JN LIFE INSURANCE COMPANY LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2021

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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 66 which comprise the statement of financial position as at December 31, 2021, 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, 2021, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) 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.

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R. Tarun Handa
Cynthia L. Lawrence
Rajan Trehan
Norman O. Rainford
Nigel R. Chambers
Nyssa A. Johnson
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Wilbert A. Spence
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INDEPENDENT AUDITORS' REPORT (CONTINUED)

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 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)

- 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 4, 2022

JN LIFE INSURANCE COMPANY LIMITED

Statement of Financial Position
December 31, 2021

	Notes	2021 $'000	2020 $'000
Assets			
Cash and cash equivalents	6,25(c)	42,759	61,039
Securities purchased under resale agreements	7	116,733	111,217
Investments	8	735,804	660,264
Due from related entities	9(a),25(c)	15,420	21,920
Other assets	10	99,375	83,263
Property, plant and equipment	11	15,512	20,810
Intangible asset	12	-	9,199
Right-of-use assets	13(a)	13,979	5,480
Reinsurance asset	16(a,c)	14,350	16,107
Deferred tax assets	14	4,050	-
Income tax recoverable		2,857	-
Total assets		1,060,839	989,299
Liabilities and equity			
Liabilities			
Due to related entities	9(b),25(c)	2,203	9,700
Lease liabilities	13(b)	14,911	6,181
Deferred tax liabilities	14	-	2,103
Other liabilities	15	81,730	73,641
Policyholders' liabilities	16(a),25(c)	289,113	251,987
Taxation payable		-	19,938
Total liabilities		387,957	363,550
Equity			
Share capital	17	1	1
Reserves	18	30,203	38,681
Retained earnings		642,678	587,067
Total equity		672,882	625,749
Total liabilities and equity		1,060,839	989,299

The financial statements on pages 5 to 66 were approved by the Board of Directors on April 4, 2022 and signed on its behalf by:

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

Director
Kay Osborne

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, 2021

	Notes	2021 $'000	2020 $'000
Income			
Gross premium income	25(d)	872,066	785,290
Insurance premium ceded to reinsurers		(111,993)	(108,558)
Net premium income		760,073	676,732
Policyholders' benefits and expenses			
Insurance benefits incurred	25(d)	(226,161)	(191,695)
Less reinsurance		62,295	28,390
Net insurance benefits incurred		(163,866)	(163,305)
Decrease in actuarial reserves	16(d)	1,294	13,674
		(162,572)	(149,631)
Premium income net of policyholders' benefits and expenses		597,501	527,101
Administrative expenses	19,25(d)	(483,090)	(382,510)
Fair value gains/(losses) on investments measured at fair value through profit or loss (FVTPL)		83	(4,639)
Other income	25(d)	22,028	10,723
Expected credit loss adjustment on financial assets	22(b)(v)	43	3,644
Profit before net finance income and taxation		136,565	154,319
Net finance income			
Interest income calculated using the effective interest method			
- Investments measured at fair value through other comprehensive income (FVOCI)		26,908	22,218
- Investments measured at amortised cost		8,945	10,617
- Staff loans measured at amortised cost		852	657
Interest expense on lease liabilities	13(b),25(d)	(996)	(755)
Foreign exchange gains		5,263	4,377
Total net finance income		40,972	37,114
Profit before taxation		177,537	191,433
Taxation	21(a)	(46,926)	(51,086)
Profit for the year		130,611	140,347
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	(11,114)	(7,993)
Deferred tax on FVOCI instruments	14	2,636	973
		(8,478)	(7,020)
Total comprehensive income for the year		122,133	133,327

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, 2021

	Share capital $'000 (note 17)	Reserves $'000 (note 18)	Retained earnings $'000	Total $'000
Balances at December 31, 2019	1	45,701	471,720	517,422
Total comprehensive income:				
Profit for the year	-	-	140,347	140,347
Other comprehensive loss:				
Change in fair value of debt instruments measured at FVOCI, net of deferred tax	-	(7,020)	-	(7,020)
Total comprehensive income	-	(7,020)	140,347	133,327
Transactions with owner:				
Dividends (note 26)	-	-	(25,000)	(25,000)
Change for the year	-	(7,020)	115,347	108,327
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:				
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

