash and short-term deposits, debt securities, equity securities, interest receivable, receivables arising from insurance contracts and reinsurance contracts and other loans and receivables.

**Classification and subsequent measurement**

**Debt instruments**
Subsequent to initial recognition, the Group's debt instruments are measured in accordance with the business models determined by the Group’s respective business units for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classified 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 Group'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.

(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 the consolidated statement of profit or loss in the period in which it arises. The Group 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.

**2. Summary of Significant Accounting Policies (Continued)**

**(h) Financial assets (continued)**

**Classification and subsequent measurement (continued)**

**Debt instruments (continued)**

(iii) Fair value through profit or loss: (continued)
The Group reclassifies debt instruments when and only when its business model for managing those 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 Group's business units determine their 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.

*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 Group's business units assesses 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 basis 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.

**2. Summary of Significant Accounting Policies (Continued)**

**(h) Financial assets (continued)**

**Classification and subsequent measurement (continued)**

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

Unit linked funds fair value model
The Group's liabilities include unit linked funds which are components of insurance contracts issued or unit linked investment contracts issued with terms that the full investment return earned on the backing assets accrue to the contract-holders. As these liabilities are accounted for at fair value through profit or loss, the financial assets backing these liabilities are consequently classified as and measured at fair value through profit or loss. This eliminates any accounting mismatch. The time to maturity of the short-term deposits and securities purchased under resale agreements result in the carrying amount approximating to fair value.

**Derecognition of financial assets**
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired;
  Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

  When the Group 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 Group'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 Group could be required to repay.

  When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that, in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

  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 the consolidated statement of 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 the consolidated statement of profit or loss.

## 2. Summary of Significant Accounting Policies (Continued)

### (h) Financial assets (continued)

**Classification and subsequent measurement (continued)**

**Modifications of financial assets**
If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different from that of the original asset. If the terms are substantially different, the Group derecognises the original financial asset and recognises a new financial asset at fair value. The date of modification is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. The Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the modification was driven by the debtor being unable to make the originally agreed payments.

If the cash flows of the modified asset are not substantially different, the modification does not result in derecognition of the financial asset. The Group recalculates the gross carrying amount of the financial asset based on revised cash flows, discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets), and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the consolidated statement of profit or loss.

**Impairment of assets**
At each reporting date, the Group 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 Group 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 Group 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 consolidated financial statements as follow:

- 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 the consolidated statement of 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 the consolidated statement of profit or loss. The loss allowance does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

# Guardian Life Limited

Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**2. Summary of Significant Accounting Policies (Continued)**

**(h) Financial assets (continued)**

**Impairment of assets (continued)**

*Significant increase in credit risk*
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group 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 Group 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 Group'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 Group'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.

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.

**2. Summary of Significant Accounting Policies (Continued)**

**(h) Financial assets (continued)**

**Impairment of assets (continued)**

*Significant increase in credit risk (continued)*
Irrespective of the outcome of the above assessment, the Group 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 Group has reasonable and supportable information that demonstrated otherwise.

Despite the aforementioned, the Group 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 Group 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 Group 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.

*Purchased or originated credit-impaired assets*
Financial assets that are purchased or originated at a deep discount that reflects the incurred credit losses are considered to be POCI. These financial assets are credit-impaired on initial recognition. The Group calculates the credit adjusted effective interest rate, which is calculated based on the fair value at origination of the financial asset instead of its gross carrying amount and incorporates the impact of ECLs in estimated future cash flows. This rate is used to calculate interest revenue and amortised cost. Their ECL is always measured on a lifetime basis, but they do not carry a day-1 loss.

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.

*Definition of default*
The Group considers a financial asset to be in default when:
- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the debtor is past due more than 90 days unless the Group 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 Group considers indicators that are qualitative, quantitative and based on data developed internally and obtained from external sources.

**2. Summary of Significant Accounting Policies (Continued)**

**(h) Financial assets (continued)**

**Impairment of assets (continued)**

*Write-off*
The Group 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 Group'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;
(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 Group 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 Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the original effective interest rate.

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 Group calculates the 12-month ECL allowance based on the expectation of a default occurring in the twelve months following the reporting date. The expected 12-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 Group records an allowance for lifetime 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.

- A financial instrument that is credit-impaired but is not a purchased or originated credit-impaired financial instrument, the Group 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.

## 2. Summary of Significant Accounting Policies (Continued)

### (h) Financial assets (continued)

**Impairment of assets (continued)**

*Measurement of expected credit losses (continued)*

- 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.

  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 Group 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 Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

### (i) Financial liabilities

Classification
Financial liabilities are measured at initial recognition at fair value and are classified as and subsequently measured either at amortised cost, or at fair value through profit or loss (FVPL). Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The financial liabilities described under the unit linked fair value model (see section (a) above) are classified and measured at FVPL as the Group is obligated to provide investment returns to the unit holder in direct proportion to the investment returns on a specific portfolio of assets, which are also carried at FVPL. Derivative financial liabilities are carried at FVPL. All other financial liabilities are carried at amortised cost. It is noted that the financial liabilities measured at FVPL do not have a cumulative own credit adjustment gain or loss.

During the ordinary course of business, the Group issues investment contracts or otherwise assumes financial liabilities that expose the Group to financial risk. The recognition and measurement of the Group’s principal types of financial liabilities are disclosed in 2 (o) and in the following paragraphs.

Deposit liabilities
Deposits are recognised initially at fair value and are subsequently measured at amortised cost using the effective yield method plus or minus transaction costs.

Loans and other debt obligations
Loans and other debt obligations are recognised initially at fair value, being their issue proceeds, net of transaction costs incurred. Subsequently, obligations are stated at amortised cost and any difference net proceeds and the redemption value is recognised in the statement of profit or loss over the period of the loan obligations using the effective yield method.

Obligations undertaken for the purposes of financing operations and capital support are classified as loans payable and associated cost classified as finance costs. Loan obligations undertaken for the purposes of providing funds for on-lending, leasing or portfolio investments are classified as deposit and security liabilities and the associated cost is included in interest expense.

**2. Summary of Significant Accounting Policies (Continued)**

**(j) Fair value measurement**

The Group measures financial instruments and non-financial assets 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 Group.

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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market. If there is no quoted price in an active market, the Group 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 maximum 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 Group'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.

## 2. Summary of Significant Accounting Policies (Continued)

### (j) Fair value measurement (continued)

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group 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.

External valuators are involved for valuation of certain assets such as investment properties, freehold and leasehold properties. Involvement of external valuators is decided upon annually and selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

### (k) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, money market placements and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Cash and cash equivalents are carried at amortised cost on the consolidated statement of financial position except for cash and cash equivalents allocated to unit-linked insurance contracts, which are carried at fair value through profit or loss.

### (l) Share capital

Share issue costs
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, for the proceeds.

### (m) Special investment reserve

The special investment reserve is a regulatory reserve established to manage the extent to which unrealized gains recognised in the statement of profit or loss are available for distribution. Consistent with the regulatory requirements, the unrealized gains on investment properties and quoted equities classified as fair value through profit or loss are transferred to and from this reserve as follows:

Net unrealized gains brought forward at the beginning of each year are transferred from the special investment reserve to retained earnings at the following rates:

Quoted equities - 25%
Investment properties - 10%

Net unrealized gains earned during the year are transferred from retained earnings to the special investment reserve at the following rates:

Quoted equities - 75%
Investment properties - 90%

## 2. Summary of Significant Accounting Policies (Continued)

### (n) Insurance and investment contracts

(i) Classification

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Financial risk includes credit, liquidity and market risks.

A number of insurance contracts (participating policies) contain a discretionary participation feature (DPF). This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- the amount or timing of which is contractually at the discretion of the Group; and
- that are contractually based on the performance of a specified pool of contracts or a specified type of contract, realized and/or unrealized investment returns on a specified pool of assets held by the Group or the profit or loss of the Group, fund or other entity that issues the contract.

The terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based and within which the Group may exercise its discretion as to the quantum and timing of their payment to contract holders.

(ii) Recognition and measurement

Insurance and investment contracts are classified into four main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

1) Short-term insurance contracts

These contracts are principally personal accident, group life and health insurance contracts.

Group life contracts protect the group’s members from the consequences of events, such as critical illness or disability, that would affect the ability of the insured to maintain his/her current level of income and minimizes the impact of death on the financial security of the insured’s dependents.

Health insurance contracts provide for preventative medical treatment, treatment for unexpected medical conditions and drugs. On these contracts, the benefits paid on occurrence of the specified insured event are either fixed or linked to the extent of the economic loss suffered by the policyholder. The Group’s liability is limited to the extent of the lifetime maximum on each contract. There are no maturity or surrender benefits.

Personal accident

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

Premiums received in advance represent the portion of premiums written in the current year which relate to periods of insurance subsequent to the statement of financial position date.

## 2. Summary of Significant Accounting Policies (Continued)

### (n) Insurance and investment contracts (continued)

(ii) Recognition and measurement (continued)

1) Short-term insurance contracts (continued)

Claims and loss adjustment expenses are charged to the statement of profit or loss as incurred based on the estimated liability for compensation owed to policyholders. They arise from events that have occurred up to the statement of financial position date even if they have not yet been reported to the Group. Liabilities for unpaid claims are estimated using techniques such as the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported.

Claims payable represent the gross cost of all claims notified but not settled on the statement of financial position date.

2) Long-term insurance contracts with fixed and guaranteed terms and without DPF

These include annuities, traditional life, unit-linked, interest sensitive, accidental death and dismemberment contracts.

These contracts insure events associated with human life (for example survival, or death) over a long duration. The premiums paid for these contracts contain an element that covers the insured event and may include another element which is used to accumulate cash values available for withdrawal at the option of the policyholder.

Premiums covering insurance risks are recognised as revenue when they become payable by the policyholder and are shown before deduction of commission. Benefits are recorded as an expense when they are incurred.

Under contracts that do not bear investment options, premiums are recognised as income when they become payable by the contract holder and benefits are recorded as an expense, net of reinsurance, when they are incurred.

A liability for policyholders' benefits that are expected to be incurred in the future is established on acceptance of the insurance risk. The liability is actuarially determined using the Policy Premium Method as required under the Insurance Act 2001. Under this method, allowance is made for the present value of estimated amounts for future claims and benefits, projected net investment income on assets supporting policyholders' liabilities; future expected premiums and projected policy maintenance expenses. The liability is also based on key assumptions made with respect to variables such as mortality, persistency, investment returns and the rate of inflation. A margin for adverse deviations is included in the assumptions.

Where insurance contracts have a single premium or a limited number of premium payments due over a significantly shorter period than the period during which benefits are provided, the excess of the premiums payable over the valuation premiums is deferred and recognised as income in line with the decrease of unexpired insurance risk of the contracts in force or, for annuities in force, in line with the decrease of the amount of future benefits expected to be paid.

An actuarial valuation is prepared at least annually. Changes in the policyholders' liability are recorded as an expense in the statement of profit or loss.

**2. Summary of Significant Accounting Policies (Continued)**

**(n) Insurance and investment contracts (continued)**

(ii) Recognition and measurement (continued)

2) Long-term insurance contracts with fixed and guaranteed terms and without DPF (continued)

Unit linked insurance contracts
Unit-linked funds represent funds maintained to meet specific investment objectives of policyholders who bear the investment risk. The returns earned by the investments of the funds, inclusive of realized and unrealized gains and losses accrued directly to the policyholders.

For the unit linked contracts, the portion of the premium covering the insured risk is recorded as premium income. The portion of the premium which accumulates a cash value for the policyholder is unbundled and recorded as a liability and credited to the account of the policyholder in the respective unit-linked fund to which the contract is linked.

The liabilities arising from the unit linked contracts comprise the liability for the insured risk and the accumulated cash value. The liability for the insurance risk is determined in a manner identical to the liability for contracts with fixed and guaranteed terms and is included in the policyholders' liability balance while the liability for the accumulated cash value is carried at fair value and is determined by reference to the fair value of the assets which fund the liabilities. The liabilities for the accumulated cash values are included in the segregated funds' liability balance (See Note 18). All risks and rewards accrue to the policy-holders who are invested in the segregated funds.

The assets and liabilities of the segregated funds are carried at fair values. Deposits and withdrawals are charged or are credited to the segregated fund liabilities. Unit values are determined by dividing the value of the assets in the funds on a valuation date by the number of units in the funds on the valuation date. The Group earns fees for the management of the funds' assets, policy administration, as well as for effecting the encashment of units.

Interest sensitive contracts
For the interest sensitive policies, the entire premium is recorded as premium income and there is no unbundling of the premium receipt between the insurance and investment components. The liability for the interest sensitive policies is determined as the sum of the liability for the insured risk as determined above for the unit linked policies and the liability for the accumulated cash values. These cash values earn interest and the interest credited to the account of the respective policies is charged as an expense in the statement of profit or loss. The entire liability for the interest sensitive policies is recorded in policyholders' liability.

The change in the overall liability for the interest sensitive policies is recorded as an expense in the statement of profit or loss.

For interest sensitive policies, interest credited to the account of the respective policies is charged as an expense in the statement of profit or loss.

Under bank assurance contracts that bear an investment option, insurance premiums received are initially recognized directly as liabilities. These liabilities are increased by credited interest and are decreased by policy administration fees, mortality and surrender charges and any withdrawals; the resulting liability is called the Life Assurance Fund. Income consists of fees deducted for mortality, policy administration and surrenders. Interest credited to the account balances and benefit claims in excess of the account balances incurred in the period are recorded as expenses in the statement of profit or loss.

# Guardian Life Limited

Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**2. Summary of Significant Accounting Policies (Continued)**

**(n) Insurance and investment contracts (continued)**

(ii) Recognition and measurement (continued)

3) Long-term insurance contracts with fixed and guaranteed terms and with DPF
These include contracts participating in company profits (Par Contracts/Contracts with DPF).
In addition to death or life benefits, these contracts entitle the holders to a bonus or dividend declared by the Company from time to time. Any bonus declared and not credited to individual contract holders is treated as a liability for the benefit of all contract holders until credited to them individually in future periods.

The discretionary elements of the benefits payable under these policies, as well as the guaranteed elements are treated as liabilities and any changes in the total benefits due are reflected as charges in the statement of profit or loss and form part of increases in reserves for future benefits of policyholders.

4) Investment contracts
The Group issues investment contracts to groups of employers through the approved deposit administration fund. The Group also manages unit-linked funds that are legally separated from the general operations. The underlying assets of these funds are included in these consolidated financial statements.

Deposit administration funds
Deposit administration funds represent liabilities under investment contracts issued by the Group to approved schemes, for the provision of pension benefits to their employees. The assets backing these liabilities are managed by the Group but are not legally separated from the Group's general operations. The assets and liabilities of these funds are included in these consolidated financial statements.

The returns on these funds are guaranteed by the Group by stated rates of interest which are revised at management's discretion. Liabilities under deposit administration fund contracts are carried at amortized cost, which approximate their fair values.

The Group earns administration and investment fees on the management of these funds and incurs interest expense on the funds. Management and investment fees and interest expense are recorded in the consolidated statement of profit or loss.

Unit Linked funds
The assets and liabilities of the unit linked or the segregated funds are carried at fair value. Deposits and withdrawals are credited and charged to the unit linked fund liabilities. Unit values are determined by dividing the value of the assets in the funds on a valuation date by the number of units in the funds on the valuation date.

The Group earns fees for the management of the funds' assets, policy administration, as well as for effecting the encashment of units.

**2. Summary of Significant Accounting Policies (Continued)**

**(n) Insurance and investment contracts (continued)**

(ii) Recognition and measurement (continued)

Liability adequacy test
At each statement of financial position date, the Group assesses whether its recognized 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 profit or loss and the amount of the relevant insurance liabilities is increased.

Claims payable
Provision for claims and the related costs of settlement are based on incidents reported before the end of the financial year. Any reinsurance recoverable is shown as receivable from the re-insurer.

Policy acquisition costs
Under the Policy Premium Method of actuarial valuation, the cost of acquiring new insurance business, consisting primarily of commissions and underwriting expenses is implicitly recognised as a reduction in actuarial liabilities.

Derivatives embedded in insurance contracts
The Group does not separately measure embedded derivatives that meet the definition of an insurance contract or options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate) as they (the options) are insurance contracts and are closely related to the host insurance contract.

Reinsurance contracts held
Contracts entered into by the Group with reinsurers, under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts, are classified as reinsurance contracts held.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to re-insurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

The Group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of profit or loss.

**2. Summary of Significant Accounting Policies (Continued)**

**(n) Insurance and investment contracts (continued)**

(ii) Recognition and measurement (continued)

Reinsurance contracts held (continued)
The Group gathers objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the reinsurance receivable that can be reliably estimated.

Objective evidence that a reinsurance asset is impaired includes:
(i) Significant financial difficulty of the reinsurer;
(ii) A breach of contract, such as a default or delinquency in payments;
(iii) It becoming probable that the reinsurer will enter bankruptcy or other financial organization; and
(iv) Deterioration of the rating of the reinsurer.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Receivables and payables related to insurance contracts and investment 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 Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the statement of profit or loss. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 37(b)(vii).

**(o) Taxation**

Taxation on the profit or loss for the year comprises current and deferred income tax charges.

**(i) Current Income tax**
Current income tax charges are based on taxable profit for the year. Taxable profit differs from the reported profit before taxation arising from adjustments for items that are exempt from taxation or not deductible and items that are taxable or deductible in other years. The Group provides for current tax expense calculated at tax rates at the date of the statement of financial position that have been enacted or substantially enacted in each jurisdiction in which it operates.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**2. Summary of Significant Accounting Policies (Continued)**

**(o) Taxation (continued)**

**(ii) Deferred income tax**

Deferred tax liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred tax assets are recognised for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be recognised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be recognised or the liability will be settled based on enacted rates.

Deferred tax assets and liabilities are offset when they arise from the same taxable entity, relate to the same tax authority and when there is a legally enforceable right to offset current tax assets against current tax liabilities.

Current and deferred taxes are recognised as income tax expense or benefit in the statement of profit or loss except, where they relate to items recorded in other comprehensive income, they are also charged or credited to other comprehensive income.

**(iii) Sales tax**

Revenues, expenses and assets are recognised net of the amount of sales taxes except;

- Where the sales tax incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case, the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- Receivables and payables that are stated with the amount of sales tax included.

Outstanding net amounts of sales tax recoverable from, or payable to, the tax authorities are included as part of receivables or payables in the statement of financial position.

**(p) Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

**2. Summary of Significant Accounting Policies (Continued)**

**(q) Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Group's activities. Revenue is recognized as follows:

**Premium income**

Premiums, including those in respect of single premium life contracts, are recognized as earned when due and are stated net of reinsurance premiums in the statement of profit or loss.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a monthly pro rata basis. The proportion attributable to subsequent periods is deferred and recorded as deposits on premiums and premiums received in advance on the statement of financial position.

**Interest income**

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

- Purchased or originated credit-impaired financial assets, for which the original credit-adjusted effective interest rate is applied to the amortized 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 amortized cost i.e. net of the expected credit loss provision.

Recognition of interest income is similar under IAS 39 and IFRS 9.

**Dividend income**

Dividend income is recognized when the right to receive payment is established.

**Rental income**

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

Rental income arising from operating leases on investment properties are charged to the statement of profit or loss on a straight-line basis over the life of the lease.

**Realized and unrealized investment gains and losses**

Realized and unrealized gains and losses on investments measured at amortized cost or fair value through profit or loss are recognized in the consolidated statement of profit or loss in the period in which they arise.

Unrealized gains and losses on investment securities measured at fair value through other comprehensive income are recognized in other comprehensive income. On derecognition, debt securities gains and losses accumulated in other comprehensive income are reclassified to the consolidated statement of profit or loss.

## 2. Summary of Significant Accounting Policies (Continued)

### (q) Revenue recognition (continued)

**Fee income**
Fees are earned from the management of the assets of the segregated, deposit administration, and pooled pension funds and from general policy administration and surrenders. Fees are recognized in the period in which these services are rendered.

**Income from property under development and sale**
Income from housing sales and escalations are recognized in the accounting period in which the services are rendered, by reference to completion and transferred of titles for the properties.

### (r) Prepaid commissions

Prepaid commissions are written off over the first year of each policy. Where policies have lapsed during the period, commissions are recovered from the agents and are included in the statement of profit or loss at the time of recovery.

### (s) Employee benefits

(i) Annual leave

Employee 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 year-end date.

(ii) 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 Group 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 separation. Benefits falling due more than twelve months after the year end date are discounted to present value.

(iii) Pension plans

The Company operates a defined contribution plan, the assets of which are held in a separate trustee administered fund. Employees are required to contribute 5% of pensionable salary while the Company contributes an additional 5%.

**2. Summary of Significant Accounting Policies (Continued)**

**(s) Employee benefits (continued)**

(iv) Share-based compensation
The Group participates in an equity-settled share-based compensation plan operated by the holding Company. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of options granted, excluding the impact of any non-market vesting conditions (for example, net profit growth target). Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable.

At the statement of financial position date, the Group revises its estimate of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the statement of profit or loss, and a corresponding adjustment to equity over the remaining vesting period. When the options are exercised, the proceeds received net of any transaction costs are credited to the Share Option Reserve.

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

(v) Bonus plan
The Group recognizes a liability and an expense for bonuses and, based on a formula that takes into consideration the profit attributable to the Company's shareholders. The Group recognizes a provision where contractually obliged or where past practice has created a constructive obligation.

(vi) Cash-based long-term incentive plan
Effective 1 January 2017, the Group implemented a cash-based long-term incentive plan for its senior executives. Awards are based on the Group achieving certain three-year targets. At each consolidated statement of financial position date, the Group estimates the awards to be granted at the end of the three-year cycle and recognizes the pro-rated cost as an expense. The impact of any revision of estimates made in respect of the previous years will be recognized in the current year's consolidated statement of profit or loss.

**(t) Dividends paid**
Dividends paid to the Company's shareholders are recognised as appropriations from retained earnings in the period in which the dividends are approved by the Company's Board of Directors.

