

**NEW PROVIDENCE LIFE INSURANCE**

**COMPANY LIMITED**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2019**

## **NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

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## **REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

### **Opinion**

We have audited the accompanying financial statements of New Providence Life Insurance Company Limited which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of New Providence Life Insurance Company Limited as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in The Bahamas, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 35 of the financial statements, which describes events subsequent to the date of the financial statements which will have a direct and indirect impact on the Company as a result of the COVID-19 pandemic. Although the forecast is unfavorable, the Company concluded that no material uncertainty exists that may cast doubt on the Company's ability to continue as a going concern.

### **Key Audit Matter**

Key audit matters are those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements as at 31 December 2019. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and the auditor does not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

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

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

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements (cont)**

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

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

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

A further description of the auditors' responsibilities for the audit of the financial statements is located in an Appendix to this report. This description forms part of our auditors' report.

The engagement partner on the audit resulting in this independent auditor's report is Clifford Culmer.

A handwritten signature in blue ink that reads 'BDO'.

**Chartered Accountants  
Nassau Bahamas  
29 May 2020**



## APPENDIX TO THE AUDITORS' REPORT

### **Detailed Description of Our Responsibilities**

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

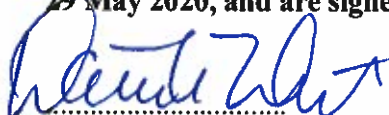
**STATEMENT OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2019**

**(Expressed in Bahamian Dollars)**

	<u>Note</u>	<u>2019</u> \$	<u>2018</u> \$
<b>FIXED ASSETS</b>	5	131,327	146,339
<b>RIGHT-OF-USE ASSETS</b>	6	296,913	--
<b>INVESTMENT PROPERTY</b>	7	1,537,491	--
<b>NOTE RECEIVABLE</b>	8	--	927,473
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		2,650,065	809,836
Investments	9	5,255,988	7,636,255
Reinsurance ceded assets	11	544,757	478,354
Reinsurance assumed assets	12	82,877	65,056
Prepaid income tax		74,242	60,291
Note receivable - current portion	8	--	136,088
Deferred tax asset		--	45,766
Other receivables and prepayments	13	<u>137,217</u>	<u>141,342</u>
		<u>8,745,146</u>	<u>9,372,988</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable and accruals		131,165	123,799
Lease liability - current portion	6	69,720	--
Due to administrator	10	1,810,424	1,708,520
Unearned premium	14	355,307	308,297
Advanced premium	15	44,010	46,788
Provision for unpaid claims	16	<u>1,169,485</u>	<u>1,209,005</u>
		<u>3,580,111</u>	<u>3,396,409</u>
<b>NET CURRENT ASSETS</b>		<u>5,165,035</u>	<u>5,976,579</u>
<b>LEASE LIABILITY</b>	6	<u>229,685</u>	<u>--</u>
		<u>\$6,901,081</u>	<u>\$7,050,391</u>
<b>EQUITY</b>			
Share capital	17	3,000,000	3,000,000
Preference shares	18	2,000,000	2,000,000
Contributed surplus	17	500,000	500,000
Fair value reserve		48,630	(140,325)
Accumulated profit		<u>1,352,451</u>	<u>1,690,716</u>
		<u>\$6,901,081</u>	<u>\$7,050,391</u>

The statements were approved by the board of directors and authorised for issue on 29 May 2020, and are signed on its behalf by:



Director



Director

The Notes on pages 8 to 43 form an integral part of these Financial Statements.

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	<b><u>2019</u></b> \$	<b><u>2018</u></b> \$
<b>UNDERWRITING INCOME</b>			
Net premiums written	19	5,811,224	5,354,055
Net reinsurance premium ceded	20	<u>(928,243)</u>	<u>(928,899)</u>
<b>Net direct premiums earned</b>		<u>4,882,981</u>	<u>4,425,156</u>
<b>REINSURANCE PREMIUM ASSUMED</b>	21	3,788,993	3,032,823
<b>INSURANCE BENEFITS AND CLAIMS</b>			
Claims paid	22	6,178,830	3,974,974
Recovery of loss adjustment expense - net	23	(38,818)	(1,091,079)
Insurance claims recovered from reinsurers	20	<u>(1,720,467)</u>	<u>(276,453)</u>
		<u>4,419,545</u>	<u>2,607,442</u>
<b>EXPENDITURE</b>			
Commission expense	24	3,168,914	3,005,945
Administrator fee		587,302	543,993
Administrative and marketing expenses	25	694,486	729,079
Salaries and other employee benefits		494,619	416,071
Amortisation of right-of-use asset	6	53,592	--
Depreciation fixed assets		22,104	33,581
Depreciation investment property		<u>5,998</u>	<u>--</u>
		<u>5,027,015</u>	<u>4,728,669</u>
<b>Net underwriting (loss)/income</b>		<u>(774,586)</u>	<u>121,868</u>
<b>OTHER INCOME</b>			
Interest and investment income		385,763	403,302
Other income		<u>212,494</u>	<u>179,706</u>
		<u>598,257</u>	<u>583,008</u>
<b>(Loss)/profit before other comprehensive income and tax</b>		(176,329)	704,876
Income tax expense	26	<u>(1,936)</u>	<u>(144,085)</u>
<b>NET (LOSS)/PROFIT FOR THE YEAR</b>		(178,265)	560,791
<b>OTHER COMPREHENSIVE INCOME</b>			
Fair value gain/(loss) on investments		<u>188,955</u>	<u>(145,977)</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		\$10,690	\$414,814
		=====	=====

The Notes on pages 8 to 43 form an integral part of these Financial Statements.