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

JN LIFE INSURANCE COMPANY LIMITED

Statement of Cash Flows
Year ended December 31, 2021

	Notes	2021 $'000	2020 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		130,611	140,347
Adjustments to reconcile profit for the year to net cash provided by operating activities:			
(Decrease)/increase in policyholders' liabilities -actuarial changes	16(b)(i)	(3,051)	2,433
Impairment on staff loans		(384)	90
Impairment on investments and resale agreements		341	(3,734)
Depreciation on property, plant and equipment	11	8,922	9,330
Depreciation on right-of-use assets	13(a)	7,065	6,323
Fair value (gains)/losses		(83)	4,639
Finance income		(36,705)	(33,492)
Interest expense on lease liabilities	13(b)	996	755
Amortisation of intangible asset	12	9,199	28,148
Reinsurance asset	16	1,757	(16,107)
Current income tax expense	21(a)(i)	50,443	55,052
Deferred taxation	21(a)(ii)	(3,517)	(3,966)
		165,594	189,818
Change in operating assets and liabilities:			
Other assets	10	(15,344)	(18,959)
Due from related entities		6,500	(16,942)
Other liabilities		8,089	20,503
Policyholders' liabilities - claims payable	16(b)(ii)	40,177	(25,098)
Due to related entities		(7,497)	7,507
Cash generated from operations		197,519	156,829
Interest received		36,321	32,493
Income tax paid		(73,238)	(20,571)
Net cash provided by operating activities		160,602	168,751
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments		(86,003)	(96,462)
Securities purchased under resale agreements		(6,425)	(14,388)
Acquisition of property, plant and equipment	11	(3,624)	(740)
Net cash used in investing activities		(96,052)	(111,590)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities	13(b)	(7,830)	(7,155)
Dividend paid to parent	26	(75,000)	(25,000)
Net cash used in financing activities		(82,830)	(32,155)
Net (decrease)/increase in cash and cash equivalents		(18,280)	25,006
Cash and cash equivalents at beginning of year		61,039	36,033
Cash and cash equivalents at end of year		42,759	61,039

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

1. The Company

JN Life Insurance Company Limited ("the Company") is incorporated in Jamaica as a wholly-owned subsidiary of JN Financial Group ("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.

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 and amended standards and amendments, which were in issue, came into effect during the year. These did not have an impact on the financial statements.

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)].

(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.

It is reasonably probable, based on existing knowledge, that outcomes within the next financial year that are different from these assumptions could require a material adjustment to the carrying amount reflected in the financial statements.

5. Responsibilities of the appointed actuary and external auditors

Sylvain Goulet of Eckler Limited 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 shareholders.

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 his work and opinion. An actuarial valuation is prepared annually.

5. Responsibilities of the appointed actuary and external auditors (continued)

The external auditors have been appointed by the shareholders, 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 his 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

	2021 $'000	2020 $'000
Certificates of deposit	16,042	40,651
Bank balances	26,757	20,495
	42,799	61,146
Less: impairment allowance on certificates of deposit	(40)	(107)
	42,759	61,039

7. Securities purchased under resale agreements

At December 31, 2021 and 2020, collateral held for securities purchased under resale agreements had a fair value of $117,045,000 (2020: $134,872,000).

These collateralised resale agreements are due within three months from the reporting date. The balance is shown net of expected credit losses of $312,000 (2020: $2,000).

8. Investments

	2021 $'000	2020 $'000
Amortised cost		
Bank of Jamaica Certificates of Deposit	21,496	104,910
Corporate bonds	138,870	128,121
Treasury bills	134,491	-
	294,857	233,031
Fair value through other comprehensive income		
Corporate bond	18,041	17,537
Government of Jamaica (GOJ) benchmark investment notes	372,926	368,630
	390,967	386,167
Fair value through profit or loss		
Quoted equities	31,506	22,787
Mutual funds	20,724	19,862
	52,230	42,649
	738,054	661,847
Less: impairment allowance on investments at amortised cost	(2,250)	(1,583)
	735,804	660,264

JN LIFE INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2021

8. Investments (continued)

	2021 $'000	2020 $'000
Maturity profile:		
No specific maturity	52,230	42,649
Within 3 months	174,751	85,000
3 months to 1 year	55,158	97,000
1 to 5 years	351,682	266,198
5 to 10 years	30,000	93,430
More than 10 years	74,233	77,570
	738,054	661,847

Investments include $100,845,000 (2020: $105,630,000) 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.

