ISLAND HERITAGE INSURANCE COMPANY, LTD.
(Incorporated in the Cayman Islands)

Consolidated financial statements

31 December 2020

Independent auditor's report

To the Board of Directors of Island Heritage Insurance Company, Ltd.

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Island Heritage Insurance Company, Ltd. (the Company) and its subsidiaries (together 'the Group') as at 31 December 2020, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

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

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

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

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

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Auditor’s responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Other matter

This report, including the opinion, has been prepared for and only for the Company in accordance with the terms of our engagement letter and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

1 April 2021

ISLAND HERITAGE INSURANCE COMPANY, LTD.
Consolidated Statement of Financial Position
As at 31 December 2020
(in thousands of United States dollars)

	Notes	2020 $	2019 $
Assets			
Cash and cash equivalents	6	30,692	56,615
Regulatory assets	7	20,412	20,617
Investments	8	25,298	23,430
Insurance receivables and other assets	9	35,411	76,953
Deferred policy acquisition costs	10	9,564	9,900
Reinsurance assets	11	93,006	496,520
Tax receivable	13	1,116	1,114
Deferred tax asset	13	376	752
Property and equipment	12	8,622	8,916
Intangible assets	14	-	14
Total assets		**224,497**	**694,831**
Liabilities			
Other liabilities	15	49,268	123,144
Due to affiliates	20	2,308	508
Insurance contract liabilities	16	117,934	519,126
Total liabilities		**169,510**	**642,778**
Equity			
Share capital	17	321	321
Contributed surplus	17	40,714	40,367
Retained earnings		13,952	11,365
Total shareholder's equity		**54,987**	**52,053**
Total liabilities and equity		**224,497**	**694,831**

Approved by the Board of Directors on April 1, 2021

The accompanying notes are an integral part of these consolidated financial statements.

ISLAND HERITAGE INSURANCE COMPANY, LTD.
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2020
(in thousands of United States dollars)

	Notes	2020 $	2019 $
INCOME			
Gross premiums written		142,028	151,205
Reinsurance ceded		(115,322)	(125,888)
Net premiums written		**26,706**	**25,317**
Net change in unearned premiums	16	(1,909)	(2,727)
Net premiums earned		**24,797**	**22,590**
Investment income	8	2,102	4,115
Commission and other income		18,355	19,417
Rental income		27	27
Total income		**45,281**	**46,149**
EXPENSES			
Insurance contracts benefits and expenses			
Short term claim and adjustment expenses	18	5,025	10,803
Commission and acquisition expense	10	23,812	22,891
Operating expenses	19	12,951	10,792
Amortisation expense	12 & 14	370	617
Total benefits and expenses		**42,158**	**45,103**
Income before income taxes		**3,123**	**1,046**
Income taxes	13	(536)	(133)
Net profit for the year		**2,587**	**913**

The accompanying notes are an integral part of these consolidated financial statements.

ISLAND HERITAGE INSURANCE COMPANY, LTD.
Consolidated Statement of Changes in Equity
For the year ended 31 December 2020
(in thousands of United States dollars)

	Notes	2020 $	2019 $
Share capital – beginning and end of year	17	**321**	**321**
Contributed surplus			
Balance – beginning of year		40,367	40,076
Share grants issued under equity incentive plan		347	291
Contributed surplus – end of year	17	**40,714**	**40,367**
Retained earnings			
Balance - beginning of year		11,365	10,452
Net profit for the year		2,587	913
Retained earnings – end of year		**13,952**	**11,365**
Total shareholder's equity		**54,987**	**52,053**

The accompanying notes are an integral part of these consolidated financial statements.

ISLAND HERITAGE INSURANCE COMPANY, LTD.
Consolidated Statement of Cash Flows
For the year ended 31 December 2020
(in thousands of United States dollars)

	Notes	2020 $	2019 $
Cash flows from operating activities			
Income before income taxes		3,123	1,046
Adjustments for:			
Investment loss/(income)		51	(13)
Net realised gain on investments		(437)	(216)
Changes in fair value of regulatory assets		613	(717)
Change in fair value of investments		(1,265)	(1,490)
Amortisation of property and equipment	12	349	510
Amortisation of intangible assets	14	14	72
Compensation expense related to shares and options		347	291
Adjustment for right-of-use asset	12	260	-
Adjustment for change in accounting policy	12	-	(711)
Changes in assets and liabilities:			
Insurance receivables and other assets		41,542	(48,467)
Due to affiliates *		1,800	(200)
Deferred policy acquisition costs		336	(2,280)
Reinsurance assets		403,514	(388,493)
Insurance contract liabilities		(401,192)	391,748
Other liabilities		(73,840)	55,838
Cash (used)/generated from operations		**(24,785)**	**6,918**
Income taxes paid		(162)	(135)
Net cash (used)/generated from operating activities		**(24,947)**	**6,783**
Cash flows from investing activities			
Purchase of regulatory assets		-	(3,062)
Purchase of investments		(7,701)	(11,697)
Cash movement in regulatory assets		(946)	2,326
Proceeds from sales of regulatory assets		538	-
Proceeds from sales of investments		7,485	10,998
Acquisition of property and equipment	12	(315)	(240)
Net cash used for investing activities		**(939)**	**(1,675)**
Cash flows from financing activities			
Principal elements of lease payments		(37)	(56)
Net cash used for financing activities		**(37)**	**(56)**
(Decrease)/Increase in cash and cash equivalents		**(25,923)**	**5,052**
Cash and cash equivalents - beginning of year	6	56,615	51,563
Cash and cash equivalents - end of year	6	**30,692**	**56,615**

*Refer to Note 20 for the non-cash portion in this balance.

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF THE GROUP AND ITS BUSINESS

Island Heritage Insurance Company, Ltd. (the "Group" or "IHIC") was incorporated pursuant to the Companies Act of the Cayman Islands on January 4, 1996 as an ordinary company with limited liability. A change of direct ownership occurred during 2016, with the merger of Island Heritage Holdings Limited ("IHHL"), into BF&M General Insurance Company Limited ("BF&M General") with BF&M General being the surviving entity effective July 24, 2016 and therefore the immediate parent of the Company. BF&M General is a wholly owned subsidiary of BF&M Limited ("BF&M"), the ultimate parent, a Bermuda domiciled insurer. BF&M Limited had originally acquired 100% of the IHHL on March 30, 2012.

The Group's principal business is property, motor and casualty insurance. It determines and charges a premium to policyholders which, taken as a pool with all other policyholders, is expected to cover underwriting costs and claims which may take a number of years to settle. The business risks of insurance reside in determining the premium, settlement of claims, estimation of claim costs, and management of investment funds.

To further mitigate underwriting risk, the Group purchases reinsurance to share part of the risks originally accepted by the Group in writing premiums. These reinsurance arrangements include Quota Share, Facultative, Risk Excess and Catastrophe Excess of Loss programmes. This reinsurance, however, does not relieve the Group of its primary obligation to policyholders. If any reinsurers are unable to meet their obligations under the related agreements, the Group remains liable to its policyholders for the unrecoverable amounts.

The Group has the following subsidiaries:

	% owned	Principal country of operation and incorporation
Island Heritage Insurance Company N.V. (Insurance Company)	100	Curacao
Lawrence Boulevard Holdings Limited (Property Holding Company)	100	Cayman Islands

Effective April 22, 1996, the Group was issued a Class "A" Insurance Licence by the Governor in Council of the Cayman Islands to carry on insurance business in the Cayman Islands. The registered office is Ugland House, South Church Street, Grand Cayman. The Group has subsequently been authorised to transact insurance business in the following territories:

- The British Virgin Islands on October 14, 1996
- The U.S. Virgin Islands on March 3, 1997
- Turks and Caicos Islands on December 30, 1997
- Anguilla on May 19, 1998
- Bahamas on July 17, 2000
- Dominica on July 26, 2000
- Barbados on May 7, 2003
- St. Kitts & Nevis on April 26, 2004
- Grenada on January 9, 2006
- Antigua on March 27, 2006
- St. Vincent & The Grenadines on October 16, 2006
- St. Lucia on November 10, 2006
- Caribbean Netherlands October 10, 2015

On April 1, 2021 the Board of Directors approved the financial statements and authorised them for issue.

2. SIGNIFICANT ACCOUNTING POLICIES

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

A. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued and adopted by the International Accounting Standards Board ("IASB").

B. BASIS OF PREPARATION

i) Basis of measurement

The consolidated financial statements have been compiled on the going concern basis and prepared on the historical cost basis, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss.

The consolidated statement of financial position is presented in order of liquidity.

ii) Critical estimates, judgements and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions. It is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumptions made could require a material adjustment to the carrying amount of the asset or liability affected. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

Key sources of estimation uncertainty and areas where significant judgements have been made are listed below and discussed throughout the notes to these financial statements including:

- The estimate of the ultimate liability arising from claims under short-term insurance contracts. Refer to Note 4B.
- The Group operates within various tax jurisdictions where significant management judgments and estimates are required when interpreting the relevant tax laws, regulations and legislation in the determination of the Group's tax provision and the carrying amounts of its tax assets and liabilities. Refer to Note 13.
- The reinsurance policy is not coterminous with the financial year and the rates payable and associated commission vary dependent on results for the contract period as such there is a degree of estimation involved at the statement of financial position date in respect of the results expected in the unexpired period. Management compiles calculations considering the contractually agreed rates and estimation of loss development in order to estimate the reinsurance premiums and commissions at the year end.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PREPARATION (continued)

iii) COVID -19 Pandemic Considerations

In early 2020, the world was impacted by COVID-19, which was declared a pandemic by the World Health Organization. The overall impact of the COVID-19 pandemic is still uncertain and dependent on the progression of the virus and on actions taken by governments, businesses and individuals, which could vary by country and result in differing outcomes.