**(u) Offsetting of financial instruments**
Financial assets and liabilities are offset with the net amount presented in the statements of financial position, only if the Group holds a currently enforceable legal right to set off the recognized amounts and there is an intention to settle on a net basis or to realise assets and settle the liability simultaneously. The legal right to set off the recognized amounts must be enforceable in both the normal course of business, and in the event of default, insolvency or bankruptcy of both the Group and its counterparty. In all other situations they are presented gross. When financial assets and financial liabilities are offset in the statement of financial position, the associated income and expense items will also be offset in the statement of profit or loss, unless specifically prohibited by an applicable accounting standard.

**(v) Fiduciary activities**
The Group acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these consolidated financial statements, as they are not assets of the Group.

## 3. Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Critical accounting estimates**

**Estimate of future benefit payments and premiums arising from long-term insurance contracts**
The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Group. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard industry and national mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's own experience. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. Estimations of the mortality rate determine the value of the benefit payments. The main source of uncertainty is that epidemics such as AIDS and wide-ranging lifestyle changes, such as eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Group has significant exposure to mortality risk.

However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group is exposed to longevity risk.

For contracts without fixed terms, it is assumed that the Group will be able to increase mortality risk charges in future years in line with emerging mortality experience.

Under certain contracts, the Group has offered guaranteed annuity options. In determining the value of these options, management has assumed that 100% of the annuity options are exercised. There is no reinsurance protection held in respect of these contracts that would reduce these amounts. Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments. See Note 37(a) for the sensitivity of the value of insurance liabilities to changes in assumptions used to value the liabilities.

### 3. Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments. The average estimated rate of investment return is 9.86% for the next fifteen years and 10.07% beyond (2021 – 9.96% for the next fifteen years and 9.72% beyond). Should the average future investment returns decrease/increase by 2% (2021 – 2%) from management's estimates, the value of the assets available to meet the insurance liability would increase/decrease by $6,978,569,000/$9,900,975,000 (2021 - $8,077,555,000/$12,085,872,000).

For long-term insurance contracts with fixed and guaranteed terms and with DPF, estimates are made in two stages. Estimates of future deaths, voluntary terminations, investment returns and administration expenses are made at the inception of the contract and form the assumptions used for calculating the liabilities during the life of the contract. A margin for risk and uncertainty is added to these assumptions. These assumptions are 'locked in' for the duration of the contract. New estimates are made each subsequent year in order to determine whether the previous liabilities are adequate in the light of these latest estimates. If the liabilities are considered adequate, the assumptions are not altered.

**The ultimate liability arising from claims made under insurance contracts**

The estimation of the ultimate liability arising from claims made under insurance contracts is an important accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims, in particular, for claims arising from health and group life insurance contracts. At 31 December 2022, the carrying amount of short-term insurance claims was $2,558,913,000 (2021 - $2,646,399,000).

If they are not adequate, the assumptions are altered ('unlocked') to reflect the best estimate assumptions. A key feature of the adequacy testing for these contracts is that the effects of changes in the assumptions on the measurement of the liabilities and related assets are not symmetrical. Any improvements in estimates have no impact on the value of the liabilities and related assets until the liabilities are derecognised, while significant enough deterioration in estimates is immediately recognised to make the liabilities adequate.

**Business model assessment**

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group 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 Group monitors financial assets measured at amortized 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 Group'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 as a result prospective change to the classification of those assets.

**3. Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)**

***Judgments in applying accounting policies***

**Fair valuation of financial assets (See Note 11)**
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. 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 consolidated statement of profit or loss | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | $'000 | $'000 | $'000 | $'000 |
| Decrease/(increase) in market yields | | | | |
| 2% | (5,712,086) | (5,892,718) | (896,255) | (1,199,422) |
| -2% | 7,621,305 | 8,275,235 | 1,192,714 | 1,675,717 |

**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 Group'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 Group's criteria for assessing if there has been a significant increase in credit risk and whether allowances for financial assets should be measured on a lifetime expected credit loss basis including any 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.
- Use of macroeconomic data for internal credit ratings and outlooks, to derive associated probabilities of default as prescribed by external rating agencies such as Standard & Poor's and Moody's.
- 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 Group regularly reviews its internal models in the context of actual loss experience and makes adjustments when necessary.

# Guardian Life Limited

Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 3. Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

**Forward-looking macroeconomic variables**

The estimation and application of forward-looking information requires significant judgment. PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. The estimation of ECL on 12-month ECLs and Lifetime ECLs is a discounted probability-weighted estimate that considers three future macroeconomic scenarios, with macroeconomic projections varying by territory. The base case scenario assumes that a stable economic environment where current conditions, based on available macroeconomic data, will largely continue. Upside and downside scenarios are set relative to the base case scenario based on reasonably possible alternative macroeconomic conditions, considering macroeconomic forecasts and trends.

Scenarios are reassessed on at least an annual basis and more frequently if conditions warrant. Scenarios are probability-weighted separately for each territory modeled according to the best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights are updated on an annual basis or more frequently as warranted.

Covid-19 Pandemic

In the prior year, to incorporate the economic impact of the Covid-19 pandemic, the Group made adjustments to its ECL models such as increasing the likelihood of pessimistic scenarios and overlaying a further pessimistic scenario that explicitly accounts for acute negative economic fallout. For the year ended 31 December 2021, the overlay for the acute negative scenario remained; however, the likelihood attributed to this and other pessimistic scenarios have been reduced given the improvements in the current and expected economic environment. The resulting probability of default and losses given default were applied to all financial assets.

Management also maintains the position that the lifetime default risk of assets with several years remaining to maturity has not significantly changed since the onset of the Covid-19 pandemic, an important factor given that IFRS 9 requires that entities assess the risk of default over the life of expected assets. Such assets account for a significant portion of the Group's investment portfolio. The carrying amounts of expected credit loss allowance on financial assets are disclosed in Note 37 (b)(vii).

**Income taxes (see Note 33)**

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 Group recognizes liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact current and deferred income tax provisions in the period in which such determination is made.

**Property and equipment and intangible assets (see Notes 5 and 9)**

Management exercises judgment in determining whether costs incurred can accrue significant future economic benefits to the Group to enable the value to be treated as a capital expense or intangible asset. Further judgment is applied in the annual review of the useful lives of all categories of property and equipment and intangible assets and the resulting depreciation/amortization determined thereon.

**Impairment losses on loans and receivables**

In determining amounts recorded for impairment losses in the financial statements, management makes judgments regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from loans and receivables, for example, default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired loans and receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individually significant loans and receivables with similar characteristics, such as credit risks.

## 4. Responsibilities of the Appointed Actuary and External Auditors

The Board of Directors, pursuant to the Insurance Act, appoints the actuary. The actuary's responsibility is to carry out an annual valuation of the Group's policyholders' liabilities in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders and shareholders. In performing the valuation, the actuary makes assumptions as to the future rates of interest, asset defaults, mortality, morbidity, claims experience, policy termination, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the Group and the insurance policies in force.

The shareholders pursuant to the Jamaican Companies Act appoint the external auditors. The auditors' 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 policyholders' liabilities.

# Guardian Life Limited

Notes to the Consolidated Financial Statements

**31 December 2022**

(Expressed in Jamaican dollars unless otherwise indicated)

**5. Property and Equipment**

| | The Group and The Company | | | | |
|---|---|---|---|---|---|
| | **Freehold And Leasehold Properties $'000** | **Office Furniture And Equipment $'000** | **Motor Vehicles $'000** | **Work in Progress $'000** | **Total $'000** |
| **At 31 December 2022** | | | | | |
| Opening net book amount | 3,091,752 | 418,928 | 105,738 | 506,094 | 4,122,512 |
| Revaluation surplus (Note 33 (c)) | 1,367,938 | - | - | - | 1,367,938 |
| Additions | - | 14,544 | 84,506 | 43,278 | 142,328 |
| Disposals | - | - | (6,981) | - | (6,981) |
| Depreciation charge | (27,740) | (103,808) | (45,952) | - | (177,500) |
| **Closing net book amount** | 4,431,950 | 329,664 | 137,311 | 549,372 | 5,448,297 |
| **At 31 December 2022** | | | | | |
| Cost or valuation | 4,434,340 | 1,285,270 | 259,503 | 549,372 | 6,528,485 |
| Accumulated depreciation | (2,390) | (955,606) | (122,192) | - | (1,080,188) |
| **Closing net book amount** | 4,431,950 | 329,664 | 137,311 | 549,372 | 5,448,297 |
| **At 31 December 2021** | | | | | |
| Opening net book amount | 3,079,112 | 464,093 | 140,417 | 329,555 | 4,013,177 |
| Revaluation surplus (Note 33 (c)) | 33,763 | - | - | - | 33,763 |
| Additions | 37,896 | 43,037 | 20,046 | 381,365 | 482,344 |
| Disposals | (18,738) | - | (8,899) | - | (27,637) |
| Reclassification to intangible assets (Note 9) | - | - | - | (177,054) | (177,054) |
| Transfers (within PP&E categories) | - | 27,772 | - | (27,772) | - |
| Depreciation charge | (40,281) | (115,974) | (45,826) | - | (202,081) |
| **Closing net book amount** | 3,091,752 | 418,928 | 105,738 | 506,094 | 4,122,512 |
| **At 31 December 2021** | | | | | |
| Cost or valuation as restated | 3,165,391 | 1,412,199 | 268,041 | 506,094 | 5,351,725 |
| Accumulated depreciation | (73,639) | (993,271) | (162,303) | - | (1,229,213) |
| **Closing net book amount** | 3,091,752 | 418,928 | 105,738 | 506,094 | 4,122,512 |

At 31 December 2022, all properties with a freehold and investment component were professionally valued, at open market value, by independent valuators. Open market value for the respective properties is derived based on a combination of the sales comparison approach and investment approach as defined in Note 7. The surplus arising on the property revaluation has been credited, net of deferred tax, to the property revaluation reserve.

## 5. Property and Equipment (Continued)

The original cost or purchase price of property and equipment that have been fully depreciated but which are still in use are listed by categories below.

| | The Group and The Company | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| Office furniture and equipment | 480,397 | 494,653 |
| Motor vehicles | 13,386 | 13,386 |
| Total | 493,783 | 508,039 |

If freehold and leasehold properties were stated on a historical cost basis, the amounts shown for the Group and the Company would be as follows:

| | The Group and The Company | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| Cost | 1,388,210 | 1,194,998 |
| Accumulated depreciation | (265,501) | (249,904) |
| Net book amount | 1,122,709 | 945,094 |

The valuation techniques for level 3 fair values of freehold and leasehold properties are disclosed in Note 11.

## 6. Right-of-Use Assets

This note provides information for leases where the Group is a lessee. For leases where the Group is a lessor, see Note 7 – Leasing arrangements.

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

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

| | The Group and The Company | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| **Right-of-use assets** | | |
| Property | 6,441 | 8,363 |
| **Lease liabilities** | | |
| Current | 54 | 634 |
| | 54 | 634 |

There were no additions to the right-of-use assets during the 2022 and 2021 financial years.

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 6. Right-of-Use Assets (Continued)

### (ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

| | The Group and The Company | |
|---|---|---|
| | 2022 | 2021 |
| | $'000 | $'000 |
| **Depreciation charge on right-of-use assets** | | |
| Property | 1,922 | 1,922 |
| Interest expense | 15 | 47 |

The total cash outflow for leases in 2022 was $596,000 (2021 - $650,000).

## 7. Investment Properties

Investment properties consist of investments in residential, commercial and mixed-use properties, located in Jamaica.

| | The Group and The Company | |
|---|---|---|
| | 2022 | 2021 |
| | $'000 | $'000 |
| **At 1 January** | 3,747,493 | 3,209,690 |
| Additions | 179,567 | - |
| Transfer from property for development and sale (Note 8) | 296,602 | - |
| Fair value gains (Note 26) | 689,183 | 537,803 |
| **At 31 December** | 4,912,845 | 3,747,493 |
| Rental income | 42,683 | 45,132 |
| Direct operating expenses incurred in respect of investment properties that generated rental income during the year | 28,410 | 41,702 |

At 31 December 2022, investment properties were professionally valued, at open market value, by D.C Tavares & Finson Realty Limited (31 December 2021 - D.C Tavares & Finson Realty Limited). The company is accredited in Jamaica specializing in the valuation of commercial, residential and mixed-use properties. The surplus arising on the property revaluation has been credited to the statement of profit or loss.

## 7. Investment Properties (Continued)

Residential and commercial properties are mainly revalued using the sales comparison approach which estimates the fair value based on sale prices of properties of similar nature or in similar locations with price adjustments being made for any notable differences between the sample and subject properties.

No investment property in the Group is subject to any liens or mortgages and there are no curtailments with regard to the transfer, resale or other use of its investment properties.

Direct operating expenses of $3,115,000 (2021 - $3,418,000) was incurred for Investment properties for which no rental income was earned during the period.

The Group has assessed that the highest and best use of its properties does not differ from their current use, except for one property, for which management has been granted approval by the Local Planning Authority for 100% residential use.

### Leasing arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the Group may obtain bank guarantees for the term of the lease.

Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

Minimum lease payments receivable on leases of investment properties are as follows:

| | **The Group and The Company** | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| Within 1 year | 47,748 | 26,596 |
| Between 1 and 2 years | 24,213 | 7,583 |
| Between 2 and 3 years | 15,855 | 6,236 |
| Between 3 and 4 years | 6,475 | 3,971 |
| Between 4 and 5 years | 4,632 | 4,289 |
| Later than 5 years | 62,468 | 75,360 |
| **At 31 December** | 161,391 | 124,035 |

# Guardian Life Limited

Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**8. Property for Development and Sale**

| | The Group and The Company | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| **At 1 January** | 5,032,961 | 3,429,153 |
| Capital expenditure | 988,345 | 1,603,808 |
| Transfer to Investment properties (Note 7) | (296,602) | - |
| Derecognition of property | (3,698,476) | - |
| **At 31 December** | 2,026,228 | 5,032,961 |

As at 31 December 2022, there were two properties for development and sale, namely the Cambridge and the Camden (2021 - The Cambridge and the Camden), which are carried at cost. The properties are owned by the General Fund and construction commenced in April 2019 and January 2021, respectively. Net deposits from prospective purchasers are held in trust by Nunes, Scholefield, DeLeon & CO. (See Note 21). During the year, several units were sold and titles were transferred resulting in a disposal of these units with cost associated of $3,698,476,000.

All investment properties under construction are classified as level three in the fair value hierarchy (see Note 11).

Contractual obligations for future capital expenditure on the Cambridge and Camden developments are $689,088,000 (2021 - $581,577,000).

## 9. Intangible Assets

| | Renewal Rights $'000 | Computer Software $'000 | Total $'000 |
|---|---|---|---|
| **Year ended 31 December 2022** | | | |
| Opening net book value | 3,389,328 | 318,554 | 3,707,882 |
| Additions | - | 374,481 | 374,481 |
| Amortisation charge | (205,414) | (23,327) | (228,741) |
| Closing net book amount | 3,183,914 | 669,708 | 3,853,622 |
| **At 31 December 2022** | | | |
| Cost | 3,594,742 | 1,056,855 | 4,651,597 |
| Accumulated amortisation | (410,828) | (387,147) | (797,975) |
| Closing net book value | 3,183,914 | 669,708 | 3,853,622 |
| **Year ended 31 December 2021** | | | |
| Opening net book value | 3,530,310 | 60,274 | 3,590,584 |
| Transfer from property and equipment | - | 177,054 | 177,054 |
| Additions | - | 108,625 | 108,625 |
| Amortisation charge | (205,414) | (27,399) | (232,813) |
| Other movement | 64,432 | - | 64,432 |
| Closing net book amount | 3,389,328 | 318,554 | 3,707,882 |
| **At 31 December 2021** | | | |
| Cost | 3,594,742 | 682,373 | 4,277,115 |
| Accumulated amortisation | (205,414) | (363,819) | (569,233) |
| Closing net book value | 3,389,328 | 318,554 | 3,707,882 |

### (a) Renewal Rights

The useful life of the renewal rights are determined by contract type. The calculation is the average timing of each future cash flows weighted by the cash flows, performed on a monthly basis, and lies within a range of 1-30 years with an average of 17.5 years.

### (b) Computer Software

Other intangible assets with an original cost/purchase price totalling $229,844,000 (2021 - $255,423,000) are still in use at reporting date but are fully amortized.

# Guardian Life Limited

Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 10. Investment in Subsidiaries

| | The Company | |
|---|---|---|
| | 2022 | 2021 |
| | $'000 | $'000 |
| PENACT Services Limited<br>(Formerly Guardian Life Pension Fund Limited)<br>50,000 ordinary shares at cost | 50 | 50 |
| Guardian Property Services Limited<br>(Formerly Guardian Life Properties Limited)<br>20,000 ordinary shares at cost | 20 | 20 |
| | 70 | 70 |

The above-mentioned subsidiaries are dormant and have not traded since December 2009 and December 2014 respectively.

Guardian Life Pension Funds Limited's name was changed to PENACT Services Limited in July 2021. Guardian Life Properties Limited's name was changed to Guardian Property Services Limited in December 2021.

## 11. Financial Assets

| | The Group and The Company | | | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| | 2022 | 2022 | 2021 | 2021 |
| | $'000 | $'000 | $'000 | $'000 |
| Total financial assets | 114,254,512 | 119,581,498 | 118,454,377 | 125,211,197 |
| Financial assets mandatorily measured at fair value through profit or loss (FVPL-M) | 36,268,545 | 36,268,545 | 40,449,102 | 40,449,102 |
| Financial assets measured at fair value through other comprehensive income (FVOCI) | 48,494,858 | 48,494,858 | 55,151,387 | 55,151,387 |
| Financial assets measured at amortised cost (AC) | 29,491,109 | 34,818,095 | 22,853,888 | 29,610,708 |
| Total financial assets | 114,254,512 | 119,581,498 | 118,454,377 | 125,211,197 |
| Less: pledged assets (Note 12) | (640,219) | (659,725) | (641,472) | (669,997) |
| | 113,614,293 | 118,921,773 | 117,812,905 | 124,541,200 |

# Guardian Life Limited

Notes to the Consolidated Financial Statements

**31 December 2022**

(Expressed in Jamaican dollars unless otherwise indicated)

**11. Financial Assets (Continued)**

| | The Group and The Company Carrying value | | |
|---|---|---|---|
| | FVPL-M | Amortised Cost | FVOCI |
| | 2022 | 2022 | 2022 |
| | $'000 | $'000 | $'000 |
| Equity securities: | | | |
| - Listed | 16,267,712 | - | - |
| - Unlisted | 398,085 | - | - |
| | 16,665,797 | - | - |
| Debt securities: | | | |
| - Government securities | | | |
| Pledged assets (Note 12) | 550,219 | 90,000 | - |
| Other government securities | 17,070,920 | 27,208,914 | 26,405,738 |
| - Debentures and corporate bonds | 1,242,658 | 1,955,325 | 20,929,472 |
| Loss allowance (Note 37 (b) (vii)) | - | (393,834) | - |
| | 18,863,797 | 28,860,405 | 47,335,210 |
| Deposits (more than 90 days) | 357,829 | - | 665,077 |
| Other | 106,894 | - | - |
| | 464,723 | - | 665,077 |
| | 35,994,317 | 28,860,405 | 48,000,287 |
| Interest receivable | 274,228 | 630,704 | 494,571 |
| | 36,268,545 | 29,491,109 | 48,494,858 |
| Current | 1,386,661 | 630,704 | 1,073,596 |
| Non-current | 34,881,884 | 28,860,405 | 47,421,262 |
| | 36,268,545 | 29,491,109 | 48,494,858 |

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**11. Financial Assets (Continued)**

| | The Group and The Company Carrying value | | |
|---|---|---|---|
| | FVPL-M | Amortised Cost | FVOCI |
| | 2021 | 2021 | 2021 |
| | $'000 | $'000 | $'000 |
| Equity securities: | | | |
| - Listed | 17,859,233 | - | - |
| - Unlisted | 609,745 | - | - |
| | 18,468,978 | - | - |
| Debt securities: | | | |
| - Government securities | | | |
| Pledged assets (Note 12) | 550,359 | 91,113 | - |
| Other government securities | 17,879,885 | 20,747,760 | 30,054,309 |
| - Debentures and corporate bonds | 1,640,790 | 1,976,120 | 24,012,310 |
| Loss allowance (Note 37 (b) (vii)) | - | (292,399) | - |
| | 20,071,034 | 22,522,594 | 54,066,619 |
| Deposits (more than 90 days) | 1,427,687 | - | 705,664 |
| Other | 116,296 | - | - |
| | 1,543,983 | - | 705,664 |
| | 40,083,995 | 22,522,594 | 54,772,283 |
| Interest receivable | 365,107 | 331,294 | 379,104 |
| | 40,449,102 | 22,853,888 | 55,151,387 |
| Current | 1,792,794 | 357,853 | 784,768 |
| Non-current | 38,656,308 | 22,496,035 | 54,366,619 |
| | 40,449,102 | 22,853,888 | 55,151,387 |

Included in financial assets are Assets Held in Trust and managed by the Group on behalf of certain life insurance policyholders under the Blue-Chip Fund, Guardian Investor Fund, Eagle Growth Fund, Mutual Growth Fund, Shelter Plus Fund, Guardian Universal Life Fund, Horizon Equity Fund, Guardian Equity Fund, Guardian Money Market Fund, Guardian Long-term Growth Fund, Guardian Stabilisation Fund and Guardian Foreign Currency Indexed Fund. The balance in aggregate is $12,891,913,000 (2021 - $13,453,537,000), representing policyholders share all the rewards and risks of the performance of the funds and the assets that have been segregated for determining the policyholders' interest in the funds.