	2021 $'000	2020 $'000
(a) Due from related entities:		
Due from ultimate parent	1,483	786
Due from fellow subsidiaries	13,937	21,134
	15,420	21,920
(b) Due to related entities:		
Due to ultimate parent	826	3,238
Due to fellow subsidiaries	1,377	6,462
	2,203	9,700

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

	2021 $'000	2020 $'000
Due from reinsurers	16,176	-
Premiums receivable	30,401	26,222
Interest receivable	9,903	10,518
Other receivables	43,005	47,016
	99,485	83,756
Less: impairment allowance	(110)	(493)
	99,375	83,263

11. Property, plant and equipment

	Computers	Motor vehicles	Leasehold improvements	Furniture, fixtures & fittings	Total
	$'000	$'000	$'000	$'000	$'000
Cost:					
December 31, 2019	4,630	25,013	7,769	10,984	48,396
Additions	-	-	-	740	740
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
Depreciation:					
December 31, 2019	1,852	10,355	3,463	3,326	18,996
Charge for the year	1,336	5,003	1,836	1,155	9,330
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
Net book values:					
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
December 31, 2019	2,778	14,658	4,306	7,658	29,400

12. Intangible asset

	Computer software
	$'000
Cost:	
December 31, 2019, 2020 and 2021	89,473
Amortisation:	
December 31, 2019	52,126
Charge for the year	28,148
December 31, 2020	80,274
Charge for the year	9,199
December 31, 2021	89,473
Net book values:	
December 31, 2021	-
December 31, 2020	9,199
December 31, 2019	37,347

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, 2019 and 2020	18,077
Additions	15,564
December 31, 2021	33,641
Depreciation:	
December 31, 2019	6,274
Charge for the year	6,323
December 31, 2020	12,597
Charge for the year	7,065
December 31, 2021	19,662
Net book values:	
December 31, 2021	13,979
December 31, 2020	5,480
December 31, 2019	11,803

(b) Lease liabilities

	2021 $'000	2020 $'000
Lease liabilities included in the statement of financial position	14,911	6,181
Lease liabilities are classified as follows:		
Current	7,182	4,299
Non-current	7,729	1,882
	14,911	6,181
Maturity analysis of contractual undiscounted cash flows:		
Less than one year	8,079	4,557
One to three years	8,352	2,989
	16,431	7,546
Amounts recognised in profit or loss		
Interest expense on lease liabilities	996	755
Depreciation on right-of-use assets	7,065	6,323
Amount recognised in the statement of cash flows		
Total cash outflow for leases	7,830	7,155

JN LIFE INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2021

14. Deferred tax assets/(liabilities)

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

	2021 $'000	2020 $'000
Property, plant and equipment	1,154	225
Intangible asset	17,368	16,815
Right-of-use assets	(3,495)	(1,370)
Lease liabilities	3,728	1,545
Interest receivable	(2,476)	(2,629)
Expected credit losses	(85)	(911)
Other liabilities	3,171	579
Unrealised losses on fair value movements	(13,076)	(15,691)
Unrealised foreign exchange losses	(2,239)	(666)
	4,050	(2,103)

Movement in temporary differences during the year:

	January 1, 2020 $'000	Recognised in profit/loss $'000 [note 21(a)(ii)]	Recognised in other comprehensive income $'000	December 31, 2020 $'000	Recognised in profit/loss $'000 [note 21(a)(ii)]	Recognised in other comprehensive income $'000	December 31, 2021 $'000
Property, plant and equipment	(1,062)	1,287	-	225	929	-	1,154
Intangible asset	12,988	3,827	-	16,815	553	-	17,368
Right-of-use assets	(2,950)	1,580	-	(1,370)	(2,125)	-	(3,495)
Lease liabilities	3,145	(1,600)	-	1,545	2,183	-	3,728
Interest receivable	(2,380)	(249)	-	(2,629)	153	-	(2,476)
Expected credit losses	(161)	(750)	-	(911)	826	-	(85)
Other liabilities	163	416	-	579	2,592	-	3,171
Unrealised gains/(losses) on fair value movements	(16,831)	167	973	(15,691)	(21)	2,636	(13,076)
Unrealised foreign exchange (losses)/gains	46	(712)	-	(666)	(1,573)	-	(2,239)
	(7,042)	3,966	973	(2,103)	3,517	2,636	4,050

15. Other liabilities

	2021 $'000	2020 $'000
Due to reinsurers	-	16,138
Other payables and accruals*	81,730	57,503
	81,730	73,641

* Included in other payables and accruals is $4,752,000 (2020: 4,000,000) for JN Foundation.