The application of our accounting policies requires estimates, assumptions and judgments as they relate to matters that are inherently uncertain. We have established procedures to ensure that our accounting policies are applied consistently and there have been no material changing methodologies for determining estimates. For areas include estimates mentioned in B (ii), no material COVID-19 specific provisions or adjustments have been made, and we continue to monitor our experience and exposure to the COVID-19 pandemic.

C. CONSOLIDATION

i) Subsidiaries

Subsidiaries are all entities over which the Group has control. Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date control is transferred to the Group and deconsolidated on the date control ceases. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated on consolidation. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

D. DETERMINATION OF FAIR VALUE

Fair value is determined based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using the assumptions that market participants would use when pricing an asset or liability.

When available, quoted market prices are used to determine fair value. If quoted market prices are not available, fair value is typically based on alternative valuation techniques such as discounted cash flows and other techniques. When observable valuation inputs are not available, significant judgement is required to determine fair value by assessing the valuation techniques and inputs. For bonds and fixed income securities, broker quotes are typically used when external public vendor prices are not available. Judgement is also applied in adjusting external observable data for items including liquidity and credit factors. A description of the fair value methodologies and assumptions by type of asset is included in Note 5.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

E. FOREIGN CURRENCY TRANSLATION

i) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in thousands of United States Dollars, which is the Group's functional currency.

ii) Transactions and balances

Monetary assets and liabilities denominated in currencies other than the functional currency of the Company or its subsidiaries are translated into the functional currency using the rate of exchange prevailing at the balance sheet date. Income and expenses are translated at rates of exchange in effect on the transaction dates. Foreign exchange gains and losses are expensed in the consolidated statement of income.

F. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly liquid financial assets with original maturities of three months or less, money market funds and bank overdrafts. The carrying value of cash and cash equivalents approximates their fair value. Money market funds held for operating activities are presented within cash and cash equivalents and are carried at fair value based on the net asset values reported by the fund administrator. Changes in fair value of money market funds recorded as cash and cash equivalents are recorded within interest income.

G. FIXED DEPOSITS AND REGULATORY ASSETS

Regulatory assets are held with Regulators as a legal requirement in order to provide services in the respective territories. Regulatory assets comprise of deposits and fixed income securities. Refer to Note 2(H) (i) (a) for the classification, recognition and subsequent measurement of fixed income securities held as regulatory assets. Fixed deposits are financial assets with maturity dates longer than 90 days and are held with financial institutions. The carrying value of regulatory assets and fixed deposits approximates their fair value.

H. FINANCIAL INSTRUMENTS

i) Financial assets

Classification, recognition and subsequent measurements of financial assets

The Group classifies its investments into the following categories: a) financial assets at fair value through profit and loss ("FVTPL"), and b) loans and receivables. Management determines the classification at initial recognition and is dependent on the nature of the assets and the purpose for which the assets were acquired.

a) FVTPL

A financial asset is classified at FVTPL if it is designated as such upon initial recognition or is classified as held-for-trading. A financial asset can be designated as FVTPL if it eliminates or significantly reduces an accounting mismatch. A financial asset is classified as held-for-trading if it is acquired mainly for the purpose of selling in the near term or traded for the purposes of earning investment income. Attributable transaction costs upon initial recognition are recognised in investment income in the consolidated statement of income as incurred. FVTPL assets are measured at fair value and changes in fair value as well as realised gains and losses on sales are recognised in investment income in the consolidated statement of income. Dividends earned on equities are recorded in investment income in the consolidated statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

H. FINANCIAL INSTRUMENTS (continued)

i) Financial assets (continued)

b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Cash and cash equivalents, regulatory assets, accounts receivable, reinsurance receivable, broker rebate receivable, ceding commission receivable, investment income receivable, income tax receivable and other receivables are classified in this category.

Financial assets are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest rate method. Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

Investment income
Dividends on equity instruments are recognised in the consolidated statement of income on the ex-dividend date. Interest income is recorded on the accruals basis, using the effective interest rate method, in investment income in the consolidated statement of income.

I. IMPAIRMENT OF ASSETS

i) Impairment of financial assets
The Group reviews the carrying value of its financial assets, except those classified as FVTPL, at each period end for evidence of impairment and reversal of previously recognised impairment losses. These assets are considered impaired if there is objective evidence of impairment as a result of one or more loss events that have an impact that can be reliably estimated on the estimated future cash flows of the asset and the financial assets carrying value exceeds the present value of the estimated future cash flows. Objective factors that are considered when determining whether a financial asset or group of financial assets may be impaired include, but are not limited to the following: (i) failure to make scheduled payments of capital and/or interest, (ii) adverse changes in the payment pattern of the borrower and (iii) significant deterioration in the fair value of the security underlying financial asset.

a) Loans and receivables
When loans and receivables assets carried at amortised cost are impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. For all loans and receivables where an impairment loss has occurred, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of income. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed in investment income in the consolidated statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

I. IMPAIRMENT OF ASSETS (continued)

ii) Impairment of non-financial assets
The Group's non-financial assets comprise property and equipment and intangible assets. Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Non-financial assets that are subject to amortisation are reviewed for impairment whenever there is objective evidence of impairment. Objective evidence includes, but is not limited to the following: (i) adverse economic, regulatory or environmental conditions that may restrict future cash flows and asset usage and/or recoverability; (ii) the likelihood of accelerated obsolescence arising from the development of new technologies and products; and (iii) the disintegration of the active market(s) to which the asset is related.

If objective evidence of impairment exists, then the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount and is recognised as part of amortization expense in the consolidated statement of income. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions of the time value of money and the risks specific to the asset. Assets which cannot be tested individually 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 (cash-generating units), except where the value in use of an asset can be estimated as being close to its fair value less costs to sell where fair value can be reliably determined.

J. PROPERTY AND EQUIPMENT

Owner occupied properties and all other assets classified as property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditures relating to ongoing maintenance of property and equipment are expensed as incurred in operating expenses in the consolidated statement of income.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives at the following rates:

Computer hardware	3 years – 5 years
Motor Vehicles	5 years
Furniture and equipment	5 years – 10 years
Leasehold improvements	the shorter of the lease term or 5 years – 10 years
Buildings	50 years

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

J. PROPERTY AND EQUIPMENT (continued)

The assets' residual values, useful lives and method of depreciation are reviewed at the end of each reporting period and adjusted if appropriate. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is considered impaired and it is written down immediately to its recoverable amount. In the event of improvement in the estimated recoverable amount, the related impairment may be reversed.

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

K. LEASES

i) The Group as a lessee

The Group leases a building for office space. Rental contracts are typically made for fixed periods 5 years for buildings, but may have extension options described further below. These leases do not include residual value guarantees or purchase options.

Lease contracts that contain an identified asset for which the Group has the right to direct the use of the identified asset and obtain substantially all of the economic benefits through the period of use are recognised on the consolidated statement of financial position as a right-of-use asset within Property and Equipment and a corresponding liability within Other Liabilities at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments: fixed payments, less any lease incentives receivable; variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date; lease payments for reasonably certain renewal options; and payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

K. LEASES (continued)

i) The Group as a lessee (continued)

To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received by the Group as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- because all third-party financing is to be arranged at the Group level, the use of the Group financing rates has been applied.

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

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases with a lease term of 12 months or less and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

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

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The probability of renewal (or termination) is assessed using several factors such as: suitability and location of the asset; comparison to market rates; historical lease durations; costs and business disruption to replace the lease assets; and any other relevant factors.

Most extension options in equipment and vehicles leases have not been included in the lease liability, because the group could replace the assets without significant cost or business disruption.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

K. LEASES (continued)

ii) The Group as a lessor

Where the Group is the lessor under an operating lease for its investment properties, lease arrangements are fixed and income is credited to the consolidated statement of income on a straight-line basis over the period of the lease. In addition the tenant can renew their lease when their tenancy is nearing expiry. There are no contingent rentals included in the lease agreements.

L. INTANGIBLE ASSETS

Intangible assets include finite life assets. These assets include the following:

Software development costs

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable software products controlled by the Group are recognised as internally generated intangible assets when:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it;
- there is an ability to use the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software development include employee costs and an appropriate portion of directly attributable overheads. Other development expenditures that do not meet these criteria are expensed when incurred. Capitalised software development costs for projects in use are amortised on a straight line basis over their useful lives, which range from 5 to 10 years.

M. INSURANCE CONTRACTS

The Group issues contracts that transfer insurance risk.

i) Insurance contracts

Insurance contracts are those contracts where the Group (the insurer) has accepted significant insurance risk from another party, the policyholder or ceding company, by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. In addition, the Group considers the proportion of premiums received to the benefit payable if the insured event did occur. Insurance contracts can also transfer financial risk.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

M. INSURANCE CONTRACTS (continued)

i) Insurance contracts (continued)

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Short-term insurance contracts include property, casualty, motor, marine, liability and other specialty insurance contracts. These contracts are all non-participating contracts.

Section a) – d) outlines the recognition and measurement of material financial line items related specifically to insurance contracts.

a) *Deferred policy acquisition costs ("DAC") related to insurance contracts*
For short term insurance contracts, commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised. All other costs are recognised as expenses when incurred. The DAC is subsequently amortised over the term of the policies on a straight line basis as premium is earned. For any policies written where there has been a total loss on sums insured, any deferred acquisition costs still recorded in the consolidated statement of financial position will be recognised in full in the consolidated statement of income.

b) *Reinsurance contracts held related to insurance contracts*
The Group uses reinsurance in the normal course of business to manage its risk exposure. Contracts entered into by the Group with reinsurers, under which the Group is compensated by the reinsurers for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts, are classified as reinsurance contracts held. Reinsurance assets are measured using the amounts and assumptions associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract. For any reinsurance coverage that are exhausted before the policy end date, any deferred balances still recorded in the consolidated statement of financial position will be recognised in full in the consolidated statement of income.