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b><u>Share capital</u></b> \$	<b><u>Preference shares</u></b> \$	<b><u>Contributed surplus</u></b> \$	<b><u>Fair value reserve</u></b> \$	<b><u>Accumulated profit</u></b> \$	<b><u>Total</u></b> \$
<b>1 January 2018</b>	3,000,000	2,000,000	500,000	5,652	1,662,104	7,167,756
Dividends paid – preference shares	--	--	--	--	(160,000)	(160,000)
Dividends paid – common shares	--	--	--	--	(372,179)	(372,179)
Net profit for the year	--	--	--	--	560,791	560,791
<b>Other comprehensive income:</b>						
Fair value loss on investments	--	--	--	(145,977)	--	(145,977)
<b>Total comprehensive income</b>	--	--	--	(145,977)	560,791	414,814
<b>31 December 2018</b>	3,000,000	2,000,000	500,000	(140,325)	1,690,716	7,050,391
Dividends paid – preference shares	--	--	--	--	(160,000)	(160,000)
Net loss for the year	--	--	--	--	(178,265)	(178,265)
<b>Other comprehensive income:</b>						
Fair value gain on investments	--	--	--	188,955	--	188,955
<b>Total comprehensive income</b>	--	--	--	188,955	(178,265)	10,690
<b>31 December 2019</b>	\$3,000,000 =====	\$2,000,000 =====	\$500,000 =====	\$48,630 =====	\$1,352,451 =====	\$6,901,081 =====

The Notes on pages 8 to 43 form an integral part of these Financial Statements.



**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (loss)/profit before tax	(176,329)	704,876
Adjustment for:		
Depreciation	28,102	33,581
Amortisation of right-of-use asset	53,592	--
Interest on lease liability	11,420	--
Dividend income	(119,232)	(66,075)
Interest income	<u>(266,531)</u>	<u>(337,226)</u>
Operating income before working capital changes	(468,978)	335,156
(Increase)/decrease in reinsurance ceded assets	(66,403)	65,810
(Increase)/decrease in reinsurance assumed assets	(72,918)	1,189,945
Decrease in other receivables and prepayments	90,691	11,332
Increase in accounts payable and accruals	7,366	38,280
Net movement in due to administrator	101,904	939,905
Increase/(decrease) in unearned premium	47,010	(83,302)
Decrease in advanced premium	(2,778)	(27,876)
Decrease in provision for unpaid claims	<u>(39,520)</u>	<u>(1,090,447)</u>
Cash provided by operations	(403,626)	1,378,803
Income tax	(1,936)	--
Dividends received	119,232	66,075
Interest received	<u>266,531</u>	<u>337,226</u>
<b>Net cash (used)/provided by operating activities</b>	<u>(19,799)</u>	<u>1,782,104</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Note receivable repayment	1,063,561	126,914
Net movement in investments	2,569,568	(1,559,125)
Purchase of investment property	(1,543,489)	--
Purchase of fixed assets	<u>(7,092)</u>	<u>--</u>
<b>Net cash provided/(used) by investing activities</b>	<u>2,082,548</u>	<u>(1,432,211)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of lease liability	(62,520)	--
Dividends paid – preference shares	(160,000)	(160,000)
Dividends paid – common shares	<u>--</u>	<u>(1,172,179)</u>
<b>Net cash used by financing activities</b>	<u>(222,520)</u>	<u>(1,332,179)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	1,840,229	(982,286)
<b>Net cash and cash equivalents at beginning of the year</b>	<u>809,836</u>	<u>1,792,122</u>
<b>Net cash and cash equivalents at end of the year</b>	<u>\$2,650,065</u>	<u>\$809,836</u>
	=====	=====

**The Notes on pages 8 to 43 form an integral part of these Financial Statements.**

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2019****1. INCORPORATION AND ACTIVITIES**

New Providence Life Insurance Company Limited (formerly Star Bahamas General Insurance Company Limited) (“Company”) was incorporated under the Companies Act, 1992 of the Commonwealth of the Bahamas on 17 November 2001. On 8 May 2013, the name of the Company was changed to its current name. Effective 20 February 2014, license was granted to the Company to act as an insurance carrier by the Insurance Commission of the Bahamas (“ICB”). The Company has been inactive in the years before the license was granted. The Company’s principal activity is writing life, disability and health insurance policies.