16. Policyholders' liabilities

(a) Policyholders' liabilities consist of:

	2021 $'000	2020 $'000
Gross actuarial liabilities [see (b) (i) below]	197,991	201,042
Benefit claims payable [see (b) (ii) below]	91,122	50,945
	289,113	251,987
Reinsurance asset [see (c) below]	(14,350)	(16,107)

(b) Change in policyholders' liabilities:

	2021 $'000	2020 $'000
(i) Actuarial liabilities:		
At the beginning of the year	201,042	198,609
Normal changes in liabilities	(3,051)	2,433
At the end of the year	197,991	201,042
(ii) Benefit claims payable:		
At the beginning of the year	50,945	76,043
Increase/(decrease) in claims payable	40,177	(25,098)
At the end of the year	91,122	50,945

(c) Reinsurance asset of $14,350,000 (2020: $16,107,000) comprises actuarial reserves ceded.

(d) Movement in actuarial reserves of $1,294,000 (2020: $13,674,000) represent 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, 2021. An additional reserve for an Incurred but Not Reported Reserve (IBNR) is computed for this portfolio. This amount was determined by reviewing the claims reported in 2013 to 2021 that were incurred prior in 2012 to 2020, 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	
	2021	2020
	$'000	$'000
Policy related assumptions		
1% decrease in interest rates	33,390	31,891
10% increase in future mortality rates	21,597	14,977
10% increase in future morbidity rates	21,212	18,935
10% decrease in future lapse rates	2,907	6,800
10% increase in future expense level	9,042	6,890

17. Share capital

	2021	2020
	$'000	$'000
Authorised and stated capital, issued and fully paid:		
1,000 ordinary shares at no par value	1	1

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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

	2021 $'000	2020 $'000
Staff related costs (note 20)	135,544	117,208
Legal and professional fees	211,214	125,671
Directors remuneration [note 25(e)]	6,250	6,500
Marketing	14,531	14,719
Repair and maintenance costs	24,649	21,130
Depreciation and amortisation	18,121	37,478
Depreciation on right-of-use assets [note 13(a)]	7,065	6,323
Travelling and subsistence	419	-
Audit fees	8,217	7,161
Policy medicals	4,236	2,853
Contribution to JN Foundation [note 25(d)]	5,664	3,639
Registration and insurance fees	2,584	2,005
Commission and administration fees	29,451	26,175
Utilities	4,395	3,513
Stationery and printing	3,115	1,081
Meeting expenses	559	508
Declaration of assets fee	900	704
Postage and courier	1,179	617
Training and conference	661	688
Other expenses	4,336	4,537
Total administrative expenses	483,090	382,510

20. Staff related costs

	2021 $'000	2020 $'000
Salaries	83,580	72,548
Staff incentives	22,586	19,485
Statutory contributions	13,179	9,990
Pension cost (note 27)	3,739	3,690
Other staff benefits	12,460	11,495
	135,544	117,208

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Notes to the Financial Statements (Continued)
December 31, 2021

21. Taxation

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

	2021 $'000	2020 $'000
(i) Current income tax expense:		
Provision for charge on current year's profit	50,443	55,884
Prior year's over provision	-	(832)
	50,443	55,052
(ii) Deferred taxation:		
Origination and reversal of temporary differences (note 14)	(3,517)	(3,966)
Total taxation recognised in profit or loss	46,926	51,086

(b) Reconciliation of effective tax charge

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

	2021 $'000	2020 $'000
Profit before tax [see note 21(c)]	177,537	191,433
Computed "expected" tax charge @ 25%	44,384	47,831
Computed "expected" tax charge @ 15%	148	17
Tax effect of difference between profit for financial statements and tax reporting purposes on –		
Depreciation and capital allowances	(210)	3,114
Disallowed/(allowed) expenses	2,194	(37)
Unrealised gains	410	993
	46,926	51,918
Prior year's over provision	-	(832)
Actual tax charge	46,926	51,086

(c) The effective tax rate for 2021 was 26.43% (2020: 26.69%).

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

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.

22. Financial risk management (continued)

(a) Overview (continued)

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.

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 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.