To further mitigate underwriting risk, the Group purchases reinsurance to share part of the risks originally accepted by the Group in writing premiums. This reinsurance, however, does not relieve the Group of its primary obligation to policyholders. If any reinsurers are unable to meet their obligations under the related agreements, the Group remains liable to its policyholders for the unrecoverable amounts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are amortised consistent with the underlying insurance contracts.

The Group assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its estimated recoverable amount and recognises that impairment loss in the consolidated statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

M. INSURANCE CONTRACTS (continued)

i) Insurance contracts (continued)

b) *Reinsurance contracts held related to insurance contracts (continued)*
For any reinsurance coverage that are exhausted before the policy end date, any deferred balances still recorded in the consolidated statement of financial position will be recognised in full in the consolidated statement of income.

c) *Insurance contract liabilities*
Short-term insurance contracts
Claims and loss adjustment expenses are charged to insurance contract benefits and expenses in the consolidated statement of income as incurred based on the estimated ultimate liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims.

A provision for short-term insurance liabilities is made for the estimated costs of claims notified but not settled at the balance sheet date, using the best information available at that time. In addition to development on known claims, a provision is included for losses and loss adjustment expenses incurred but not reported on the basis of past experience. The provision is based on an actuarial analysis of the Group's underwriting year or accident year development experience. The method of making such estimates and for establishing the resulting provisions is reviewed and updated annually and any adjustments resulting therefrom are reflected in earnings in the period in which they are determined.

Expected reinsurance recoveries on claims, net of any required provision for doubtful amounts, are estimated using principles consistent with the Group's method for establishing the related liability, and are in accordance with the terms of the Group's reinsurance agreements.

d) *Liability adequacy test*
At the end of each reporting period, liability adequacy tests are performed on short-term insurance contracts to ensure the adequacy of the contract liabilities net of related deferred policy acquisition costs ("DAC"). In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to the consolidated statement of income initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision). Any DAC written off as a result of this test cannot subsequently be reinstated.

ii) Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance and investment contract holders. These receivables and payables are included in insurance receivables and other assets, insurance contract liabilities and other liabilities in the consolidated statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

M. INSURANCE CONTRACTS (continued)

ii) Receivables and payables related to insurance contracts (continued)

If there is objective evidence that the receivable is impaired, the Group reduces the carrying amount of the receivable accordingly and recognises that impairment loss in the consolidated statement of income. The Group gathers the objective evidence that a receivable is impaired using the same process adopted for loans and receivables in Note 2 I above. The impairment loss is calculated using the same method used for these financial assets.

N. CURRENT AND DEFERRED INCOME TAX

A portion of the Group's business originates in countries where the Group is required to pay tax on income, profits, or capital gains. Accordingly, a provision for income taxes is made in these consolidated financial statements for that portion of the business subject to taxation.

Under the asset and liability method of accounting for income taxes, deferred tax assets and liabilities are recognised for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statement of financial position. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The tax effect of carry-forwards of unused tax losses are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised. When management's assessment indicates that it is more likely than not that deferred income tax assets will not be realised, a valuation allowance is recorded against the deferred tax assets.

O. EMPLOYEE BENEFITS

i) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. With respect to the Group's defined contribution plans, the Group pays contributions into the plan and has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

ii) Share-based compensation

BF&M has an Equity Incentive Plan under which subsidiaries of BF&M receive services from employees as consideration for equity instruments of BF&M (equity settled transactions). Share grants are issued to employees equal to the fair value of the shares on the grant date. The amount of the benefit of these share grants is amortised over the vesting period as operating expense in the consolidated statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

O. EMPLOYEE BENEFITS (continued)

ii) Share-based compensation (continued)

If BF&M grants share options to employees that vest in the future if service conditions are met, then the fair value of the options will be calculated at the date the options are granted. This fair value will be charged to the consolidated statement of income equally over the vesting period with adjustments made at each accounting date to reflect the best estimate of the number of options that will eventually vest. Where share grants are forfeited due to failure by the employee to satisfy the service conditions, any expense previously recognized in relation to such shares are reversed effective the date of forfeiture. Expenses previously recognized related to share options are not reversed on forfeit.

The grant by BF&M of its equity instruments to employees of its subsidiary undertakings is treated as a capital contribution by both BF&M and the subsidiaries. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase in additional paid in capital with a corresponding charge to operating expenses.

iii) Employee share purchase plan

BF&M operates an employee share purchase plan that allows its employees and those of its subsidiary undertakings to purchase BF&M's common shares at below-market rates, subject to certain restrictions. Shares are offered at a discount to the shares' fair market value, as determined by the market share price on the date of purchase. Employees may purchase shares up to a maximum percentage of their gross salary. Consistent with the accounting treatment of the share-based compensation, the discount is accounted for as a contribution to capital in the subsidiaries with a corresponding charge to operating expense in the period in which the shares are purchased.

P. REVENUE RECOGNITION

Revenue comprises the fair value for services. Revenue is recognised as follows:

i) Premium income

Premiums written are earned on a pro-rata basis over the terms of the policies to which they are related. Unearned premiums represent the portion of premiums written that relate to the period of risk subsequent to the year-end. Unearned premiums are included as a component of insurance contract liabilities in the consolidated statement of financial position. For any policies written where there has been a total loss on sums insured, any unearned premium still recorded in the consolidated statement of financial position will be recognised in full in the consolidated statement of income.

ii) Commission income

For short-term reinsurance contracts, commission income is recognised over the term of the related reinsurance contracts and in accordance with the expensing of the related reinsurance premiums. The recognition of profit commissions is also dependent on the loss experience underlying such reinsurance policies. The Group earns commissions on reinsurance based on the agreement with the reinsurer. Commissions relating to reinsurance contracts are treated on a pro-rata basis, and unearned portions at the financial period end are similarly carried forward on the consolidated statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. DIVIDEND DISTRIBUTION

Dividend distribution to the Group's shareholders' is recognised as a liability in the consolidated statement of financial position in the period in which the dividends are approved by the Group's Board of Directors.

3. NEW AND REVISED ACCOUNTING STANDARDS

A. NEW AND REVISED ACCOUNTING STANDARDS EFFECTIVE 1 JANUARY 2020

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2020:

i) Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

LIBOR (London Interbank Offering Rate) and similar benchmark interest rates are expected to be phased out by the end of 2021 and replaced by alternative, nearly risk-free rates being developed by various agencies around the world (IBOR Reform). Companies have and will be transitioning to alternative interest rate benchmarks over the next year. The International Accounting Standards Board (IASB) has addressed specific financial reporting issues resulting from IBOR Reform through two phases. Phase I: amendments to IFRS 9: Financial instruments, IAS 39 Financial instruments – Recognition and measurement, IFRS 7: Financial instruments – Disclosures. The amendments are mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform. The adoption of these amendments did not have a significant impact on the Group's consolidated financial statements.

ii) Extension of the temporary exemption from applying IFRS 9 Financial Instruments

In response to concerns regarding temporary accounting mismatches and volatility, and increased costs and complexity, IASB issued amendments to IFRS 4 Insurance Contracts in 2017.The two optional solutions (Temporary exemption from IFRS 9 and Overlay approach) raised some considerations which required detailed analysis and management judgement. On the issue of IFRS 17 (Revised) Insurance Contracts in June 2020, the end date for applying the two options under the IFRS 4 amendments was extended to 1 January 2023, aligned with the effective date of IFRS 17.

The Group adopted the Temporary exemption from IFRS 9 by continuing apply IAS 39 Financial Instruments: Recognition and Measurement. The Group's activities predominantly connected with insurance. The predominance assessment completed as at 31 December 2015 is 90% as required by amendments to IFRS 4.

iii) Amendments to Other

The Group adopted amendments to IFRS 3 – Business Combinations and amendments to IAS 1- Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. The adoption of these standards and amendments did not have a significant impact on the Groups' consolidated financial statements.

3. NEW AND REVISED ACCOUNTING STANDARDS (continued)

B. NEW AND REVISED ACCOUNTING STANDARDS NOT YET EFFECTIVE

The following new and amended standards and interpretations were issued by the IASB and are expected to be adopted by the Group in 2021 or later.

COVID-19 related rent concessions (Amendments to IFRS 16) - Under the current IFRS 16, rent concessions often met the definition of a lease modification, unless they were envisaged in the original lease agreement. The accounting for lease modifications can be complex. The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession. No practical expedient is provided for lessors. The amendments are still under consultation, and the IASB are proposing an effective date of April 1, 2021. The Group does not anticipate significant impact from adopting the amendments.

Interest rate benchmark reform- Phase 2 (Amendments to IFRS 9, IAS39, IFRS 7, IFRS 4 and IFRS 16) - Phase II of the IBOR reform focus on when uncertainty of transitioning out of LIBOR goes away but companies update the rates in their contracts and the details of their hedging relationships. The Phase 2 amendments principally address under the detailed rules of IFRS 9 *Financial Instruments*, modifying a financial contract can require recognition of a significant gain or loss in the income statement. However, the amendments introduce a practical expedient if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 *Leases* for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting. The amendments are effective 1 January 2021. The Group does not anticipate significant impact from adopting the amendments.

IFRS 9 - Financial Instruments ("IFRS 9") - In July 2014, the IASB issued the final version of this standard that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard is effective for years beginning on or after 1 January 2018 and is to be applied either retrospectively or on a modified retrospective basis. The IASB issued amendments in October 2017 that are effective for annual periods beginning on or after 1 January 2019.

