JN LIFE INSURANCE COMPANY LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2022

KPMG
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Members of
JN LIFE INSURANCE COMPANY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of JN Life Insurance Company Limited ("the Company"), set out on pages 5 to 73 which comprise the statement of financial position as at December 31, 2022, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2022, and of its financial performance and cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and the Jamaican Companies Act.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants including International Independence Standards (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the Members of
JN LIFE INSURANCE COMPANY LIMITED

Report on the Audit of the Financial Statements (Continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

To the Members of
JN LIFE INSURANCE COMPANY LIMITED

Report on the Audit of the Financial Statements (Continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JN LIFE INSURANCE COMPANY LIMITED

Report on Additional Matters 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 maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

KPMG

Chartered Accountants
Kingston, Jamaica

April 17, 2023

JN LIFE INSURANCE COMPANY LIMITED

Statement of Financial Position
December 31, 2022

	Notes	2022 $'000	2021 $'000
Assets			
Cash and cash equivalents	6,25(c)	87,245	42,759
Securities purchased under resale agreements	7	92,474	116,733
Investments	8	712,914	735,804
Due from related entities	9(a),25(c)	23,604	15,420
Other assets	10	161,606	99,375
Property, plant and equipment	11	11,074	15,512
Right-of-use assets	13(a)	14,219	13,979
Reinsurance asset	16(a,c)	20,736	14,350
Deferred tax assets	14	15,259	4,050
Income tax recoverable		-	2,857
Total assets		1,139,131	1,060,839
Liabilities and equity			
Liabilities			
Due to related entities	9(b),25(c)	2,726	2,203
Lease liabilities	13(b)	15,833	14,911
Other liabilities	15, 25(c)	118,773	81,730
Policyholders' liabilities	16(a),25(c)	313,509	289,113
Taxation payable		2,957	-
Total liabilities		453,798	387,957
Equity			
Share capital	17	1	1
Reserves	18	10,394	30,203
Retained earnings		674,938	642,678
Total equity		685,333	672,882
Total liabilities and equity		1,139,131	1,060,839

The financial statements on pages 5 to 73 were approved by the Board of Directors on April 17, 2023 and signed on its behalf by:

____________________ Chairman
Peter Morris

____________________ Director
Hon. Earl Jarrett, OJ, CD, JP, CStJ

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

JN LIFE INSURANCE COMPANY LIMITED

Statement of Profit or Loss and Other Comprehensive Income
Year ended December 31, 2022

	Notes	2022 $'000	2021 $'000
Income			
Gross premium income	25(d)	995,303	872,066
Insurance premium ceded to reinsurers		(106,451)	(111,993)
Net premium income		888,852	760,073
Policyholders' benefits and expenses			
Insurance benefits incurred	25(d)	(284,114)	(226,161)
Less reinsurance		69,164	62,295
Net insurance benefits incurred		(214,950)	(163,866)
Decrease in actuarial reserves	16(d)	1,226	1,294
		(213,724)	(162,572)
Premium income net of policyholders' benefits and expenses		675,128	597,501
Administrative expenses	19,25(d)	(604,206)	(483,090)
Fair value (losses)/gains on investments measured at fair value through profit or loss (FVTPL)		(1,412)	83
Other income	25(d)	58,669	22,028
Expected credit loss adjustment on financial assets	22(b)(v)	1,292	43
Profit before net finance income and taxation		129,471	136,565
Net finance income			
Interest income calculated using the effective interest method			
- Investments measured at fair value through other comprehensive income (FVOCI)		25,586	26,908
- Investments measured at amortised cost		22,003	8,945
- Staff loans measured at amortised cost		469	852
Interest expense on lease liabilities	13(b),25(d)	(1,805)	(996)
Foreign exchange (losses)/gains		(1,678)	5,263
Total net finance income		44,575	40,972
Profit before taxation		174,046	177,537
Taxation	21(a)	(41,786)	(46,926)
Profit for the year		132,260	130,611
Other comprehensive loss:			
Items that are or may be reclassified to profit or loss:			
Change in fair value of debt instruments measured at FVOCI, net	18	(26,326)	(11,114)
Deferred tax on FVOCI instruments	14	6,517	2,636
		(19,809)	(8,478)
Total comprehensive income for the year		112,451	122,133

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

JN LIFE INSURANCE COMPANY LIMITED

Statement of Changes in Equity
Year ended December 31, 2022

	Share capital $'000 (note 17)	Reserves $'000 (note 18)	Retained earnings $'000	Total $'000
Balances at December 31, 2020	1	38,681	587,067	625,749
Total comprehensive income:				
Profit for the year	-	-	130,611	130,611
Other comprehensive loss:				
Change in fair value of debt instruments measured at FVOCI, net of deferred tax	-	(8,478)	-	(8,478)
Total comprehensive income	-	(8,478)	130,611	122,133
Transactions with owner recorded directly in equity:				
Dividends (note 26)	-	-	(75,000)	(75,000)
Change for the year	-	(8,478)	55,611	47,133
Balances at December 31, 2021	1	30,203	642,678	672,882
Total comprehensive income:				
Profit for the year	-	-	132,260	132,260
Other comprehensive loss:				
Change in fair value of debt instruments measured at FVOCI, net of deferred tax	-	(19,809)	-	(19,809)
Total comprehensive income	-	(19,809)	132,260	112,451
Transactions with owner recorded directly in equity:				
Dividends (note 26)	-	-	(100,000)	(100,000)
Change for the year	-	(19,809)	32,260	12,451
Balances at December 31, 2022	1	10,394	674,938	685,333

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

JN LIFE INSURANCE COMPANY LIMITED

Statement of Cash Flows
Year ended December 31, 2022

	Notes	2022 $'000	2021 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		132,260	130,611
Adjustments to reconcile profit for the year to net cash provided by operating activities:			
Increase/(decrease) in policyholders' liabilities -actuarial changes	16(b)(i)	5,160	(3,051)
Impairment on staff loans		-	(384)
(Reversal of impairment)/impairment on investments and resale agreements		(1,291)	341
Depreciation on property, plant and equipment	11	5,846	8,922
Depreciation on right-of-use assets	13(a),(b)	7,491	7,065
Gain on sale of property, plant and equipment		(5,458)	-
Fair value losses/(gains)		1,412	(83)
Finance income		(48,058)	(36,705)
Interest expense on lease liabilities	13(b)	1,805	996
Amortisation of intangible asset		-	9,199
Reinsurance asset	16	(6,386)	1,757
Current income tax expense	21(a)(i)	46,478	50,443
Deferred taxation	21(a)(ii)	(4,692)	(3,517)
		134,567	165,594
Change in operating assets and liabilities:			
Other assets	10	(62,231)	(15,344)
Due from related entities		(8,184)	6,500
Due to related entities		523	(7,497)
Other liabilities		37,043	8,089
Policyholders' liabilities - claims payable	16(b)(ii)	19,236	40,177
Cash generated from operations		120,954	197,519
Interest received		48,058	36,321
Income tax paid		(40,664)	(73,238)
Net cash provided by operating activities		128,348	160,602
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments		(3,557)	(86,003)
Securities purchased under resale agreements		24,259	(6,425)
Proceeds from disposal of property, plant and equipment		8,385	-
Acquisition of property, plant and equipment	11	(4,335)	(3,624)
Net cash provided/(used) in investing activities		24,752	(96,052)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities	13(b)	(8,614)	(7,830)
Dividend paid to parent	26	(100,000)	(75,000)
Net cash used in financing activities		(108,614)	(82,830)
Net increase/(decrease) in cash and cash equivalents		44,486	(18,280)
Cash and cash equivalents at beginning of year		42,759	61,039
Cash and cash equivalents at end of year		87,245	42,759

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

JN LIFE INSURANCE COMPANY LIMITED

Notes to the Financial Statements
December 31, 2022

1. The Company

JN Life Insurance Company Limited ("the Company") is incorporated in Jamaica and is a wholly-owned subsidiary of JN Financial Group Limited ("the parent") which is 100% owned by The Jamaica National Group Limited ("ultimate parent"). These entities are incorporated in Jamaica.

The Company is domiciled in Jamaica, its registered office is located at 2-4 Constant Spring Road, Kingston 10 and its principal place of business is located at 26 Trafalgar Road, Kingston 10.

The principal activity of the Company is the underwriting of life insurance business.

2. Licence and Regulations

In 2011, the Company obtained a licence from the Financial Services Commission (FSC) to conduct ordinary life insurance business and commenced the underwriting of insurance business in July 2013.

3. Statement of compliance and basis of preparation

(a) Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the provisions of the Jamaican Companies Act ("the Act").

Certain new, revised and amended standards and interpretations came into effect during the current financial year. The company has assessed them and has adopted those which are relevant to the financial statements. The adoption of these standards had no effect on the results and disclosures of the company.

Details of the Company's accounting policies are included in note 28.

(b) Basis of preparation

The financial statements are prepared on the historical cost basis, except for the inclusion of certain financial instruments at fair value through profit or loss and financial instruments at fair value through other comprehensive income, which are measured at fair value.

(c) Functional and presentation currency

The financial statements are presented in Jamaica dollars, which is the Company's functional currency and rounded to the nearest thousand dollars, unless otherwise stated.

3. Statement of compliance and basis of preparation (continued)

(d) Use of estimates, assumptions and judgment

The preparation of the financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of, and disclosures relating to assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Although these estimates are based on management's best knowledge of current events and actions, actual amounts could differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 4.

4. Critical accounting estimates and judgments in applying accounting policies

(a) Key sources of estimation uncertainty:

Estimates at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year are as follows:

(i) Fair value of financial instruments

In the absence of quoted market prices, the fair value of a significant proportion of the Company's financial instruments was determined using a generally accepted alternative to quoted market prices. Considerable judgment is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

(ii) Outstanding claims

Outstanding claims comprise estimates of the amount of reported losses and loss expenses plus a provision for losses incurred but not reported based on historical experience. The losses and loss reserves have been determined by the Company's actuary using the Company's past loss experience and industry data. Amounts recoverable in respect of claims from reinsurers are estimated in a manner consistent with the underlying liabilities.

4. Critical accounting estimates and judgments in applying accounting policies (continued)

(a) Key sources of estimation uncertainty (continued):

(ii) Outstanding claims (continued)

Management believes, based on the analysis completed by the actuary that the provision for outstanding losses and loss expenses will be adequate to cover the ultimate net cost of losses incurred up to the reporting date. However, the provision is necessarily an estimate and may, ultimately, be settled for a significantly greater or lesser amount. Any subsequent differences arising are recorded in the period in which they are determined.

Note 24 gives information about the assumptions and uncertainties relating to insurance liabilities and the risk factors in these contracts.