# Guardian Life Limited

Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 11. Financial Assets (Continued)

The table below illustrates the movements in financial assets:

| | The Group and the Company | | | |
|---|---|---|---|---|
| | Financial Assets at Fair Value through Profit or Loss | Amortized Cost | Financial Assets at Fair Value through Other Comprehensive Income | Total |
| | $'000 | $'000 | $'000 | $'000 |
| **At 1 January 2022** | 40,083,995 | 22,522,594 | 54,772,283 | 117,378,872 |
| Exchange differences | (128,103) | - | (200,722) | (328,825) |
| Additions | 433,836 | 7,250,682 | 238,410 | 7,922,928 |
| Disposals/maturities | (2,511,000) | (796,935) | (3,316,970) | (6,624,905) |
| Realized gains | 30,112 | - | - | 30,112 |
| Fair value net losses | (2,730,520) | - | (3,410,484) | (6,141,004) |
| Interest capitalised | 815,997 | - | 95,898 | 911,895 |
| Amortisation of premium/discount | - | (14,501) | (178,128) | (192,629) |
| Net movement in impairment losses (Note 30) | - | (101,435) | - | (101,435) |
| **At 31 December 2022** | 35,994,317 | 28,860,405 | 48,000,287 | 112,855,009 |

| | Financial Assets at Fair Value through Profit or Loss | Amortized Cost | Financial Assets at Fair Value through Other Comprehensive Income | Total |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **At 1 January 2021** | 34,275,950 | 22,785,879 | 47,478,911 | 104,540,740 |
| Exchange differences | 212,173 | 25,584 | 1,009,308 | 1,247,065 |
| Additions | 5,234,134 | 1,065,351 | 11,907,881 | 18,207,366 |
| Disposals/maturities | (2,358,293) | (1,404,147) | (4,106,357) | (7,868,797) |
| Realized gains | 255,035 | - | - | 255,035 |
| Fair value net gains/(losses) | 1,238,225 | - | (1,030,277) | 207,948 |
| Transfers between classification categories | 606,263 | - | (606,263) | - |
| Interest capitalised | 620,508 | - | 119,080 | 739,588 |
| Net movement in impairment gains (Note 30) | - | 49,927 | - | 49,927 |
| **At 31 December 2021** | 40,083,995 | 22,522,594 | 54,772,283 | 117,378,872 |

# Guardian Life Limited

Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 11. Financial Assets (Continued)

The following table shows an analysis of assets recorded at fair value by level of fair value hierarchy:

| | The Group and the Company | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total Fair value |
| | $'000 | $'000 | $'000 | $'000 |
| **At 31 December 2022** | | | | |
| **Assets measured at fair value:** | | | | |
| Freehold and leasehold properties (Note 5) | - | - | 4,431,950 | 4,431,950 |
| Investment properties (Note 7) | - | - | 4,912,845 | 4,912,845 |
| Property for development and sale (Note 8) | - | - | 2,026,228 | 2,026,228 |
| **Financial assets at fair value through profit or loss:** | | | | |
| Equities (Note 11) | 16,267,712 | - | 398,085 | 16,665,797 |
| Debt securities (Note 11) | - | 17,621,139 | - | 17,621,139 |
| Debentures and corporate bonds (Note 11) | - | 1,242,658 | - | 1,242,658 |
| Deposits (more than 90 days) (Note 11) | - | 357,829 | - | 357,829 |
| Other (Note 11) | - | 106,894 | - | 106,894 |
| **Financial assets at fair value through other comprehensive income:** | | | | |
| Debt securities (Note 11) | - | 24,167,682 | 2,238,056 | 26,405,738 |
| Debentures and Corporate Bonds (Note 11) | - | 20,929,472 | - | 20,929,472 |
| Deposits >90 days (Note 11) | - | 665,077 | - | 665,077 |
| | 16,267,712 | 65,090,751 | 14,007,164 | 95,365,627 |

| | The Group and the Company | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total Fair value |
| | $'000 | $'000 | $'000 | $'000 |
| **At 31 December 2021** | | | | |
| **Assets measured at fair value:** | | | | |
| Freehold and leasehold properties (Note 5) | - | - | 3,091,752 | 3,091,752 |
| Investment properties (Note 7) | - | - | 3,747,493 | 3,747,493 |
| Property for development and sale (Note 8) | - | - | 5,032,961 | 5,032,961 |
| **Financial assets at fair value through profit or loss:** | | | | |
| Government securities (Note 11) | 17,739,621 | 119,612 | 609,745 | 18,468,978 |
| Debt securities (Note 11) | - | 18,430,244 | - | 18,430,244 |
| Debentures and corporate bonds (Note 11) | - | 1,640,790 | - | 1,640,790 |
| Deposits (more than 90 days) (Note 11) | - | 1,427,687 | - | 1,427,687 |
| Other (Note 11) | - | 116,296 | - | 116,296 |
| **Financial assets at fair value through other comprehensive income:** | | | | |
| Debt securities (Note 11) | - | 27,917,026 | 2,137,283 | 30,054,309 |
| Debentures and Corporate Bonds (Note 11) | - | 24,012,310 | - | 24,012,310 |
| Deposits >90 days (Note 11) | - | 705,664 | - | 705,664 |
| | 17,739,621 | 74,369,629 | 14,619,234 | 106,728,484 |

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

# Guardian Life Limited

Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 11. Financial Assets (Continued)

### Reconciliation of movements in Level 3 assets measured at fair value

The following table shows a reconciliation of the opening and closing recorded amount of Level 3 assets, which are recorded at fair value.

**Assets measured at fair value:**

| | The Group and the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | At 1 January | Total (loss)/gain on profit or loss | Revaluation surplus | Additions | Disposals | Transfers/ Other movement | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **2022** | | | | | | | |
| Freehold and leasehold properties | 3,091,752 | (27,740) | 1,367,938 | - | - | - | 4,431,950 |
| Investment properties | 3,747,493 | 689,183 | - | 179,567 | - | 296,602 | 4,912,845 |
| Property for development and sale | 5,032,961 | 1,293,600 | - | 988,345 | (4,992,076) | (296,602) | 2,026,228 |
| Financial assets at Fair value through profit or loss: unquoted equities | 609,745 | (203,964) | - | - | - | (7,696) | 398,085 |
| Debt securities | 2,137,283 | (33,654) | 38,550 | 95,877 | - | - | 2,238,056 |
| | 14,619,234 | 1,717,425 | 1,406,488 | 1,263,789 | (4,992,076) | (7,696) | 14,007,164 |

| | The Group and the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | At 1 January | Total (loss)/gain profit or loss | Revaluation surplus | Additions | Disposals | Other movement | Total |
| | $'000 | $'000 | $'000 | $'000 | | $'000 | $'000 |
| **2021** | | | | | | | |
| Freehold and leasehold properties | 3,079,112 | (40,281) | 33,763 | 37,896 | (18,738) | - | 3,091,752 |
| Investment properties | 3,209,690 | 537,803 | - | - | - | - | 3,747,493 |
| Property for development and sale | 3,429,153 | (12,919) | - | 1,603,808 | 12,919 | - | 5,032,961 |
| Financial assets at Fair value through profit or loss – unquoted equities | 115,883 | 310,922 | - | 182,940 | - | - | 609,745 |
| Debt securities | 1,835,730 | 159,620 | 20,637 | - | - | 121,296 | 2,137,283 |
| | 11,669,568 | 955,145 | 54,400 | 1,824,644 | (5,819) | 121,296 | 14,619,234 |

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 11. Financial Assets (Continued)

### Assets measured at fair value (continued)

### Significant unobservable valuation input

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See Note 5 and 7 above for the valuation techniques adopted.

| Description | Fair value 31 December 2022 $,000 | Fair value 31 December 2021 $'000 | Unobservable inputs | Range of inputs |
|---|---|---|---|---|
| Freehold and Leasehold buildings | | | | |
| Land | | | Capitalization rate per acre | $4.5M-$5.5M |
| Buildings | 3,079,112 | 3,091,752 | Capitalization rate per square feet | $11K-$35K |
| Investment Properties | | | | |
| Land | | | Capitalization rate per acre | $1.15M-$2M |
| Buildings | 3,209,690 | 3,747,493 | Capitalization rate per square feet | $11K-$47K |
| **Total** | **6,288,802** | **6,839,245** | | |

**Relationship of unobservable inputs to fair value**

Significant increases/(decreases) in estimated price per square feet in isolation would result in a significantly higher(lower) fair value on a linear basis.

# Guardian Life Limited

Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 11. Financial Assets (Continued)

**Assets measured at fair value (continued)**

Total gains or losses (realized and unrealized) for the year in the above table are presented in the consolidated statement of profit or loss and other comprehensive income as follows:

| | The Group and the Company | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| **Total gains or losses recognized in statement of profit or loss** | | |
| Net fair value gains on investment properties (Note 26) | 689,183 | 537,803 |

| | **2022** | **2021** |
|---|---|---|
| | **$'000** | **$'000** |
| **Total gains or losses recognized in statement of other comprehensive income** | | |
| Net fair value gains on freehold and leasehold properties through other comprehensive income (Note 5) | 1,367,938 | 33,763 |

**Fair value sensitivity**

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:

► Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
► Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
► Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. This level mainly comprise various freehold and investment properties, various unquoted equity securities, and the unquoted, illiquid Series G Government of Barbados debt securities. Freehold and investment properties are fair valued by professional external valuators. Unquoted equity securities are held either at cost, being the fair value of the consideration paid on acquisition, or at fair value based on market value ratios such as book value per share. The Series G debt securities are valued using a discounted cash flow model that incorporates expected cash flows and a risk adjusted yield curve issued by the Central Bank of Barbados.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group 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.

The Series G Government of Barbados debt securities classified as level 3 were valued using an average yield of 7.57% (2021 – 6.09%). A 1% increase/decrease in this yield would have resulted in a decrease/increase in the fair value of these assets of BBD$2,634,000 and BBD$3,119,000 respectively (2021 - BBD$2,738,000 and BBD$3,246,000). The Group does not regard that any reasonable change in the valuation assumptions of level 3 equity securities will have any significant impact on the consolidated financial statements.

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 12. Pledged Assets

The carrying value of the investments pledged as securities are set out in the table below:

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Investment securities classified as FVPL and amortised costs pledged as collateral to: | | |
| Financial Services Commission of Jamaica (a) | 90,000 | 91,113 |
| National Commercial Bank (Jamaica) Limited (b) | 550,219 | 550,359 |
| | 640,219 | 641,472 |
| Short term deposits (90 days or less): | | |
| Financial Services Commission of Barbados (c) (Note 14(a) | 15,170 | 7,702 |
| | 655,389 | 649,174 |

(a) Government of Jamaica Benchmark Investment Notes with a face value of $727,000,000 (2021 - $284,000,000) of which $90,000,000 (2021 - $90,000,000) has been pledged with the Financial Services Commission of Jamaica, in accordance with Section 8 (1) (a) of the Insurance Regulations 2001.

(b) Government of Jamaica Benchmark Investment Notes with a face value of $861,218,000 (2021 - $611,103,000) of which $550,000,000 (2021 - $550,000,000) has been pledged with the National Commercial Bank (Jamaica) Limited for a credit facility.

(c) Short term deposit with a face value of J$15,170,000 or BBD$200,000 (2021 - J$7,702,000 or BBD$100,000) pledged with the Financial Services Commission of Barbados.

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**13. Loans and Receivables**

| | The Group | | The Company | |
|---|---|---|---|---|
| | Carrying Value 2022 $'000 | Carrying Value 2021 $'000 | Carrying Value 2022 $'000 | Carrying Value 2021 $'000 |
| **Insurance receivables** | | | | |
| Premiums receivable | 861,677 | 753,831 | 861,677 | 753,831 |
| Less impairment provisions | (100,180) | (71,270) | (100,180) | (71,270) |
| Due from reinsurers | 316,386 | 327,950 | 316,386 | 327,950 |
| Less impairment provisions | (68) | (81) | (68) | (81) |
| Policy loans | 334,523 | 330,381 | 334,523 | 330,381 |
| Less impairment provisions | (241,154) | (224,067) | (241,154) | (224,067) |
| Commissions paid in advance | 377,072 | 300,224 | 377,072 | 300,224 |
| Agents advances | 5,060 | 5,780 | 5,060 | 5,780 |
| Less impairment provisions | (1,235) | (1,235) | (1,235) | (1,235) |
| | 1,552,081 | 1,421,513 | 1,552,081 | 1,421,513 |
| **Other receivables** | | | | |
| Secured loan receivable (Note 13(b)) | - | 88,904 | - | 88,904 |
| Less: impairment provisions | - | (196) | - | (196) |
| Due from related parties (Note 36) | 382,730 | 238,231 | 382,730 | 238,231 |
| Due from stockbrokers | 8,322 | 92,040 | 8,322 | 92,040 |
| Amounts held in trust (Note 13(a)) | 1,436,645 | 413,994 | 1,436,645 | 413,994 |
| Lease equipment financing (Note 13(c)) | - | 1,194,816 | - | 1,194,816 |
| Other loans and receivables and prepayments | 1,022,188 | 558,865 | 1,022,138 | 558,815 |
| Interest receivable | 3,246 | 1,214 | 3,246 | 1,214 |
| | 2,853,131 | 2,587,868 | 2,853,081 | 2,587,818 |
| | 4,405,212 | 4,009,381 | 4,405,162 | 4,009,331 |
| Non-current | - | 1,142,453 | - | 1,142,453 |
| Current | 4,405,212 | 2,866,928 | 4,405,162 | 2,866,878 |
| | 4,405,212 | 4,009,381 | 4,405,162 | 4,009,331 |

| | The Group | | The Company | |
|---|---|---|---|---|
| | Fair Value 2022 $'000 | Fair Value 2021 $'000 | Fair Value 2022 $'000 | Fair Value 2021 $'000 |
| Loans and receivables | 4,405,212 | 4,009,381 | 4,405,162 | 4,009,331 |

# Guardian Life Limited

Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**13. Loans and Receivables (Continued)**

**(a)** Amounts held in trust represent net deposits with Nunes, Scholefield, DeLeon & CO, on the properties for development and sale, the Cambridge and the Camden.

**(b)** Secured loan receivable

| | The Group and the Company | | | | |
|---|---|---|---|---|---|
| | | | Undiscounted cash flows 2021 | | |
| | Carrying Value | Fair Value | One to Three years | Four to Five years | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Principal | 88,904 | 89,164 | 88,904 | - | 88,904 |
| Interest | - | - | 2,248 | - | 2,248 |
| **Total** | 88,904 | 89,164 | 91,152 | - | 91,152 |

On 11 August 2016, an agreement for sale and purchase of the ordinary shares in Ocho Rios Beach Limited was signed by all minority shareholders for the acquisition, by the majority shareholder, Island International Limited. The Group's investment holding of 24,000 ordinary shares were sold at a price of US$37 per share to be paid over a five (5) year period at an interest rate of 4% per annum, with security in the form of a first legal mortgage on the property owned by Island International Limited.

Interest is payable in arrears in quarterly instalments on the last business day of March, June, September and December of each year. Principal repayments commenced September 2018 and are scheduled annually thereafter.

The secured loan receivable was fully settled in August 2022.

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 13. Loans and Receivables (Continued)

### (c) Lease Equipment Financing

During 2020, a lease financing arrangement was acquired as a part of the transfer of assets supporting the NCBIC insurance and annuities portfolio. The remaining term of this arrangement is nine (9) years at an annual interest rate of 7.45%.

| | The Group and the Company | | | | | |
|---|---|---|---|---|---|---|
| | Undiscounted cash flows | | | | | |
| | 2021 | | | | | |
| | **Carrying Value** | **Fair Value** | **One to Three years** | **Four to Five years** | **Five to Ten years** | **Total** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Principal | 1,194,816 | 1,194,816 | 203,068 | 212,008 | 562,747 | 977,823 |
| Interest | - | - | 335,254 | 146,873 | 110,155 | 592,282 |
| **Total** | 1,194,816 | 1,194,816 | 538,322 | 358,881 | 672,902 | 1,570,105 |

The lessee has elected to redeem and repay full the Notional principal amount of the balance that remain outstanding on 17 August 2022. The Notional principal amount and prepayment of interest of $326,376,000 is included in investment income (Note 25) in the statement of profit or loss.

## 14. Cash and Cash Equivalents

| | The Group and The Company | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| **(a) Cash and Cash equivalents** | | |
| Cash at bank and in hand | 4,938,795 | 3,367,623 |
| Short term deposits (90 days or less) | 852,983 | 702,460 |
| Cash and cash equivalents – unit linked funds | 225,891 | 724,672 |
| Less: impairment provision (Note 37(b)(vii)) | (12,080) | (13,902) |
| | 6,005,589 | 4,780,853 |
| Less: pledged assets (Note 12) | (15,170) | (7,702) |
| | 5,990,419 | 4,773,151 |

## 14. Cash and Cash Equivalents (Continued)

### (a) Cash and cash equivalents (continued)

The short-term deposits portfolio yielded an average return of 5.6% (2021 - 2.92%).

| | The Group and The Company | |
|---|---|---|
| | 2022 | 2021 |
| | $'000 | $'000 |
| At beginning of year | 4,844,270 | 9,374,557 |
| Net increase/(decrease) in cash used in cash and cash equivalents | 1,206,495 | (4,549,750) |
| Effective of exchange rates changes on cash and cash equivalents | (8,377) | 19,463 |
| At end of year | 6,042,388 | 4,844,270 |

The Group and the Company enter into collateralized resale agreements which may result in credit exposure in the event that the issuer of the underlying security to the transaction is unable to fulfill its contractual obligations. Included in the total cash and cash equivalents are securities purchased under resale agreements for the General fund and the Segregated funds in the amount of $69,988,000 and $13,565,000 (2021 -Nil and $211,905,000), respectively, regarded as cash equivalents for the purposes of the statement of cash flows.

### (b) Cash and Cash equivalents of mutual fund unit holders

| | The Group and The Company | |
|---|---|---|
| | 2022 | 2021 |
| | $'000 | $'000 |
| Cash and cash equivalents in mutual funds | 36,981 | 63,724 |
| Less impairment provision (Note 37(b)(vii)) | (182) | (307) |
| Net cash and cash equivalents in mutual funds | 36,799 | 63,417 |

## 15. Share Capital

| | The Group and The Company | |
|---|---|---|
| | 2022 | 2021 |
| | $'000 | $'000 |
| *Authorized* | | |
| 547,686,000 (2021 - 547,686,000) ordinary shares of no par value | | |
| *Issued and fully paid* | | |
| 547,686,000 (2021 – 547,686,000) ordinary shares of no par value | 13,526,525 | 13,526,525 |

As at 30 September 2020, the Company increased its authorised share capital to 547,685,690 ordinary shares and issued 421,160,690 Ordinary Shares to its parent Guardian Insurance Limited ("GIL") in exchange for an additional capital injection of Thirteen Billion, Four Hundred Million Jamaica Dollars ($13,400,000,000). The additional capital provided balance sheet support for the purchase of the life insurance and annuities portfolios of NCBIC.

# Guardian Life Limited

Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**16. Reserves**

| | The Group and the Company | | | | |
|---|---|---|---|---|---|
| | **Special Investment Reserve** | **Property Revaluation Reserve** | **Translation Reserve** | **Fair Value Reserve** | **Total** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Balance at 1 January 2022** | 2,720,110 | 1,765,586 | (92,092) | (270,488) | 4,123,116 |
| Other comprehensive income | - | 904,336 | 4,464 | (3,002,274) | (2,093,474) |
| Transfer of gains on disposal of properties to retained earnings | - | (200,164) | - | - | (200,164) |
| Transfer (to)/from retained earnings | (195,030) | - | 10,118 | - | (184,912) |
| **At 31 December 2022** | 2,525,080 | 2,469,758 | (77,510) | (3,272,762) | 1,644,566 |
| **Balance at 1 January 2021** | 2,324,162 | 1,740,264 | 13,285 | 523,155 | 4,600,866 |
| Other comprehensive income | - | 25,322 | (67,391) | (831,551) | (873,620) |
| Transfer from/(to) retained earnings | 395,948 | - | (37,986) | 37,908 | 395,870 |
| **At 31 December 2021** | 2,720,110 | 1,765,586 | (92,092) | (270,488) | 4,123,116 |

The property revaluation reserve is used to record increases or decreases in the carrying amount of an item of property that has been revalued. If an asset's carrying amount is increased as a result of a revaluation, the increase is recognized in equity under the heading of property revaluation reserve. However, the increase is recognized in the statement of profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in other comprehensive income. If the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized in the statement of profit or loss.

The translation reserve is used to record exchange differences arising from the branches, whose functional currency is different to the functional currency used in the financial statements. Differences in retranslating opening net assets for investment in the branches using the exchange rate at year end compared to the exchange rate at the beginning of the year are recognized in other comprehensive income and taken to the translation reserve. The difference between a branch's profit or loss for the year translated at the year-end exchange rate and the profit or loss for the year converted at the average rate for the year is recognized in other comprehensive income and taken to the translation reserve.

The special investment reserve represents a non-distributable reserve established under the provisions of the Insurance Regulations, 2001 (Note 2(m)).