As allowed amendments under IFRS 4, qualifying entities could elect an optional deferral of the standard until 1 January 2021. In March 2020, IASB decided to further defer the effective date of IFRS 9 by one year to 1 January 2023, in line with the proposed deferral of the implementation of IFRS 17. The Group qualified and elected the deferral approach and will continue to apply IAS 39. The Group is assessing the impact of this standard.

IFRS 9 brings together all three aspects of the accounting for financial instruments project undertaken by the IASB: classification and measurement, impairment and hedge accounting. Financial asset classification is based on the cash flow characteristics and the business model in which an asset is held. The classification determines how a financial instrument is accounted for and measured. IFRS 9 also introduces an impairment model for financial instruments not measured at fair value through profit or loss that requires recognition of expected losses at initial recognition of a financial instrument and the recognition of full lifetime expected losses if certain criteria are met. In addition, a new model for hedge accounting was introduced to achieve better alignment with risk management activities.

3. NEW AND REVISED ACCOUNTING STANDARDS (continued)

B. NEW AND REVISED ACCOUNTING STANDARDS NOT YET EFFECTIVE (continued)

IFRS 17 – Insurance Contracts ("IFRS 17") – This new standard was issued in May 2017 and supersedes IFRS 4 and related interpretations. Whereas IFRS 4 allows insurance entities to use their local Generally Accepted Accounting Principles when accounting for insurance contracts, IFRS 17 defines rules with the aim to increase the comparability of financial statements. The standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts.

In March 2020, IASB decided to defer the effective date of IFRS 17 and the proposed extension of the IFRS 9 temporary exemption in IFRS 4 to 1 January 2023. The Group is assessing the impact of this standard and expects that it will have a significant impact on the Group's Consolidated Financial Statements.

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK

Risk management and objectives

The Group's primary objective in undertaking risk management activity is to manage risk exposures in line with risk appetite, minimising its exposure to unexpected financial loss and limiting the potential for deviation from anticipated outcomes. In this respect, a framework of limits and qualitative statements, aligned with the Group's risk appetite, is in place for material exposures. Key management recognises the critical importance of having efficient and effective risk management systems in place.

A significant part of the Group's business involves the acceptance and management of risk. The Group is exposed to insurance, market, credit, liquidity and operational risks and operates a formal risk management framework to ensure that all significant risks are identified and managed.

The Group seeks to manage its exposures to risk through control techniques which ensure that the residual risk exposures are within acceptable tolerances agreed by the Board of Directors. The Group has established a risk management function with terms of reference from the Board of Directors, its committees and the associated executive management committees. This is supplemented with an organisational structure with documented delegated authorities and responsibilities from the Board of Directors to executive management committees and senior managers. The key control techniques for the major categories of risk exposure are summarised in the following sections.

Risks are usually grouped by risk type: financial, including credit, liquidity, market, and insurance, including short term insurance risk. Risks falling within these types may affect a number of key metrics including those relating to balance sheet strength, liquidity and profit. The risk factors mentioned below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties.

A. FINANCIAL RISK

i) Credit risk

Credit risk is the exposure that a counter-party to a financial instrument is unable to meet an obligation, thereby causing a financial loss to the Group. The Group faces credit risk on its financial assets.
The following policies and procedures are in place to manage this risk:

- Holding a diversified investment portfolio that focuses on quality of investment. The portfolio is monitored and reviewed regularly by management's Investment Committee and by the Board of Director's, Audit, Compensation, and Corporate Governance Committee;

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

A. FINANCIAL RISK (continued)

i) Credit risk (continued)

- Investment guidelines are in place that require the purchase of only investment-grade assets and minimise undue concentration of assets in any single insurer, industry group, asset class or credit rating, unless required by local law or regulation;
- The credit risk for premiums receivable is mitigated as a customer's policy may be cancelled if the customer is in default of a payment. Credit risk also arises from balances due from brokers and agents. Management regularly reviews the Group's business relationships with agents and brokers, whom are also subject to visits from the Group's underwriting department.
- Transacting business with well-established reinsurance companies with strong credit ratings.

Maximum exposure to credit risk

The following table summarises the Group's maximum exposure to credit risk related to financial instruments. The maximum credit exposure is the carrying value of the asset net of any allowances for losses.

	2020 **$**	**2019** **$**
Financial assets		
Cash and cash equivalents	30,692	56,615
Regulatory assets	20,412	20,617
Fixed income securities	17,183	15,616
Accounts receivables	17,616	24,269
Hurricane advancements	6,252	41,208
Ceding commission receivables	3,986	5,637
Reinsurance receivable	2,953	3,001
Other receivables (excluding prepayments)	2,069	1,603
Tax receivable	1,207	1,232
VAT advanced and refund recoverable	1,594	-
Insurance assets		
Reinsurance balances recoverable	47,124	445,945
TOTAL assets subject to credit risk	**151,088**	**615,743**

Concentration of credit risk

Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries. The following table provides details of the carrying value of fixed income securities held disclosed as Investments and Regulatory assets by industry sector and geographic distribution:

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

A. FINANCIAL RISK (continued)

i) Credit risk (continued)

Concentration of credit risk (continued)

	2020 **$**	**2020** **$**	**2019** **$**	**2019** **$**
Assets held in:	Investments	Regulatory Assets	Investments	Regulatory Assets
Fixed income securities issued or guaranteed by:				
Financials	3,607	3,423	4,116	3,705
Government	-	7,409	-	8,132
U.S. Treasury and other agencies	7,492	366	7,334	352
Utilities and energy	1,812	109	1,108	106
Consumer staples and discretionary	1,623	628	1,336	809
Telecom	730	-	-	-
Computer technology products and services	378	439	-	421
Industrials and materials	355	-	651	-
Other	1,186	-	1,071	-
Total Fixed income securities	**17,183**	**12,374**	**15,616**	**13,525**

	2020 **$**	**2020** **$**	**2019** **$**	**2019** **$**
Assets held in:	Investments	Regulatory Assets	Investments	Regulatory Assets
United States	14,118	2,920	11,640	3,038
Barbados	-	-	-	-
Canada	-	374	-	349
Northern Europe	674	1,615	333	1,593
Asia-Pacific	558	758	1,137	1,053
United Kingdom	355	430	706	418
Caribbean excluding Barbados	951	6,277	956	7,074
Other	527	-	844	-
Total Fixed income securities	**17,183**	**12,374**	**15,616**	**13,525**

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

A. FINANCIAL RISK (continued)

Credit quality of financial assets

The credit quality of financial assets are assessed quarterly by reference to S&P credit ratings if available or review of historical and current conditions that existed at the balance sheet date.

The following tables summarises the carrying value of financial assets by external credit rating.

As at 31 December 2020

	AAA	AA	A	BBB	BB and lower	Not rated	Total
	$	$	$	$	$	$	$
Cash and cash equivalents	9,828	8,782	4,674	5,826	-	1,582	**30,692**
Regulatory assets	3,119	693	4,722	1,676	5,925	4,277	**20,412**
Fixed income securities	-	9,989	5,715	1,479	-	-	**17,183**
Total	**12,947**	**19,464**	**15,111**	**8,981**	**5,925**	**5,859**	**68,287**

As at 31 December 2019

	AAA	AA	A	BBB	BB and lower	Not rated	Total
	$	$	$	$	$	$	$
Cash and cash equivalents	26,652	1,538	2,313	26,112	-	-	**56,615**
Regulatory assets	1,140	774	4,950	1,710	7,436	4,607	**20,617**
Fixed income securities	606	9,092	4,835	1,083	-	-	**15,616**
Total	**28,398**	**11,404**	**12,098**	**28,905**	**7,436**	**4,607**	**92,847**

The Group’s reinsurance panel consists out of 50 reinsurance companies, the majority of which are rated B++ or better by AMBest. Any exceptions to this are approved by the Group Security Committee. All other financial assets are not rated.

ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations as they become due. The following policies and procedures are in place to manage this risk:

- Management maintains levels of cash and short-term deposits, which are sufficient to fulfill the Group’s short-term obligations;
- The ability of the Group’s subsidiaries in certain jurisdictions to pay dividends and transfer funds is regulated. The Group maintains appropriate dividend and capital policies to ensure movement of cash flow through the Group as needed;
- Arrangements with reinsurers are made to ensure that recoverables are received in a timely fashion in the event of a liquidity crisis.

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

A. FINANCIAL RISK (continued)

ii) Liquidity risk (continued)

The Group's credit risk exposure to any one individual policyholder on direct business is not material. As of December 31, 2020, accounts receivables of $6,139 (2019: $5,514) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. Receivables past due but not impaired are shown in the tables below. All other receivables recognised in the consolidated statements of financial position are deemed to be neither past due nor impaired.

Accounts Receivable	3 to 6 months	> 6 months	Total
	$	$	$
As at December 31, 2020	2,549	3,590	6,139
As at December 31, 2019	4,217	1,297	5,514

The maturity profile of financial assets at 31 December 2020 is as follows:

	Within 1 year	2 to 3 years	4 to 5 years	Over 5 years	Total	Effective interest rate ranges
	$	$	$	$	$	
Fixed income securities - Investments	-	1,419	2,674	13,090	17,183	0.04%-4.91%
Fixed income securities – Regulatory assets	8,779	2,713	3,825	5,095	20,412	0.00%-6.95%
Insurance receivables and other assets	35,411	-	-	-	35,411	0%
Reinsurance assets	93,006	-	-	-	93,006	0%
Total	**137,196**	**4,132**	**6,499**	**18,185**	**166,012**	
Percent of total	**82.6%**	**2.5%**	**3.9%**	**11.0%**	**100.0%**	

All other financial assets are due within 1 year.