(iii) Residual value and expected useful life of property, plant and equipment and intangible asset.

The residual value and expected useful life of non-financial assets other than deferred tax are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change is accounted for. The useful life of an asset is defined in terms of the asset's expected utility to the Company.

(iv) Measurement of the expected credit loss allowance

The measurement of the expected credit loss (ECL) allowance for financial assets measured at amortised cost and FVOCI requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of counterparties defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 22(b)(iii).

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- Establishing the criteria to determine whether there is a significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

(b) Critical judgments in applying accounting policies:

For the purpose of these financial statements, judgment refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the principles set out in IFRS.

4. Critical accounting estimates and judgments in applying accounting policies (continued)

(b) Critical judgments in applying accounting policies (continued):

Judgments (apart from those involving estimations) that management has made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

(i) Classification of financial assets:

The assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding requires management to make certain judgments on its business operations.

(ii) Impairment of investment in equity securities:

Investments in equity securities are evaluated for impairment on the basis described in accounting policy [note 28(a) (i)].

(iii) Deferred tax asset:

The recognition of a deferred tax asset requires management to make assumptions concerning future taxable profits against which deferred tax assets can be recovered.

5. Responsibilities of the appointed actuary and external auditors

Niala Saith-Deschamps of PricewaterhouseCoopers LLP, has been appointed Actuary by the Board of Directors pursuant to the Insurance Act, 2001. The appointed actuary's responsibility is to carry out an annual valuation of the Company's policyholders' liabilities in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders and shareholder.

In performing the valuation using the policy premium method, the actuary makes assumptions as to the future rates of interest, asset defaults, mortality, morbidity, claims experience, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the Company and the insurance policies in force.

The valuation is made in accordance with accepted actuarial practice, as well as any other matter specified in any directive made by regulatory authorities. The actuary's report outlines the scope of her work and opinion. An actuarial valuation is prepared annually.

The external auditors have been appointed by the shareholder, pursuant to the Jamaican Companies Act, to conduct an independent and objective audit of the financial statements of the Company in accordance with International Standards on Auditing, and report thereon to the shareholder. In carrying out their audit, the auditors also make use of the work of the actuary and her report on the Company's actuarially determined policy liabilities. The auditors' report outlines the scope of their audit and their opinion.

6. Cash and cash equivalents

	2022 $'000	2021 $'000
Certificates of deposit	31,016	16,042
Bank balances	56,324	26,757
	87,340	42,799
Less: impairment allowance on certificates of deposit	(95)	(40)
	87,245	42,759

7. Securities purchased under resale agreements

At December 31, 2022 and 2021, collateral held for securities purchased under resale agreements had a fair value of $99,797,000(2021: $117,045,000).

These collateralised resale agreements are due within three months from the reporting date. The balance is shown net of expected credit losses of $279,000 (2021: $312,000).

8. Investments

	2022 $'000	2021 $'000
Amortised cost		
Bank of Jamaica Certificates of Deposit	45,703	21,496
Corporate bonds	79,137	138,870
Treasury bills	214,565	134,491
	339,405	294,857
Fair value through other comprehensive income		
Corporate bond	15,831	18,041
Government of Jamaica (GOJ) benchmark investment notes	308,054	372,926
	323,885	390,967
Fair value through profit or loss		
Quoted equities	31,582	31,506
Mutual funds	19,236	20,724
	50,818	52,230
	714,108	738,054
Less: impairment allowance on investments at amortised cost	(1,194)	(2,250)
	712,914	735,804

JN LIFE INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2022

8. Investments (continued)

	2022 $'000	2021 $'000
Maturity profile:		
No specific maturity	50,818	52,230
Within 3 months	194,960	174,751
3 months to 1 year	110,433	55,158
1 to 5 years	302,703	351,682
5 to 10 years	-	30,000
More than 10 years	55,194	74,233
	714,108	738,054

Investments include $117,695,000 (2021: $100,845,000) held to the order of the Financial Services Commission (FSC) as required by the Insurance Act, 2001.

9. Due from/(to) related entities

These represent accounts with related entities in the ordinary course of business.

	2022 $'000	2021 $'000
(a) Due from related entities:		
Due from ultimate parent	882	1,483
Due from fellow subsidiaries	22,722	13,937
	23,604	15,420
(b) Due to related entities:		
Due to ultimate parent	(546)	(826)
Due to fellow subsidiaries	(2,180)	(1,377)
	(2,726)	(2,203)

Related party receivables are determined to have low credit risk. They are short-term in nature and due on demand. The expected credit loss on these balances is immaterial.

10. Other assets

	2022 $'000	2021 $'000
Due from reinsurers	55,797	16,176
Premiums receivable	33,091	30,401
Interest receivable	12,901	9,903
Other receivables	59,927	43,005
	161,716	99,485
Less: impairment allowance	(110)	(110)
	161,606	99,375

JN LIFE INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2022

11. Property, plant and equipment

	Computers $'000	Motor vehicles $'000	Leasehold improvements $'000	Furniture, fixtures & fittings $'000	Total $'000
Cost:					
December 31, 2020	4,630	25,013	7,769	11,724	49,136
Additions	3,337	-	-	287	3,624
December 31, 2021	7,967	25,013	7,769	12,011	52,760
Additions	2,780	-	-	1,555	4,335
Disposals	-	(18,563)	-	-	(18,563)
December 31, 2022	10,747	6,450	7,769	13,566	38,532
Depreciation:					
December 31, 2020	3,188	15,358	5,299	4,481	28,326
Charge for the year	1,586	4,326	1,837	1,173	8,922
December 31, 2021	4,774	19,684	7,136	5,654	37,248
Charge for the year	1,845	2,191	633	1,177	5,846
Disposals	-	(15,636)	-	-	(15,636)
December 31, 2022	6,619	6,239	7,769	6,831	27,458
Net book values:					
December 31, 2022	4,128	211	-	6,735	11,074
December 31, 2021	3,193	5,329	633	6,357	15,512
December 31, 2020	1,442	9,655	2,470	7,243	20,810

12. Intangible asset

	Computer software $'000
Cost:	
December 31, 2020, 2021 and 2022	89,473
Amortisation:	
December 31, 2020	80,274
Charge for the year	9,199
December 31, 2021	89,473
Charge for the year	-
December 31, 2022	89,473
Net book values:	
December 31, 2022	-
December 31, 2021	-
December 31, 2020	9,199

JN LIFE INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2022

13. Leases

The company leases office space from a fellow subsidiary. These lease agreements are for three year terms and are payable monthly.

(a) Right-of-use assets

	Buildings $'000
Cost:	
December 31, 2020	18,077
Additions	15,564
December 31, 2021	33,641
Additions	7,731
December 31, 2022	41,372
Depreciation:	
December 31, 2020	12,597
Charge for the year	7,065
December 31, 2021	19,662
Charge for the year	7,491
December 31, 2022	27,153
Net book values:	
December 31, 2022	14,219
December 31, 2021	13,979
December 31, 2020	5,480

(b) Lease liabilities

	2022 $'000	2021 $'000
Lease liabilities included in the statement of financial position	15,833	14,911
Lease liabilities are classified as follows:		
Current	7,813	7,182
Non-current	8,020	7,729
	15,833	14,911
Maturity analysis of contractual undiscounted cash flows:		
Less than one year	9,475	8,079
One to three years	8,955	8,352
	18,430	16,431
Amounts recognised in profit or loss:		
Interest expense on lease liabilities	1,805	996
Depreciation on right-of-use assets	7,491	7,065
Amount recognised in the statement of cash flows		
Total cash outflow for leases	8,614	7,830

JN LIFE INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2022

14. Deferred tax assets/(liabilities)

Deferred tax assets/(liabilities) are attributable to the following:

	2022 $'000	2021 $'000
Property, plant and equipment	1,320	1,154
Intangible asset	17,994	17,368
Right-of-use assets	(3,555)	(3,495)
Lease liabilities	3,959	3,728
Interest receivable	(3,225)	(2,476)
Expected credit losses	323	(85)
Other liabilities	4,276	3,171
Unrealised losses on fair value movements	(6,206)	(13,076)
Unrealised foreign exchange losses/(gains)	373	(2,239)
	15,259	4,050

Movement in temporary differences during the year:

	January 1, 2021 $'000	Recognised in profit/loss $'000 [note 21(a)(ii)]	Recognised in other comprehensive income $'000	December 31, 2021 $'000	Recognised in profit/loss $'000 [note 21(a)(ii)]	Recognised in other comprehensive income $'000	December 31, 2022 $'000
Property, plant and equipment	225	929	-	1,154	166	-	1,320
Intangible asset	16,815	553	-	17,368	626	-	17,994
Right-of-use assets	(1,370)	(2,125)	-	(3,495)	(60)	-	(3,555)
Lease liabilities	1,545	2,183	-	3,728	231	-	3,959
Interest receivable	(2,629)	153	-	(2,476)	(749)	-	(3,225)
Expected credit losses	(911)	826	-	(85)	408	-	323
Other liabilities	579	2,592	-	3,171	1,105	-	4,276
Unrealised losses on fair value movements	(15,691)	(21)	2,636	(13,076)	353	6,517	(6,206)
Unrealised foreign exchange losses/(gains)	(666)	(1,573)	-	(2,239)	2,612	-	373
	(2,103)	3,517	2,636	4,050	4,692	6,517	15,259

15. Other liabilities

	2022 $'000	2021 $'000
Other payables and accruals*	118,773	81,730

* Included in other payables and accruals is $3,749,000 (2021: $4,752,000) for JN Foundation and $20,018,000 (2021: $11,808,000) for deferred income in respect of policyholders' liabilities.

JN LIFE INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2022

16. Policyholders' liabilities

(a) Policyholders' liabilities consist of:

	2022	2021
	$'000	$'000
Gross actuarial liabilities [see (b) (i) below]	203,151	197,991
Benefit claims payable [see (b) (ii) below]	110,358	91,122
	313,509	289,113
Reinsurance asset [see (c) below]	(20,736)	(14,350)

(b) Change in policyholders' liabilities:

	2022	2021
	$'000	$'000
(i) Actuarial liabilities:		
At the beginning of the year	197,991	201,042
Normal changes in liabilities	5,160	(3,051)
At the end of the year	203,151	197,991
(ii) Benefit claims payable:		
At the beginning of the year	91,122	50,945
Increase in claims payable	19,236	40,177
At the end of the year	110,358	91,122

(c) Reinsurance asset of $20,736,000 (2021: $14,350,000) comprises actuarial reserves ceded.

(d) Movement in actuarial reserves of $1,226,000 (2021: $1,294,000) represents the change in gross actuarial liabilities and reinsurance asset.