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**17. Insurance Contracts**

**(a) Composition is as follows:**

| | The Group and The Company | |
|---|---|---|
| | **2022 $'000** | **2021 $'000** |
| By line of business – | | |
| Ordinary life | (24,444,178) | (20,215,250) |
| Annuities | 29,198,601 | 30,317,295 |
| Group life, health and personal accident | 1,635,589 | 1,558,530 |
| OMNI Fund | 29,612,980 | 30,281,211 |
| | 36,002,992 | 41,941,786 |
| By insurance contract type – | | |
| Long term insurance contracts: | | |
| With fixed and guaranteed terms and without DPF | 34,079,841 | 40,069,149 |
| With fixed and guaranteed terms and with DPF | 287,562 | 314,107 |
| | 34,367,403 | 40,383,256 |
| Short term insurance contracts: | 1,635,589 | 1,558,530 |
| | 36,002,992 | 41,941,786 |

| | The Group and the Company | | | |
|---|---|---|---|---|
| | **Ordinary Life** | **Annuities** | **Group Life, Health and Personal Accident** | **Total** |
| | **2022 $'000** | **2022 $'000** | **2022 $'000** | **2022 $'000** |
| **At 1 January** | 10,065,961 | 30,317,295 | 1,558,530 | 41,941,786 |
| (Decrease)/increase in reserves for future policy benefits | (4,222,683) | (1,118,694) | 77,059 | (5,264,318) |
| Decrease in OMNI Fund | (668,230) | - | - | (668,230) |
| Exchange rate adjustment | (6,246) | - | - | (6,246) |
| **At 31 December** | 5,168,802 | 29,198,601 | 1,635,589 | 36,002,992 |

# Guardian Life Limited

Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**17. Insurance Contracts (Continued)**

**(a) Composition is as follows: (continued)**

| | The Group and The Company | | | |
|---|---|---|---|---|
| | Ordinary Life | Annuities | Group Life Health and Personal Accident | Total |
| | 2021 $'000 | 2021 $'000 | 2021 $'000 | 2021 $'000 |
| **At 1 January** | 13,095,274 | 27,289,698 | 1,642,186 | 42,027,158 |
| (Decrease)/increase in reserves for future policy benefits | (2,667,196) | 3,027,597 | (83,656) | 276,745 |
| Decrease in OMNI Fund | (361,573) | - | - | (361,573) |
| Exchange rate adjustment | (544) | - | - | (544) |
| **At 31 December** | 10,065,961 | 30,317,295 | 1,558,530 | 41,941,786 |

**(b) By insurance contract type -**

| | The Group and The Company | | | |
|---|---|---|---|---|
| | With Fixed and Guaranteed Terms and without DPF | With Fixed and Guaranteed Terms and with DPF | Short Term Insurance Contracts (Group Life, Health and Personal Accident) | Total |
| | 2022 $'000 | 2022 $'000 | 2022 $'000 | 2022 $'000 |
| **At 1 January** | 40,069,149 | 314,107 | 1,558,530 | 41,941,786 |
| Change in mortality | (236,990) | - | - | (236,990) |
| Change in lapse rates | (33,349) | (11,092) | - | (44,441) |
| Change in interest rates | (4,272,377) | (1,956) | - | (4,274,333) |
| Change in expenses | 90,218 | (545) | - | 89,673 |
| Other assumptions changes | (2,892,449) | (12,952) | - | (2,905,401) |
| OMNI fund | (668,230) | - | - | (668,230) |
| Exchange rate adjustment | (6,246) | - | - | (6,246) |
| Other movements | (141,149) | - | - | (141,149) |
| Normal increase due to the passage of time | 2,171,264 | - | 77,059 | 2,248,323 |
| **At 31 December** | 34,079,841 | 287,562 | 1,635,589 | 36,002,992 |

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**17. Insurance Contracts (Continued)**

**(b) By insurance contract type – (continued)**

| | The Group and The Company | | | |
|---|---|---|---|---|
| | With Fixed and Guaranteed Terms and without DPF | With Fixed and Guaranteed Terms and with DPF | Short Term Insurance Contracts (Group Life, Health and Personal Accident) | Total |
| | 2021 $'000 | 2021 $'000 | 2021 $'000 | 2021 $'000 |
| **At 1 January** | 40,039,472 | 345,500 | 1,642,186 | 42,027,158 |
| Refinements and corrections | (250,452) | - | - | (250,452) |
| Change in mortality | 64,799 | (10,694) | - | 54,105 |
| Change in lapse rates | (99,739) | (2,469) | - | (102,208) |
| Change in interest rates | (1,183,321) | (15,928) | - | (1,199,249) |
| Change in expenses | (619,251) | (4,311) | - | (623,562) |
| Other assumptions changes | (1,232,945) | 2,009 | - | (1,230,936) |
| OMNI fund | (361,573) | - | - | (361,573) |
| Exchange rate adjustment | (543) | - | - | (543) |
| Normal increase/(decrease) due to the passage of time | 3,712,702 | - | (83,656) | 3,629,046 |
| **At 31 December** | 40,069,149 | 314,107 | 1,558,530 | 41,941,786 |

**18. Investment Contracts**

| | The Group and The Company | | | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| | 2022 $'000 | 2022 $'000 | 2021 $'000 | 2021 $'000 |
| Deposits administration funds | 21,637,229 | 21,637,229 | 21,448,833 | 21,448,833 |
| Segregated fund liabilities | 14,915,895 | 14,915,895 | 15,112,273 | 15,112,273 |
| | 36,553,124 | 36,553,124 | 36,561,106 | 36,561,106 |

These represent funds managed by the Group and the Company on behalf of pension schemes and policyholders invested in unit-linked funds.

Contributors to the deposit administration funds are paid a fixed annual rate of return in the first policy year, with the rate being revised on at least an annual basis thereafter. At the end of the year, there were 140 (2021 - 139) schemes of which 55 (2021 - 54) were actively contributing to the fund.

Deposit administration fund liabilities carry floating rates of interest and therefore the carrying amounts approximate their fair values.

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

### 18. Investment Contracts (Continued)

The movements in the liabilities arising from investment contracts are summarized below:

| | The Group and The Company | | | | | |
|---|---|---|---|---|---|---|
| | Deposit Admin Funds | Segregated Fund Liabilities | 2022 | Deposit Admin Funds | Segregated Fund Liabilities | 2021 |
| | | | $'000 | | | $'000 |
| At beginning of year | 21,448,833 | 15,112,273 | 36,561,106 | 19,645,088 | 15,144,908 | 34,789,996 |
| Deposits received | 2,011,743 | 5,574,341 | 7,586,084 | 1,922,229 | 6,393,249 | 8,315,478 |
| Management expenses | (25,600) | (43,257) | (68,857) | (18,729) | (41,630) | (60,359) |
| Withdrawals | (2,521,601) | (5,363,282) | (7,884,883) | (1,257,783) | (7,237,259) | (8,495,042) |
| Investment contract benefits (Note 31) | 810,086 | (364,180) | 445,906 | 718,072 | 853,005 | 1,571,077 |
| Net exchange differences | (86,232) | - | (86,232) | 439,956 | - | 439,956 |
| At end of year | 21,637,229 | 14,915,895 | 36,553,124 | 21,448,833 | 15,112,273 | 36,561,106 |

The liabilities of the Segregated funds are carried at fair value based on the performance of the underlying assets. Deposits and withdrawals are credited and charged to the unit linked fund liabilities. Unit values are determined by dividing the value of the assets in the funds on a valuation date by the number of units in the funds on the valuation date.

### 19. Other Policy Liabilities

| | The Group and The Company | |
|---|---|---|
| | 2022 | 2021 |
| | $'000 | $'000 |
| Claims payable | 2,908,577 | 2,822,929 |
| Deposits on premiums and premiums received in advance | 1,479,667 | 1,399,379 |
| Dividends on deposit | 13,760 | 13,168 |
| | 4,402,004 | 4,235,476 |

# Guardian Life Limited

Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 20. Deferred Taxation

The following amounts are shown in the statement of financial position:

| | The Group and The Company | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| Deferred tax liabilities | | |
| - Crystallizing in less than 12 months | 168,667 | 149,793 |
| - Crystallizing after more than 12 months | 1,450,551 | 1,877,833 |
| | 1,619,218 | 2,027,626 |

The movement on the net deferred tax account is as follows:

| | 2022 | 2021 |
|---|---|---|
| **At 1 January** | 2,027,626 | 1,963,153 |
| (Credit)/charge for the year (Note 33(a)) | (439,661) | 205,943 |
| Deferred tax credit on FVOCI securities | (432,349) | (149,865) |
| Exchange rate adjustments | - | (46) |
| Tax charged to equity in respect of revaluation of properties (Note 33(c)) | 463,602 | 8,441 |
| **At 31 December** | 1,619,218 | 2,027,626 |

The movement in the net deferred tax assets and liabilities during the year is attributable to the following items:

| | The Group and the Company | | | | |
|---|---|---|---|---|---|
| | **Balance December 2021** | **Charge /(Credit) for the Year** | **(Credit)/Charge OCI** | **Other movements** | **Balance December 2022** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Future distributions | 149,792 | 18,874 | - | - | 168,666 |
| Lease liabilities | (26) | - | - | - | (26) |
| Accelerated tax depreciation | 365,988 | (47,979) | - | - | 318,009 |
| Investments at fair value through profit or loss | 870,800 | (383,037) | - | 273,546 | 761,309 |
| Investments at fair value through OCI | 239,595 | (33,860) | (426,008) | (273,546) | (493,819) |
| Revaluation of properties | 401,477 | - | 463,602 | - | 865,079 |
| Allowance for expected credit loss | - | 6,341 | (6,341) | - | - |
| | 2,027,626 | (439,661) | 31,253 | - | 1,619,218 |

# Guardian Life Limited

Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 20. Deferred Taxation (Continued)

| | The Group and The Company | | | | | |
|---|---|---|---|---|---|---|
| | Balance December 2020 | Exchange Rate Adjustment | Charge /(Credit) for the Year | (Credit)/ Charge OCI | Other movements | Balance December 2021 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Future distributions | 330,108 | - | 13,077 | - | (193,393) | 149,792 |
| Lease liabilities | (26) | - | - | - | - | (26) |
| Accelerated tax depreciation | 131,450 | - | (64,713) | - | 299,251 | 365,988 |
| Investments at fair value through profit or loss | 603,257 | (46) | 191,409 | - | 76,180 | 870,800 |
| Investments at fair value through OCI | 437,480 | - | 65,169 | (148,864) | (114,190) | 239,595 |
| Revaluation of properties | 460,884 | - | - | 8,441 | (67,848) | 401,477 |
| Allowance for expected credit loss | - | - | 1,001 | (1,001) | - | - |
| | 1,963,153 | (46) | 205,943 | (141,424) | - | 2,027,626 |

## 21. Other Liabilities

| | The Group and The Company | |
|---|---|---|
| | 2022 | 2021 |
| | $'000 | $'000 |
| Due to related parties (Note 36) | 743,389 | 1,431,678 |
| Due to reinsurers | 123,300 | 156,528 |
| Deposits held in trust (Note 8) | 290,271 | 2,338,735 |
| Sundry payables | 3,571,455 | 2,523,474 |
| | 4,728,415 | 6,450,415 |

All amounts due to related parties are unsecured, non-interest bearing and are without fixed repayment terms with the exception of the credit facility as disclosed in Note 12 (b). Deposits held in trust represent net deposits on the property for development and sale, the Cambridge and Camden as disclosed in Note 8.

## 22. Net Premium Income

### (a) Insurance premium income

| | The Group and The Company | |
|---|---|---|
| | 2022 | 2021 |
| | $'000 | $'000 |
| By line of business – | | |
| Ordinary life - first year | 1,474,131 | 1,291,937 |
| Ordinary life – renewal | 7,552,657 | 6,996,777 |
| Annuities | 3,402,304 | 5,645,936 |
| Group life | 2,627,733 | 2,313,884 |
| Health | 6,297,324 | 6,135,427 |
| | 21,354,149 | 22,383,961 |
| By insurance type - | | |
| Long-term insurance contracts with fixed and guaranteed terms | 12,429,092 | 13,934,650 |
| Short-term insurance contracts | 8,925,057 | 8,449,311 |
| | 21,354,149 | 22,383,961 |

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 22. Net Premium Income (Continued)

### (b) Insurance premium ceded to reinsurers

| | The Group and The Company | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| By line of business – | | |
| Ordinary life | 191,491 | 102,549 |
| Group life | 7,273 | 7,784 |
| Health | 119,141 | 117,222 |
| | 317,905 | 227,555 |
| By insurance type - | | |
| Long-term reinsurance contracts | 191,491 | 102,549 |
| Short-term reinsurance contracts | 126,414 | 125,006 |
| | 317,905 | 227,555 |

## 23. Policy Acquisition Expenses

| | The Group and The Company | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Commissions | 2,795,602 | 2,422,005 |
| Other expenses for the acquisition of insurance and investment contracts | 977,912 | 629,296 |
| | 3,773,514 | 3,051,301 |

## 24. Net Insurance Benefits and Claims

| | The Group and The Company | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| By insurance benefit type – | | |
| Death claims | 1,805,807 | 2,263,160 |
| Maturities | 79,125 | 100,255 |
| Surrendered policies and bonus additions | 410,098 | 331,928 |
| Interest credited on insurance contracts | 917,419 | 934,890 |
| Annuities | 3,679,093 | 3,134,638 |
| Health | 5,804,352 | 5,135,061 |
| Disability | 10,930 | 17,108 |
| Living benefits | 468,461 | 461,724 |
| | 13,175,285 | 12,378,764 |

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 24. Net Insurance Benefits and Claims (Continued)

| | The Group and the Company | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Gross $'000 | Reinsurance $'000 | Net $'000 | Gross $'000 | Reinsurance $'000 | Net $'000 |
| **Insurance benefits** | | | | | | |
| Long-term insurance contracts with fixed and guaranteed terms and without DPF: | | | | | | |
| - death, maturity and surrender benefits | 6,797,068 | (102,879) | 6,694,189 | 6,366,703 | (36,407) | 6,330,296 |
| Long-term insurance contracts with fixed and guaranteed terms and with DPF: | | | | | | |
| - death, maturity and surrender benefits | 104,587 | - | 104,587 | 28,950 | - | 28,950 |
| Short term insurance contracts | 6,443,714 | (67,205) | 6,376,509 | 6,156,486 | (136,968) | 6,019,518 |
| **Total net insurance benefits and claims** | 13,345,369 | (170,084) | 13,175,285 | 12,552,139 | (173,375) | 12,378,764 |

## 25. Investment Income

| | The Group and The Company | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Fair value through profit or loss assets - interest income | 1,091,782 | 675,440 |
| Fair value through profit or loss assets - dividend income | 309,850 | 244,229 |
| Less: investment expenses | (52,854) | (33,931) |
| | 1,348,778 | 885,738 |
| Unit linked funds: | | |
| Fair value through profit or loss assets – interest income | 702,395 | 613,497 |
| Fair value through profit or loss assets – dividend income | 134,427 | 111,624 |
| Cash and cash equivalents – interest income | 8,212 | 33,734 |
| Investment management fee | (341,304) | (348,034) |
| | 503,730 | 410,821 |
| Fair value through profit or loss - interest income | 1,852,508 | 1,296,559 |
| Fair value through other comprehensive income - interest income | 4,357,137 | 4,006,105 |
| Amortised Cost assets - interest income | 3,157,886 | 2,582,128 |
| | 9,367,531 | 7,884,792 |

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 26. Net Fair Value (Losses)/Gains on Financial Assets at Fair Value Through Profit of Loss and Investment Properties

| | The Group and The Company | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Equity securities | (1,349,724) | 1,002,773 |
| Fixed income securities | (441,562) | (116,390) |
| Fair value gains on investment properties (Note 8) | 613,299 | 530,721 |
| | (1,177,987) | 1,417,104 |
| Unit linked funds | | |
| Equity securities | (468,322) | 484,089 |
| Fixed income securities | (470,912) | (132,247) |
| Fair value gains on investment properties (Note 8) | 75,884 | 7,082 |
| | (863,350) | 358,924 |
| | (2,041,337) | 1,776,028 |

## 27. Net Realized Gains on Financial and Other Assets

| | The Group and The Company | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Net realized gains on financial assets: | | |
| - gains/(losses) on property for development and sales | 1,293,600 | (12,919) |
| - mandatorily at fair value through profit or loss | 16,159 | 256,723 |
| Net realized gains/(losses) on financial assets – unit linked | 13,953 | (1,688) |
| | 1,323,712 | 242,116 |

## 28. Fee Income

| | The Group and The Company | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| Policy administration and asset management services: | | |
| Insurance contracts | 70,476 | 32,191 |
| Investment contracts without a discretionary participation feature | 664,338 | 646,298 |
| Surrender charges – insurance contracts | 108,576 | 67,091 |
| Service charges | 23,320 | 4,390 |
| Other | 23,041 | 22,420 |
| | 889,751 | 772,390 |

Included in fee income is $843,390,000 (2021 - $745,580,000) relating to revenue from contracts with customers as per IFRS 15.

## 29. Other Income

| | The Group and The Company | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| Rental income | 37,242 | 40,760 |
| Rental Income – unit linked | 8,324 | 4,372 |
| Other income | 185,036 | 1,377,326 |
| | 230,602 | 1,422,458 |

Included in Other Income is income recognized of $165,122,000 (2021- $1,137,971,000) on the termination of certain lapsed policies.

## 30. Net Impairment Losses

| | The Group and The Company | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| Investment securities measured at fair value through other comprehensive income | 24,139 | (48,861) |
| Investment securities measured at amortised cost | (101,435) | 49,927 |
| Loans and receivables (Note 37(b)(vii)) | (48,750) | (14,953) |
| Cash and cash equivalents | 1,932 | 9,938 |
| | (124,114) | (3,949) |

## 31. Investment Contract Benefits

| | The Group and The Company | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| Investment contracts benefits (Note 18) | (445,906) | (1,571,077) |
| | (445,906) | (1,571,077) |

# Guardian Life Limited

Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 32. Operating Expenses

| | The Group and The Company | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| Staff cost (see below) | 2,342,378 | 2,078,452 |
| Depreciation and amortization (Notes 5, 6, 9) | 408,162 | 436,816 |
| Auditors' remuneration | 39,460 | 37,110 |
| Directors' fees | 16,141 | 13,256 |
| Asset tax | 144,800 | 132,013 |
| Other expenses | 2,618,040 | 2,762,619 |
| | 5,568,981 | 5,460,266 |

| | The Group and The Company | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| **Staff cost includes:** | | |
| Wages, salaries and bonuses | 1,908,848 | 1,629,021 |
| Health and medical | 59,379 | 56,719 |
| Staff training | 18,240 | 20,070 |
| National insurance | 180,623 | 135,142 |
| Long-term incentive plan | (8,954) | 33,750 |
| Pension costs | 103,254 | 90,038 |
| Termination benefits | - | 37,389 |
| Other | 80,988 | 76,323 |
| | 2,342,378 | 2,078,452 |

## 33. Taxation

(a) Taxation is computed as follows:

| | The Group and The Company | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| Current: | | |
| Income tax at 25% | 2,307,275 | 1,850,890 |
| Deferred income tax (Note 20) | (439,661) | 205,943 |
| | 1,867,614 | 2,056,833 |

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 33. Taxation (Continued)

(b) Reconciliation of applicable tax charge to effective tax charge for net profit:

| | The Group and the Company | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| Profit before tax | 12,913,679 | 12,318,192 |
| Tax calculated at 25% | 3,228,420 | 3,079,548 |
| Income not subject to tax | (1,358,929) | (998,804) |
| Expenses not deductible for tax | 89,271 | 34,188 |
| Net effect of other charges and allowance | (91,148) | (58,099) |
| Tax charge for the year | 1,867,614 | 2,056,833 |

(c) Income tax effect related to other comprehensive income:

| | The Group and The Company | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | **Before tax amount** | **Tax expense** | **Net of tax amount** | **Before tax amount** | **Tax expense** | **Net of tax amount** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| (Losses)/gains on fair value through other comprehensive securities | (3,410,484) | 432,349 | (2,978,135) | (1,030,276) | 149,865 | (880,411) |
| Gains on property revaluation | 1,367,938 | (463,602) | 904,336 | 33,763 | (8,441) | 25,322 |
| **Total** | (2,042,546) | (31,253) | (2,073,799) | (996,513) | 141,424 | (855,089) |

## 34. Dividends

| | The Group and the Company | |
|---|---|---|
| | **2022** | **2021** |
| **Dividends declared during the year:** | **$'000** | **$'000** |
| Final dividend for 2021 - $2.17 per share (2020 - $1.64 per share) | 1,191,000 | 892,722 |
| First interim dividend for 2022 - $2.39 per share (2021 - $1.97 per share) | 1,307,501 | 1,077,407 |
| Second interim dividend for 2022 - $2.47 per share (2021 - $1.47 per share) | 1,352,997 | 806,086 |
| Third interim dividend for 2022 - $1.09 per share | 599,500 | - |
| | 4,450,998 | 2,776,215 |

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 35. Adjustment for Non-Cash Items in Operating Profit

| | The Group and the Company | |
|---|---|---|
| | **2022** | **2021** |
| | **$’000** | **$’000** |
| Depreciation | 179,422 | 204,003 |
| Amortization of intangible assets (Note 9) | 228,741 | 232,813 |
| Net fair value losses/(gains) on financial assets for General Funds | 1,791,286 | (886,383) |
| Net fair value losses/(gains) on financial assets for Unit Linked Funds | 939,234 | (351,842) |
| Change in fair value of investment properties (Note 7) | (689,183) | (537,803) |
| Net realized gains on financial assets | (30,112) | (255,035) |
| Net impairment losses/(gains) on financial assets | 77,296 | (1,066) |
| Net movement in impairment of cash and cash equivalents (Note 30) | (1,932) | (9,938) |
| Loss/(gain) on disposal of property and equipment | 457 | (1,099) |
| Unrealized foreign exchange losses/(gains) | 320,377 | (1,333,033) |
| (Gains)/losses on property for development and sale (Note 27) | (1,293,600) | 12,919 |
| Amortisation of (premium)/discount | 192,629 | - |
| | 1,714,615 | (2,926,464) |

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 36. Related Party Disclosures

Details of significant transactions carried out during the year with related parties are, as follows:

| | The Group and The Company | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| Technical fees, computer lease rentals, software maintenance and rebranding fees paid to fellow subsidiary | 488,059 | 410,011 |
| Management fees earned from fellow subsidiaries | 25,924 | 27,394 |
| Premium income | 173,141 | 532,255 |
| Interest and dividends income | 24,234 | 41,110 |
| Other charges | 47,419 | 40,882 |
| Approved deposit administration fund of fellow subsidiary - | | |
| Contributions (net) | 14,382 | 12,638 |
| Refunds | (7,827) | (24,732) |
| Interest credited | 6,955 | 6,120 |
| Dividends paid | (4,974,987) | (1,978,537) |
| Lease income – fellow subsidiary | - | 2,578 |
| **Key management compensation** | | |
| Salaries and other short-term benefits | 581,450 | 638,610 |
| Terminal gratuity | - | 36,740 |
| Long-term incentive | (8,954) | 33,750 |
| Post-employment benefits | 26,970 | 21,928 |
| | 599,466 | 731,028 |

# Guardian Life Limited

Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**36. Related Party Disclosures (Continued)**

| | The Group and the Company | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| **Balances with Affiliates** | | |
| Bank deposits | 4,282,584 | 2,353,243 |
| **Investments** | | |
| Repurchase agreements | 407,533 | 459,446 |
| Fixed deposits | 2,826 | 2,794 |
| Bonds | 471,198 | 518,591 |
| Equities | 1,858,043 | 2,837,797 |
| | 2,739,600 | 3,818,628 |
| Receivable from fellow subsidiaries | 382,730 | 238,231 |
| **Other liabilities** | | |
| Dividend payable to Parent | 246,467 | 797,678 |
| Payable to fellow subsidiaries | 493,324 | 634,000 |
| | 739,791 | 1,431,678 |
| **Asset held in trust** | | |
| Payable to Directors | - | 32,633 |
| Payable to key management personnel | - | 276,123 |
| | - | 308,756 |
| Total assets of fellow subsidiaries from which management fees are earned. | 23,588,422 | 22,450,389 |

The related party balances on the consolidated statement of financial position are due within 12 months and their carrying value approximate to fair value.