The maturity profile of financial assets at 31 December 2019 was as follows:

	Within 1 year	2 to 3 years	4 to 5 years	Over 5 years	Total	Effective interest rate ranges
	$	$	$	$	$	
Fixed income securities - Investments	-	1,029	2,255	12,332	15,616	0.04% -4.91%
Fixed income securities – Regulatory assets	7,437	1,741	5,273	6,166	20,617	1.09%-4.95%
Insurance receivables and other assets	76,953	-	-	-	76,953	0%
Reinsurance assets	496,520	-	-	-	496,520	0%
Total	**580,910**	**2,770**	**7,528**	**18,498**	**609,706**	
Percent of total	**95.3%**	**0.5%**	**1.2%**	**3.0%**	**100.0%**	

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

A. FINANCIAL RISK (continued)

ii) Liquidity risk (continued)

The maturity profiles of the Group's significant insurance and financial liabilities are summarised in the following tables. Maturity profiles for financial liabilities are disclosed according to contractual maturity dates. Maturity profiles for net insurance liabilities are based on expectations.

The timing of undiscounted cash flows arising from the Company's financial liabilities totaling $51,807 (2019: $122,233) are all within one year. The Company's financial liabilities include the reinsurance balance payable, accounts payable, hurricane advancements, commission payable, profit commission payable, premium taxes payable, net insurance contract liabilities, VAT payable, and due to related parties.

The maturity profile of liabilities at 31 December 2020 is as follows:

	Within 1 year	1-5 years	Over 5 years	Total
	$	$	$	$
Other liabilities	49,268	-	-	49,268
Insurance contract liabilities – net of reinsurance	24,928	-	-	24,928
TOTAL	**74,196**	**-**	**-**	**74,196**

The maturity profile of liabilities at 31 December 2019 was as follows:

	Within 1 year	1-5 years	Over 5 years	Total
	$	$	$	$
Other liabilities	123,144	-	-	123,144
Insurance contract liabilities – net of reinsurance	22,606	-	-	22,606
TOTAL	**145,750**	**-**	**-**	**145,750**

iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk), and market prices (price risk).

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is not significantly exposed to foreign exchange risk because substantially all currencies with which the Group has material assets and liabilities are either in U.S. Dollars or are pegged to the U.S. Dollar which is the Group's functional and presentation currency.

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

A. FINANCIAL RISK (continued)

iii) Market risk (continued)

Interest rate risk

Interest rate risk is price volatility produced by changes in the overall level of interest rates. Change in market interest rates can impact the reinvestment of matured investments, as the returns available on the new investment may be significantly different from the returns previously achieved. The Group manages these risks through:

- Asset allocation and diversification of the investment portfolio;
- Investing in assets that are suitable for the products sold; and
- Quantifying and reviewing regularly the risk associated with the mismatch in portfolio duration and cash flow.

Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting the market.

The Group's price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities.

The Group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector and market.

A 10% increase/decrease in the value of the Group's equity portfolio would increase/decrease the Group's comprehensive income by $811 (2019: $781) and the Group's other components of equity by $nil (2019: $nil). The price risk sensitivity impact was calculated by using the ending balances in equity at a 10% increase/decrease.

The sensitivity analysis below is based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, as changes in some of assumptions may be correlated.

Sensitivity factor	**Description of sensitivity factor applied**
Interest rate- cash & cash equivalents:	The impact of a change in market interest rates by 1% (2019: 1%)
Interest rate fixed income securities:	The impact of a change in market interest rates by 1% (2019: 1%)
Underwriting income:	The impact of a change in insurance rates by 5% (2019: 5%)
Underwriting expenses:	The impact of a change in acquisition costs by 5% (2019: 5%)
Loss ratios:	The impact of a change in accrued losses by 5% (2019: 25%)

December 31, 2020	**Interest rates**	**Underwriting rates**	**Loss ratios**
	$	**$**	**$**
Impact on net profit from increase in sensitivity factor*	(1,038)	967	(1,256)
Impact on net profit from decrease in sensitivity factor*	856	(967)	1,256
The portion that is recognised directly in shareholder's equity is Nil			

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

A. FINANCIAL RISK (continued)

iii) Market risk (continued)

Price risk (continued)

December 31, 2019	Interest rates	Underwriting rates	Loss ratios
	$	$	$
Impact on net profit from increase in sensitivity factor*	(1,454)	915	(2,701)
Impact on net profit from decrease in sensitivity factor*	1,389	(915)	2,701
The portion that is recognised directly in shareholder's equity is Nil			

** Net of reinsurance*

The duration of liabilities (excluding catastrophe programme coverage) is calculated based on management's experience from prior year's average settlement pattern for outstanding claims. The durations are:

	2020	2019
Net insurance liability- property risk	1-2 months	1-2 months
Net insurance liability- motor risks	1 month	1 month
Net insurance liability- casualty risks	12 months	12 months

B. INSURANCE RISK

Types of risk

i) General insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. Insurance risk is implicit in the Group's insurance business and arises as a consequence of the type and volume of business written and the concentration of risk in particular policies or groups of policies subject to the same risks.

General insurance risk in the Group arises from:

- Fluctuations in the timing, frequency and severity of claims and claim settlements relative to expectations;
- Unexpected claims arising from a single source;
- Inaccurate pricing of risks or inappropriate underwriting of risks when underwritten
- Inadequate reinsurance protection or other risk transfer techniques; and
- Inadequate reserves.

The majority of the general insurance business underwritten by the Group is of a short term nature such as property, motor and marine insurances. The Group's general insurance exposures are located throughout the Caribbean, climate change may impact the frequency and severity of tropical cyclone activity in the regions in which Group writes general insurance, which in turn may impact the frequency and severity of claims. The Group's underwriting strategy and appetite is agreed by the Board of Directors and communicated via specific policy statements and guidelines.

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

B. INSURANCE RISK (continued)

i) General insurance risk (continued)

Management of general insurance risks

The Group's insurance risk policy sets out the overall framework for the management of insurance risk. As part of the framework, a structure of delegated pricing and underwriting authorities is in place. Pricing is based on assumptions which consider past experience and trends. Insurance exposures are limited through reinsurance. Overall, the Group seeks to be conservative in its acceptance of insurance risks by establishing strict underwriting criteria and limits. The underwriting policy is clearly documented, setting out risks which are unacceptable and the terms applicable for non-standard risks.

Significant insurance risks will be reported through the risk management framework. The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprise a provision for claims incurred but not yet reported ("IBNR"), a provision for reported claims not yet paid and a provision for unexpired risks at the end of the reporting period.

Management under the direction of the Board of Directors monitors and develops the management of insurance risk in the general insurance business units, and assesses the aggregate risk exposure. It is responsible for the development, implementation and review of the Group policies for underwriting, claims, reinsurance and reserving that operate within the risk management framework.

BF&M General and IHIC have developed mechanisms that identify, quantify and manage accumulated exposures to contain them within the limits of the appetite of the Group. Where appropriate such mechanisms are employed throughout the business units to promote the adoption of best practice as standard.

Reinsurance strategy

Reinsurance is used to reduce potential loss to the Group from individual large risks and catastrophic events. It may also be used to manage accumulated exposures, capital or to provide access to specialist underwriting expertise. In the case of default by a reinsurer, this does not release the Group from its liability to the insured policyholders.

Significant reinsurance programmes are reviewed annually to verify that the levels of protection being purchased reflect any developments in exposure and the risk appetite of the Group. These reinsurance arrangements include quota share, facultative, per risk and catastrophe excess of loss programmes. The reinsurance is placed with providers who meet the Group's counter-party security requirements, and large reinsurance placements may also require approval from the Board of Directors.

Quota Share and Facultative reinsurance contracts are entered into by the Group directly on a stand-alone basis as well as part of a general reinsurance pool, for catastrophe excess of loss coverage, with BFM General Insurance Company Ltd. (the "Reinsurance Pooling Arrangement").

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

B. INSURANCE RISK (continued)

i) General insurance risk (continued)

Reinsurance strategy (continued)

The Reinsurance Pooling Arrangement is an arrangement entered into to collectively participate in shared reinsurance coverage, including shared limits on each of the catastrophe excess of loss reinsurance contracts. The total reinsurance costs are determined in accordance with the contracts based on the exposure data, aggregate limits and gross net earned premium income of the collective Reinsurance Pooling Arrangement. The allocation of the reinsurance cost of the Reinsurance Pooling Arrangement is initially performed by an independent reinsurance broker based on the estimated exposures attributable to each entity within the Reinsurance Pooling Arrangement. Premium adjustments are determined by the Group to reflect revised projections of insured aggregate exposures in each individual territory i.e. a change in estimate. This component of the reinsurance cost may not represent an arm's length transaction.

Recoveries from any claims under Reinsurance Pooling Arrangement are allocated to the participant who actually incurred the claims. The policy aggregate limits of the Reinsurance Pooling Arrangement are shared, with each entity able to recover claims, individually or in combination, up until the point where the aggregate limit for the entire Reinsurance Pooling Arrangement is exhausted. There is no cap on the amount of recoveries an individual entity is permitted to claim under the Reinsurance Pooling Arrangement, however, once the aggregate limited is exhausted, no further recoveries are possible for any entity. Accordingly, the risk exists that any one entity's catastrophe loss experience will reduce the coverage available to the other territories and could potentially exhaust the catastrophe coverage for the entire Reinsurance Pooling Arrangement.

Reinsurance purchases are in line with the strategy set out in the Group's Reinsurance policy. The basis of these purchases is underpinned by extensive financial and capital modeling and actuarial analysis to optimise the cost and capital efficiency benefits from the reinsurance programme.

The reinsurance is placed with providers who meet the Group's counterparty security requirements, and large reinsurance placements may also require approval from the Board of Directors.

Concentration risk

Processes are in place to manage catastrophe risk at a Company level. The Group cedes much of its catastrophe risk to third-party reinsurers but retains a pooled element for its own account gaining a diversification benefit.