(e) Actuarial liabilities are computed for the insurance portfolio as follows:

(i) Bulk Creditor Life

The monthly premiums for these policies are paid at the end of the month while the risks are incurred during the month. The Unearned Premium Reserve is therefore computed to be zero at the end of the month and at December 31, 2022. An additional Incurred but Not Reported (IBNR) Reserve is computed for this portfolio. This amount was determined by reviewing the claims reported in 2013 to 2022 that were incurred prior in 2012 to 2021, respectively, and expressing this amount as an amount per $1,000 of in-force insured loan amounts at December 31 of the respective years.

The best estimate is determined as the higher of:

- The straight average of all available ratios;
- The weighted average of the ratios, weighted by the coverage; and
- The weighted average of the ratios, weighted by a scale of factors higher for recent calendar years and lower for less recent calendar years,

and rounded up manually.

16. Policyholders’ liabilities (continued)

(e) Actuarial liabilities are computed for the insurance portfolio as follows (continued):

(ii) Creditor Life

The liabilities for Single Premium Creditor Life policies are computed using the Policy Premium Method. Under the method, explicit assumptions are made for all future benefits and expenses under the policies.

The premiums, benefits and expenses for each policy are projected and the resultant future cash flows are discounted back to the valuation date to determine the reserves. Any adjustment to the reserves is reflected in the year to which it relates.

Liabilities for the Monthly Premium Creditor Life policies are calculated using an unearned premium reserve.

(iii) Group Life

The monthly premiums for these policies are paid during the month and the risks are incurred during the month. The reserve was established at one month’s premium as the product is renewable monthly.

(iv) Individual Life and Critical illness

The liabilities for these policies are computed using the Policy Premium Method.

(f) Sensitivity of actuarial liabilities to changes in assumptions:

The sensitivity of the actuarial liabilities to changes in assumptions is presented below, assuming there is a simultaneous change in the assumption across all products.

	Increase in actuarial liabilities, net	
	2022 $’000	2021 $’000
Policy related assumptions		
1% decrease in interest rates	47,560	33,390
10% increase in future mortality rates	35,330	21,597
10% increase in future morbidity rates	28,642	21,212
10% decrease in future lapse rates	3,094	2,907
10% increase in future expense level	13,228	9,042

17. Share capital

	2022 $’000	2021 $’000
Authorised and stated capital, issued and fully paid:		
1,000 ordinary shares at no par value	1	1

JN LIFE INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2022

18. Reserves

This represents the unrealised gains, net of losses and tax, on the revaluation of financial instruments classified as fair value through other comprehensive income, less expected credit losses.

19. Administrative expenses

	2022	2021
	$'000	$'000
Staff related costs (note 20)	206,129	135,544
Legal and professional fees	202,017	211,214
Directors remuneration [note 25(e)]	6,647	6,250
Marketing	24,882	14,531
Repair and maintenance costs	29,349	24,649
Depreciation and amortisation [note 11]	5,846	18,121
Depreciation on right-of-use assets [note 13(a)]	7,491	7,065
Travelling and subsistence	175	419
Audit fees	12,800	8,217
Policy medicals	5,007	4,236
Contribution to JN Foundation [note 25(d)]	3,568	5,664
Registration and insurance fees	6,214	2,584
Commission and administration fees	74,619	29,451
Utilities	5,634	4,395
Stationery and printing	4,533	3,115
Meeting expenses	1,107	559
Declaration of assets fee	1,022	900
Postage and courier	592	1,179
Training and conference	888	661
Other expenses	5,686	4,336
Total administrative expenses	604,206	483,090

20. Staff related costs

	2022	2021
	$'000	$'000
Salaries	122,960	83,580
Staff incentives	30,286	22,586
Statutory contributions	23,841	13,179
Pension cost (note 27)	5,820	3,739
Other staff benefits	23,222	12,460
	206,129	135,544

21. Taxation

(a) Taxation is computed at 25% and 15% of profit for the year, as adjusted for income tax purposes, and is made up as follows:

	2022 $'000	2021 $'000
(i) Current income tax expense:		
Provision for charge on current year's profit	46,478	50,443
(ii) Deferred taxation:		
Origination and reversal of temporary differences (note 14)	(4,692)	(3,517)
Total taxation recognised in profit or loss	41,786	46,926

(b) Reconciliation of effective tax charge

The actual charge differs from the "expected" tax charge for the year as follows:

	2022 $'000	2021 $'000
Profit before tax	174,046	177,537
Computed "expected" tax charge @ 25%	43,512	44,384
Computed "expected" tax charge @ 15%	127	148
Tax effect of difference between profit for financial statements and tax reporting purposes on –		
Depreciation and capital allowances	(437)	(210)
(Allowed)/disallowed expenses	(1,344)	2,194
Unrealised (losses)/gains	(72)	410
Actual tax charge	41,786	46,926

(c) The effective tax rate for 2022 was 24.01% (2021: 26.43%).

22. Financial risk management

(a) Overview

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

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

22. Financial risk management (continued)

(a) Overview (continued)

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Certain risk management activities are performed on a group-wide basis by the ultimate parent (note 1) and overseen or performed at that level. Reference in this note to group should be understood accordingly.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Investment Committee, Conduct Review Committee and Audit Committee, which are responsible for developing and monitoring risk management policies in their specified areas.

The Company's risk management policies are established to identify, assess and measure the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The focus of financial risk management for the Company is ensuring that the Company has adequate economic capital and that the use of and proceeds from its financial assets are sufficient to fund its obligations. The goal of the investment management process is to, within the policy guidelines, optimise the after-tax investment income and total return by investing in a diversified portfolio of securities, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

A key aspect in the management of the Company's financial risk is matching the timing of cash flows from assets and liabilities. The Company actively manages its investments using an approach that balances quality, diversification, liquidity and return. The portfolio is reviewed on a periodic basis, as are investment guidelines and limits, with the objective of ensuring that the Company can always meet its obligations without undue cost and in accordance with the Company's internal and regulatory capital requirements.

Investment Committee

The Investment Committee recommends to the Board for its approval a written Investment and Lending Policy. The committee reviews investment activities at least four times each year, and ensures that the existing policies comprehensively deal with the management of the Company's investment portfolio and that appropriate limits are being adhered to. The Investment Committee has the responsibility of ensuring that risks are managed within the limits established by the Board of Directors and outlined in the Investment Policy.

Conduct Review Committee

The Conduct Review Committee is a committee of the Board of Directors and has principal responsibility to establish and maintain procedures designed to protect the Company from conflicts of interest with related parties, in compliance with the Insurance Regulations. The Committee meets at least four times per year.

22. Financial risk management (continued)

(a) Overview (continued)

Audit Committee

The Audit Committee is responsible for monitoring compliance with the Company's risk management policies and procedures. The Audit Committee is assisted by the Group Internal Audit Department which undertakes periodic reviews of risk management controls and procedures, the results of which are reported to the Audit Committee, the Group Audit Committee and the Board of Directors. The Committee meets at least four times per year.

(b) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counter-party to a financial instrument fails to meet their contractual obligations to the Company.

Management of credit risk:

The Investment and Lending Policy of the Company sets out the framework within which credit risk is managed. This policy is the responsibility of the Board of Directors, with the principal objectives being to:

(i) Maximize the risk-adjusted after-tax return on the investment portfolio;

(ii) Manage risk at a level that maintains the Company's capital above regulatory requirements; and

(iii) Maintain sufficient liquidity to settle liabilities as they fall due.

Credit risk is a significant risk for the Company's business; management therefore carefully manages its exposure to credit risk.

The Company is exposed to credit risks arising from investments in debt securities as well as settlement balances with market counterparties.

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Company measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

22. Financial risk management (continued)

(b) Credit risk (continued)

Counterparty credit risk

The risk arises from cash and cash equivalents, resale agreements, other assets, amounts due from related entities and investments.

Cash and cash equivalents:

These are held with reputable financial institutions as assessed by the Group's Risk and Compliance Unit and collateral is not required for such accounts as management regards the institutions as strong.

Due from related entities:

There is no significant concentration of credit risk in respect of related party balances, which are held with related parties that management regards as being sound and reputable.

Other assets:

There is no significant concentration of credit risk related to other assets.

A. Impairment

A.1 Credit quality analysis and maximum exposure to credit risk:

The following table sets out information about the maximum exposure and credit quality of financial assets measured at amortised cost and FVOCI debt instruments. Unless specifically indicated, the amounts in the table represent gross carrying amounts.

Debt instruments at FVOCI:

	2022 Stage 1 12-month ECL $'000	2021 Stage 1 12-month ECL $'000
Credit grade		
Non-investment grade	323,885	390,967
Less: loss allowance [see note 22(b)(v)]	1,097	1,354

Over 70% (2021:60%) of non-investment grade securities are GOJ and Bank of Jamaica (BOJ) Securities.

22. Financial risk management (continued)

(b) Credit risk (continued)

A. Impairment (continued)

A.1 Credit quality analysis and maximum exposure to credit risk (continued):

Resale agreements, debt instruments and staff loans at amortised cost:

	2022 Stage 1 12-month ECL $'000	2021 Stage 1 12-month ECL $'000
Credit grade		
Non-investment grade	441,106	433,493
Loss allowance [see note 22(b)(v)]	(1,677)	(2,712)
	439,429	430,781

The maximum credit risk exposure from financial assets not subject to impairment (i.e. FVTPL) is as follows:

	2022 $'000	2021 $'000
Mutual funds	19,236	20,724
Quoted equities	31,582	31,506
	50,818	52,230

A.2 Credit risk measurement:

The Company uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Company uses internal rating models tailored to the various categories of counterparty.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. For example, the difference in the probability of default (PD) between an A and A- rating grade is lower than the difference in the PD between a B and B- rating grade.

For debt securities, external rating agency credit grades are used. These published grades are continually monitored and updated. The PD's associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.

22. Financial risk management (continued)

(b) Credit risk (continued)

A. Impairment (continued)

A.2 Credit risk measurement (continued):

The Company's rating method comprises twenty rating levels for instruments not in default (1 to 20) and three default classes (21 to 23). The master scale assigns each rating category a specified range of probabilities of default, which is stable over time. The rating methods are subject to an annual validation and recalibration so that they reflect the latest projections in the light of all actually observed defaults.