Certain financial assets are pledged to a fellow subsidiary. See Note 12 for additional information.

**37. Management of Insurance and Financial Risk**

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

**a. Insurance risk**

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty that the Group will have sufficient assets to satisfy the benefits payable under the contract. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

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

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group 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.

**Long term insurance contracts**

(i) Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or widespread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

At present, these risks do not vary significantly in relation to the location of the risk insured by the Group. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**37. Management of Insurance and Financial Risk (Continued)**

**a. Insurance risk (continued)**

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

(i) Frequency and severity of claims (continued)

For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted. For contracts with discretionary participation features (“DPF”), the participating nature of these contracts results in a significant portion of the insurance risk being shared with the insured party.

The Group charges for mortality risk on a monthly basis for all insurance contracts. For long term contracts without fixed and guaranteed terms, it has the right to alter these charges based on its mortality experience and hence minimize its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may reduce its mitigating effect.

The Group manages these risks through its underwriting strategy and reinsurance arrangements. The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. For example, the Group balances death risk and survival risk across its portfolio. Medical selection is also included in the Group’s underwriting procedures, with premiums varied to reflect the health condition and family medical history of the applicants. The Group has a group-wide retention limit of $62,000,000 (2021: $25,000,000) on any single life insured.

The Group reinsures the excess of the insured benefit over $62,000,000 (2021: $25,000,000) for standard risks (from a medical point of view) under an excess of loss reinsurance arrangement. The Group does not have in place any reinsurance for contracts that insure survival risk.

The table below presents the concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above. At year-end, none of these insurance contracts had triggered a recovery under the reinsurance held by the Group. As was the case in the previous year, the risk is concentrated at the lower value bands. (These tables do not include annuity contracts, for which a separate analysis is reported in this note.)

| | **The Group and The Company** | | | |
|---|---|---|---|---|
| | **2022** | | | |
| | **Total Benefits Insured** | | | |
| Benefits assured per life | **Before reinsurance** | | **After reinsurance** | |
| **$’000** | **$’000** | **%** | **$’000** | **%** |
| 1,000 - 5,000 | 362,241,606 | 74 | 360,062,228 | 77 |
| 5,001 - 10,000 | 66,006,317 | 14 | 61,970,108 | 13 |
| 10,001 - 15,000 | 16,193,221 | 3 | 13,756,592 | 3 |
| 15,001 - 20,000 | 13,188,419 | 3 | 10,848,152 | 2 |
| 20,001 and over | 31,234,504 | 6 | 23,201,589 | 5 |
| **Total** | 488,864,067 | 100 | 469,838,669 | 100 |

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**37. Management of Insurance and Financial Risk (Continued)**

**a. Insurance risk (continued)**

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

(i) Frequency and severity of claims (continued)

| | The Group and The Company | | | |
|---|---|---|---|---|
| | 2021 | | | |
| | Total Benefits Insured | | | |
| Benefits assured per life | Before reinsurance | | After reinsurance | |
| **$'000** | **$'000** | **%** | **$'000** | **%** |
| 1,000 - 5,000 | 338,506,922 | 78 | 335,754,186 | 81 |
| 5,001 - 10,000 | 53,327,001 | 12 | 48,890,903 | 12 |
| 10,001 - 15,000 | 12,256,907 | 3 | 9,596,118 | 2 |
| 15,001 - 20,000 | 10,140,320 | 2 | 7,671,822 | 2 |
| 20,001 and over | 22,364,246 | 5 | 14,435,615 | 3 |
| **Total** | 436,595,396 | 100 | 416,348,644 | 100 |

The following table for annuity insurance contracts illustrates the concentration of risk based on five bands that group these contracts in relation to the amount payable per annum as if the annuity was in payment at the year end. The greatest risk concentration remains at the highest band, which is consistent with the prior year. The Group does not hold any reinsurance contracts against the liabilities carried for these contracts.

| | The Group and The Company | | | |
|---|---|---|---|---|
| | Total Annuities Payable Per Annum | | | |
| Annuities payable per annum per life | 2022 | | 2021 | |
| **$'000** | **$'000** | **%** | **$'000** | **%** |
| 0 - 200,000 | 483,711 | 14 | 529,508 | 13 |
| 200,001 - 300,000 | 230,278 | 7 | 290,429 | 7 |
| 300,001 - 400,000 | 219,329 | 6 | 292,178 | 7 |
| 400,001 - 500,000 | 170,490 | 5 | 243,873 | 6 |
| More than 500,000 | 2,373,825 | 68 | 2,589,602 | 67 |
| **Total** | 3,477,633 | 100 | 3,945,590 | 100 |

Insurance risk for contracts disclosed in this note is also affected by the contract holders' right to pay reduced or no future premiums, to terminate the contract completely, or to exercise a guaranteed annuity option. As a result, the amount of insurance risk is also subject to contract holder behaviour. On the assumption that contract holders will make decisions rationally, overall insurance risk can be assumed to be aggravated by such behaviour. For example, it is likely that contract holders whose health has deteriorated significantly will be less inclined to terminate contracts insuring death benefits than those contract holders remaining in good health. The Group has factored the impact of contract holders behaviour into the assumptions used to measure these liabilities.

# Guardian Life Limited

Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**37. Management of Insurance and Financial Risk (Continued)**

**a. Insurance risk (continued)**

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

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

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

The Group uses appropriate base tables of standard mortality according to the type of contract being written and the territory in which the insured person resides. An investigation into the actual experience of the Group is carried out, and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. Where data is sufficient to be statistically credible, the statistics generated by the data are used without reference to an industry table. Where this is not the case, the best estimate of future mortality is based on standard industry tables adjusted for the Group's overall experience. For contracts that insure survival, an adjustment is made for future mortality improvements based on trends identified in the data and in the continuous mortality investigations performed by independent actuarial bodies. The impact of any historical evidence of selective termination behaviour will be reflected in this experience. The Group maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates.

An allowance is then made for any trends in the data to arrive at a best estimate of future termination rates.

(iii) Process used in deriving assumptions

The assumptions for long-term insurance contracts and the process used in deriving these assumptions have remained substantially unchanged since the previous year. However, changes in assumptions for expense rates, lapse rates and investment returns have decreased the insurance liability by $4,229,101,000 (2021 – decreased by $1,925,019,000).

For long-term insurance contracts, estimates are made in two stages. At inception of the contract, the Group determines assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. These assumptions are used for calculating the liabilities. A margin for risk and uncertainty is added to these assumptions. Subsequently, new estimates are developed at each reporting date to determine whether liabilities are adequate in the light of the latest current estimates. If the liabilities are not adequate, the assumptions are altered to reflect the latest current estimates, together with the provision for adverse deviation.

Assumptions are considered to be 'best estimate' if, on average, the results are expected to be worse than the assumptions in 50% of possible scenarios and better in the other 50%.

The nature and method of determining the significant assumptions made by the Group in the computation of policyholders' liabilities are described in the following paragraphs. In all cases, the assumptions are supplemented by the use of margins for adverse deviation.

# Guardian Life Limited

Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**37. Management of Insurance and Financial Risk (Continued)**

**a. Insurance risk (continued)**

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

(iii) Process used in deriving assumptions (continued)

*Mortality*
An appropriate base table of standard mortality is chosen depending on the type of contract. An investigation into the Group's experience over the most recent three years is performed, and statistical methods are used to adjust the rates reflected in the table to a best estimate of mortality for that year. Where data is sufficient to be statistically credible, the statistics generated by the data are used without reference to an industry table. For contracts insuring survivorship, an allowance is made for future mortality improvements based on trends identified in the data and in the continuous mortality investigations performed by independent actuarial bodies.

*Policy claims and benefits*
Estimates of the amounts and timings of future claims and benefit payments are based on both Company and industry experience over extended periods. Although the pattern of claims and benefit payments may be close to that indicated by past experience some deviation in that pattern is probable.

*Investment income*
The computation of policyholders' liabilities takes into account projected net investment income on assets supporting policyholders' liabilities and income expected to be earned or foregone on reinvestment or financing of mismatched cash flows. Uncertainties exist with respect to the projection of interest rates and the magnitude of credit losses from asset defaults. The Company accounts for such uncertainties by incorporating provisions for credit losses into projections of investment income in addition to the allowances for depreciation in the carrying values of invested assets.

*Policy maintenance expenses*
Amounts are included in policyholders' liabilities to provide for the costs of administering policies in force and include the costs of premium collection, adjudication and processing of claims, periodic actuarial calculations, preparation and mailing of policy statements and related indirect expenses and overheads. The process of forecasting expenses requires estimates to be made of such factors as the rate of salary increases, productivity changes, business volumes and indirect tax rates. Estimates of future policy maintenance expenses are based on the Company's experience.

*Policyholder dividends*
Policyholders' liabilities include the present value of estimated amounts of future policyholder dividends based on current dividend scales and expected future income attributable to participating policies.

*Margin for adverse deviation*
In calculating the policyholders' liabilities, a margin of 20% for acquired business and 25% for the Company's policies, consistent with the prior year, has been applied to the policy lapse rate assumptions as a margin for adverse deviation. For lapse-supported policies, a decrease in ultimate lapse rates would increase policyholders' liabilities and for non-lapse supported policies an increase in ultimate lapse rates would increase policyholders' liabilities.

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**37. Management of Insurance and Financial Risk (Continued)**

**a. Insurance risk (continued)**

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

(iv) Changes in assumptions

| | The Group and The Company | |
|---|---|---|
| | **2022 $'000** | **2021 $'000** |
| **Determination of liabilities** | | |
| Changes in expense assumptions | 89,673 | (623,562) |
| Changes in interest rates | (4,274,333) | (1,199,249) |
| Other assumptions | (3,172,710) | (1,279,038) |

(v) Sensitivity analysis

The following tables present the sensitivity of the value of insurance liabilities disclosed in this note to movements in the assumptions used in the estimation of insurance liabilities. The analyses are based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

**Long-term insurance contracts with fixed and guaranteed terms and without DPF:**

| | The Group and The Company | | | |
|---|---|---|---|---|
| **Variable** | **Change in Variable 2022** | **Change in Liability 2022 $'000** | **Change in Variable 2021** | **Change in Liability 2021 $'000** |
| Worsening of mortality | 10.00% | 1,458,051 | 10.00% | 1,340,573 |
| Lowering of investment returns | -2.00% | 9,602,439 | -2.00% | 9,449,164 |
| Worsening of base renewal expense level | 5.00% | 413,403 | 5.00% | 464,795 |
| Worsening of expense inflation rate | 1.00% | 697,345 | 1.00% | 872,737 |

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**37. Management of Insurance and Financial Risk (Continued)**

**a. Insurance risk (continued)**

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

(v) Sensitivity analysis (continued)

**Long-term insurance contracts with fixed and guaranteed terms and with DPF (continued):**

| | The Group and The Company | | | |
|---|---|---|---|---|
| | Change in Variable 2022 | Change in Liability 2022 | Change in Variable 2021 | Change in Liability 2021 |
| **Variable** | | **$'000** | | **$'000** |
| Worsening of mortality | 10.00% | 6,351 | 10.00% | 5,337 |
| Lowering of investment returns | -2.00% | 43,870 | -2.00% | 51,877 |
| Worsening of basis renewal expense level | 5.00% | 2,848 | 5.00% | 3,231 |
| Worsening of expense inflation | 1.00% | 3,828 | 1.00% | 5,276 |

Sensitivity analysis for financial risks is presented in (Note 37(b)), together with the assets backing the associated liabilities of the contracts.

(vi) Guaranteed annuity options

The amount of insurance risk under contracts with guaranteed annuity options is also dependent on the number of contract holders who will exercise their option ('option take-up rate'). This will depend significantly on the investment conditions that apply when the options can be exercised. The lower the current market interest rates in relation to the rates implicit in the guaranteed annuity rates, the more likely it is that contract holders will exercise their options. Continuing improvements in longevity reflected in current annuity rates will increase the likelihood of contract holders exercising their options as well as increasing the level of insurance risk borne by the Group under the annuities issued.

The following table indicates the likely changes in the carrying amount of the liability at year-end in response to changes in interest and mortality rates. The additional carrying amount is calculated on the assumption that every contract holder exercises his option at the earliest date possible.

| | The Group and The Company | | | |
|---|---|---|---|---|
| **Interest rate** | **Current less 1%** | **Current less 1%** | **Current plus 2%** | **Current plus 2%** |
| **Mortality rate** | **Current** | **Current less 10%** | **Current** | **Current less 10%** |
| **Additional Insurance Liability ($'000)** | | | | |
| **2022** | 2,420,518 | 2,791,661 | (4,201,825) | (3,830,682) |
| **2021** | 2,962,441 | 3,496,587 | (4,635,159) | (4,101,014) |

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**37. Management of Insurance and Financial Risk (Continued)**

**a. Insurance risk (continued)**

**Short-duration life insurance contracts**

(i) Frequency and severity of claims

Short-duration life insurance contracts are contracts which are typically of a short tenure with the tenure being often determined by the length of an individual's time in employment. These contracts are mainly issued to employers to insure their commitments to their employees. The risk is affected by the nature of the industry in which the employer operates. The risk of death and disability will vary by industry.

The Group attempts to manage this risk through its underwriting and claims handling. Additionally, there is re-insurance on short-duration life insurance contracts. There is also a concentration of risk in the services sector.

The following table, which analyses at the year-end the aggregated insured benefits for short-duration life insurance contracts by industry sector, indicates the insurance risk concentration by industry for these contracts. The concentration is substantially unchanged from prior year.

| | The Group and The Company | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | Mortality Risk $'000 | Risk % | Mortality Risk $'000 | Risk % |
| **Industry sector** | | | | |
| Employees of varying industries | 322,633,825 | 82 | 264,977,084 | 68 |
| Debtors of banks, trust companies, finance companies, credit unions etc. | 68,421,517 | 18 | 121,605,090 | 32 |
| Members of unions, associations etc. | 610,025 | - | 655,736 | - |
| **Total** | 391,665,367 | 100 | 387,237,910 | 100 |

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

There is no need to estimate mortality rates or morbidity rates for future years because these contracts have short duration. However, for incurred disability income claims, it is necessary to estimate the rates of recovery from disability for future years. Standard recovery tables produced by re-insurers are used as well as the actual experience of the Group. The influence of economic circumstances on the actual recovery rate for individual contracts is the key source of uncertainty for these estimates.

(iii) Process used in deriving assumptions

The assumptions for short-duration life contracts and the process used in deriving these assumptions have remained substantially unchanged since the previous year.

The process to derive the assumptions for short-duration life contracts is similar to long-term insurance contracts. However, the short-term nature of the mortality risk underwritten makes the Group's estimate of the liability covering death benefit payments less uncertain than in the case of long-term contracts. For disability income claims the Group uses similar statistical methods used for casualty risks that incorporate the various assumptions made in order to estimate the ultimate cost of claims.

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 37. Management of Insurance and Financial Risk (Continued)

### a. Insurance risk (continued)

**Short-duration life insurance contracts (continued)**

(iii) Process used in deriving assumptions (continued)

The two methods more commonly used are the Factor and the Bornhuetter-Ferguson methods for Group Life and Health contracts, respectively.

The Factor method is generally used for reserves which are estimated due to a short lag or run off period. The reserves are often estimated as a percentage of premiums. The normal percentage for group life insurance may fall between 7% to 10% of the annual premium in force at the valuation date. The Bornhuetter-Ferguson method uses a combination of a benchmark or market-based estimate and an estimate based on claims experience. The former is based on a measure of exposure such as premiums; the latter is based on the paid or incurred claims to date. The two estimates are combined using a formula that gives more weight to the experience-based estimate as time passes. This technique has been used in situations in which developed claims experience was not available for the projection (recent accident years or new classes of business).

The choice of selected results for each accident year depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combination of techniques have been selected for individual accident years or groups of accident years.

| ***Insurance Contracts - AY Claims development*** | **2018 $'000** | **2019 $'000** | **2020 $'000** | **2021 $'000** | **2022 $'000** | **Total $'000** |
|---|---|---|---|---|---|---|
| **Insurance claims - gross** | | | | | | |
| Accident year | | | | | | |
| Estimate of ultimate claims costs: | | | | | | |
| - at end of accident year | 4,625,691 | 5,334,379 | 4,594,141 | 5,106,432 | 5,832,238 | - |
| - one year later | 3,639,942 | 4,989,051 | 4,248,814 | 3,106,406 | - | - |
| - two years later | 3,639,942 | 4,989,051 | 4,248,814 | - | - | - |
| - three years later | 3,639,942 | 4,989,051 | - | - | - | - |
| - four years later | 3,639,942 | - | - | - | - | - |
| current estimate of cumulative claims | 3,639,942 | 4,989,051 | 4,248,814 | 3,106,406 | 5,832,238 | 21,816,451 |
| Cumulative payments to date | (3,639,942) | (4,989,051) | (4,248,814) | (3,106,406) | (5,317,650) | (21,301,863) |
| Liability recognized in the balance sheet | **-** | **-** | **-** | **-** | **514,588** | **514,588** |
| Total Liability included in the balance sheet | | | | | | **514,588** |

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**37. Management of Insurance and Financial Risk (Continued)**

**b. Financial risk**

(iv) Sensitivity analysis

The analysis in the following table is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated – for example, changes in lapses and future mortality.

| | Change in Variable | Change in Liability | |
|---|---|---|---|
| | | **2022** | **2021** |
| **Variable** | **%** | **$'000** | **$'000** |
| **Worsening of mortality** | 10 | 129,434 | 120,317 |

The Group is exposed to financial risk through its financial assets, financial liabilities (particularly relating to investment contracts), reinsurance assets and insurance 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 and investment contracts. The most important components of this financial risk are interest rate risk, equity price risk, currency 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 Group primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

The Group manages these positions within an asset liability management (ALM) framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of the Group's ALM is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. For the segregated fund liabilities, a separate portfolio of assets is maintained and the Company bears no risk with respect to these liabilities. For the insurance contracts and the other investment contracts, no separate portfolio of investments is maintained. The Group has not substantially changed the processes used to manage its risks from previous periods.

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 37. Management of Insurance and Financial Risk (Continued)

### b. Financial risk (continued)

The following tables reconcile the statement of financial position to the classes and portfolios used in the ALM framework:

| | 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Long Term Insurance Contracts with Fixed and Guaranteed Terms | | | Investment Contracts | | | | |
| | Without DPF $'000 | With DPF $'000 | Short Term Insurance Contracts $'000 | Approved Deposit Administration Funds $'000 | Unit Linked Contracts $'000 | Other Liabilities $'000 | Corporate $'000 | Total $'000 |
| **Assets** | | | | | | | | |
| Property and equipment | - | - | - | - | - | - | 5,448,297 | 5,448,297 |
| Investment properties | - | - | - | 132,286 | 479,805 | - | 4,300,754 | 4,912,845 |
| Property for development and sale | - | - | - | - | - | - | 2,026,228 | 2,026,228 |
| Intangible assets | - | - | - | - | - | - | 3,853,622 | 3,853,622 |
| Right-of-use assets | - | - | - | - | - | - | 6,441 | 6,441 |
| Taxation recoverable | - | - | - | - | 346,569 | 2,183,177 | - | 2,529,746 |
| Financial assets | 52,379,678 | 120,989 | 1,010,614 | 20,887,588 | 12,894,329 | 1,643,344 | 24,677,751 | 113,614,293 |
| Pledged assets | - | - | - | 550,219 | - | 15,170 | 90,000 | 655,389 |
| Loans and receivables | - | 93,369 | - | - | 969,301 | 3,342,542 | - | 4,405,212 |
| Cash and cash equivalents | 7,673 | 73,204 | 624,974 | 67,136 | 225,891 | 4,991,541 | - | 5,990,419 |
| Cash and cash equivalents of mutual fund holders | - | - | - | - | - | 36,799 | - | 36,799 |
| **Total** | 52,387,351 | 287,562 | 1,635,588 | 21,637,229 | 14,915,895 | 12,212,573 | 40,403,093 | 143,479,291 |

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 37. Management of Insurance and Financial Risk (Continued)

### b. Financial risk (continued)

| | 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Long Term Insurance Contracts with Fixed and Guaranteed Terms | | | Investment Contracts | | | | |
| | Without DPF $'000 | With DPF $'000 | Short Term Insurance Contracts $'000 | Approved Deposit Administration Funds $'000 | Unit Linked Contracts $'000 | Other Liabilities $'000 | Corporate $'000 | Total $'000 |
| **Assets** | | | | | | | | |
| Property and equipment | - | - | - | - | - | - | 4,122,512 | 4,122,512 |
| Investment properties | - | - | - | 92,119 | 176,343 | - | 3,479,031 | 3,747,493 |
| Property for development and sale | - | - | - | - | - | - | 5,032,961 | 5,032,961 |
| Intangible assets | - | - | - | - | - | - | 3,707,882 | 3,707,882 |
| Right-of-use assets | - | - | - | - | - | - | 8,363 | 8,363 |
| Taxation recoverable | - | - | - | - | 383,182 | 2,091,523 | - | 2,474,705 |
| Financial assets | 54,465,257 | 124,486 | 1,033,458 | 20,598,758 | 13,454,739 | 4,943,678 | 23,192,529 | 117,812,905 |
| Pledged assets | 91,113 | - | - | 558,061 | - | - | - | 649,174 |
| Loans and receivables | - | 106,214 | - | - | 373,273 | 3,439,911 | 89,983 | 4,009,381 |
| Cash and cash equivalents | 86,493 | 83,407 | 525,072 | 199,895 | 724,736 | 3,151,514 | 2,034 | 4,773,151 |
| Cash and cash equivalents of mutual fund holders | - | - | - | - | - | 63,417 | - | 63,417 |
| **Total** | 54,642,863 | 314,107 | 1,558,530 | 21,448,833 | 15,112,273 | 13,690,043 | 39,635,295 | 146,401,944 |

**37. Management of Insurance and Financial Risk (Continued)**

**b. Financial risk (continued)**

**(i) Long-term insurance contracts with fixed and guaranteed terms and without DPF**

Long term insurance contracts with fixed and guaranteed terms and without DPF contain financial components which are an amalgamation of segregated and non-segregated assets. The supplemental benefits payable to holders of segregated funds contracts are based on historic and current rates of return on the fixed income securities in which the fund is invested, as well as the Group's expectations of future investment returns. The benefit on the non-segregated assets is usually a guaranteed fixed interest rate. This rate may apply to maturity and/or death benefits.