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

B. INSURANCE RISK (continued)

i) General insurance risk (continued)

Concentration risk (continued)

The value of insured exposures at December 31, 2020 and 2019, gross and net of reinsurance (excluding catastrophe programme coverage) by geographical location and line of business are summarised below:

31 December 2020

Territory		Property $	Motor $	All Other $	Total $
Bahamas					
	Gross	4,233,790	45,835	-	4,279,625
	Net	967,736	45,835	-	1,013,571
Cayman					
	Gross	3,680,229	70,011	-	3,750,240
	Net	1,023,173	64,226	-	1,087,399
USVI					
	Gross	1,583,383	8,967	-	1,592,350
	Net	683,272	8,967	-	692,239
Other					
	Gross	2,052,235	2,898	-	2,055,133
	Net	552,893	724	-	553,617
Total					
	Gross	**11,549,637**	**127,711**	**-**	**11,677,348**
	Net	**3,227,074**	**119,752**	**-**	**3,346,826**

31 December 2019

Territory		Property $	Motor $	All Other $	Total $
Bahamas					
	Gross	4,170,706	36,398	-	4,207,104
	Net	918,450	36,398	-	954,848
Cayman					
	Gross	3,489,484	59,118	-	3,548,602
	Net	621,442	54,097	-	675,539
USVI					
	Gross	1,296,246	11,090	-	1,307,336
	Net	460,984	11,090	-	472,074
Other					
	Gross	2,687,289	2,547	-	2,689,836
	Net	386,028	637	-	386,665
Total					
	Gross	**11,643,725**	**109,153**	**-**	**11,752,878**
	Net	**2,386,904**	**102,222**	**-**	**2,489,126**

Processes are in place to manage catastrophe risk in individual business units and at a Group level. The Group cedes much of its catastrophe risk to third-party reinsurers but retains a pooled element for its own account gaining diversification benefit.

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

B. INSURANCE RISK (continued)

i) General insurance risk (continued)

Concentration risk (continued)

The concentration of insurance risk before and after reinsurance by territory in relation to the type of general insurance business risk accepted is summarised below, with reference to the carrying amount of the insurance reserve liabilities (gross and net of reinsurance including catastrophe programme coverage) arising from general insurance contracts:

31 December 2020

Territory		Property $	Motor $	All Other $	Total $
Cayman/Other Caribbean					
	Gross	45,622	5,791	4,308	55,721
	Net	1,180	4,771	2,646	8,597

31 December 2019

Territory		Property $	Motor $	All Other $	Total $
Cayman/Other Caribbean					
	Gross	443,264	6,201	4,664	454,129
	Net	1,064	5,064	2,056	8,184

General insurance business claims reserving

Assumptions and methodology

Claims are payable on an occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term.

Property risks are comprised principally of physical damage to property, contractors all risk and auto physical damage. Property policies are underwritten by reference to the replacement value of the properties and contents insured.

Claim payment limits are always included to cap the amount payable on occurrence of the insured event. The costs of rebuilding properties, of replacement or indemnity for contents are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from windstorm or sea inundation damage. For property insurance contracts, climatic changes give rise to more frequent and severe extreme weather events, such as hurricanes, which may result in motor and property claims.

Casualty risks are principally comprised of personal injury from motor claims. The Group manages these risks by way of a conservative underwriting strategy, adequate reinsurance arrangements and proactive claims management.

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

B. INSURANCE RISK (continued)

i) General insurance risk (continued)

Assumptions and methodology (continued)

Underwriting limits are in place to enforce appropriate risk selection criteria. For example the Group has the right not to renew individual policies and it has the right to reject the payment of a fraudulent claim.

Management monitors and conducts quarterly reviews of the Group's general insurance claims provisions, and their adequacy.

The Group has a claims department dealing with the mitigation of risks surrounding known exposures. This department investigates and adjusts claims with the assistance and advice of external loss adjusters. The claims are reviewed individually on an on-going basis and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments. The adequacy of the Group's insurance claims provisions is ultimately overseen by the Board of Directors.

The ultimate cost of outstanding contract liabilities are estimated by using a range of standard actuarial claims projections techniques, such as the Incurred Development Methodology and the Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that the Group's past claims development experience can be used to project future claims development and hence ultimate claim costs. Historical claims development is analysed by either accident period or underwriting period. Claims development is analysed for each geographical area as well as by line of business.

The subsidiaries writing general insurance business have a documented reserving policy setting out the basis on which liabilities are to be determined using statistical analysis and actuarial experience. Policies for each subsidiary are in line with relevant local regulation and legislation.

Management monitors and conducts quarterly reviews of the Group's general insurance claims provisions, and their adequacy.

The Group has claims departments dealing with the mitigation of risks surrounding known exposures. These departments investigate and adjust a majority of the claims. The claims are reviewed individually on a quarterly basis and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

The adequacy of the Group's general insurance claims provisions is ultimately overseen by the Board of Directors.

The estimate of the ultimate liability arising from short term insurance contracts is a significant accounting estimate. These liabilities are divided into 2 categories: the provision for IBNR and the provision for the cost of reported claims not yet paid. Provisions are also made for adverse development and unallocated loss adjustment expenses.

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

B. INSURANCE RISK (continued)

i) General insurance risk (continued)

Assumptions and methodology (continued)

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

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

Any estimate of future costs is subject to the inherent uncertainties in predicting the course of future events. Assumptions are made around costs such as repairs, jury decisions, court interpretations and legislative changes. Consequently, the amounts recorded in respect of unpaid claims may change significantly in the short term. Management engages independent actuaries to assist them in making such estimates based on the Group's own loss history and relevant industry data.

Claims development tables

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The top half of each table illustrates how the Group's estimate of total claims outstanding for each accident or underwriting year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the consolidated statement of financial position. A calendar year basis is considered to be most appropriate for the business written by the Group.

Cayman Islands / Other Caribbean

Gross loss development

Underwriting year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Estimate of ultimate claims cost:	$	$	$	$	$	$	$	$	$	$	$
At the end of accident year	14,767	9,613	8,524	8,466	9,530	61,642	647,217	10,073	584,281	8,775	
One year later	12,735	8,592	8,243	8,021	8,741	60,485	586,239	9,047	506,326		
Two years later	13,028	8,618	7,502	7,840	8,171	61,729	578,477	8,486			
Three years later	13,314	8,515	7,766	7,794	8,162	60,258	579,155				
Four years later	13,290	8,449	7,663	8,540	8,424	60,136					
Five years later	13,287	8,464	7,576	8,010	8,432						
Six years later	13,293	8,439	7,578	8,033							
Seven years later	13,215	8,529	7,587								
Eight years later	13,224	8,578									
Nine years later	13,223										
Current estimates of cumulative claims	13,223	8,578	7,587	8,033	8,432	60,136	579,155	8,486	506,326	8,775	1,208,731
Cumulative payments to date	(13,213)	(8,440)	(7,492)	(7,902)	(7,935)	(59,412)	(564,272)	(7,584)	(473,771)	(3,326)	(1,153,347)
Gross Liability recognised in the consolidated statement of financial position	10	138	95	131	497	724	14,883	902	32,555	5,449	55,384
Reserve in respect of prior years											337
TOTAL reserve included in the consolidated statement of financial position											**55,721**

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

B. INSURANCE RISK (continued)

i) General insurance risk (continued)

Claims development tables (continued)

Net loss development:

Underwriting year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Estimate of ultimate claims cost:	$	$	$	$	$	$	$	$	$	$	$
At the end of accident year	2,452	2,994	4,703	3,950	5,914	11,263	9,919	7,014	12,255	5,743	
One year later	2,285	2,269	4,631	4,261	5,316	10,230	9,907	6,320	12,091		
Two years later	2,363	2,238	4,239	4,132	4,945	9,950	9,235	6,018			
Three years later	2,395	2,219	4,248	4,118	5,068	9,921	9,085				
Four years later	2,375	2,200	4,240	4,261	5,115	9,802					
Five years later	2,376	2,195	4,222	4,153	5,117						
Six years later	2,392	2,193	4,220	4,158							
Seven years later	2,379	2,201	4,221								
Eight years later	2,379	2,205									
Nine years later	2,379										
Current estimates of cumulative claims	2,379	2,205	4,221	4,158	5,117	9,802	9,085	6,018	12,091	5,743	60,819
Cumulative payments to date	(2,378)	(2,192)	(4,204)	(4,131)	(4,870)	(9,260)	(8,254)	(5,240)	(9,731)	(2,305)	(52,565)
Net Liability recognised in the consolidated statement of financial position	1	13	17	27	247	542	831	778	2,360	3,438	8,254
Reserve in respect of prior years											343
TOTAL reserve included in the consolidated statement of financial position											**8,597**

C. CAPITAL MANAGEMENT AND REGULATORY COMPLIANCE

The Cayman Islands Monetary Authority (“CIMA”) has statutory powers that enable it to use its discretion to require the Group to conduct its Cayman operations in accordance with general or specific conditions which may be imposed by CIMA or may be agreed between CIMA and the Group. The Group is required to maintain capital in excess of the greater of approximately $300 for domestic insurers or $1,000 for external insurers, and an amount determined as per a prescribed formula set out in legislation. The formula prescribes the minimum capital requirements for the Group’s assets and liabilities on a risk basis and also provides for a margin of catastrophe. The Group holds both a domestic insurer license and an external insurer Class A license. Additionally, IHIC has regulated insurance operations in several other jurisdictions (see note 1). At December 31, 2020 the Group was in compliance with its regulatory requirements as an external insurer.

5. FAIR VALUE MEASUREMENTS

A. FAIR VALUE METHODOLOGIES AND ASSUMPTIONS

Management has assessed that the carrying values of cash and cash equivalents, fixed deposits and regulatory assets approximate their fair values.