The Company's internal rating scale, mapped to external ratings, is set out below:

Group rating	**TTC PD as a percentage (Corporate)**	**TTC PD as a percentage (Sovereign)**	**S & P**	**Moody's**	**Description of Grade**
1	0.01%	0.00%	AAA	Aaa	Investment Grade
2	0.02%	0.00%	AA+	Aa1	
3	0.02%	0.00%	AA	Aa2	
4	0.02%	0.00%	AA-	Aa3	
5	0.05%	0.02%	A+	A1	
6	0.05%	0.02%	A	A2	
7	0.05%	0.02%	A-	A3	
8	0.16%	0.10%	BBB+	Baa1	
9	0.16%	0.10%	BBB	Baa2	
10	0.16%	0.10%	BBB-	Baa3	
11	0.83%	0.48%	BB+	Ba1	Speculative grade
12	0.83%	0.48%	BB	Ba2	
13	0.83%	0.48%	BB-	Ba3	
14	3.04%	2.40%	B+	B1	
15	3.04%	2.40%	B	B2	
16	3.04%	2.40%	B-	B3	
17	7.21%	11.27%	CCC+	Caa1	
18	7.21%	11.27%	CCC	Caa2	
19	7.21%	11.27%	CCC-	Caa3	
20	27.94%	11.27%	CC	Ca	
21	27.94%	11.27%	C	C to D	Default
22	100.00%	100.00%	D		
23	100.00%	100.00%	SD		

22. Financial risk management (continued)

(b) Credit risk (continued)

B. Expected credit loss measurement

B.1 Classification model

IFRS 9 outlines a ‘three-stage’ model for impairment based on changes in credit quality since initial recognition as summarised below:

Stage 1:

A financial instrument that is not credit-impaired on initial recognition is classified in ‘Stage 1’ and has its credit risk continually monitored by the Company.

Stage 2:

If a significant increase in credit risk (‘SICR’) since initial recognition is identified, but the financial instrument is not yet deemed to be credit-impaired, the financial instrument is moved to ‘Stage 2’.

Stage 3:

Purchased or originated credit-impaired (POCI) financial assets are those financial assets that are credit-impaired on initial recognition. POCI financial assets and financial assets for which there has been a significant increase in credit risk since initial recognition such that the financial assets are determined to be credit impaired are moved to ‘Stage 3’ .

Change in credit quality since initial recognition

Stage 1	**Stage 2**	**Stage 3**
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 22(b)(iv) includes an explanation of how the Company has incorporated this in its ECL models.

22. Financial risk management (continued)

(b) Credit risk (continued)

B. Expected credit loss measurement (continued)

B.2 Key judgments and assumptions

The key judgments and assumptions adopted by the Company in addressing the requirements of the standard are presented below:

(i) Significant increase in credit risk (SICR):

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

- Short-term forbearance
- Direct debit cancellation
- Extension to the terms granted
- Previous arrears within the last 12 months

Quantitative criteria:

Loans

The Company has concluded that delinquency status is the most reliable and appropriate measure as it has not utilised PDs throughout the history of operations. As the Caribbean region has not yet adopted Basel III guidelines, development of PDs has not been required.

Investments

The external credit rating grades are used as a basis for the assessment of increases in credit risk. Movements within investment grade are not construed as significant increases in credit risk; however, exceptional conditions may be taken into consideration. The number of notches required to trigger a migration to Stage 2 is two notches.

Qualitative criteria

For Corporate or Sovereign portfolios, a significant increase in credit risk is determined to have occurred if the borrower or issuer is on the Watchlist and/or the instrument meets one or more of the following criteria:

- Significant increase in credit spread;
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates;
- Actual or expected forbearance or restructuring;

22. Financial risk management (continued)

(b) Credit risk (continued)

B. Expected credit loss measurement (continued)

B.2 Key judgments and assumptions (continued)

(i) Significant increase in credit risk (SICR) (continued):

Qualitative criteria (continued)

- Actual or expected significant adverse change in operating results of the borrower;
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default; and
- Early signs of cashflow/liquidity problems such as delay in servicing of trade creditors/loans.

The assessment of SICR incorporates forward-looking information and is performed on a quarterly basis at a portfolio level for all financial instruments held by the Company. In relation to Corporate and Sovereign financial instruments, where a Watchlist is used to monitor credit risk, this assessment is performed at the counterparty level and on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

Backstop

Delinquency is applied as a backstop, thus the financial instrument is considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

The Company has used the low credit risk exemption for intercompany exposures in the year ended December 31, 2022.

(ii) Definition of default and credit-impaired assets:

The Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

1) The counterparty is more than 90 days past due on its contractual payments.

2) The counterparty meets unlikeliness-to-pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

   - The counterparty is in long-term forbearance;
   - The counterparty is deceased;
   - The counterparty is insolvent;

22. Financial risk management (continued)

(b) Credit risk (continued)

B. Expected credit loss measurement (continued)

B.2 Key judgments and assumptions (continued)

(ii) Definition of default and credit-impaired assets (continued):

2) (Continued)

- The counterparty is in breach of financial covenant(s);
- An active market for that financial asset has disappeared because of financial difficulties;
- Concessions have been made by the lender relating to the counterparty's financial difficulty;
- It is becoming probable that the counterparty will enter bankruptcy;
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the Company's expected credit loss calculations.

An instrument is considered to no longer be in default (i.e. default has been cured) when it no longer meets any of the default criteria for a consecutive period of three (3) months. This period of three months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

(iii) Measuring ECL - Explanation of inputs, assumptions and estimation techniques

Expected credit losses are measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the PD, EAD and LGD defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

- The EAD is based on the amounts the Company is owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

22. Financial risk management (continued)

(b) Credit risk (continued)

B. Expected credit loss measurement (continued)

B.2 Key judgments and assumptions (continued)

(iii) Measuring ECL - Explanation of inputs, assumptions and estimation techniques (continued)

- The LGD represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the credit.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout its lifetime. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by asset type. For amortising assets, this is based on the contractual repayments owed by the borrower over a 12 month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation. For revolving assets, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by asset type and current limit utilisation band, based on analysis of the Company's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured assets, this is primarily based on collateral type and projected collateral values, historical discounts to market or book values due to forced sales, time to repossession and recovery costs observed.

22. Financial risk management (continued)

(b) Credit risk (continued)

B. Expected credit loss measurement (continued)

B.2 Key judgments and assumptions (continued)

(iii) Measuring ECL - Explanation of inputs, assumptions and estimation techniques (continued)

- For unsecured assets, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies, including contracted debt sales and price.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. The assumptions underlying the ECL calculation, such as the maturity profile of the financial instruments, performance of the portfolio, and changes in collateral values, are monitored and reviewed on a quarterly basis.

(iv) Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Company has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the JN Group's Risk and Compliance Unit on a quarterly basis and provide the best-estimate view of the economy over the next five years.

To project the economic variables for the full remaining lifetime of each instrument beyond five years, a mean reversion approach is used, which means that economic variables tend to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP) over a period of two to five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the JN Group's Risk and Compliance Unit also provides other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date.

JN LIFE INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2022

22. Financial risk management (continued)

(b) Credit risk (continued)

B. Expected credit loss measurement (continued)

B.2 Key judgments and assumptions (continued)

(iv) Forward-looking information incorporated in the ECL models (continued)

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Company's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

(v) Loss allowance

- Debt instruments at FVOCI:

	2022	2021
	Stage 1 12-month ECL	Stage 1 12-month ECL
	$'000	$'000
Balance as at January 1	1,354	1,924
Net remeasurement of loss allowance*	(257)	(570)
Balance as at December 31	1,097	1,354

- Resale agreements, debt instruments and staff loans at amortised cost:

	2022			2021		
	Stage 1 12-month ECL	Stage 3 Lifetime ECL	Total	Stage 1 12-month ECL	Stage 3 Lifetime ECL	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at January 1	2,712	-	2,712	1,801	384	2,185
Net remeasurement of loss allowance*	(1,034)	-	(1,034)	911	(384)	527
Balance as at December 31	1,678	-	1,678	2,712	-	2,712

22. Financial risk management (continued)

(b) Credit risk (continued)

B. Expected credit loss measurement (continued)

B.2 Key judgments and assumptions (continued)

(v) Loss allowance (continued)

*Net movement of $1,292,000 (2021: $43,000)

There was no change in the nature of the Company's exposure to credit risk or the manner in which it manages and measures credit risk [see 22 (b)(iv)].

(c) Liquidity risk

Liquidity risk is the potential for loss to the Company arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring unacceptable costs or losses. Liquidity risk is broken down into two primary categories:

(i) *Funding liquidity risk* - the risk that the Company will not be able to meet the expected and unexpected current and future cash flows and collateral needs without affecting either its daily operations or its financial condition; and

(ii) *Asset/Market liquidity risk* - the risk that the Company will not be able to liquidate assets in an orderly fashion without incurring loss on liquidation. This usually stems from illiquid markets or market disruptions.

Management of liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed facilities and includes:

- Weekly cash flow projections and close monitoring of cash resources;

- Managing the concentration and profile of debt maturities;

- Maintaining a portfolio of highly marketable assets that can be easily liquidated as protection against any unforeseen interruptions to cash flows; and

- Monitoring balance sheet liquidity ratios against internal and regulatory requirements.

Assets available to meet liabilities include cash balances. The Company would also be able to meet unexpected net cash outflows by selling securities, should it become necessary.

22. Financial risk management (continued)

(c) Liquidity risk (continued)

Management of liquidity risk (continued)

The contractual maturities of other liabilities, policyholders' liabilities and due to related entities at the reporting date approximate the contractual cash flow expected, and are due within one year from the reporting date. The contractual cash flow for the lease liabilities is included in note 13.

There was no change in the nature of exposure to liquidity risk which the Company is subjected to or its approach to measuring and managing the risk during the year.

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the value of the Company's assets, the amount of its liabilities and/or its income. Market risk arises in the Company due to fluctuations in the value of liabilities and the value of investments held. The Company is exposed to market risk on all of its financial assets.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Management of market risk

For each of the major components of market risk, the Group has policies and procedures in place which detail how each risk should be monitored and managed. The management of each of these major components of risk and the exposure of the Company at the reporting date to each major risk are addressed below.

(i) Foreign currency risk

Foreign currency risk is the risk that the value of financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to foreign currency risk on transactions that are denominated in, and balances held in, currencies other than the Jamaica dollar. The currencies giving rise to this risk are the United States dollar (USD), Great Britain pounds (GBP) and Canadian dollar (CAD).

22. Financial risk management (continued)

(d) Market risk (continued)

Management of market risk (continued)

(i) Foreign currency risk (continued)

The Company ensures that the net exposure is kept to an acceptable level by monitoring its daily positions against approved limits. At the reporting date, the net foreign currency assets were as follows:

	Balances		Exchange rates	
	2022 $'000	2021 $'000	2022 $	2021 $
USD	133	135	151.01	153.92
GBP	3	2	179.50	209.12
CAD	6	3	108.20	122.29

A 4% (2021: 8%) weakening of the Jamaica dollar against the various currencies at December 31 would have increased profit for the year by the amounts shown below. A 1% (2021: 2%) strengthening of the Jamaica dollar against these currencies at December 31, would have had the opposite effect as shown. The analysis assumes that all other variables, in particular, interest rates, remain constant.