All these contracts can be surrendered before maturity for a cash surrender value specified in the contractual terms and conditions. For all these contracts, the Group is not required to measure this embedded derivative at fair value. This surrender value is always lower than the carrying amount of the contract liabilities as a result of the application of surrender penalties set out in the contracts. The range of such penalties is between 0% and 6% of the carrying amount of equity contracts, and between J$150 and 50% of the Basic Annual Premiums of insurance contracts. These penalties mitigate the expense incurred from de-recognizing the associated deferred acquisition costs (DAC) assets.

The impact on the Group's current year results if all the contracts with this option were surrendered at the financial year-end, net of surrender penalty charges and DAC write-off, would have been a loss of $27,980,839,000 (2021 – $28,940,529,000) attributable to the equity and cash surrender value components.

The measurement of the liabilities under long-term insurance contracts and investment contracts with DPF is similar to that of insurance contracts with guaranteed and fixed terms without DPF. The Group only bears financial risk in relation to the guaranteed benefits payable under the non-segregated contracts and the investment portion of the segregated contracts.

Arising from the adoption of IFRS 9 on 1 January 2019, the business model used resulted in the assets allocated to long–term insurance contracts with fixed and guaranteed terms and without DPF, exceeding liabilities as at 31 December 2021.

The following tables indicate the estimated amount and timing of undiscounted cash flows arising from the liabilities in this category of the Group's ALM framework. They summarize the Group's exposure to interest rate risks for these assets and liabilities. When debt securities mature, the proceeds not needed to meet liability cash flows will be re-invested in floating rate securities, and the interest rate swaps are used to secure fixed interest rate cash flows. The reinvestment of these net positive proceeds in the earlier years will fund the negative cash flows displayed in the table below for the later years.

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 37. Management of Insurance and Financial Risk (Continued)

### b. Financial risk (continued)

#### (i) Long-term insurance contracts with fixed and guaranteed terms and without DPF (continued)

| | The Group and The Company 2022 Undiscounted Cash Flows | | | | | | |
|---|---|---|---|---|---|---|---|
| | Carrying Amount $'000 | On Demand $'000 | Less Than One Year $'000 | One to Five Years $'000 | Over Five Years $'000 | No Maturity Date $'000 | Total $'000 |
| | | | | Contractual Cash Flows | | | |
| **Assets** | | | | | | | |
| Financial assets | 52,379,678 | - | 5,531,047 | 29,283,698 | 134,280,476 | 449,550 | 169,544,771 |
| Cash and cash equivalents | 7,673 | 7,673 | - | - | - | - | 7,673 |
| **Total** | 52,387,351 | 7,673 | 5,531,047 | 29,283,698 | 134,280,476 | 449,550 | 169,552,444 |
| | | | | Undiscounted Cash Flows | | | |
| **Liabilities** | | | | | | | |
| Long-term Insurance contracts with fixed and guaranteed terms | 34,079,841 | - | 903,125 | 13,640,231 | 161,991,194 | - | 176,534,550 |
| Net Liquidity Gap | 18,307,510 | 7,673 | 4,627,922 | 15,643,467 | (27,710,718) | 449,550 | (6,982,106) |
| Cumulative Liquidity Gap | | 7,673 | 4,635,595 | 20,279,062 | (7,431,656) | (6,982,106) | - |

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**37. Management of Insurance and Financial Risk (Continued)**

**b. Financial risk (continued)**

**(i) Long-term insurance contracts with fixed and guaranteed terms and without DPF (continued)**

| | The Group and The Company 2021 Undiscounted Cash Flows | | | | | | |
|---|---|---|---|---|---|---|---|
| | Carrying Amount $'000 | On Demand $'000 | Less Than One Year $'000 | One to Five Years $'000 | Over Five Years $'000 | No Maturity Date $'000 | Total $'000 |
| | | | | Contractual Cash Flows | | | |
| **Assets** | | | | | | | |
| Financial assets | 54,465,257 | - | 5,565,523 | 30,760,675 | 133,883,900 | 293,055 | 170,503,153 |
| Pledged assets | 91,113 | - | 8,662 | 34,650 | 133,313 | - | 176,625 |
| Cash and cash equivalents | 86,493 | 86,493 | - | - | - | - | 86,493 |
| **Total** | 54,642,863 | 86,493 | 5,574,185 | 30,795,325 | 134,017,213 | 293,055 | 170,766,271 |
| | | | | Undiscounted Cash Flows | | | |
| **Liabilities** | | | | | | | |
| Long-term Insurance contracts with fixed and guaranteed terms | 40,069,149 | - | 1,973,144 | 15,422,658 | 156,523,640 | - | 173,919,442 |
| Net Liquidity Gap | 14,573,714 | 86,493 | 3,601,041 | 15,372,667 | (22,506,427) | 293,055 | (3,153,171) |
| Cumulative Liquidity Gap | 14,573,714 | 86,493 | 3,687,534 | 19,060,201 | (3,446,226) | (3,153,171) | - |

**37. Management of Insurance and Financial Risk (Continued)**

**b. Financial risk (continued)**

**(i) Long-term insurance contracts with fixed and guaranteed terms and without DPF (continued)**

***Sensitivity analysis – interest rate risk***

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated (for example, change in interest rate and change in market values).

For liabilities under long-term insurance contracts with fixed and guaranteed terms, changes in interest rates will not cause a change to the amount of the liability. Investment contracts with fixed and guaranteed terms and debt securities held to maturity are accounted for at amortized cost and their carrying amounts are not sensitive to changes in the level of interest rates.

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**37. Management of Insurance and Financial Risk (Continued)**

**b. Financial risk (continued)**

**(i) Long-term insurance contracts with fixed and guaranteed terms and without DPF (continued)**

***Sensitivity analysis – interest rate risk (continued)***

Financial assets described in this note are classified under amortized cost as such are not subject to interest rate risk. On a basis, management monitored the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to parallel movements in all yield curves.

An increase or decrease of 200 basis points in interest yields would not result in a gain or loss for the year. For 2021, an increase of 200 basis points in interest yields would not result in a gain or loss for the year.

***Sensitivity analysis – equity risk***

The sensitivity analysis for equity risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity securities traded in the market.

Management monitors movements of financial assets and equity price risk movements on a monthly basis by assessing the expected changes in the different portfolios due to movements in the various stock exchange indexes with all other variables held constant and all the Group's equity instruments in that particular index moving proportionally.

The equity securities described in this note are classified as financial assets at fair value through profit or loss. An increase of 10% (2021 - 10%) in the share prices of stocks held by the Group would result in a gain of $44,955,000 (2021 - $29,306,000) A similar decrease in the share prices of stocks held by the Group would result in a loss of $44,955,000 (2021 - 29,306,000).

**(ii) Long-term insurance contracts with fixed and guaranteed terms and with DPF**

Insurance and investment contracts with guaranteed and fixed terms have benefit payments that are fixed and guaranteed at the inception of the contract. The financial component of these benefits is usually a guaranteed fixed interest rate (for the insurance contracts, this rate may apply to maturity and/or death benefits) and hence the Group's primary financial risk on these contracts is the risk that interest income and capital redemptions from the financial assets backing the liabilities is insufficient to fund the guaranteed benefits payable.

The Group issues insurance contracts which participate in the profits earned via the payment of dividends. The declaration of these dividends is at the discretion of the Group and the Group therefore bears no financial risk on this portion of the liability.

The Group manages the exposure to interest rate risks by using natural hedges that match interest sensitive assets with liabilities of a similar nature. The interest rate risk gap analysis above shows the matching of these assets and liabilities according to the earlier of contractual re-pricing or maturity.

# Guardian Life Limited

Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**37. Management of Insurance and Financial Risk (Continued)**

**b. Financial risk (continued)**

**(ii) Long-term insurance contracts with fixed and guaranteed terms and with DPF (continued)**

Some of the long-term insurance contracts with fixed and guaranteed terms can be surrendered before maturity for a cash surrender value specified in the contractual terms and conditions. The Group is not required to, and does not, measure this embedded derivative at fair value. This surrender value is always lower than the carrying amount of the insurance and investment liabilities as a result of the application of surrender penalties set out in the contracts.

The measurement of the liabilities under long-term insurance contracts and investment contracts with DPF is similar to that of insurance contracts with guaranteed and fixed terms without DPF. However, the impact of interest rate risk is different due to the presence of the DPF. The Group only bears financial risk in relation to the guaranteed benefits payable under these contracts. These guaranteed benefits increase as supplemental benefits are declared and distributed to contract holders. While the Group recognizes as a liability 90% of the excess of the carrying value of the underlying assets over the carrying value of the guaranteed liabilities, the Group does not bear any interest rate risk in relation to this DPF component liability.

Financial assets backing the guaranteed element of investment and insurance contracts with DPF amount to $287,562,000 (2021 – $314,107,000). These assets are included in the table below to match expected cash flows from the guaranteed components of insurance and investment contract liabilities. Similarly, to the approach used for the fixed and guaranteed portfolio, fixed rate securities are used to secure fixed interest rate cash flows. On maturity of debt securities, the proceeds not needed to meet liability cash flows will be re-invested in floating rate securities and other investment securities.

The re-investment of these net positive proceeds in the earlier years will fund the negative cash flows displayed in the table below for the later years.

# Guardian Life Limited

Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 37. Management of Insurance and Financial Risk (Continued)

### b. Financial risk (continued)

#### (ii) Long-term insurance contracts with fixed and guaranteed terms and with DPF (continued)

| | The Group and The Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2022 | | | | | | |
| | Undiscounted Cash Flows | | | | | | |
| | **Carrying Amount $'000** | **On Demand $'000** | **Less Than One Year $'000** | **One to Five Years $'000** | **Over Five Years $'000** | **No Maturity Date $'000** | **Total $'000** |
| | Contractual Cash Flows | | | | | | |
| **Assets** | | | | | | | |
| Financial assets | 120,989 | - | 10,153 | 40,612 | 115,959 | - | 166,724 |
| Loans and receivables | 93,369 | - | - | 93,369 | - | - | 93,369 |
| Cash and cash equivalents | 73,204 | 73,204 | - | - | - | - | 73,204 |
| **Total** | 287,562 | 73,204 | 10,153 | 133,981 | 115,959 | - | 333,297 |
| | Undiscounted Cash Flows | | | | | | |
| **Liabilities** | | | | | | | |
| Long-term insurance fixed contracts with and guaranteed terms and without DPF | 287,562 | - | 5,826 | 67,872 | 570,633 | - | 644,331 |
| Net Liquidity Gap | | 73,204 | 4,327 | 66,109 | (454,674) | - | (311,034) |
| Cumulative Liquidity Gap | | 73,204 | 77,531 | 143,640 | (311,034) | (311,034) | - |

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**37. Management of Insurance and Financial Risk (Continued)**

**b. Financial risk (continued)**

**(ii) Long-term insurance contracts with fixed and guaranteed terms and with DPF (continued)**

| | The Group and The Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2021 | | | | | | |
| | Undiscounted Cash Flows | | | | | | |
| | Carrying Amount $'000 | On Demand $'000 | Less Than One Year $'000 | One to Five Years $'000 | Over Five Years $'000 | No Maturity Date $'000 | Total $'000 |
| | | Contractual Cash Flows | | | | | |
| **Assets** | | | | | | | |
| Financial assets | 124,486 | - | 10,153 | 40,612 | 126,113 | - | 176,878 |
| Loans and receivables | 106,214 | - | - | 106,214 | - | - | 106,214 |
| Cash and cash equivalents | 83,407 | 83,407 | - | - | - | - | 83,407 |
| **Total** | 314,107 | 83,407 | 10,153 | 146,826 | 126,113 | - | 366,499 |
| | | Undiscounted Cash Flows | | | | | |
| **Liabilities** | | | | | | | |
| Long-term insurance fixed contracts with and guaranteed terms and without DPF | 314,107 | - | 4,138 | 74,482 | 524,253 | - | 602,873 |
| Net Liquidity Gap | | 83,407 | 6,015 | 72,344 | (398,140) | - | (236,374) |
| Cumulative Liquidity Gap | | 83,407 | 89,422 | 161,766 | (236,374) | (236,374) | - |

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**37. Management of Insurance and Financial Risk (Continued)**

**b. Financial risk (continued)**

**(ii) Long-term insurance contracts with fixed and guaranteed terms and with DPF (continued)**

**Sensitivity analysis - interest rate risk**

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated (for example, change in interest rate and change in market values).

For the guaranteed element liabilities under long term insurance and investment contracts with DPF, changes in interest rate will not cause a change to the amount of the liability because their carrying amounts are not affected by the level of market interest rates. However, the DPF element liabilities are directly affected by changes in the level of interest rates to the extent that they affect the carrying amount of the assets held in the DPF funds. An increase in the value of the assets would require, all other assumptions being equal, an increase in the DPF liability and vice versa.

Management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to parallel movements in all yield curves.

An increase or decrease of 200 basis points in interest yields would not result in a gain or loss for the year due to the classification of the investment backing this portfolio, as held to maturity and are therefore carried at amortised cost.

**Sensitivity analysis – equity risk**

The sensitivity analysis for equity risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity securities traded in the market.

Management monitors movements of financial assets and equity price risk movements on a monthly basis by assessing the expected changes in the different portfolios due to movements in the various stock exchange indexes with all other variables held constant and all the Group’s equity instruments in that particular index moving proportionally.

The equity securities described in this note are classified as financial assets at fair value through profit or loss. An increase of 10% (2021 -10%) in the share prices of stocks held by the Group would result in no gain or loss for current year (2021 - Nil). A similar decrease in the share prices of stock held by the Group would result in no profit or loss for current year (2021 - Nil).

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**37. Management of Insurance and Financial Risk (Continued)**

**b. Financial risk (continued)**

**(iii) Short term insurance contracts**

The following table indicates the estimated amount and timing of undiscounted cash flows arising from the liabilities in this category of the Group's ALM framework:

**The Group and the Company**
**2022**
**Undiscounted Cash Flows**

| | Carrying Amount $'000 | On Demand $'000 | Less Than One Year $'000 | One to Five Years $'000 | Over Five Years $'000 | No Maturity Date $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| | **Contractual Cash Flows** | | | | | | |
| **Assets** | | | | | | | |
| Financial assets | 1,010,614 | - | 85,744 | 443,475 | 1,526,309 | - | 2,055,528 |
| Cash and cash equivalents | 624,974 | 624,974 | - | - | - | - | 624,974 |
| **Total** | 1,635,588 | 624,974 | 85,744 | 443,475 | 1,526,309 | - | 2,680,502 |
| | **Undiscounted Cash Flows** | | | | | | |
| **Liabilities** | | | | | | | |
| Short-term insurance contracts | 1,635,588 | - | 1,635,588 | - | - | - | 1,635,588 |
| Net Liquidity Gap | | 624,974 | (1,549,844) | 443,475 | 1,526,309 | - | 1,044,914 |
| Cumulative Liquidity Gap | | 624,974 | (924,870) | (481,395) | 1,044,914 | 1,044,914 | |

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**37. Management of Insurance and Financial Risk (Continued)**

**b. Financial risk (continued)**

**(iii) Short term insurance contracts (continued)**

**The Group and the Company**
**2021**
**Undiscounted Cash Flows**

| | Carrying Amount $'000 | On Demand $'000 | Less Than One Year $'000 | One to Five Years $'000 | Over Five Years $'000 | No Maturity Date $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| | **Contractual Cash Flows** | | | | | | |
| **Assets** | | | | | | | |
| Financial Assets | 1,033,458 | - | 80,766 | 440,065 | 1,451,755 | - | 1,972,586 |
| Cash and cash equivalents | 525,072 | 525,072 | - | - | - | - | 525,072 |
| **Total** | 1,558,530 | 525,072 | 80,766 | 440,065 | 1,451,755 | - | 2,497,658 |
| | **Undiscounted Cash Flows** | | | | | | |
| **Liabilities** | | | | | | | |
| Short-term insurance contracts | 1,558,530 | - | 1,558,530 | - | - | - | 1,558,530 |
| Net Liquidity Gap | | 525,072 | (1,477,764) | 440,065 | 1,451,755 | - | 939,128 |
| Cumulative Liquidity Gap | | 525,072 | (952,692) | (512,627) | 939,128 | 939,128 | - |

**Sensitivity analysis – interest rate risk**

Short-term insurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest-bearing.

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 37. Management of Insurance and Financial Risk (Continued)

### b. Financial risk (continued)

#### (iv) Unit linked contracts (Segregated Funds)

Unit linked contracts asset are maintained to meet specific investment objectives of policyholders who bear all investment risks. The following tables indicate the estimated amount and timing of undiscounted cash flows arising from the liabilities in this category of the Group's ALM framework.

**The Group and The Company**
**2022**
**Undiscounted Cash Flows**

| | Carrying Amount $'000 | On Demand $'000 | Less Than One Year $'000 | One to Five Years $'000 | Over Five Years $'000 | No Maturity Date $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| | **Contractual Cash Flows** | | | | | | |
| **Assets** | | | | | | | |
| Investment properties | 479,805 | - | - | - | - | 479,805 | 479,805 |
| Taxation recoverable | 346,569 | - | - | 346,569 | - | - | 346,569 |
| Financial assets | 12,894,329 | - | 587,871 | 2,819,321 | 8,478,767 | 5,687,181 | 17,573,140 |
| Loans and receivables | 969,301 | - | 969,301 | - | - | - | 969,301 |
| Cash and cash equivalents | 225,891 | 212,326 | - | - | - | - | 212,326 |
| **Total** | 14,915,895 | 212,326 | 1,557,172 | 3,165,890 | 8,478,767 | 6,166,986 | 19,581,141 |
| | **Undiscounted Cash Flows** | | | | | | |
| **Liabilities** | | | | | | | |
| Estimated cash flows | 14,915,895 | - | 393,844 | 4,440,616 | 71,736,298 | - | 76,570,758 |
| Net Liquidity Gap | | 212,326 | 1,163,328 | (1,274,726) | (63,257,531) | 6,166,986 | (56,989,617) |
| Cumulative Liquidity Gap | | 212,326 | 1,375,654 | 100,928 | (63,156,603) | (56,989,617) | - |

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**37. Management of Insurance and Financial Risk (Continued)**

**b. Financial risk (continued)**

**(iv) Unit linked contracts (Segregated Funds) (continued)**

**The Group and The Company**
**2021**
**Undiscounted Cash Flows**

| | Carrying Amount $'000 | On Demand $'000 | Less Than One Year $'000 | One to Five Years $'000 | Over Five Years $'000 | No Maturity Date $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| | **Contractual Cash Flows** | | | | | | |
| **Assets** | | | | | | | |
| Investment properties | 176,343 | - | - | - | - | 176,343 | 176,343 |
| Taxation recoverable | 383,182 | - | - | 383,182 | - | - | 383,182 |
| Financial assets | 13,454,739 | - | 814,275 | 3,256,175 | 9,023,608 | 6,308,596 | 19,402,654 |
| Loans and receivables | 373,273 | - | 373,273 | - | - | - | 373,273 |
| Cash and cash equivalents | 724,736 | 724,736 | - | - | - | - | 724,736 |
| **Total** | 15,112,273 | 724,736 | 1,187,548 | 3,639,357 | 9,023,608 | 6,484,939 | 21,060,188 |
| | **Undiscounted Cash Flows** | | | | | | |
| **Liabilities** | | | | | | | |
| Estimated cash flows | 15,112,273 | - | 171,217 | 1,341,931 | 13,599,125 | - | 15,112,273 |
| Net Liquidity Gap | | 724,736 | 1,016,331 | 2,297,426 | (4,575,517) | 6,484,939 | 5,947,915 |
| Cumulative Liquidity Gap | | 724,736 | 1,741,067 | 4,038,493 | (537,024) | 5,947,915 | - |

The Group's primary exposure to financial risk from unit linked contracts is the risk of volatility in asset management fees due to the impact of interest rate and market price movements on the fair value of the assets held in the funds, on which investment management fees are based.

A decrease of 10% in the value of the assets would reduce the asset management fees by $65,958,000 per annum (2021 – $41,755,000).

**Sensitivity analysis – interest rate risk**

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated (for example, change in interest rate and change in market values).

## 37. Management of Insurance and Financial Risk (Continued)

### b. Financial risk (continued)

#### (iv) Unit linked contracts (Segregated Funds) (continued)

**Sensitivity analysis – interest rate risk**

In relation to financial assets described in this note, management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to parallel movements in all yield curves.

An increase of 200 (2021 – 200) basis points in interest yields would result in a loss for the period of $503,861,000 (2021 – $560,991,000,000). A similar decrease in interest yields would result in a profit for the period of $655,690,000 (2021 – $741,303,000).

**Sensitivity analysis – equity risk**

The sensitivity analysis for equity risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity securities traded in the market.

Management monitors movements of financial assets and equity price risk movements on a monthly basis by assessing the expected changes in the different portfolios due to movements in the various stock exchange indexes with all other variables held constant and all the Group's equity instruments in that particular index moving proportionally.

The equity securities described in this note are classified as financial assets at fair value through profit or loss. An increase of 10% (2021 - 10%) in the share prices of stocks held by the Group would result in a profit for the period of $568,718,000 (2021 – $606,833,000). A similar decrease in the share prices of stocks held by the Group would result in a loss for the period of $568,718,000 (2021 – $606,833,000).