The fair value of fixed income securities which are carried at FVTPL is determined using quoted prices in active markets for identical or similar securities. When quoted prices in active markets are not available, fair value is determined using market standard valuation methodologies, which include discounted cash flow analysis, consensus pricing from various broker dealers that are typically the market makers, or other similar techniques. The assumptions and valuation inputs in applying these market standard valuation methodologies are determined primarily using observable market inputs, which include, but are not limited to, benchmark yields, reported trades of identical or similar instruments, broker-dealer quotes, issuer spreads, bid prices, and reference data including market research publications. In limited circumstances, non-binding broker quotes are used.

The fair value of equity securities is determined using quoted prices in active markets for identical securities or similar securities. When quoted prices in active markets are not available, fair value is determined using equity valuation models, which include discounted cash flow analysis and other techniques that involve benchmark comparison. Valuation inputs primarily include projected future operating cash flows and earnings, dividends, market discount rates, and earnings multiples of comparable companies.

B. FAIR VALUE HIERARCHY

The Group categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Groups valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to fair value measurement in its entirety.

The three levels of the fair value hierarchy are defined as follows:

i) Level 1

Fair value is based on quoted market prices for identical assets and liabilities in an active market at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing services, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

ii) Level 2

Fair value inputs for level 2 are inputs, other than quoted prices included within level 1, that are observable for the asset or liability either directly or indirectly. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. These inputs include the following:

- Quoted prices for similar assets and liabilities in an active market
- Quoted prices for identical or similar assets in a market that is not active, the prices are not current, or price quotations vary substantially over time or for which little information is released publically.
- Inputs other than quoted prices that are observable for the asset or liability such as interest rates and yield curves.

5. FAIR VALUE MEASUREMENTS (continued)

B. FAIR VALUE HIERARCHY (continued)

iii) Level 3

If one or more of the significant inputs is not based on observable market data, the financial assets are included in level 3. Where estimates are used, these are based on a combination of independent third party evidence and internally developed models using market observable data where possible. A transfer from level 2 to level 3 would occur primarily due to decreased observability of inputs in valuation methodology. Conversely, transfers out of level 3 would primarily occur due to increased observability of inputs.

C. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

The following table presents the Group's assets and liabilities measured at fair value in the consolidated statement of financial position, categorised by level under the fair value hierarchy:

31 December 2020	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Cash and cash equivalents	30,692	-	-	30,692
Regulatory assets				
Fixed income securities	366	12,008	-	12,374
Cash	8,038	-	-	8,038
Financial assets at FVTPL				
Fixed income securities	6,409	10,774	-	17,183
Equities	8,115	-	-	8,115
TOTAL assets	**53,620**	**22,782**	**-**	**76,402**

31 December 2019	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Cash and cash equivalents	56,615	-	-	56,615
Regulatory assets				
Fixed income securities	352	13,173	-	13,525
Cash	7,092	-	-	7,092
Financial assets at FVTPL				
Fixed income securities	5,699	9,917	-	15,616
Equities	7,814	-	-	7,814
TOTAL assets	**77,572**	**23,090**	**-**	**100,662**

During the current and prior year there were no transfers between Levels 1 and 2 and no assets or liabilities measured at fair value in Level 3 (2019: None).

6. CASH AND CASH EQUIVALENTS

	2020 $	2019 $
Cash at bank and in money market funds	28,896	55,120
Short-term deposits	1,796	1,495
TOTAL	**30,692**	**56,615**

7. REGULATORY ASSETS

	2020 $	2019 $
Regulatory assets		
- Fixed income securities	12,374	13,525
- Cash	8,038	7,092
TOTAL	**20,412**	**20,617**

Regulatory assets represent fixed income securities and amounts placed on deposit with banks and government bodies to satisfy licensing criteria in certain jurisdictions in which the Group operates. These assets cannot be removed nor the accounts reduced without the prior written consent of the relevant regulator.

8. INVESTMENTS

A. CARRYING AMOUNT AND FAIR VALUE OF INVESTMENTS

Investments comprise:

	2020		2019	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
At fair value through profit and loss				
- Fixed income securities	17,183	17,183	15,616	15,616
- Equities	8,115	8,115	7,814	7,814
TOTAL	**25,298**	**25,298**	**23,430**	**23,430**

8. INVESTMENTS (continued)

B. INVESTMENT INCOME

	2020 $	2019 $
Interest income		
Fixed income securities - at FVTPL	678	359
Bank deposits	215	1,909
	893	2,268
Dividend income		
Equities- at FVTPL	120	141
	120	141
Net realised gains/(losses) on sale of investments		
Equities - at FVTPL	75	35
Fixed income securities - at FVTPL	362	181
	437	216
Change in fair value arising from		
Fixed income securities	107	584
Equities	545	906
	652	1,490
TOTAL	**2,102**	**4,115**

9. INSURANCE RECEIVABLES AND OTHER ASSETS

	2020 $	2019 $
Accounts receivable	17,616	24,269
Hurricane advancements - Dorian	5,475	35,790
Ceding commission receivables	3,986	5,637
Reinsurance receivables	2,953	3,001
Broker rebate receivable	1,654	1,200
VAT advanced and refund recoverable	1,594	-
Prepayments	941	1,235
Hurricane advancements – Irma & Maria	777	5,418
Accrued investment income	415	403
TOTAL	**35,411**	**76,953**

10. DEFERRED POLICY ACQUISITION COSTS

A reconciliation of the change in deferred policy acquisition costs is shown below:

	2020 $	2019 $
At 1 January	9,900	7,620
Recognised deferred acquisition costs	23,476	25,171
Amortisation charge through income	(23,812)	(22,891)
TOTAL	**9,564**	**9,900**

11. REINSURANCE ASSETS

Reinsurance assets are comprised of the following:

	2020 $	2019 $
Short-term insurance contracts:		
Claims reported and adjustment expenses recoverable	32,151	366,023
Unearned premiums ceded	45,882	50,575
Claims incurred but not reported recoverable	14,973	79,922
TOTAL	**93,006**	**496,520**

12. PROPERTY AND EQUIPMENT

A. Property and equipment comprises:

	Land and buildings $	Furniture, equipment and leasehold improvements $	Computer hardware $	Motor Vehicles $	Total $
At 1 January 2019					
Cost	9,757	2,418	803	103	13,081
Accumulated amortisation	(931)	(2,237)	(648)	(79)	(3,895)
Closing net book value	**8,826**	**181**	**155**	**24**	**9,186**
Year ended 31 December 2019					
Additions	-	194	46	-	240
Amortisation charge	(238)	(185)	(78)	(9)	(510)
Closing net book value	**8,588**	**190**	**123**	**15**	**8,916**
At 31 December 2019					
Cost	9,757	2,612	849	103	13,321
Accumulated amortisation	(1,169)	(2,422)	(726)	(88)	(4,405)
Net book value	**8,588**	**190**	**123**	**15**	**8,916**
Year ended 31 December 2020					
Additions	-	300	15	-	315
Revised terms of right-of-use-assets	(260)	-	-	-	(260)
Amortisation charge	(186)	(86)	(70)	(7)	(349)
Closing net book value	**8,142**	**404**	**68**	**8**	**8,622**
At 31 December 2020					
Cost	9,497	2,912	864	103	13,376
Accumulated amortisation	(1,355)	(2,508)	(796)	(95)	(4,754)
TOTAL Net book value	**8,142**	**404**	**68**	**8**	**8,622**

12. PROPERTY AND EQUIPMENT (continued)

B. Leases:

This note provides information for significant leases where the Group is a lessee. No significant leases where the Group is a lessor have been identified.

i) Amounts recognised in the consolidated statement of financial position:

	2020 $	2019 $
Right-of-use assets		
Land and buildings	361	640
TOTAL	**361**	**640**
Lease liabilities		
Other liabilities	379	655
TOTAL NET	**(18)**	**(15)**

Additions to the right-of-use assets during the 2020 financial year were $nil (2019: $nil).

ii) Amounts recognised in the consolidated statement of income sheet:

	2020 $	2019 $
Amortisation charge of right-of-use assets		
Land and buildings	19	71
Furniture, equipment and leasehold improvements	-	-
Motor Vehicles	-	-
	19	**71**
Interest expense	**7**	**35**
Expense relating to short-term leases (included in operating expenses)	-	-
Expense relating to leases of low-value assets (included in operating expenses)	91	69

The total cash outflow for leases in 2020 was $118 (2019: $175).

The lease term is reassessed if an option is actually exercised (or not exercised) or the group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

iii) The maturity profile of right-of-use liabilities is as follows:

31 December 2020	Within 1 year $	1-5 years $	Over 5 years $	Total $
Right-of-use liabilities	39	230	110	379

12. PROPERTY AND EQUIPMENT (continued)

B. Leases: (continued)

31 December 2019	Within 1 year $	1-5 years $	Over 5 years $	Total $
Right-of-use liabilities	59	268	328	655

13. INCOME TAXES

Income tax is calculated and payable on the profits earned in jurisdictions with corporate tax requirements. The Group is subject to income tax in Antigua 25%, Barbados 2%, Dominica 25.0%, Grenada 30.0%, St. Kitts & Nevis 33.0%, St. Lucia 30.0%, St. Maarten 34.5%, St. Vincent 30.0% and US Virgin Islands 23.1%. The Group is domiciled in the Cayman Islands and is exempt from taxation on income earned in the Cayman Islands and other Caribbean jurisdictions.