	2022		2021	
	4% Weakening $'000	1% Strengthening $'000	8% Weakening $'000	2% Strengthening $'000
USD	806	(202)	1,662	(416)
GBP	18	(5)	33	(8)
CAD	24	(6)	29	(7)

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company manages this risk by regularly re-evaluating the yield, duration and modified duration on given financial instruments.

The Company manages this risk by monitoring interest rates daily. Even though there are no formally predetermined gap limits, to the extent judged appropriate, the maturity profile of the financial assets is matched with that of the financial liabilities. Where gaps occur, management expects that its monitoring will, on a timely basis, identify the need to take quick action to close the gap, if it becomes necessary.

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Notes to the Financial Statements (Continued)
December 31, 2022

22. Financial risk management (continued)

(d) Market risk (continued)

Management of market risk (continued)

(ii) Interest rate risk (continued)

The following table summarises the carrying amounts of recognised assets, liabilities and equity to arrive at the Company's interest rate gap based on the earlier of contractual repricing and maturity dates. There were no off-balance sheet financial instruments giving rise to interest rate risk. This interest rate gap is normal for an insurance company.

	2022						
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 1 year	Non-rate sensitive	Total	Weighted average interest rate %
	$'000	$'000	$'000	$'000	$'000	$'000	
Assets							
Cash and cash equivalents	54,633	30,921	-	-	1,691	87,245	1.67
Securities purchased under resale agreements	-	92,474	-	-	-	92,474	7.20
Investments	-	194,960	109,239	357,897	50,818	712,914	6.99
Due from related entities	-	-	-	-	23,604	23,604	
Other assets	-	-	-	-	161,606	161,606	
Reinsurance asset	-	-	-	-	20,736	20,736	
Total financial assets	54,633	318,355	109,239	357,897	258,455	1,098,579	
Liabilities							
Due to related entities	-	-	-	-	2,726	2,726	
Lease liabilities	-	-	-	-	15,833	15,833	
Other liabilities	-	-	-	-	118,773	118,773	
Policyholders' liabilities	-	-	-	-	313,509	313,509	
Total financial liabilities	-	-	-	-	450,841	450,841	
On-statement of financial position gap, being total interest rate sensitivity gap	-	318,355	109,239	357,897	(192,386)	647,738	
Cumulative gap	54,633	372,988	482,227	840,124	647,738	-	

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Notes to the Financial Statements (Continued)
December 31, 2022

22. Financial risk management (continued)

(d) Market risk (continued)

Management of market risk (continued)

(ii) Interest rate risk (continued)

	2021						
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 1 year	Non-rate sensitive	Total	Weighted average interest rate %
	$'000	$'000	$'000	$'000	$'000	$'000	
Assets							
Cash and cash equivalents	14,505	16,002	-	-	12,252	42,759	0.73
Securities purchased under resale agreements	-	116,733	-	-	-	116,733	2.71
Investments	-	174,751	55,158	453,665	52,230	735,804	5.42
Due from related entities	-	-	-	-	15,420	15,420	
Other assets	-	-	-	-	99,375	99,375	
Reinsurance asset	-	-	-	-	14,350	14,350	
Total financial assets	14,505	307,486	55,158	453,665	193,627	1,024,441	
Liabilities							
Due to related entities	-	-	-	-	2,203	2,203	
Lease liabilities	-	-	-	-	14,911	14,911	
Other liabilities	-	-	-	-	81,730	81,730	
Policyholders' liabilities	-	-	-	-	289,113	289,113	
Total financial liabilities	-	-	-	-	387,957	387,957	
On-statement of financial position gap, being total interest rate sensitivity gap	14,505	307,486	55,158	453,665	(194,330)	636,484	
Cumulative gap	14,505	321,991	377,149	830,814	636,484	-	

Sensitivity analysis:

Fair value sensitivity for fixed rate instruments:

A reasonably probable increase/decrease in interest rates, using the below scenarios, would adjust reserves and profit or loss by the amounts shown below:

	2022		2021	
	Increase in interest rate	Decrease in interest rate	Increase in interest rate	Decrease in interest rate
J$ denominated instruments	100 basis points	50 basis points	100 basis points	100 basis points
US$ denominated instruments	100 basis points	50 basis points	100 basis points	100 basis points

22. Financial risk management (continued)

(d) Market risk (continued)

Management of market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis (continued):

Fair value sensitivity for fixed rate instruments (continued):

An increase/decrease in interest rates, using the below scenarios, would adjust reserves and profit or loss by the amounts shown below (continued):

	2022		2021	
	Increase $'000	Decrease $'000	Increase $'000	Decrease $'000
J$ denominated instruments	(8,046)	4,286	(10,896)	17,265
US$ denominated instruments	(278)	141	(432)	446

Cash flow sensitivity analysis for variable rate instruments:

An increase/decrease in interest rates, using the above scenarios would adjust reserves and profit or loss by the amount shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2022 Effect on profit or loss		2021 Effect on profit or loss	
	Increase $'000	Decrease $'000	Increase $'000	Decrease $'000
Variable rate instruments	700	(350)	700	(700)

(iii) Equity price risk

Equity price risk arises from equity securities classified as fair value through profit or loss held by the Company as part of its investment portfolio. Management monitors the mix of debt and equity securities in its investment portfolio based on market expectations. The primary goal of the Company's investment strategy is to maximize risk adjusted investment returns.

A 6% (2021: 5%) increase in the market price at the reporting date would result in an increase in profit for the Company of $1,894,900 (2021: $1,575,300). A 6% (2021: 5%) decrease in the market price at the reporting date would result in a decrease in profit for the Company of $1,894,900 (2021: $1,575,300).

There was no change during the year in the nature of the Company's exposure to market risk or the manner in which it manages and measures the risk.

22. Financial risk management (continued)

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements, natural and man-made disasters as well as generally accepted standards of corporate behaviour.

The Company's objective is to manage operational risk to achieve the optimal balance between the Company's financial viability and its performance against the requirements of an effective operational risk management framework.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Group's Risk and Compliance Unit centrally and in daily operations to the senior management team.

This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- risk policies/guidelines for assisting management to understand the ways in which risks can be measured, managed, identified and controlled;
- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirement for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial actions;
- development of business continuity programmes including contingency plans, testing and training;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

The Group's Risk and Compliance Unit conducts frequent operational risk reviews of business lines in keeping with established policies and is supported with independent reviews undertaken by Group Internal Audit. The results of all operational risk reviews are discussed with management and the recommendations and required actions agreed. Summaries of the operational risk reviews are submitted to the Audit Committee and to the Board of Directors.

There was no change during the year in the Company's exposure to operational risk or the manner in which it manages the risk.

22. Financial risk management (continued)

(f) Capital management

The Company's objectives when managing capital are:

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

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

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

The Company's main regulator is the Financial Services Commission (FSC) which monitors the capital requirements for the Company.

Regulators are primarily interested in protecting the rights of the policyholders and monitoring the Company closely to ensure that it is satisfactorily managing affairs for the benefit of the policyholders. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities such as those arising from economic shocks or natural disasters.

In implementing current capital requirements, the FSC requires the Company to maintain a minimum capital requirement of $150,000,000.

To assist in evaluating the current business and strategic opportunities, a risk-based 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) standard as defined by the FSC and dictated by the Insurance Regulations 2001. Under those regulations, the minimum standard recommended for companies is a MCCSR of 150%.

The MCCSR for the Company is set out below:

	2022 $'000	2021 $'000
Regulatory capital held	602,094	625,362
Minimum regulatory capital	217,256	201,902
MCCSR Ratio	277.1%	309.7%

There was no change during the year in the manner in which the Company manages capital.

23. Fair value of financial instruments

Fair value is the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk. Where quoted market prices are not available, the fair values of these instruments have been determined using a generally accepted alternative method.

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy:

Level 1 - Quoted prices in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available.

(a) Accounting classification and fair values:

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, their classification and their levels in the fair value hierarchy. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair values.

	2022			
		Fair value		
	Carrying amount $'000	Level 1 $'000	Level 2 $'000	Total $'000
Financial assets measured at fair value:				
Government bonds	323,885	-	323,885	323,885
Quoted equities	31,582	31,582	-	31,582
Mutual funds	19,236	-	19,236	19,236
	374,703	31,582	343,121	374,703

23. Fair value of financial instruments (continued)

(a) Accounting classification and fair values (continued):

	2021			
		Fair value		
	Carrying amount	Level 1	Level 2	Total
	$'000	$'000	$'000	$'000
Financial assets measured at fair value:				
Government bonds	390,967	-	390,967	390,967
Quoted equities	31,506	31,506	-	31,506
Mutual funds	20,724	-	20,724	20,724
	443,197	31,506	411,691	443,197

No items were transferred from one level to another.

(b) Valuation technique

The valuation techniques used in measuring fair value in level 2 of the hierarchy are detailed below. There were no significant unobservable inputs used in computing the fair values.

Type	**Valuation techniques**
US$ denominated securities issued or guaranteed by GOJ	• Obtain bid price provided by a recognised broker/dealer • Apply price to estimate fair value
J$ denominated securities issued or guaranteed by GOJ	• Obtain bid price provided by a recognised pricing source (which uses Jamaica-market-supplied indicative bids) • Apply price to estimate fair value
Mutual funds	• Obtain prices quoted by investment managers • Apply price to estimate fair value

24. Insurance risk management

Risk management objectives and policies for mitigating insurance risk:

The Company's management of financial and insurance risk is a critical aspect of the business.

The primary insurance activity carried out by the Company is the transfer of risk from persons or entities that are directly subject to the risk, by means of the sale of insurance policies. As such, the Company is exposed to uncertainty surrounding the timing, frequency and severity of claims under these policies.

(a) Underwriting policy

The Company manages insurance risk through its underwriting policy that includes, *inter alia,* authority limits, approval procedures for transactions that exceed set limits, pricing guidelines and the centralised management of reinsurance.

The Company's underwriting strategy includes the use of a medical questionnaire with benefits limited to reflect the health condition of applicants.

The Company actively monitors insurance risk exposures both for individual and portfolio types of risk. These methods include internal risk measurement, portfolio modelling and analyses.

The Company seeks to underwrite a balanced portfolio of risks at rates and on terms that will produce an underwriting result consistent with its long-term objectives.

The Board of Directors approves the underwriting strategy which is set out in an annual business plan and management is responsible for the attainment of the established objectives.

(b) Reinsurance strategy

The Company reinsures a portion of the risks it underwrites in order to protect capital resources and to limit its exposure to variations in the projected frequency and severity of losses.