22. Financial risk management (continued)

(b) Credit risk (continued)

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).

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 related to related party balances, which are held with connected parties which 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:

	2021 Stage 1 12-month ECL $'000	2020 Stage 1 12-month ECL $'000
Credit grade		
Non-investment grade	390,967	386,167
Less: loss allowance [see note 22(b)(v)]	1,354	1,924

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:

	2021	2020		
	Stage 1 12- month ECL	Stage 1 12- month ECL	Stage 3 Lifetime ECL	Total
	$'000	$'000	$'000	$'000
Credit grade				
Non-investment grade	433,493	420,551	1,707	422,258
Loss allowance [see note 22(b)(v)]	(2,712)	(1,801)	(384)	(2,185)
	430,781	418,750	1,323	420,073

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

	2021	2020
	$'000	$'000
Mutual funds	20,724	19,862
Quoted equities	31,506	22,787
	52,230	42,649

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 25 rating levels for instruments not in default (1 to 25) and five default classes (26 to 30). 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:

Company rating	**PD range as percentage**	**S & P**	**Moody’s**	**Description of the grade**
1	0	AAA	Aaa	Investment grade
2	0 - 0.02			
3	0.02 - 0.03	AA+	Aa1	
4	0.03 - 0.05	AA, AA-	Aa2, Aa1	
5	0.05 - 0.08	A+, A	A1, A2	
6	0.08 - 0.13	A-	A3	
7	0.13 - 0.21	BBB+	Baa1	
8	0.21 - 0.31	BBB	Baa2	
9	0.31 - 0.47			
10	0.47 - 0.68	BBB-	Baa3	
11	0.68 - 0.96	BB+	Ba1	Non-investment (Speculative) grade
12	0.96 - 1.34	BB	Ba2	
13	1.34 - 1.81			
14	1.81 - 2.4	BB-	Ba3	

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Notes to the Financial Statements (Continued)
December 31, 2021

22. Financial risk management (continued)

(b) Credit risk (continued)

A. Impairment (continued)

A.2 Credit risk measurement (continued):

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

Company rating	PD range as percentage	S & P	Moody's	Description of the grade
15	2.4 - 3.1	B+	B1	Non-investment (Speculative) grade
16	3.1 - 3.9			
17	3.9 - 4.86	B	B2	
18	4.86 - 6.04			
19	6.04 - 7.52			
20	7.52 - 9.35	B-	B3	
21	9.35 - 11.64			
22	11.64 - 14.48	CCC+	Caa1	Non-investment (Speculative) grade
23	14.48 - 18.01			
24	18.01 - 22.41	CCC to CC-	Caa2 to Ca	
25	22.41 - 99.99			
26	Imminent insolvency	C, D-I, D-II	C to D	Speculative grade
27	Restructuring			
28	Restructuring with recapitalisation/ partial waiving of claims			
29	Cancellation without insolvency			
30	Insolvency			

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Notes to the Financial Statements (Continued)
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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 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, 2021.

(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, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's 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.

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.

In 2020, as a result of COVID-19, management utilised an overlay approach in respect of the computation of the ECL for the investment portfolio to take into account the potential impact of the pandemic on the macroeconomic indicators. In order to inform the forward-looking component of the ECL, macroeconomic variables, which are statistically significant and most correlated with the investment default rates, were selected, i.e., interest rates, real GDP growth rate and the inflation rate. The weighting for each variable was applied based on its ability to reflect the projected economic changes resulting from the pandemic (note 30).

(v) Loss allowance

- Debt instruments at FVOCI:

	2021	2020
	Stage 1 12-month ECL	Stage 1 12-month ECL
	$'000	$'000
Balance as at January 1	1,924	6,026
Net remeasurement of loss allowance*	(570)	(4,102)
Balance as at December 31	1,354	1,924

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December 31, 2021

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)

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

	2021			2020		
	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	1,801	384	2,185	1,343	384	1,727
Net remeasurement of loss allowance*	911	(384)	527	458	-	458
Balance as at December 31	2,712	-	2,712	1,801	384	2,185

* Net movement of $43,000 (2020: $3,644,000)

There was no change in the nature of the Company's exposure to credit risk; however, there were changes to 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;

22. Financial risk management (continued)

(c) Liquidity risk (continued)

Management of liquidity risk (continued)

- 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.

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.