# Guardian Life Limited

Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**37. Management of Insurance and Financial Risk (Continued)**

**b. Financial risk (continued)**

**(v) Approved deposit administration funds**

The Group guarantees returns on these funds at stated rates of interest, and earns administration and investment fees.

Guaranteed interest rates are revised at least annually, which limits the impact of interest rate risk and equity risk on the spread between investment earnings and interest payments.

Management's process for monitoring the sensitivity of reported interest rate movements and movements of financial assets and equity price risk movements is similar to the process used for other assets described in this note.

The following tables indicate the estimated amount and timing of undiscounted contractual cash flows arising from the liabilities in this category of the Group's ALM framework:

| | The Group and The Company 2022 Undiscounted Cash Flows | | | | | | |
|---|---|---|---|---|---|---|---|
| | Carrying Amount $'000 | On Demand $'000 | Less Than One Year $'000 | One to Five Years $'000 | Over Five Years $'000 | No Maturity Date $'000 | Total $'000 |
| | Contractual Cash Flows | | | | | | |
| **Assets** | | | | | | | |
| Investment property | 132,286 | - | - | - | - | 132,286 | 132,286 |
| Financial assets | 20,887,588 | - | 1,203,221 | 7,668,544 | 31,291,626 | - | 40,163,391 |
| Pledged assets | 550,219 | - | 555,753 | - | - | - | 555,753 |
| Cash and cash equivalents | 67,136 | 67,136 | - | - | - | - | 67,136 |
| **Total** | 21,637,229 | 67,136 | 1,758,974 | 7,668,544 | 31,291,626 | 132,286 | 40,918,566 |
| | Undiscounted Cash Flows | | | | | | |
| **Liabilities** | | | | | | | |
| Long-term insurance contracts with fixed and guaranteed terms and without DPF | 21,637,229 | - | 1,225,542 | 6,295,760 | 14,943,128 | - | 22,464,430 |
| Net liquidity gap | | 67,136 | 533,432 | 1,372,784 | 16,348,498 | 132,286 | 18,454,136 |
| Cumulative liquidity gap | | 67,136 | 600,568 | 1,973,352 | 18,321,850 | 18,454,136 | - |

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**37. Management of Insurance and Financial Risk (Continued)**

**b. Financial risk (continued)**

**(v) Approved deposit administration funds (continued)**

| | The Group and The Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2021 Undiscounted Cash Flows | | | | | | |
| | **Carrying Amount $'000** | **On Demand $'000** | **Less Than One Year $'000** | **One to Five Years $'000** | **Over Five Years $'000** | **No Maturity Date $'000** | **Total $'000** |
| | **Contractual Cash Flows** | | | | | | |
| **Assets** | | | | | | | |
| Investment Property | 92,119 | - | - | - | - | 92,119 | 92,119 |
| Financial assets | 20,598,758 | - | 1,317,792 | 7,682,747 | 29,249,765 | - | 38,250,304 |
| Pledged assets | 558,061 | 7,702 | 13,261 | 624,364 | - | - | 645,327 |
| Cash and cash equivalents | 199,895 | 199,840 | - | - | - | - | 199,840 |
| **Total** | 21,448,833 | 207,542 | 1,331,053 | 8,307,111 | 29,249,765 | 92,119 | 39,187,590 |
| | **Undiscounted Cash Flows** | | | | | | |
| **Liabilities** | | | | | | | |
| Long-term insurance contracts with fixed and guaranteed terms and without DPF | 21,448,833 | - | 1,221,391 | 6,298,709 | 13,928,732 | - | 21,448,832 |
| Net liquidity gap | | 207,542 | 109,662 | 2,008,402 | 15,321,033 | 92,119 | 17,738,758 |
| Cumulative liquidity gap | | 207,542 | 317,204 | 2,325,606 | 17,646,639 | 17,738,758 | - |

**37. Management of Insurance and Financial Risk (Continued)**

**b. Financial risk (continued)**

**(v) Approved deposit administration funds (continued)**

**Sensitivity analysis – interest rate risk (continued)**

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated (for example, change in interest rate and change in market values).

In relation to financial assets described in this note, management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to parallel movements in all yield curves.

An increase of 200 (2021 - 200) basis points in interest yields would result in a loss for the period of $392,394,000 (2021 - $638,431,000). A similar decrease in interest yields would result in a profit for the period of $512,137,000 (2021 - $934,414,000).

**Sensitivity analysis – equity risk**

The sensitivity analysis for equity risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity securities traded in the market.

Management monitors movements of financial assets and equity price risk movements on a monthly basis by assessing the expected changes in the different portfolios due to movements in the various stock exchange indexes with all other variables held constant and all the Group's equity instruments in that particular index moving proportionally.

The equity securities described in this note are classified as financial assets at fair value through profit or loss. An increase of 10% (2021 -10%) in the share prices of stocks held by the Group would result in no gain or loss for current year (2021 - Nil). A similar decrease in the share prices of stock held by the Group would result in no profit or loss for current year (2021 - Nil).

# Guardian Life Limited

Notes to the Consolidated Financial Statements

**31 December 2022**

(Expressed in Jamaican dollars unless otherwise indicated)

**37. Management of Insurance and Financial Risk (Continued)**

**b. Financial risk (continued)**

**(vi) Other liabilities**

The following tables indicate the estimated amount and timing of undiscounted contractual cash flows arising from the assets and liabilities in the Group's ALM framework that are allocated to the Group's other liabilities:

| | The Group and The Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2022 Undiscounted Cash Flows | | | | | | |
| | Carrying Amount $'000 | On Demand $'000 | Less Than One Year $'000 | One to Five Years $'000 | Over Five Years $'000 | No Maturity Date $'000 | Total $'000 |
| | Contractual Cash Flows | | | | | | |
| **Assets** | | | | | | | |
| Taxation recoverable | 2,183,177 | - | 619,018 | 1,564,159 | - | - | 2,183,177 |
| Financial assets | 1,643,344 | - | 1,382,846 | 201,823 | - | 94,903 | 1,679,572 |
| Pledge assets | 15,170 | 15,170 | - | - | - | - | 15,170 |
| Loans and receivables | 3,342,542 | - | 3,342,546 | - | - | - | 3,342,546 |
| Cash and cash equivalents | 4,991,541 | 4,142,419 | 849,122 | - | - | - | 4,991,541 |
| Cash and cash equivalents of mutual fund holders | 36,799 | 36,799 | - | - | - | - | 36,799 |
| **Total** | 12,212,573 | 4,194,388 | 6,193,532 | 1,765,982 | - | 94,903 | 12,248,805 |
| | Undiscounted Cash Flows | | | | | | |
| Liabilities | | | | | | | |
| Other | 12,212,573 | - | 10,762,028 | 1,450,545 | - | - | 12,212,573 |
| Net Liquidity Gap | | 4,194,388 | (4,568,496) | 315,437 | | 94,903 | 36,232 |
| Cumulative Liquidity Gap | | 4,194,388 | (374,108) | (58,671) | (58,671) | 36,232 | - |

# Guardian Life Limited

Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**37. Management of Insurance and Financial Risk (Continued)**

**b. Financial risk (continued)**

**(vi) Other liabilities (continued)**

| | The Group and The Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2021 | | | | | | |
| | Undiscounted Cash Flows | | | | | | |
| | **Carrying Amount $'000** | **On Demand $'000** | **Less Than One Year $'000** | **One to Five Years $'000** | **Over Five Years $'000** | **No Maturity Date $'000** | **Total $'000** |
| | Contractual Cash Flows | | | | | | |
| **Assets** | | | | | | | |
| Taxation recoverable | 2,091,523 | - | - | 2,091,523 | - | - | 2,091,523 |
| Financial assets | 4,943,678 | - | 4,608,877 | - | - | 803,571 | 5,412,448 |
| Loans and receivables | 3,439,911 | - | 3,439,911 | - | - | - | 3,439,911 |
| Cash and cash equivalents | 3,151,514 | 2,452,658 | 698,856 | - | - | - | 3,151,514 |
| Cash and cash equivalents of mutual fund holders | 63,417 | 63,417 | - | - | - | - | 63,417 |
| | 13,690,043 | 2,516,075 | 8,747,644 | 2,091,523 | - | 803,571 | 14,158,813 |
| | Undiscounted Cash Flows | | | | | | |
| Liabilities | | | | | | | |
| Other | 13,690,043 | - | 11,812,210 | 1,877,833 | - | - | 13,690,043 |
| Net Liquidity Gap | | 2,516,075 | (3,064,566) | 213,690 | - | 803,571 | 468,770 |
| Cumulative Liquidity Gap | | 2,516,075 | (548,491) | (334,801) | (334,801) | 468,770 | - |

These assets and liabilities are not particularly sensitive to market risks as they have a short period to maturity and, with the exception of repurchase agreements, are non-interest bearing.

# Guardian Life Limited

Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**37. Management of Insurance and Financial Risk (Continued)**

**b. Financial risk (continued)**

**(vii) Credit risk (continued)**

Credit risk is defined as the potential for loss that can occur as a result of an individual, counterparty or issuer being unable or unwilling to honor its contractual obligations to us. The Group has a Board appointed Investment Committee (in accordance with the Insurance Act and Regulations) that sets credit limits and monitors exposure by constraining the magnitude and tenor of the exposure to counterparties and issuers. The Investment Committee initiates regular portfolio reviews, monitors counterparty creditworthiness, and evaluates potential transaction risks with a view towards early problem identification and protection against unacceptable credit-related losses.

The Group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Group is exposed to credit risk are:

-Amounts due from issuers of investment securities held;
-Amounts due from institutions holding short term cash and deposits;
-Re-insurers' share of insurance liabilities;
-Amounts due from re-insurers in respect of claims already paid;
-Amounts due from counter parties;
-Amounts due from insurance contract holders; and
-Amounts due from insurance intermediaries.

Investment and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

The Group has underwriting policies in place to ensure that sales of products and services are made to potential policyholders with an appropriate credit history and financial standing to meet the premium payments when due.

Reinsurance is also used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a re-insurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of re-insurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

The Group actively monitors the financial status of its reinsurers both by reference to publicly available information and the Financial Strength Ratings of A.M. Best. All of the Group's reinsurers are rated superior by A. M. Best. A rating of superior is assigned to reinsurance companies that have, in the opinion of A.M. Best, a superior ability to meet their ongoing obligations to the primary insurer.

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**37. Management of Insurance and Financial Risk (Continued)**

**b. Financial risk (continued)**

**(vii) Credit risk (continued)**

Below is an analysis of assets bearing credit risk:

| | The Group and the Company | |
|---|---|---|
| | Gross exposure | |
| | 2022 $'000 | 2021 $'000 |
| Investment securities measured at fair value through profit or loss | 19,602,748 | 21,980,124 |
| Investment securities measured at fair value through other comprehensive income | 48,494,858 | 55,151,387 |
| Investment securities measured at amortised cost | 29,884,943 | 23,146,287 |
| Loans and receivables including insurance receivables | 3,956,456 | 4,009,449 |
| Cash and cash equivalents | 6,054,650 | 4,858,479 |
| | 107,993,655 | 109,145,726 |

**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.

**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 Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**37. Management of Insurance and Financial Risk (Continued)**

**b. Financial risk (continued)**

**(vii) Credit risk (continued)**

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

The following table sets out the credit quality analysis for reinsurance assets and financial assets (excluding equity instruments).

| | The Group and The Company | | | |
|---|---|---|---|---|
| | Lifetime ECL 2022 | | | |
| | 12-month ECL | Not credit impaired | Credit impaired | Total |
| | $'000 | $'000 | $'000 | $'000 |
| **As at 31 December** | | | | |
| Loans and receivables | | | | |
| A | - | 316,386 | - | 316,386 |
| BBB | | 1,322,840 | | 1,322,840 |
| Not rated** | 55,132 | 2,262,098 | - | 2,317,230 |
| Gross carrying amount | 55,132 | 3,901,324 | - | 3,956,456 |
| Loss allowance | - | (342,636) | - | (342,636) |
| Net carrying amount | 55,132 | 3,558,688 | - | 3,613,820 |
| **As at 31 December** | | | | |
| Cash and cash equivalents | | | | |
| A | 4,925,531 | - | - | 4,925,531 |
| BBB | 243,145 | - | - | 243,145 |
| Below BBB | 885,974 | - | - | 885,974 |
| Gross carrying amount | 6,054,650 | - | - | 6,054,650 |
| Loss allowance | (12,262) | - | - | (12,262) |
| Net carrying amount | 6,042,388 | - | - | 6,042,388 |

# Guardian Life Limited

Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**37. Management of Insurance and Financial Risk (Continued)**

**b. Financial risk (continued)**

**(vii) Credit risk (continued)**

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

| | The Group and The Company | | | |
|---|---|---|---|---|
| | | Lifetime ECL 2021 | | |
| | 12-month ECL | Not credit impaired | Credit impaired | Total |
| | $'000 | $'000 | $'000 | $'000 |
| **As at 31 December** | | | | |
| Loans and receivables | | | | |
| A | - | 327,950 | - | 327,950 |
| Below BBB** | - | 1,437,638 | - | 1,437,638 |
| Not rated** | 1,232,971 | 1,010,890 | - | 2,243,861 |
| Gross carrying amount | 1,232,971 | 2,776,478 | - | 4,009,449 |
| Loss allowance | - | (296,849) | - | (296,849) |
| Net carrying amount | 1,232,971 | 2,479,629 | - | 3,712,600 |
| **As at 31 December** | | | | |
| Cash and cash equivalents | | | | |
| A | 2,970,491 | - | - | 2,970,491 |
| BBB | 573,726 | - | - | 573,726 |
| Below BBB | 1,314,262 | - | - | 1,314,262 |
| Gross carrying amount | 4,858,479 | - | - | 4,858,479 |
| Loss allowance | (14,209) | - | - | (14,209) |
| Net carrying amount | 4,844,270 | - | - | 4,844,270 |

** No 12-month ECL was calculated on the balances included in 'loans and receivables' as these amounts are other assets not subject to impairment.

# Guardian Life Limited

Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 37. Management of Insurance and Financial Risk (Continued)

### b. Financial risk (continued)

#### (vii) Credit risk (continued)

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

| | The Group and the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | | | | | | | |
| | Rated A | Rated BBB | Below BBB Neither past due or credit impaired | Below BBB 12 month ECL | Below BBB Lifetime ECL Not credit impaired | Below BBB Lifetime ECL credit impaired | Below BBB Lifetime ECL Purchased credit impaired | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **As at 31 December** | | | | | | | | |
| Investment securities at FVPL (excluding equities) | - | - | 17,895,367 | - | - | - | - | 17,895,367 |
| Investment securities at amortised cost | 1,058,379 | - | - | 28,826,564 | - | - | - | 29,884,943 |
| Investment securities at FVOCI | 8,996,729 | 2,202,575 | - | 31,717,645 | - | - | 4,912,832 | 47,829,781 |
| Deposits (> 90 days) | - | 257,544 | 357,829 | - | - | 407,533 | - | 1,022,906 |
| Debentures and corporate bonds at FVPL | - | - | 1,242,658 | - | - | - | - | 1,242,658 |
| Other at FVPL | - | - | 106,894 | - | - | - | - | 106,894 |
| | 10,055,108 | 2,460,119 | 19,602,748 | 60,544,209 | - | 407,533 | 4,912,832 | 97,982,549 |
| Loss Allowance | - | - | - | (393,834) | - | - | - | (393,834) |
| | 10,055,108 | 2,460,119 | 19,602,748 | 60,150,375 | - | 407,533 | 4,912,832 | 97,588,715 |

# Guardian Life Limited

Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**37. Management of Insurance and Financial Risk (Continued)**

**b. Financial risk (continued)**

**(vii) Credit risk (continued)**

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

| | | | | The Group and the Company | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | 2021 | | | | | |
| | Rated A | Rated BBB | Below BBB Neither past due or credit impaired | Below BBB 12 month ECL | Below BBB Lifetime ECL Not credit impaired | Below BBB Lifetime ECL credit impaired | Below BBB Lifetime ECL Purchased credit impaired | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **As at 31 December** | | | | | | | | |
| Investment securities at FVPL (excluding equities) | - | - | 18,795,351 | - | - | - | - | 18,795,351 |
| Investment securities at amortised cost | 1,079,187 | - | - | 22,067,100 | - | - | - | 23,146,287 |
| Investment securities at FVOCI | 9,497,294 | 2,365,076 | - | 38,401,553 | - | - | 4,481,800 | 54,745,723 |
| Deposits (> 90 days) | | | 1,427,687 | - | - | 405,664 | - | 1,833,351 |
| Debentures and corporate bonds at FVPL | - | - | 1,640,790 | - | - | - | - | 1,640,790 |
| Other at FVPL | - | - | 116,296 | - | - | - | - | 116,296 |
| | 10,576,481 | 2,365,076 | 21,980,124 | 60,468,653 | - | 405,664 | 4,481,800 | 100,277,798 |
| Loss Allowance | - | - | - | (292,399) | - | - | - | (292,399) |
| | 10,576,481 | 2,365,076 | 21,980,124 | 60,176,254 | - | 405,664 | 4,481,800 | 99,985,399 |

# Guardian Life Limited

Notes to the Consolidated Financial Statements

**31 December 2022**

(Expressed in Jamaican dollars unless otherwise indicated)

**37. Management of Insurance and Financial Risk (Continued)**

**b. Financial risk (continued)**

**(vii) Credit risk (continued)**

**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 terms.

► Net transfer to/(from) 12-month ECL and lifetime ECL, which are presumed to occur before any corresponding measurement 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.

| | | Lifetime ECL | | | | |
|---|---|---|---|---|---|---|
| | 12-month ECL | Not credit impaired | Credit impaired | Purchased credit impaired | Total | Total |
| | 2022 | 2022 | 2022 | 2022 | 2022 | 2021 |
| **Investment securities measured at fair value through other comprehensive income** | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Balance at 1 January** | 359,608 | - | - | - | 359,608 | 310,747 |
| New assets originated or purchased | - | - | - | - | - | 114,987 |
| Remeasurements | (24,139) | - | - | - | (24,139) | (66,126) |
| **Balance at 31 December** | 335,469 | - | - | - | 335,469 | 359,608 |

| | | Lifetime ECL | | | | |
|---|---|---|---|---|---|---|
| | 12-month ECL | Not credit impaired | Credit impaired | Purchased credit impaired | Total | Total |
| | 2021 | 2021 | 2021 | 2022 | 2021 | 2020 |
| **Investment securities measured at fair value through other comprehensive income** | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Balance at 1 January** | 310,747 | - | - | - | 310,747 | 68,186 |
| New assets originated or purchased | 114,987 | - | - | - | 114,987 | 25,860 |
| Remeasurements | (66,126) | - | - | - | (66,126) | 216,701 |
| **Balance at 31 December** | 359,608 | - | - | - | 359,608 | 310,747 |

# Guardian Life Limited

Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 37. Management of Insurance and Financial Risk (Continued)

### b. Financial risk (continued)

#### (vii) Credit risk (continued)

**Loss allowance (continued)**

| | | Lifetime ECL | | | | |
|---|---|---|---|---|---|---|
| | 12-month ECL | Not credit impaired | Credit impaired | Purchased credit impaired | Total | Total |
| | 2022 | 2022 | 2022 | 2022 | 2022 | 2021 |
| **Investment securities measured at Amortised cost** | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Balance at 1 January** | 292,399 | - | - | - | 292,399 | 342,326 |
| New assets originated or purchased | 102,919 | - | - | - | 102,919 | - |
| Remeasurements | (1,484) | - | - | - | (1,484) | (49,927) |
| **Balance at 31 December** | 393,834 | - | - | - | 393,834 | 292,399 |

| | | Lifetime ECL | | | | |
|---|---|---|---|---|---|---|
| | 12-month ECL | Not credit impaired | Credit impaired | Purchased credit impaired | Total | Total |
| | 2021 | 2021 | 2021 | 2022 | 2021 | 2020 |
| **Investment securities measured at Amortised cost** | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Balance at 1 January** | 342,326 | - | - | - | 342,326 | 454,679 |
| New assets originated or purchased | - | - | - | - | - | 28,032 |
| Remeasurements | (49,927) | - | - | - | (49,927) | (140,385) |
| **Balance at 31 December** | 292,399 | - | - | - | 292,399 | 342,326 |

# Guardian Life Limited

Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**37. Management of Insurance and Financial Risk (Continued)**

**b. Financial risk (continued)**

**(vii) Credit risk (continued)**

**Loss allowance (continued)**

| | 12-month ECL | Lifetime ECL Not credit impaired | Lifetime ECL Credit impaired | Total | Total |
|---|---|---|---|---|---|
| | 2022 | 2022 | 2022 | 2022 | 2021 |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Cash and cash equivalent** | | | | | |
| **Balance at 1 January** | 14,208 | - | - | 14,208 | 4,236 |
| Exchange rate adjustment | (14) | - | - | (14) | 34 |
| Remeasurements (Note 30) | (1,932) | - | - | (1,932) | 9,938 |
| **Balance at 31 December** | 12,262 | - | - | 12,262 | 14,208 |

| | 12-month ECL | Lifetime ECL Not credit Impaired | Lifetime ECL Credit impaired | Total | Total |
|---|---|---|---|---|---|
| | 2021 | 2021 | 2021 | 2021 | 2020 |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Cash and cash equivalent** | | | | | |
| **Balance at 1 January** | 4,236 | - | - | 4,236 | (43,876) |
| Assets de-recognized | 34 | - | - | 34 | 35 |
| Remeasurements (Note 30) | 9,938 | - | - | 9,938 | 48,077 |
| **Balance at 31 December** | 4,236 | - | - | 4,236 | 4,236 |

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**37. Management of Insurance and Financial Risk (Continued)**

**b. Financial risk (continued)**

**(vii) Credit risk (continued)**

**Loss allowance (continued)**

| | | Lifetime ECL | | | |
|---|---|---|---|---|---|
| | 12-month ECL | Not credit impaired | Credit impaired | Total | Total |
| | 2022 | 2022 | 2022 | 2022 | 2021 |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Loans and receivables** | | | | | |
| **Balance at 1 January** | - | 296,849 | - | 296,849 | 286,985 |
| Exchange rate adjustment | | 1,613 | - | 1,613 | - |
| Assets de-recognized | - | - | - | - | (370) |
| Remeasurements (Note 30) | - | 48,750 | - | 48,750 | 14,953 |
| Amounts written-off | - | (4,576) | - | (4,576) | (4,719) |
| **Balance at 31 December** | - | 342,636 | - | 342,636 | 296,849 |

| | | Lifetime ECL | | | |
|---|---|---|---|---|---|
| | 12-month ECL | Not credit Impaired | Credit impaired | Total | Total |
| | 2021 | 2021 | 2021 | 2021 | 2020 |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Loans and receivables** | | | | | |
| **Balance at 1 January** | - | 286,985 | - | 286,985 | 254,871 |
| Assets de-recognized | - | (370) | - | (370) | - |
| Remeasurements (Note 30) | - | 14,953 | - | 14,953 | 42,748 |
| Amounts written-off | - | (4,719) | - | (4,719) | (10,634) |
| **Balance at 31 December** | - | 296,849 | - | 296,849 | 286,985 |

(Expressed in Jamaican dollars unless otherwise indicated)

**37. Management of Insurance and Financial Risk (Continued)**

**b. Financial risk (continued)**

**(vii) Credit risk (continued)**

**Cash and cash equivalents**

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

The Group recognised an impairment allowance of $12,262,000 (2021 - $14,208,000).