The Company manages reinsurance risk by selecting reinsurers which have established capability to meet their contractual obligations and which have favourable credit ratings as determined by a reputable rating agency.

Ceded reinsurance results in credit risk. The Company monitors the financial condition of re-insurers on an ongoing basis and reviews its reinsurance arrangements periodically. The Board of Directors is responsible for setting the minimum security criteria for accepting reinsurance and monitoring the purchase of reinsurance against those criteria and for monitoring its adequacy on an ongoing basis.

24. Insurance risk management (continued)

(c) Terms and conditions of life insurance contracts

The terms and conditions and the key factors upon which the timing and uncertainty of future cash flows of life insurance contracts depend are as follows:

Terms and conditions	Key factors affecting future cash flows
The insurance contracts insure human life for death, critical illness or permanent disability over short and long durations. These life insurance contracts protect the Company's customer from the consequence of events such as death or disability that would affect the ability of the customer or his/her dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.	For the contracts where death is the insured risk, the most significant factors that could increase the overall frequency and severity of claims are epidemics (such as HIV/AIDS) and wide-ranging lifestyle changes such as eating, smoking and exercise habits resulting in earlier or more claims than expected.

(d) Reinsurance limits

(i) Coverage in excess of retention limits is ceded to reinsurers up to the treaty limit except for a certain bulk creditor life contract which is 100% reinsured. The retention programs used by the Company are summarised below:

Type of insurance contract	Retention limit
Group creditor life contract	JMD 7,500,000; USD 60,000; CAD 75,000; GBP 42,000 of coverage per life insured. Treaty limits apply
Group life contract	JMD 3,000,000 of coverage per life insured. Treaty limits apply

JN LIFE INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2022

24. Insurance risk management (continued)

(d) Reinsurance limits (continued)

(ii) The benefits assured, distributed by retained amounts and by reinsured amounts, are shown below:

2022			
Band $'000	Total amount $'000	Total amount reinsured $'000	Total amount retained $'000
0 - 1,000	12,696	25	12,671
1,000 - 2,000	11,189	29	11,160
2,000 - 5,000	40,303	971	39,332
5,000 - 10,000	30,157	6,732	23,425
10,000 and over	30,408	19,235	11,173
	124,753	26,992	97,761

2021			
Band $'000	Total amount $'000	Total amount reinsured $'000	Total amount retained $'000
0 - 1,000	9,243	202	9,041
1,000 - 2,000	7,377	407	6,970
2,000 - 5,000	22,208	1,645	20,563
5,000 - 10,000	38,362	4,154	34,208
10,000 and over	34,452	16,470	17,982
	111,642	22,878	88,764

25. Related party balances and transactions

(a) Definition of related parties

A related party is a person or entity that is related to the Company.

A) A person or a close member of that person's family is related to the Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Company.

25. Related party balances and transactions (continued)

(a) Definition of related parties (continued)

B) An entity is related to the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group of companies (which means that each parent, subsidiary and fellow subsidiary is related to the other).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of companies of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.

(vi) The entity is controlled, or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of companies of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(b) Identity of related parties

The Company has a related party relationship with its ultimate parent company, parent company, fellow subsidiaries, directors, associated companies, key management personnel and JN Foundation.

(c) Except those stated separately thereon, the statement of financial position includes balances, arising in the ordinary course of business, with related entities, as follows:

	2022	2021
	$’000	$’000
Fellow subsidiaries:		
Cash and cash equivalents	55,633	15,505
Policyholders’ liabilities	18,650	8,293
Other liabilities:		
Contribution to JN Foundation	3,749	4,752

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Notes to the Financial Statements (Continued)
December 31, 2022

25. Related party balances and transactions (continued)

(d) The statement of profit or loss and other comprehensive income includes the following income earned from, and expenses incurred in, transactions with related parties in the ordinary course of business:

	2022 $'000	2021 $'000
Ultimate parent company:		
Management fees	(60,288)	(76,747)
Other fees	(32,480)	(14,688)
Gross premium income	14,182	11,453
Parent company:		
Management fees	(14,944)	(12,466)
Gross premium income	1,305	1,326
Fellow subsidiaries:		
Management Fees	(4,128)	(2,860)
Gross premium income	61,157	59,588
Other income	59	17
Insurance benefits incurred	(216,255)	(190,301)
Advertising and subscription	(9,312)	(7,548)
Service fees	(870)	(699)
Fleet management fees and associated services	(735)	(787)
Insurance	(1,018)	(1,294)
Maintenance expense	(7,180)	(7,180)
Related entities:		
Gross premium income	448	707
Contribution to JN Foundation (note 19)	(3,568)	(5,664)

(e) Transactions with key management personnel:

	2022 $'000	2021 $'000
Gross premium income	119	nil
Directors remuneration (note 19)	(6,647)	(6,250)
Key management compensation	(27,657)	(14,811)

26. Dividends

Interim dividends of $100,000 (2021: $75,000) per share, amounting to $100,000,000 (2021: $75,000,000) were declared and paid.

27. Pension scheme

The Company participates in a group defined contribution pension scheme operated by the ultimate parent company.

27. Pension scheme (continued)

Employees contribute at a mandatory rate of 5% of pensionable salary, but may make additional contributions not exceeding a further 10%. The Company makes matching contributions at the rate of 5% to 10% of pensionable salaries, depending on the employees' years of pensionable service. Contributions to the scheme for the year amounted to $5,820,000 (2021: $3,739,000).

28. Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

(a) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include cash and cash equivalents, securities purchased under resale agreements, investments, due from related parties and other assets. Financial liabilities include due to related parties, lease liabilities, other liabilities and policyholders' liabilities.

Financial assets

(i) Classification and subsequent measurement

The Company classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients.

Classification and subsequent measurement of debt instruments depend on the Company's business model for managing the asset and the cash flow characteristics of the asset.

28. Significant accounting policies (continued)

(a) Financial instruments (continued)

Financial assets (continued)

(i) Classification and subsequent measurement (continued)

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

i. Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (‘SPPI’), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 22(b)(iii). Interest income from these financial assets is included in ‘Finance income’ using the effective interest rate method.

ii. Fair value through other comprehensive income

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets’ cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses on the instruments which are recognised in profit or loss.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in fair value gains. Interest income from these financial assets is included in interest income using the effective interest rate method.

iii. Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within ‘Fair value gains’ in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in “Finance Income”. Interest income from these financial assets is included in interest income using the effective interest rate method.

28. Significant accounting policies (continued)

(a) Financial instruments (continued)

Financial assets (continued)

(i) Classification and subsequent measurement (continued)

Business model: The business model reflects how the Company manages the assets in order to generate cash flows. The measurement category from the three above, that the Company selects for a particular financial instrument depends on the business model applicable to that instrument. There are three models, namely, 'hold and collect', 'hold to collect and sell' and 'other'. The Company determines whether its objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets.

If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel and how risks are assessed and managed.

Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVTPL.

Solely payments of principal and interest (SPPI): Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement - i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. 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.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Company reclassifies debt investments 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 very infrequent and none occurred during the year.

28. Significant accounting policies (continued)

(a) Financial instruments (continued)

Financial assets (continued)

(i) Classification and subsequent measurement (continued)

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Company subsequently measures all equity investments at fair value through profit or loss, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal.

Impairment losses and reversal of impairment losses are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Gains and losses on equity investments at FVTPL are included in the fair value gains, net in the statement of profit or loss.

(ii) Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

(b) Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

28. Significant accounting policies (continued)

(c) Financial liabilities

(i) Classification and subsequent measurement

Financial liabilities are classified and subsequently measured at amortised cost.

(ii) Recognition

A financial liability is measured initially at fair value, plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(iii) Derecognition

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

(d) Other liabilities

Other liabilities are measured at amortised cost.

(e) Other assets

Other assets are measured at amortised cost less impairment losses [see note 28(b)].

(f) Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost. They comprise bank balances and short-term, highly liquid investments where original maturities do not exceed three months from the reporting date, are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term commitments.

(g) Foreign currency transactions and balances

Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions. Monetary foreign currency balances at the reporting date are translated at the Bank of Jamaica's weighted average rates, being the rates of exchange ruling on that date. Realised and unrealised gains and losses arising from fluctuations in exchange rates are included in profit or loss.

(h) Taxation

(i) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

28. Significant accounting policies (continued)

(h) Taxation (continued)

(i) Income tax (continued)

Current income tax is the expected tax payable on the income for the year, as adjusted for tax purposes, using tax rates substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

Deferred income tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the asset can be realised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversal of existing temporary differences, are considered based on the business plans of the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future profits improves.

(i) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses [see note 28(o)]. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be reliably measured. The cost of day to day servicing of property, plant and equipment is recognised in the profit or loss as incurred.

If significant parts of an item of property, plant and equipment have different useful lives and are generally recognised in profit or loss they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

28. Significant accounting policies (continued)

(i) Property, plant and equipment (continued)

Property, plant and equipment, with the exception of artwork, on which no depreciation is provided, are depreciated on the straight-line basis at annual rates to write down the assets to their estimated residual values over their expected useful lives.

The depreciation rates are as follows:

Computers	33⅓%
Leasehold improvements	33⅓%
Office equipment	10%
Furniture, fixtures and fittings	10%
Motor vehicles	20%
Right-of-use assets	33⅓%

The depreciation methods, useful lives and residual values are reassessed at each reporting date.

(j) Insurance contract recognition and measurement

(i) Insurance contracts

Insurance contracts are accounted for in compliance with the recommendations and practices of the insurance industry, and comply with the provisions of the Insurance Act 2001.

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. The Company defines insurance risk as significant if an insured event could cause an insurer to pay significant additional benefits in a scenario which would have a discernible effect on the economics of the transactions.

(ii) Insurance receivable and insurance payable

Amounts due from and to policyholders and reinsurers are considered financial instruments to be included in accounts receivable, policyholders' liabilities and accounts payable.

(k) Reinsurance contracts

The Company enters into contracts with reinsurers under which it is compensated for losses on contracts it issues and which meet the classification requirements for insurance contracts [see note 28(j)]. Reinsurance does not relieve the originating insurer of its liability.

28. Significant accounting policies (continued)

(l) Revenue recognition

(i) Premium income

Gross premiums are recognised as revenue when due. When premiums are recognised, the related actuarial liabilities are computed, resulting in benefits and expenses being matched with revenue.

(ii) Interest income

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

(a) Purchased or originated credit-impaired (POCI) financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

(b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e., net of the expected credit loss allowance).

(iii) Realised gains and losses

Realised gains and losses recorded in the statement of profit or loss and other comprehensive income relate to gains and losses on the sale of financial and other assets. This is calculated as the difference between net sales proceeds and the carrying value at the sale date and is recorded on occurrence of the sale transaction.