22. Financial risk management (continued)

(d) Market risk (continued)

Management of market risk (continued)

(i) Foreign currency risk (continued)

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). 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	
	2021 $'000	2020 $'000	2021 $	2020 $
USD	135	133	153.92	141.71
GBP	2	-	209.12	190.31
CAD	3	-	122.29	108.77

An 8% (2020: 6%) 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 2% (2020: 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.

	2021		2020	
	8% Weakening $'000	2% Strengthening $'000	6% Weakening $'000	2% Strengthening $'000
USD	1,662	(416)	1,131	(377)
GBP	33	(8)	-	-
CAD	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.

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.

	2021					
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 1 year	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Assets						
Cash and cash equivalents	14,505	16,002	-	-	12,252	42,759
Securities purchased under resale agreements	-	116,733	-	-	-	116,733
Investments	-	174,751	55,158	453,665	52,230	735,804
Due from related entities	-	-	-	-	15,420	15,420
Reinsurance asset	-	-	-	-	14,350	14,350
Other assets	-	-	-	-	99,375	99,375
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	-

JN LIFE INSURANCE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2021

22. Financial risk management (continued)

(d) Market risk (continued)

Management of market risk (continued)

(ii) Interest rate risk (continued)

	2020					
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 1 year	Non-rate sensitive	Total
Assets						
Cash and cash equivalents	17,328	40,544	-	-	3,167	61,039
Securities purchased under resale agreements	-	111,217	-	-	-	111,217
Investments	-	85,000	97,000	435,615	42,649	660,264
Due from related entities	-	-	-	-	21,920	21,920
Reinsurance asset	-	-	-	-	16,107	16,107
Other assets	-	-	-	-	83,263	83,263
Total financial assets	17,328	236,761	97,000	435,615	167,106	953,810
Liabilities						
Due to related entities	-	-	-	-	9,700	9,700
Lease liabilities	-	-	-	-	6,181	6,181
Other liabilities	-	-	-	-	73,641	73,641
Policyholders' liabilities	-	-	-	-	251,987	251,987
Total financial liabilities	-	-	-	-	341,509	341,509
On-statement of financial position gap, being total interest rate sensitivity gap	17,328	236,761	97,000	435,615	(174,403)	612,301
Cumulative gap	17,328	254,089	351,089	786,704	612,301	-

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:

	2021		2020	
	Increase in interest rate	Decrease in interest rate	Increase in interest rate	Decrease in interest rate
J$ denominated instruments	100 basis points	100 basis points	100 basis points	100 basis points
US$ denominated instruments	100 basis points	100 basis points	100 basis points	100 basis points

22. Financial risk management (continued)

(d) Market risk (continued)

Management of market risk (continued)

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(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):

	2021		2020	
	Increase $'000	Decrease $'000	Increase $'000	Decrease $'000
J$ denominated instruments	(10,896)	17,265	(12,450)	14,074
US$ denominated instruments	(432)	446	(574)	598

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.

	2021 Effect on profit or loss		2020 Effect on profit or loss	
	Increase $'000	Decrease $'000	Increase $'000	Decrease $'000
Variable rate instruments	700	(700)	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 5% (2020: 5%) increase in the market price at the reporting date would result in an increase in profit for the Company of $1,575,300 (2020: $1,139,000). A 5% (2020: 10%) decrease in the market price at the reporting date would result in a decrease in profit for the Company of $1,575,300 (2020: $2,278,000).

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:

	2021	2020
	$'000	$'000
Regulatory capital held	625,362	602,963
Minimum regulatory capital	201,902	178,959
MCCSR Ratio	309.7%	336.9%

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.

	2021			
	Carrying amount	Fair value		
	Fair values	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

23. Fair value of financial instruments (continued)

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

	2020			
	Carrying amount	Fair value		
	Fair values	Level 1	Level 2	Total
	$'000	$'000	$'000	$'000
Financial assets measured at fair value:				
Government bonds	386,167	-	386,167	386,167
Quoted equities	22,787	22,787	-	22,787
Mutual funds	19,862	-	19,862	19,862
	428,816	22,787	406,029	428,816

No items were transferred from one level to another.