A. INCOME TAX

The income tax expense comprises:

	2020 $	2019 $
Current tax	160	133
Deferred tax	376	-
TOTAL Income tax expense	**536**	**133**

The taxation charge on taxable income differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2020 $	2019 $
Income before income taxes	**3,123**	**1,046**
Tax at the domestic rate of 0%		
Tax calculated at tax rates in countries listed above	346	443
Prior year adjustments	13	-
Income not subject to tax	(227)	(290)
Expenses not deductible for tax	376	-
Tax over/(under) accrual	28	(20)
TOTAL Income tax expense	**536**	**133**

B. DEFERRED TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

13. INCOME TAXES (continued)

B. DEFERRED TAXES (continued)

The deferred tax asset and deferred tax liability relate to the following items:

	2020 $	2019 $
Deferred tax assets:		
Net unearned premium	158	105
Deferred ceding commissions	407	208
Outstanding claims	17	18
Net operating loss carried forward	484	850
Deferred tax asset	**1,066**	**1,181**
Deferred tax liabilities:		
Deferred acquisition costs	(690)	(429)
Net unearned premium	-	-
Deferred tax liability	**(690)**	**(429)**
Net deferred tax asset	**376**	**752**

C. TAX RECEIVABLE (PAYABLE)

	2020 $	2019 $
Tax recoverable at beginning of year	1,232	1,225
Tax payments made	3	7
Current tax expense	(29)	-
Tax under accrual	(3)	-
Other	4	-
Total Tax receivable at end of year	**1,207**	**1,232**
Tax payable at beginning of year	(118)	(113)
Tax payments made	159	128
Current tax expense for year	(119)	(133)
Tax under accrual	(25)	-
Other	12	
Total Tax payable at end of year	**(91)**	**(118)**
Net tax receivable	**1,116**	**1,114**

14. INTANGIBLE ASSETS

The carrying amounts of intangible assets are as follows:

	Software development costs $	Total $
At 1 January 2019		
Cost	2,429	2,429
Accumulated amortisation	(2,343)	(2,343)
TOTAL Net book value	**86**	**86**
Year ended 31 December 2019		
Amortisation	(72)	(72)
Closing net book value	**14**	**14**
At 31 December 2019		
Cost	2,429	2,429
Accumulated amortisation	(2,415)	(2,415)
Net book value	**14**	**14**
Year ended 31 December 2020		
Amortisation	(14)	(14)
Closing net book value	**-**	**-**
At 31 December 2020		
Cost	2,429	2,429
Accumulated amortisation	(2,429)	(2,429)
TOTAL Net book value	**-**	**-**

Impairment losses and the amortisation charge on goodwill and intangibles assets are included in depreciation and amortisation in the consolidated statement of income.

B. SOFTWARE DEVELOPMENT COSTS

The Group is engaged in significant development of its new core information systems. Costs associated with the development of the system are deferred, to the extent that the cost satisfies the criteria under *IAS 38 – Intangible assets*, until such time that management determines that a component is available for use in the manner expected and then it is amortised over its useful life. Annually, the Group reviews its software development costs for evidence of impairment.

15. OTHER LIABILITIES

These include:	2020 $	2019 $
Reinsurance balance payable	20,366	25,317
Hurricane advancements – Dorian & Matthew	12,420	73,180
Deferred ceding commission	8,366	9,603
Commission payable	2,559	3,360
Premium taxes payable	2,113	1,767
Accounts payable	1,750	2,013
Hurricane advancements – Irma & Maria	1,217	6,848
Profit commission payable	477	378
VAT payable	-	678
TOTAL	**49,268**	**123,144**

16. INSURANCE CONTRACT LIABILITIES

A. COMPOSITION OF INSURANCE CONTRACT LIABILITIES

	2020			2019		
	Gross $	Reinsurance $	Net $	Gross $	Reinsurance $	Net $
Short term insurance contracts:						
Claims reported and loss adjustment expenses	38,071	(32,151)	5,920	371,533	(366,023)	5,510
Unearned premiums	62,213	(45,882)	16,331	64,997	(50,575)	14,422
Claims incurred but not reported	17,650	(14,973)	2,677	82,596	(79,922)	2,674
Total short-term insurance contracts	**117,934**	**(93,006)**	**24,928**	**519,126**	**(496,520)**	**22,606**
TOTAL Insurance contract liabilities	**117,934**	**(93,006)**	**24,928**	**519,126**	**(496,520)**	**22,606**

16. INSURANCE CONTRACT LIABILITIES (continued)

B. CHANGES IN SHORT TERM INSURANCE CONTRACT LIABILITIES

	2020			2019		
	Gross $	Reinsurance $	Net $	Gross $	Reinsurance $	Net $
At 1 January						
Claims and adjustment expenses	371,533	(366,023)	5,510	63,959	(58,814)	5,145
Claims incurred but not reported	82,596	(79,922)	2,674	14,443	(11,932)	2,511
Total at 1 January	454,129	(445,945)	8,184	78,402	(70,746)	7,656
Cash paid for claims settled in year	(329,311)	324,699	(4,612)	(198,126)	187,851	(10,275)
Increase/(decrease) in reserves:						
Arising from current-year claims	8,775	(3,032)	5,743	584,283	(572,026)	12,257
Arising from prior-year claims	(77,872)	77,154	(718)	(10,430)	8,976	(1,454)
TOTAL at 31 December	55,721	(47,124)	8,597	454,129	(445,945)	8,184
Claims and adjustment expenses	38,071	(32,151)	5,920	371,533	(366,023)	5,510
Claims incurred but not reported	17,650	(14,973)	2,677	82,596	(79,922)	2,674
TOTAL at 31 December	55,721	(47,124)	8,597	454,129	(445,945)	8,184

C. UNEARNED PREMIUM LIABILITY

	2020			2019		
	Gross $	Reinsurance $	Net $	Gross $	Reinsurance $	Net $
At 1 January	64,997	(50,575)	14,422	48,976	(37,281)	11,695
Premium written during the year	142,028	(115,322)	26,706	151,205	(125,888)	25,317
Premium earned during the year	(144,812)	120,015	(24,797)	(135,184)	112,594	(22,590)
TOTAL at 31 December	62,213	(45,882)	16,331	64,997	(50,575)	14,422
Movement during the year	2,784	(4,693)	(1,909)	(16,021)	13,294	(2,727)

17. EQUITY

A. SHARE CAPITAL

	2020 $	2019 $
500,000 (2019 - 500,000) common shares of a par value of $1 each	500	500
Issued -		
Common shares of a par value of $1 each	321	321

Common shares in issue in the Group rank pari passu with any new common shares issued in the Group. All the common shares in issue carry the same right to receive all dividends and other distributions declared, made or paid by the Group. No shares were issued in 2020 or 2019.

B. CONTRIBUTED SURPLUS

The contributed surplus has the same characteristics, terms, rights and obligations as “Share Premium” as defined in the Cayman Islands Companies Law and the contributed surplus was made with the intention and expectation that it be recorded as a component of equity by the Company.

C. ACCUMULATED OTHER COMPREHENSIVE LOSS

This consists of actuarial gains and losses on employee benefit plans.

18. INSURANCE CONTRACTS BENEFITS AND EXPENSES

	2020 $	2019 $
Gross short term claim and adjustment expenses paid	329,311	198,126
Reinsurance recoveries	74,122	(563,050)
Change in insurance contract liabilities	(398,408)	375,727
TOTAL	**5,025**	**10,803**

19. OPERATING EXPENSES

	2020 $	2019 $
Group allocated costs	6,670	3,828
Wages and salaries	3,132	3,301
Professional and consulting fees	610	561
Bank charges and foreign currency purchase tax	543	516
Advertising and business development	478	617
Compliance, legal and regulatory	437	306
Office rent, building and utilities costs	393	460
Share expense	318	251
Office and administration expenses	143	200
Bad debt	102	420
Travel	60	236
Membership and subscriptions	41	46
Training and development	20	50
Other	4	-
TOTAL Operating expenses	**12,951**	**10,792**

20. RELATED PARTIES

As disclosed in Note 2C i), a number of the subsidiaries transacted within the Group during the year in the normal course of business. These transactions are eliminated on consolidation. By their nature, not all related party transactions are at arm's length. On occasion, the Group pays certain expenses on behalf of other fellow subsidiaries / affiliates of the Ultimate Parent, and which are then reimbursed. As at December 31, 2020 amounts due to the Ultimate Parent and its subsidiaries / affiliates have yet to be settled. Key management personnel have been defined as the executive team and the board of directors of the Group.

The following is a summary of related party transactions and balances for the year:

A. SALES OF INSURANCE CONTRACTS AND OTHER SERVICES

	2020 $	2019 $
- BF&M General – Insurance contracts	1,752	1,574
- BF&M Lifeco – Insurance contracts	246	265
- BF&M Limited – Other	5,637	2,375
- Key management	50	53
TOTAL	**7,685**	**4,267**

B. PURCHASE OF PRODUCTS AND SERVICES

	2020 $	2019 $
- Insurance contracts benefits & expenses - Key management	(6)	(4)
- Employee life insurance expense	(69)	(60)
- Share grant expenses	(348)	(292)
- Operating expenses – BF&M Limited (operational cost allocation)	(6,924)	(3,893)
TOTAL	**(7,347)**	**(4,249)**

20. RELATED PARTIES (continued)

C. KEY MANAGEMENT COMPENSATION

The following table shows compensation to key management:

	2020 $	2019 $
Salaries and other short-term employee benefits	1,198	992
Other long-term benefits	39	33
Share based payments	116	114
TOTAL	**1,353**	**1,139**

D. DUE TO RELATED PARTIES

	2020 $	2019 $
Due to fellow subsidiaries	-	600
Due to ultimate parent	2,308	(92)
TOTAL	**2,308**	**508**

E. SELF-INSURANCE

The Group self-insures their office buildings reported in property and equipment. The insured asset is reinsured through the Group's reinsurance programme and is subject to the same terms and conditions as other reinsured insurance contracts.

21. SUBSEQUENT EVENTS

Management has performed a subsequent events review from 1 January 2021 through to 1 April 2021, being the date that the consolidated financial statements were available to be issued. Management concluded that there were no material subsequent events which required additional disclosure in these consolidated financial statements.