(m) Intangible assets

(i) Intangible assets that are acquired by the Company and have finite useful lives, are measured at cost, less accumulated amortisation and any accumulated impairment losses.

(ii) Expenditure on intangible assets subsequent to acquisition date is capitalised only when it increases future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(iii) Amortisation is charged to profit or loss on the straight line basis over the estimated useful lives of intangible assets, from the date they are available for use. The estimated useful life is as follows:

Software	3 years

28. Significant accounting policies (continued)

(n) Employee benefits

Employee benefits are all forms of consideration given by the Company in exchange for services rendered by employees. These include current or short term benefits such as salaries, bonuses, statutory payroll contributions, annual leave, and non-monetary benefits such as medical care; post-employment benefits such as pension and any other long term employee benefits such as termination benefits.

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as an expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave.

The ultimate parent company provides post-retirement pension benefits to employees who have satisfied certain minimum service requirements. These benefits are accounted for under a defined-contribution pension plan and the obligations for contributions are recognised as an expense in the profit or loss as incurred.

(o) Impairment of non-financial assets:

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists for any assets, then the asset’s recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

(p) Claims

Claims are recorded in profit or loss net of reinsurance recoverable. Charges for provision for claims are recognised in profit or loss based on the estimated liability determined by the actuary.

(q) Securities purchased under resale agreements

Securities purchased under resale agreements (“Resale agreements”) are short-term transactions whereby securities are bought with simultaneous agreements to resell the securities on a specified date and at a specified price. Resale agreements are accounted for as short-term collateralized lending and are carried at amortised cost.

28. Significant accounting policies (continued)

(q) Securities purchased under resale agreements (continued)

The difference between the purchase and resale considerations is recognised on the accrual basis over the period of the agreement, using the effective interest method, and is included in interest income.

(r) Dividends

Dividends to shareholders are recorded in the financial statements in the period in which they are declared.

(s) Share capital

Ordinary shares are classified as equity.

(t) Leases

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company uses the definition of a lease in IFRS 16.

The Company as a lessee

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at an amount equal to the lease liability, adjusted, if applicable.

The right-of-use asset is subsequently depreciated using the straight-line method from acquisition date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the inception date, discounted using the Company's incremental borrowing rate.

The Company determines its incremental borrowing rate by obtaining interest rates from a fellow banking subsidiary and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise fixed payments measured at amortised cost using the effective interest method.

28. Significant accounting policies (continued)

(u) New and amended standards and interpretations not yet effective

At the date of authorisation of these financial statements, certain new and amended standards and interpretations have been issued which were not effective for the current year and which the Company has not early-adopted. The Company has assessed them with respect to its operations and has determined that the following are relevant:

- IFRS17 replaces IFRS 4 *Insurance Contracts* and is effective for annual periods beginning on or after January 1, 2023, with early adoption permitted.

Estimated impact of the adoption of IFRS 17

The Company is assessing the estimated impact that the initial application of IFRS 17 will have on its financial statements and has established a project team to determine the principles for the recognition, measurement, presentation, and disclosure of insurance contracts and reinsurance contracts within the scope of the new standard. Noting that the transition to IFRS 17 will have significant impact on financial statement presentations, key performance indicators, financial reporting processes and operations, the project is in its final phase and is near completion. As such, at this time, the actual impact of adopting IFRS 17 on January 1, 2023 and 2022 comparative balances cannot be reliably quantified as:

- the Company is undertaking final reviews of transition journal adjustments;
- the Company is continuing to refine the new accounting processes and internal controls required for applying IFRS 17;
- the Company has not finalised the testing and assessment of controls over its new IT systems and changes to its governance framework; and
- the new accounting policies, assumptions, judgments and estimation techniques employed are subject to change until the Company finalizes its first financial statements that include the date of initial application.

For the Company, the date of initial application is January 1, 2023. The first financial statements applying IFRS 17 will be as at December 31, 2023, with comparative financials as at December 31, 2022.

(i) Identifying contracts in the scope of IFRS 17

The definition of an ‘insurance contract’ in IFRS 17 is similar to the current guidance under IFRS 4. This is assessed on a contract-by-contract basis. Significant insurance risk exists where an insurance contract has commercial substance and the present value of amounts to be paid by the issuer exceeds the amounts that the issuer would have paid if the insured event did not occur.

The requirements for assessing significant insurance risk for reinsurance contracts issued are the same as for insurance contracts.

The Company issues riders, where the riders and their base contracts will be combined for measurement under IFRS 17.

No investment contracts with discretionary participation feature (DPF) are issued by the Company.

28. Significant accounting policies (continued)

(u) New and amended standards and interpretations not yet effective (continued)

- **IFRS 17 *Insurance Contracts (continued)***

(i) Identifying contracts in the scope of IFRS 17 (continued)

Separation of components

When identifying contracts in the scope of IFRS 17, in some cases the Company will have to assess whether a set or series of contracts needs to be treated as a single contract and whether embedded derivatives, investment components and goods and services components have to be separated and accounted for under another standard. The Company began selling a new term life investment rider in 2022 that will be separated and measured under IFRS 9. The Company does not issue or hold any other insurance contracts that contain investment components.

Combination of contracts

Many of the Company's products offer riders, where the rider has its own contract that is embedded into the base contract as a separate section. The riders are priced separately and often protect against a different insurance risk than the base coverage. However, all the riders offered by the Company cannot exist without the base contract, cannot be purchased on its own, and will terminate on the surrender or cancellation of the base contract. Therefore, the rider cannot be separated from the host contract.

(ii) Levels of aggregation

In comparison to IFRS 4 practices, IFRS 17 intends to provide a more granular grouping of insurance contracts for measurement purposes. IFRS 17 is explicit in the minimum requirements for the grouping of insurance contracts.

Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Contracts in different product lines are expected to be in different portfolios. Each portfolio is then divided into annual cohorts (i.e. by year of issue) and each annual cohort into three groups:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

Furthermore, some groups will further be separated by measurement model.

Portfolios

Portfolios are determined based on the Company's interpretations of similar risks and managed together. Generally, contracts in different product lines would not be expected to have similar risks and would be expected to be in different portfolios.
The Company will have three portfolios split by individual and group risk, as the nature of these risks is different, with group risk further separated by measurement model.

28. Significant accounting policies (continued)

(u) New and amended standards and interpretations not yet effective (continued)

- **IFRS 17 *Insurance Contracts (continued)***

(ii) Levels of aggregation (continued)

Reinsurance contracts

IFRS 17 requires reinsurance held to be measured and reported separately from the underlying insurance contracts. The Company will have one contract each for its Individual and Group life portfolios.

Cohort time period

The Company will group contracts using annual cohorts, the maximum length allowable by the Standard. The annual cohorts will be based on calendar year, which is consistent with the Company's financial year.

(iii) Cash Flows and Contract Boundaries

Under IFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. The period covered by the premiums within the contract boundary is the 'coverage period', which is relevant when applying a number of requirements in IFRS 17. The Company expects that the contract boundary will be equal to the coverage period for all contracts.

The Company's contracts begin coverage at issue. At the time of IFRS 17's adoption, the Company does not expect to have onerous groups of contracts.

(iv) Measurement overview

There are three measurement models under IFRS 17:

- General measurement model (GMM)
- Premium allocation approach (PAA)
- Variable fee approach (VFA)

IFRS 17 introduces a measurement model based on the estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a Contractual Service Margin (CSM).

For an explanation of how the Company will apply the GMM measurement model, see note 28(u)(v) (Measurement using GMM).

The general model is the default model for all insurance contracts. By process of elimination, all insurance contracts not identified as PAA or VFA will be measured using the general model.

28. Significant accounting policies (continued)

(u) New and amended standards and interpretations not yet effective (continued)

- **IFRS 17** ***Insurance Contracts (continued)***

(iv) Measurement overview (continued)

The Company has contracts that will be measured using the general model, which include all individual life (and respective reinsurance held) and group single premium creditor life contracts.

The Company expects to apply the GMM to individual life contracts and group single premium creditor life, and reinsurance held.

The PAA is an optional simplified measurement model in IFRS 17 that is available for insurance and reinsurance contracts that meet the eligibility criteria. For an explanation of how the Company will apply the PAA, see note 28(u)(v) (Measurement using PAA).

The Company's group life contracts issued, except single premium creditor life, and the respective reinsurance contracts held, have been determined to be eligible for, and will apply, the PAA.

The Company does not offer any insurance contracts or investment contracts with direct participating features that would be measured using the VFA.

Measurement Model	**Applicable to the Company**
GMM	Individual life contracts and group single premium creditor life, and reinsurance held
PAA	Group life contracts and reinsurance held
VFA	None

(v) Measurement

General Measurement Model (GMM)

Under the general model, the default approach, the carrying amount of a group of contracts comprises:

1. A liability for remaining coverage ("LRC") – future cash flows relating to future service to be provided, a risk adjustment, and a CSM; and

2. A liability for incurred claims ("LIC") – cash flows relating to past service for claims and expenses already incurred, and a risk adjustment.

28. Significant accounting policies (continued)

(u) New and amended standards and interpretations not yet effective (continued)

- **IFRS 17** ***Insurance Contracts (continued)***

(iv) Measurement (continued)

General Measurement Model (GMM) (continued)

The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year, by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the year.

The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units will be reviewed and updated at each reporting date.

The order of CSM adjustments for the Company will be as follows:

- Changes in fulfilment cash flows (FCF) related to future service – Changes in assumptions
- Impact of new contracts added to the group
- Accretion of interest
- Changes in fulfilment cash flows related to future service – Other adjustments
- Release of CSM as revenue

For changes in fulfilment cash flows (FCF) related to future service above, the Company will include the following FCF changes in the CSM:

- Changes in non-financial assumptions, including the impact of actual deaths/lapses on non-financial assumptions
- Variances in premiums
- Variances in acquisition costs
- Change in the risk adjustment for non-financial risk related to future service

29. Significant accounting policies (continued)

(u) New and amended standards and interpretations not yet effective (continued)

- **IFRS 17 *Insurance Contracts (continued)***

(iv) Measurement (continued)

The Company expects that the quantity of the benefits provided under each contract is as follows:

Product	**Coverage Unit**
JN Life Comfort (Whole Life)	Death benefit
JN Life AIDE (CI)	Critical illness benefit
JN Life Family AIDE (Family CI)	Critical illness benefit
JN Life Family Comfort (Family Whole Life & CI)	Death benefit + critical illness benefit
Extendible Term	Death benefit
Creditor Life Protection Policy	Balance of covered insured loan
JN Life Comfort – Accidental death and dismemberment rider	Death benefit
JN Life Family Comfort – Accidental death rider	Death benefit
Extendible Term – Reinsurance	Death benefit ceded

The Company holds reinsurance on three Group Life products, which are each measured under the PAA. As such, there is no measurement of reinsurance contracts held under GMM.