(b) Valuation technique

The valuation techniques used in measuring fair value in the 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

24. Insurance risk management (continued)

(d) Reinsurance limits (continued)

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

	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

	2020		
Band $'000	Total amount $'000	Total amount reinsured $'000	Total amount retained $'000
0 - 1,000	7,533	698	6,835
1,000 - 2,000	7,187	1,378	5,809
2,000 - 5,000	23,993	2,630	21,363
5,000 - 10,000	35,389	5,815	29,574
10,000 and over	32,266	17,012	15,254
	106,368	27,533	78,835

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:

	2021	2020
	$'000	$'000
Fellow subsidiaries:		
Cash and cash equivalents	15,505	17,353
Policyholders' liabilities	8,293	34,033
Other related entity:		
Contribution to JN Foundation	4,752	4,000

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:

	2021 $'000	2020 $'000
Ultimate parent company:		
Management fees	(76,747)	(54,387)
Other fees	(14,688)	(11,625)
Gross premium income	11,453	7,930
Parent company:		
Management fees	(12,466)	(12,626)
Gross premium income	1,326	2,049
Fellow subsidiaries:		
Management Fees	(2,860)	(7,189)
Gross premium income	660,238	590,995
Interest income	17	-
Insurance benefits incurred	(190,301)	(149,136)
Advertising and subscription	(7,548)	(10,424)
Service fees	(699)	-
Fleet management fees and associated services	(787)	(648)
Insurance	(1,294)	(1,475)
Maintenance expense	(7,180)	(7,180)
Due to related entities:		
Gross premium income	707	163
Contribution to JN Foundation (note 19)	(5,664)	(3,639)

(e) Transactions with key management personnel:

	2021 $'000	2020 $'000
Gross premium income	nil	nil
Directors remuneration (note 19)	6,250	6,500
Key management compensation	14,811	19,400

26. Dividends

Interim dividends of $75,000 (2020: $25,000) per share, amounting to $75,000,000 (2020: $25,000,000) 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 $3,739,000 (2020: $3,690,000).

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. Realised and unrealised gains and losses arising from fluctuations in exchange rates are included in profit or loss. 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.

(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:

- Amendments to IAS 37, *Provisions*, C*ontingent Liabilities and Contingent Assets,* is effective for annual periods beginning on or after January 1, 2022 and clarifies those costs that comprise the costs of fulfilling the contract.

  The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. This clarification will require entities that apply the 'incremental cost' approach to recognise bigger and potentially more provisions. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

- Amendments to IAS 16, *Property, Plant and Equipment,* effective for annual periods beginning on or after January 1, 2022, will mainly affect extractive and petrochemical industries and include the following guidance.

  In the process of making an item of property, plant and equipment (PPE) available for its intended use, a company may produce and sell items – e.g. minerals extracted in the process of constructing an underground mine or oil and gas from testing wells before starting production. It provides guidance on the accounting for such sale proceeds and the related production costs.

  Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2, *Inventories,* should be applied in identifying and measuring these production costs.

  Companies will therefore need to distinguish between costs associated with producing and selling items before the item of PPE is available for use, and costs associated with making the item of PPE available for its intended use. Making this allocation of costs may require significant estimation and judgment. Companies in the extractive industry may need to monitor costs at a more granular level.

  The amendments also clarify that testing whether an item of PPE is functioning properly means assessing its technical and physical performance rather than assessing its financial performance – e.g. assessing whether the PPE has achieved a certain level of operating margin.

28. Significant accounting policies (continued)

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

- Amendments to IAS 16, *Property, Plant and Equipment* (continued)

  For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognised in profit or loss, and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

- Annual Improvements to IFRS 2018-2020 cycle contain amendments to IFRS 1, *First-time Adoption of International Financial Reporting Standards*, IFRS *9, Financial Instruments,* IFRS 16, *Leases*, IAS 41, *Agriculture*, and are effective for annual reporting periods beginning on or after January 1, 2022.

  (i) IFRS 9, *Financial Instruments,* amendment clarifies that – for the purpose of performing the '10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  (ii) IFRS 16, *Leases*, amendment removes the illustration of payments from the lessor relating to leasehold improvements.

  (iii) The amendments to IAS 41, *Agriculture,* remove the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13, *Fair Value Measurement*.

- IFRS 17, *Insurance Contracts*, effective for annual reporting periods beginning on or after January 1, 2023, replaces IFRS 4, *Insurance Contracts,* and provides three models to apply to all insurance contracts: the general model, the variable fee approach and the premium allocation approach.

  The key principles in IFRS 17 are that an entity:

  - Identifies insurance contracts as those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

  - Separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts.