**Credit Risk - Economic Variable Assumptions**

The most significant period-end assumptions used for the ECL estimate as at 31 December 2022 and 2021 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 Group's ECL models also include, but are not limited to, gross domestic product growth, inflation rates, national budget deficits, debt to GDP ratios. 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 2022 are noted below.

| | GDP growth assumption | Inflation assumption | Weights |
|---|---|---|---|
| Scenario | | | |
| Base | Stable | Positive | 65% - 70% |
| Optimistic | Positive | Positive | 5% - 10% |
| Pessimistic | Negative | Negative | 15% - 20% |
| Acute pessimistic | Negative | Negative | 5% - 10% |

Refer to Note 3 for descriptions of the scenarios.

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**37. Management of Insurance and Financial Risk (Continued)**

**b. Financial risk (continued)**

**(vii) Credit risk (continued)**

**Concentrations of risks of 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 Group's performance to developments affecting a particular industry.

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

| | The Group and the Company | |
|---|---|---|
| | 2022 $'000 | 2021 $'000 |
| Financial services | 9,586,250 | 12,302,777 |
| Public sector | 72,852,713 | 70,069,061 |
| Agent/Brokers/Reinsurers/Policyholders | 1,458,713 | 1,315,200 |
| Consumers/individuals | 93,369 | 230,752 |
| Utilities/Transportation | 19,149,131 | 21,413,088 |
| Other industries | 4,853,479 | 3,814,848 |
| | 107,993,655 | 109,145,726 |

# Guardian Life Limited

Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 37. Management of Insurance and Financial Risk (Continued)

### b. Financial risk (continued)

#### (viii) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due, at a reasonable cost. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions.

Certain of the Group's contracts have features that allow them to be terminated at short notice creating a potential liquidity exposure. The Group monitors liquidity on a regular basis. An internally constituted Executive Investment Committee set limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover claims.

There are no individual contracts or policyholders who have the potential to influence the withdrawal of a significant amount of liabilities.

The following tables analyze the insurance and financial liabilities of the Group into relevant maturity groupings based on the remaining period to the contractual or expected maturity date. Financial liabilities are at contractual undiscounted cash flows, and insurance contracts and investment contracts are at expected undiscounted cash flows.

| | The Group and The Company | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | | | |
| | | Contractual/Expected Undiscounted Cash Flows | | | | |
| | Carrying Amount $'000 | Less Than One Year $'000 | One to Five Years $'000 | Over Five Years $'000 | No Maturity Date $'000 | Total $'000 |
| Long-term insurance contracts | 34,367,403 | 908,951 | 13,708,103 | 162,561,827 | - | 177,178,881 |
| Short-term insurance contracts | 1,635,589 | 1,635,589 | - | - | - | 1,635,589 |
| Investment contracts | 36,553,124 | 1,301,936 | 7,447,875 | 27,803,313 | - | 36,553,124 |
| Other policy liabilities | 4,402,004 | 4,402,004 | - | - | - | 4,402,004 |
| Other liabilities | 4,728,415 | 4,728,415 | - | - | - | 4,728,415 |
| **Total** | 81,686,535 | 12,976,895 | 21,155,978 | 190,365,140 | - | 224,498,013 |

| | The Group and The Company | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | | | |
| | | Contractual/Expected Undiscounted Cash Flows | | | | |
| | Carrying Amount $'000 | Less Than One Year $'000 | One to Five Years $'000 | Over Five Years $'000 | No Maturity Date $'000 | Total $'000 |
| Long-term insurance contracts | 40,383,256 | 1,977,282 | 15,497,139 | 157,047,893 | - | 174,522,314 |
| Short-term insurance contracts | 1,558,530 | 1,558,530 | - | - | - | 1,558,530 |
| Investment contracts | 36,561,106 | 1,392,608 | 7,640,640 | 27,527,858 | - | 36,561,106 |
| Other policy liabilities | 4,235,476 | 4,235,476 | - | - | - | 4,235,476 |
| Other liabilities | 6,450,415 | 6,450,415 | - | - | - | 6,450,415 |
| **Total** | 89,188,783 | 15,614,311 | 23,137,779 | 184,575,751 | - | 223,327,841 |

**37. Management of Insurance and Financial Risk (Continued)**

**b. Financial risk (continued)**

**(ix) Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has operations in the Caribbean and has exposure risks with respect to the US, Belize, Barbados and the UK pound. The Group's strategy for dealing with foreign exchange risk is to as far as possible offset foreign currency liabilities with assets denominated in the same currency.

**Sensitivity analysis – currency risk**

The items on the Group's statement of financial position that are significantly impacted by changes in currency rates are investment securities, loans and receivables and cash and cash equivalents of which the United States dollar had the greatest impact. The effect of 5% (2021 - 5%) devaluation in the Jamaican dollar relative to the United States dollar at the statement of financial position date is as follows:

| | The Group and the Company 2022 | | The Group and the Company 2021 | |
|---|---|---|---|---|
| | Effect on Profit and Loss | Effect on Equity | Effect on Profit and Loss | Effect on Equity |
| | $'000 | $'000 | $'000 | $'000 |
| Financial assets | 435,396 | 435,396 | 541,342 | 541,342 |
| Loans and receivables | 116,781 | 116,781 | 34,443 | 34,443 |
| Cash and cash equivalents | 86,269 | 86,269 | 61,632 | 61,632 |

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 37. Management of Insurance and Financial Risk (Continued)

### b. Financial risk (continued)

#### (ix) Currency risk (continued)

The following tables summarize the Group's assets and liabilities at carrying amounts categorized by currency.

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | The Group | | | | | |
| | JA$ | US$ | GBP | BD$ | Other | Total |
| | J$'000 | J$'000 | J$'000 | J$'000 | J$'000 | J$'000 |
| **Non-financial assets** | | | | | | |
| Property and equipment | 5,448,297 | - | - | - | - | 5,448,297 |
| Right-of-use assets | 6,441 | - | - | - | - | 6,441 |
| Investment properties | 4,912,845 | - | - | - | - | 4,912,845 |
| Property for development and sale | 2,026,228 | - | - | - | - | 2,026,228 |
| Intangible assets | 3,853,622 | - | - | - | - | 3,853,622 |
| Taxation recoverable | 2,526,899 | - | 2,847 | - | - | 2,529,746 |
| **Financial Assets** | | | | | | |
| Financial assets | 99,288,364 | 8,707,925 | 76,664 | 5,435,147 | 106,193 | 113,614,293 |
| Pledged assets | 640,219 | - | - | 15,170 | - | 655,389 |
| Loans and receivables | 2,066,377 | 2,335,620 | 729 | 2,486 | - | 4,405,212 |
| Cash and cash equivalents | 3,972,599 | 1,704,105 | 962 | 312,753 | - | 5,990,419 |
| Cash and cash equivalents of mutual fund unit holders | - | 21,269 | - | - | 15,530 | 36,799 |
| **Total Assets** | 124,741,891 | 12,768,919 | 81,202 | 5,765,556 | 121,723 | 143,479,291 |
| **Non- financial liabilities** | | | | | | |
| Provision for taxation | 1,462,882 | - | - | - | - | 1,462,882 |
| Deferred tax liabilities | 1,619,219 | - | - | - | - | 1,619,219 |
| **Financial liabilities** | | | | | | |
| Insurance contracts | 34,849,202 | 1,144,227 | 7,185 | 2,377 | - | 36,002,991 |
| Investment contracts | 30,748,735 | - | - | 5,804,389 | - | 36,553,124 |
| Lease Liabilities | 54 | - | - | - | - | 54 |
| Other policy liabilities | 4,402,004 | - | - | - | - | 4,402,004 |
| Other liabilities | 4,079,551 | 648,864 | - | - | - | 4,728,415 |
| **Total Liabilities** | 77,161,647 | 1,793,091 | 7,185 | 5,806,766 | - | 84,768,689 |
| **Net Position** | 47,580,244 | 10,975,828 | 74,017 | (41,210) | 121,723 | 58,710,602 |

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 37. Management of Insurance and Financial Risk (Continued)

### b. Financial risk (continued)

#### (ix) Currency risk (continued)

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | The Group | | | | | |
| | **JA$** | **US$** | **GBP** | **BD$** | **Other** | **Total** |
| | **J$'000** | **J$'000** | **J$'000** | **J$'000** | **J$'000** | **J$'000** |
| **Non-financial assets** | | | | | | |
| Property and equipment | 4,122,512 | - | - | - | - | 4,122,512 |
| Right-of-use assets | 8,363 | - | - | - | - | 8,363 |
| Investment properties | 3,747,493 | - | - | - | - | 3,747,493 |
| Property for development and sale | 5,032,961 | - | - | - | - | 5,032,961 |
| Intangible assets | 3,707,882 | - | - | - | - | 3,707,882 |
| Taxation recoverable | 2,421,391 | - | 3,195 | 50,119 | - | 2,474,705 |
| **Financial Assets** | | | | | | |
| Financial assets | 101,463,749 | 11,123,475 | 89,607 | 5,005,493 | 130,581 | 117,812,905 |
| Pledged assets | 641,472 | - | - | 7,702 | - | 649,174 |
| Loans and receivables | 3,317,500 | 688,855 | 531 | 2,495 | - | 4,009,381 |
| Cash and cash equivalents | 3,249,790 | 1,172,403 | 1,121 | 357,539 | - | 4,780,853 |
| Cash and cash equivalents of mutual fund unit holders | - | 60,241 | - | - | 3,176 | 63,417 |
| **Total Assets** | 127,713,113 | 13,044,974 | 94,454 | 5,423,348 | 133,757 | 146,409,646 |
| | | | | | | |
| **Non- financial liabilities** | | | | | | |
| Provision for taxation | 975,892 | - | - | - | - | 975,892 |
| Deferred tax liabilities | 2,027,626 | - | - | - | - | 2,027,626 |
| **Financial liabilities** | | | | | | |
| Insurance contracts | 40,659,658 | 1,270,262 | 8,415 | 3,451 | - | 41,941,786 |
| Investment contracts | 30,785,240 | - | - | 5,775,866 | - | 36,561,106 |
| Lease Liabilities | 634 | - | - | - | - | 634 |
| Other policy liabilities | 4,235,476 | - | - | - | - | 4,235,476 |
| Other liabilities | 2,766,131 | 3,157,756 | 53,148 | 473,342 | 38 | 6,450,415 |
| **Total Liabilities** | 81,450,657 | 4,428,018 | 61,563 | 6,252,659 | 38 | 92,192,935 |
| **Net Position** | 46,262,456 | 8,616,956 | 32,891 | (829,311) | 133,719 | 54,216,711 |

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 37. Management of Insurance and Financial Risk (Continued)

### b. Financial risk (continued)

#### (ix) Currency risk (continued)

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | The Company | | | | | |
| | JA$ | US$ | GBP | BD$ | Other | Total |
| | J$'000 | J$'000 | J$'000 | J$'000 | J$'000 | J$'000 |
| **Non-financial assets** | | | | | | |
| Property and equipment | 5,448,297 | - | - | - | - | 5,448,297 |
| Right-of-use assets | 6,441 | - | - | - | - | 6,441 |
| Investment properties | 4,912,845 | - | - | - | - | 4,912,845 |
| Property for development and sale | 2,026,228 | - | - | - | - | 2,026,228 |
| Intangible assets | 3,853,622 | - | - | - | - | 3,853,622 |
| Investment in subsidiaries | 70 | - | - | - | - | 70 |
| Taxation recoverable | 2,526,899 | - | 2,847 | - | - | 2,529,746 |
| **Financial Assets** | | | | | | |
| Financial assets | 99,288,364 | 8,707,925 | 76,664 | 5,435,147 | 106,193 | 113,614,293 |
| Pledged assets | 640,219 | - | - | 15,170 | - | 655,389 |
| Loans and receivables | 2,066,327 | 2,335,620 | 729 | 2,486 | - | 4,405,162 |
| Cash and cash equivalents | 3,972,599 | 1,704,105 | 962 | 312,753 | - | 5,990,419 |
| Cash and cash equivalents of mutual fund unit holders | - | 21,269 | - | - | 15,530 | 36,799 |
| **Total Assets** | 124,741,911 | 12,768,919 | 81,202 | 5,765,556 | 121,723 | 143,479,311 |
| **Non- financial liabilities** | | | | | | |
| Provision for taxation | 1,462,882 | - | - | - | - | 1,462,882 |
| Deferred tax liabilities | 1,619,219 | - | - | - | - | 1,619,219 |
| **Financial liabilities** | | | | | | |
| Insurance contracts | 34,849,202 | 1,144,227 | 7,185 | 2,377 | - | 36,002,991 |
| Investment contracts | 30,748,735 | - | - | 5,804,389 | - | 36,553,124 |
| Lease Liabilities | 54 | - | - | - | - | 54 |
| Other policy liabilities | 4,402,004 | - | - | - | - | 4,402,004 |
| Other liabilities | 4,079,551 | 648,864 | - | - | - | 4,728,415 |
| **Total Liabilities** | 77,161,647 | 1,793,091 | 7,185 | 5,806,766 | - | 84,768,689 |
| **Net Position** | 47,580,264 | 10,975,828 | 74,017 | (41,210) | 121,723 | 58,710,622 |

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

## 37. Management of Insurance and Financial Risk (Continued)

### b. Financial risk (continued)

#### (ix) Currency risk (continued)

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | The Company | | | | | |
| | **JA$** | **US$** | **GBP** | **BD$** | **Other** | **Total** |
| | **J$'000** | **J$'000** | **J$'000** | **J$'000** | **J$'000** | **J$'000** |
| **Non-financial assets** | | | | | | |
| Property and equipment | 4,122,512 | - | - | - | - | 4,122,512 |
| Right-of-use assets | 8,363 | - | - | - | - | 8,363 |
| Investment properties | 3,747,493 | - | - | - | - | 3,747,493 |
| Property for development and sale | 5,032,961 | - | - | - | - | 5,032,961 |
| Intangible assets | 3,707,882 | - | - | - | - | 3,707,882 |
| Investment in subsidiaries | 70 | - | - | - | - | 70 |
| Taxation recoverable | 2,421,391 | - | 3,195 | 50,119 | - | 2,474,705 |
| **Financial Assets** | | | | | | |
| Financial assets | 102,349,808 | 10,871,186 | 89,607 | 5,013,195 | 130,581 | 118,454,377 |
| Loans and receivables | 3,317,450 | 688,855 | 531 | 2,495 | - | 4,009,331 |
| Cash and cash equivalents | 3,249,790 | 1,172,403 | 1,121 | 357,539 | - | 4,780,853 |
| Cash and cash equivalents of mutual fund unit holders | - | 60,241 | - | - | 3,176 | 63,417 |
| **Total Assets** | 127,957,720 | 12,792,685 | 94,454 | 5,423,348 | 133,757 | 146,401,964 |
| **Non- financial liabilities** | | | | | | |
| Provision for taxation | 975,892 | - | - | - | - | 975,892 |
| Deferred tax liabilities | 2,027,626 | - | - | - | - | 2,027,626 |
| **Financial liabilities** | | | | | | |
| Insurance contracts | 40,659,658 | 1,270,262 | 8,415 | 3,451 | - | 41,941,786 |
| Investment contracts | 30,785,240 | - | - | 5,775,866 | - | 36,561,106 |
| Lease Liabilities | 634 | - | - | - | - | 634 |
| Other policy liabilities | 4,235,476 | - | - | - | - | 4,235,476 |
| Other liabilities | 2,766,131 | 3,157,756 | 53,148 | 473,342 | 38 | 6,450,415 |
| **Total Liabilities** | 81,450,657 | 4,428,018 | 61,563 | 6,252,659 | 38 | 92,192,935 |
| **Net Position** | 46,507,063 | 8,364,667 | 32,891 | (829,311) | 133,719 | 54,209,029 |

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**37. Management of Insurance and Financial Risk (Continued)**

**b. Financial risk (continued)**

**(x) Capital management**

For the purpose of the Group's capital management, capital includes issued capital and other equity reserves attributable to the equity holders of the parent. The Group's objectives when managing capital are:

- to comply with the insurance capital requirements required by the regulators of the markets where the Group operates. Management considers the quantitative threshold sufficient to maximize shareholder's returns and to support the capital required to write each of its business in the countries where the Company operates;

- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

- to provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk

The table below compares the total capital resources for the Group as at 31 December 2022 and 2021.

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| **Shareholders' fund** | 58,710,602 | 54,209,009 |
| **Available Capital Resources** | 39,019,178 | 33,370,795 |

The capital resources are divided into two tiers:

i) Tier 1 Capital: Ordinary Shares and retained earnings.
ii) Tier 2 Capital: Unrealized net gains or investment reserves and negative reserves.

The Group is subject to insurance solvency regulations in Jamaica in which it issues insurance and investment contracts and has embedded in its ALM Framework the necessary tests to ensure continuous and full compliance with such regulations. The Group currently has one branch operation in Barbados. However, there are no capital adequacy requirements for life insurance entities beyond the need for assets to cover liabilities at the statement of financial position date.

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**37. Management of Insurance and Financial Risk (Continued)**

**b. Financial risk (continued)**

**(x) Capital management (continued)**

To assist in evaluating the current business and strategy opportunities, a risk-based capital approach is one of the core measures of financial performance. The risk-based assessment measure which has been adopted is the Minimum Continuing Capital and Surplus Requirement (MCCSR) ratio, determined in accordance with the Insurance Regulations, 2001.

The table below compares the MCCSR ratio for the Group as at 31 December 2022 and 2021 with the minimum ratio required by the Insurance Regulations, 2001: The Group has complied with these requirements.

| 2022 | | 2021 | |
|---|---|---|---|
| MCCSR Ratio | Minimum Ratio Required | MCCSR Ratio | Minimum Ratio Required |
| 302% | 150% | 255% | 150% |

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

**c. Fair value 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 recognized stock exchange) exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of the financial assets and liabilities held and issued by the Group. Therefore, 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 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 other recognized valuation techniques;

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

(iii) The fair values and the carrying values of policyholders' funds are assumed to be the same based on the results of the actuarial valuation.

(iv) The fair value of Policyholders' loans cannot be reasonable estimated at reporting date.

# Guardian Life Limited
Notes to the Consolidated Financial Statements
**31 December 2022**
(Expressed in Jamaican dollars unless otherwise indicated)

**37. Management of Insurance and Financial Risk (Continued)**

**c. Fair value of financial instruments (continued)**

The following tables present the fair value of financial instruments for the Group and the Company which are not reflected in the financial statements at their fair value:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| | $'000 | $'000 | $'000 | $'000 |
| **Financial Assets** | | | | |
| Investment Securities - | | | | |
| Financial assets at amortized cost | 29,491,109 | 34,818,095 | 22,853,888 | 29,610,708 |
| Secured loan receivable | - | - | 88,904 | 89,164 |

The following table provides the fair value hierarchy of the Group's assets and liabilities that are not measured at fair value in the statement of financial position but whose fair values are disclosed in the accompanying notes:

| | Level 1 | Level 2 | Level 3 | Total Fair Value |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **At 31 December 2022** | | | | |
| Financial assets at amortized cost | - | 34,818,095 | - | 34,818,095 |
| | - | 34,818,095 | - | 34,818,095 |

| | Level 1 | Level 2 | Level 3 | Total Fair Value |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **At 31 December 2021** | | | | |
| Financial assets at amortized cost | - | 29,610,708 | - | 29,610,708 |
| Secured loan receivable | - | - | 89,164 | 89,164 |
| | - | 29,610,708 | 89,164 | 29,699,872 |

## 38. Fiduciary Risk

The Company provides administration, investment management or advisory services to third parties which involve making allocation and purchase and sale decisions in relation to a wide range of financial instruments. These assets are not included in these consolidated financial statements and include the following:

(i) Assets of the pooled pension investment funds which are held in trust, on behalf of pension funds and individual retirement schemes. At 31 December 2022, the assets totaled $23,898,569,000 (December 2021 - $23,438,162,000).

(ii) Assets of self-directed pension funds on behalf of clients which are also held in trust. At 31 December 2022, the assets of these funds totaled $3,005,272,000 (31 December 2021 - $2,870,375,000).

## 39. Litigation and Contingent Liabilities

The Group 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 Group, and the amount can be reasonably estimated.

## 40. Pension Scheme

The Company operates a defined contribution pension scheme for all permanent administrative and sales staff. The scheme commenced on 1 March 2000 and its assets and liabilities are held separately from those of the Company in a trust fund, which is included in the Company's Investment Contracts (Note 18). Employees are required to contribute a minimum of 5% of pensionable salary; the contribution rate by the employer is 5% of pensionable salary. As at 31 December 2022, contributions made totaled $437,158,000 (2021 - $387,299,000).