Approach	**Decision**
PAA Eligibility	The Company will apply the PAA to all Group Life contracts, except Single Premium Creditor Life, and the respective reinsurance held, which all have a coverage period of one year or less.

29. Significant accounting policies (continued)

(u) New and amended standards and interpretations not yet effective (continued)

- **IFRS 17 *Insurance Contracts (continued)***

(iv) Measurement (continued)

Approach	**Decision**
PAA LRC	*Premium recognition:* Premiums will be recognised in the LRC when received by the Company, its agents, or its brokers. Broker receivables will be set up in the balance sheet and apply IFRS 9. *Revenue recognition:* The Company has analysed past claims experience and did not identify any material non-linear pattern of risk, thus passage of time will be applied. *Expense recognition:* The Company has elected to expense insurance acquisition cash flows as they are incurred for contracts applying PAA. *Financing components:* The Company has determined that there does not exist a significant financing component for all contracts and thus will not accrue interest on the LRC.
PAA LIC	The Company will not discount LIC cash flows, as all claims are expected to be paid within one year.

Premium Allocation Approach (PAA)

The PAA is a simplification of the general model. The simplification predominantly relates to the LRC, while there are also minor simplifications for the LIC. Although the PAA is only permitted when specific criteria are met, it is optional as the Company may choose to apply the general model instead.

28. Significant accounting policies (continued)

(u) New and amended standards and interpretations not yet effective (continued)

- **IFRS 17 *Insurance Contracts (continued)***

(iv) Measurement (continued)

PAA for Reinsurance Held

The eligibility criteria to use the PAA for reinsurance held is similar to those for insurance contracts:

a) Each contract in the group of reinsurance contracts held has a coverage period of one year or less; or
b) If the coverage period of a group of reinsurance contracts is greater than one year, the PAA can be used if the results are not materially different from the general model. Additionally, there should not be significant variability expected in the fulfilment cash flows.

The Company has elected to apply PAA for all reinsurance contracts held.

Onerous Contracts

A loss component will be set up for onerous contracts for the Company. A loss-recovery component will be held in the Asset for Remaining Coverage of reinsurance contracts that are reinsuring onerous contracts.

(v) Discounting

The estimates of future cash flows that form the insurance liabilities should be adjusted to reflect the time value of money and other financial risks. This is achieved by discounting the cash flows for both unexpired and expired risks.

The Company will use the top-down approach based on Government of Jamaica (GOJ) bonds with adjustments for sovereign risk and liquidity.

(vi) Estimates of future cash flows

In estimating future cash flows, the Company will incorporate, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows will reflect the Company's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the Company will take into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts will not be taken into account until the change in legislation is substantively enacted.

28. Significant accounting policies (continued)

(u) New and amended standards and interpretations not yet effective (continued)

- **IFRS 17** ***Insurance Contracts (continued)***

(vii) Estimates of future cash flows (continued)

Cash flows within the boundary of a contract are those that relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts. Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

(viii) Risk adjustment

The risk adjustment is a component of the insurance liability that relates to the non-financial insurance risks, which have been separated from the financial risks as those are reflected in the discount rates. The risk adjustment is a component of the fulfilment cash flows that:

- Measures the uncertainty in the insurance cash flows arising from non-financial risks
- Reflects the compensation that an entity requires to be indifferent between the insurance liability which has a range of possible outcomes due to non-financial risk, and an insurance liability if it had fixed cash flows
- Represents the amount added to the best estimate liability such that the actual outcome will be more than the fulfilment cash flows at a targeted probability level (the confidence level).

The risk adjustment is an explicit balance for each group of contracts, in both the LRC and the LIC. Under the PAA, the LRC is simplified to remove the risk adjustment for profitable business. The table below shows where a risk adjustment is applicable for the Company.

Measurement Model	**LRC Risk Adjustment**	**LIC Risk Adjustment**
GMM	Applicable	Applicable
PAA	None unless onerous	Applicable

The risk adjustment will be produced for each valuation period. To determine the risk adjustment for non-financial risk, the Company will use a confidence level technique which will be produced annually and will be disclosed in the annual financial statements.

(ix) Presentation and Disclosure

IFRS 17 will significantly change how insurance contracts and reinsurance contracts are presented and disclosed in the Company's financial statements.

28. Significant accounting policies (continued)

(u) New and amended standards and interpretations not yet effective (continued)

- **IFRS 17 *Insurance Contracts (continued)***

(ix) Presentation and Disclosure (continued)

Under IFRS 17, portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. All rights and obligations arising from a portfolio of contracts will be presented on a net basis; therefore, balances such as insurance receivables and payables and policyholder loans will no longer be presented separately. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) will also be presented in the same line item as the related portfolios of contracts.

Under IFRS 17, amounts recognised in the statement of profit or loss and OCI are disaggregated into (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses. Amounts from reinsurance contracts will be presented separately. The separate presentation of underwriting and financial results under IFRS 17 will provide added transparency about the sources of profits and quality of earnings.

The Company will disclose the quantitative and qualitative information of groups of life insurance contracts at the entity level.

IFRS 17 requires extensive new disclosures about amounts recognised in the financial statements, including detailed reconciliations of contracts, effects of newly recognised contracts and disclosures about significant judgments made when applying IFRS 17. There will also be expanded disclosures about the nature and extent of risks from insurance contracts and reinsurance contracts. Disclosures will generally be made at a more granular level than under IFRS 4, providing more transparent information for assessing the effects of contracts on the financial statements.

Insurance service result

For contracts not measured using the PAA, insurance revenue for each year represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. For contracts measured using the PAA, insurance revenue is recognised based on an allocation of expected premium receipts to each period of coverage, which is based on the passage of time for other contracts.

28. Significant accounting policies (continued)

(u) New and amended standards and interpretations not yet effective (continued)

- **IFRS 17 *Insurance Contracts (continued)***

(ix) Presentation and Disclosure (continued)

Expenses that relate directly to the fulfilment of contracts will be recognised in profit or loss as insurance service expenses, generally when they are incurred. Expenses that do not relate directly to the fulfilment of contracts will be presented outside the insurance service result.

(x) Transition

Changes in accounting policies resulting from the adoption of IFRS 17 will be applied using a full retrospective approach to the extent practicable, except as described below. Under the full retrospective approach, at January 1, 2022 the Company will:

- identify, recognize and measure each group of insurance contracts and reinsurance contracts as if IFRS 17 had always been applied;
- identify, recognize and measure any assets for insurance acquisition cash flows as if IFRS 17 had always been applied, except that they will not be tested for recoverability before January 1, 2022;
- derecognize previously reported balances that would not have existed if IFRS 17 had always been applied (including some deferred acquisition costs); and
- recognize any resulting net difference in equity.

The Company has determined that the full retrospective approach can be applied for contracts measured using PAA. This is because the contracts have short contract boundaries, such that data does not need to be retrieved from significantly far in the past. Therefore, the Company will apply the full retrospective approach for all contracts measured using the PAA.

For each group of contracts measured using the GMM, there is a choice between:

- Modified retrospective approach: Retrospective approach with a list of allowed simplifications (IFRS 17.C6-19).
- Fair value approach: Based on IFRS 13, which does not require retrospective data.

The Company considered the following when selecting an approach:

- The modified retrospective approach still requires retrospective data, which still brings into question the availability of data where simplications are not permitted, which introduces operational challenges, complexity and cost.

28. Significant accounting policies (continued)

(u) New and amended standards and interpretations not yet effective (continued)

- **IFRS 17 *Insurance Contracts (continued)***

  (x) Transition (continued)

  The Company considered the following when selecting an approach (continued):

  - The approach selected is likely to result in different levels of CSM at transition. This will impact both shareholders' equity at transition and the release of profit after transition. It is expected that the fair value approach would produce a more moderate CSM and no loss components compared to the modified retrospective approach.

  The Company has decided to use the fair value approach for transition for all contracts measured using the GMM.

- **Amendments to IAS 1, *Presentation of Financial Statements***, will apply retrospectively for annual reporting periods beginning on or after January 1, 2023. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

  Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

  With the amendments, convertible instruments may become current. In light of this, the amendments clarify how a company classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of the company's own equity instruments, these would affect its classification as current or non-current. It has now been clarified that a company can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

  The Company is assessing the impact that these amendments will have on its financial statements.

28. Significant accounting policies (continued)

(u) New and amended standards and interpretations not yet effective (continued)

- **Amendments to IAS 1,** ***Presentation of Financial Statements***, are effective for annual reporting periods beginning on or after January 1, 2023 and may be applied earlier. The amendments help companies provide useful accounting policy disclosures.

  The key amendments to IAS 1 include:

  - requiring companies to disclose their *material* accounting policies rather than their *significant* accounting policies;
  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

  The amendments are consistent with the refined definition of material:

  "Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements".

  The Company is assessing the impact that these amendments will have on its financial statements.

- **Amendments to IAS 8,** ***Accounting Policies, Changes in Accounting Estimates and Errors***, are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

  The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

  Developing an accounting estimate includes both:

  - selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9, *Financial Instruments*; and
  - choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

  The effects of changes in such inputs or measurement techniques are changes in accounting estimates.

29. Significant accounting policies (continued)

(u) New and amended standards and interpretations not yet effective (continued)

- **Amendments to IAS 8,** ***Accounting Policies, Changes in Accounting Estimates and Errors (continued)***

  The Company is assessing the impact that these amendments will have on its financial statements.

- **Amendments to IAS 12,** ***Income Taxes***, are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The amendments clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions.

  The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

  For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If a company previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

  For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

  The Company is assessing the impact that these amendments will have on its financial statements.

28. Commitment

Capital commitment:

As at December 31, 2021 and 2022, the Company had no commitment for capital expenditure.

29. Impact of COVID-19 and Russia/Ukraine war

The Jamaican economy continues to show resilience with strong recovery from the COVID-19 pandemic and the impact of the Russia/Ukraine war. External shocks have resulted in high inflation, tightening monetary policy geared towards curbing inflation and increased risk of a global recession. Inflation is above acceptable ranges and tighter monetary actions are expected to persist in most jurisdictions, leading to a slowdown in global economic activity, reduction in the fair value of some financial instruments and potentially impacting financial sector stability. The Government of Jamaica (GOJ) continues to be focused on recovery activities and the Bank of Jamaica has taken an aggressive monetary policy stance geared towards addressing the rising inflation concerns.

The JN Group continues to actively monitor and manage risks identified from the global macroeconomic environment due to the Russia/Ukraine war, other external shocks and potential financial market uncertainty or instability in the markets in which the Group operates.