28. Significant accounting policies (continued)

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

- IFRS 17, *Insurance Contracts* (continued)

  The key principles in IFRS 17 are that an entity (continued):

  - Recognises and measures groups of insurance contracts at:

    a) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset)

    b) an amount representing the unearned profit in the group of contracts (the contractual service margin).

  - Recognises the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group contract is or becomes loss making, an entity recognizes the loss immediately.

  - Presents separately insurance revenue (that excludes the receipt of repayment of any investment components) and insurance finance income or expenses;

  - Includes an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts where the coverage period is less than a year or where there are no significant expected changes in estimates before the claims are incurred.

  Many of the disclosures of IFRS 4 are kept in IFRS 17. The general model requires disclosure and reconciliation of the expected present value of future cash flows, risk adjustment and contractual service margin. No reconciliation is required under the variable fee approach.

- Amendments to IFRS 17, *Insurance Contracts,* effective for annual reporting periods beginning on or after January 1, 2023, provides for the following amendments to the standard:

  - Most companies that issue credit cards and similar products that provide insurance coverage will be able to continue with their existing accounting, unless the insurance coverage is a contractual feature, easing implementation for non-insurers.

  - For loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract, companies that issue such loans have an option to apply IFRS 9 or IFRS 17, reducing the impact of IFRS 17 for non-insurers.

28. Significant accounting policies (continued)

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

- Amendments to IFRS 17, *Insurance Contracts* (continued)

  - In measuring the contractual service margins; companies will choose to apply either a 'period-to-period' or 'year-to-date' approach, allowing greater opportunity for consistency with current practice and for subsidiaries to align reporting with their parent. Revenue and profit emergence will better reflect performance of the wide range of insurance products and the services they provide to customers. Allocating insurance acquisition cash flows to future renewal groups reduces the risk of groups becoming onerous solely from acquisition expenses paid relating to future renewals. The allocation is revised at each reporting period to reflect any changes in assumptions that determine the inputs to the method of allocation used, until all contracts have been added to the group. Companies need to assess each period the recoverability of insurance acquisition cash flows usually on a more granular level than applied today.

  - Upon transition, companies may be able to account for acquired contracts before the transition date as liabilities for incurred claims. In many cases, companies will be required to identify and recognise an asset for insurance acquisition cash flows incurred prior to transition. Companies are not required to perform a recoverability assessment for periods prior to transition.

  - In accounting for direct participating contracts risk mitigation option expanded to non-derivative assets at FVTPL and reinsurance contracts held and extended to provide relief prospectively from the transition date. If a company meets the risk mitigation option criteria before transition, it can now apply the fair value approach to the related contracts at transition. Companies applying both OCI and risk mitigation options together will be able to achieve better matching in the income statement.

  - For reinsurance contracts, companies will be able to offset losses on initial recognition of direct insurance contracts based on a prescribed formula if they are covered by reinsurance contracts held, reducing accounting mismatches.

  - There is relief for companies to present (re)insurance contract assets and liabilities at a portfolio level, instead of group level in the statement of financial position and income taxes specifically charged to policyholders may now be included in fulfilment cash flows, better reflecting local practice in certain jurisdictions.

28. Significant accounting policies (continued)

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

- 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.

- Amendments to IFRS 16, *Leases,* are effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted. The amendments extend the practical expedient by 12 months – i.e. allowing lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022.

  The 2021 amendments are applied retrospectively with the cumulative effect of initially applying them being recognised in opening retained earnings. The disclosure requirements of Paragraph 28(f) of IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors,* do not apply on initial application.

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".

- 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.

28. Significant accounting policies (continued)

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

- 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.

29. Impact of COVID-19

As a result of the COVID-19 pandemic, the Company continues to be exposed to varying levels of credit risk, liquidity risk, foreign currency risk and price risk, the most significant exposures relating to credit risk. The nature and extent of the impact on the Company's financial position, operating results and cash flows continue to evolve, and as such, the Company continues to actively monitor and manage the identified risks through its executive management and Group level COVID-19 committees supported by the ultimate parent.

In sustained response to specific financial risks identified, the Company continues to employ several measures including robust monitoring with ongoing discussions at senior management meetings, fostered by a solution driven environment and improved communication across departments. Management continues to follow the various government policies and advice and continues its operations in the best and safest way possible without jeopardizing the health of its employees and customers.