Effective 1 January 2014, the Company’s issued and outstanding shares were owned by AMFirst Insurance Company. (a company incorporated in Oklahoma, USA), OIC Holdings Inc.(a company incorporated in Mississippi, USA) and Star General Investments (G.B.) Limited (a company incorporated in the Bahamas) having ownership percentages of 58%, 17% and 25%, respectively. Prior to that date, the Company is a wholly owned subsidiary of Star General Investments (G.B.) Limited.

During 2018, OIC Holdings, a 17% owner of the common stock of the Company, dissolved and the ownership interest in Company was transferred to AmFirst Holdings Inc., the ultimate parent company of AMfirst Insurance Company. Subsequent to year end, during February 2020, AMfirst Insurance Company, sold its 58% ownership interest in the Company to AmFirst Holdings Inc. AmFirst Holdings now owns 75% of the ownership interest in the Company.

The Company’s registered office is Corporate Legal Services, Pickstock Place, Robinson Road, Nassau, Bahamas. The main place of business is RoyalStar House, John F. Kennedy Drive, Nassau, Bahamas. Morgan White Administrators International, Inc. (a company incorporated in Mississippi, USA) functions as “Administrator” performing accounting services and premiums and claims processing on behalf of the Company.

**2. BASIS OF PREPARATION**

These financial statements are prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRS). The financial statements have also been prepared under the historical cost convention as modified by the revaluation of financial assets at fair value. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results can differ from those estimates.

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**2. BASIS OF PREPARATION (cont)**

**Critical accounting estimates and judgements**

*Provision for unpaid claims*

There are several sources of uncertainty that were considered by the Company in estimating the provision for unpaid claims. The uncertainty arises because all events affecting the ultimate settlement of claims have not taken place and may not take place for some time. Changes in the estimate of the provision can be caused by receipt of additional claim information, changes in judicial interpretation of contracts, or significant changes in severity or frequency of claims from historical trends. The estimates are mainly based on the Company's historical and industry experience.

*Unearned premium calculation*

The Company estimates 55% of the gross premium to be the portion related to recovery of cost or acquisition cost of insurance contract. The remaining 45% is the portion related to insurance protection. In the event that insurance policies are cancelled, the portion related to recovery of cost will not be refunded thus considered as earned immediately. Only the portion related to insurance protection is considered in the calculation of unearned premium.

**3. ACCOUNTING POLICIES**

**Fixed assets**

Fixed assets are carried at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follow:

Leasehold improvements	15 years
Office furniture and equipments	5 years

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

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**3. ACCOUNTING POLICIES (cont)**

**Fixed assets (cont)**

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in profit or loss.

**Financial assets and financial liabilities**

*Recognition and initial measurement*

All financial assets and financial liabilities are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

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

*Financial assets - classification and subsequent measurement*

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are Solely Payments of Principal and Interest ("SPPI").

The Company's financial assets measured at amortised cost include cash and cash equivalents, note receivable, reinsurance ceded assets and reinsurance assumed assets. These financial assets are held to collect contractual cash flows.

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**3. ACCOUNTING POLICIES (cont)**

**Financial assets and financial liabilities (cont)**

*Financial assets - classification and subsequent measurement (cont)*

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value through OCI. This election is made on an investment-by-investment basis.

The Company's financial assets measured at FVOCI include investments in corporate bonds and government bonds which are held to earn interest and gains on sale. Investments in equities, exchange traded funds and private equities were irrevocably designated to be measured at FVOCI.

The Company does not have financial assets measured at FVTPL during the year.

*Financial liabilities – classification and subsequent measurement*

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.



**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**3. ACCOUNTING POLICIES (cont)**

**Financial assets and financial liabilities (cont)**

*Financial liabilities – classification and subsequent measurement (cont)*

Financial liabilities at FVTPL:

- The Company does not have financial liabilities measured at FVTPL.

Financial liabilities at amortised cost:

- The Company's financial liabilities at amortised costs include accounts payable and accruals, due to administrator and dividend payable.

*Impairment*

The Company recognises loss allowances for Expected Credit Losses ("ECLs") on financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2019****3. ACCOUNTING POLICIES (cont)****Financial assets and financial liabilities (cont)***Derecognition*

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

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

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

**Cash and cash equivalents**

Cash and cash equivalents include demand deposits and other short-term highly liquid investments with original maturities of three months or less.

**Revenue and expenses recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recognised when earned and expenses are recognised when incurred on an accrual basis.

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2019****3. ACCOUNTING POLICIES (cont)****Premiums written and reinsurance premiums ceded**

Premiums written and reinsurance premiums ceded are recognised on a pro rata basis over the period of the policies. Premiums are stated gross of commissions. Any change in unearned or deferred portion at the statement of financial position date is transferred to unearned premiums and reinsurance premiums ceded in profit or loss.

**Provision for unpaid claims**

Provisions are made for adjustment expenses, changes in reported claims and for claims incurred but not reported, based on past experience, industry experience and business in force. The estimates are regularly reviewed and updated, and any resulting adjustments are included in profit or loss. Assumptions and estimates used are also evaluated by an independent actuary.

**Premium tax**

Premium tax is incurred at a rate of 3% of gross premiums written in The Commonwealth of the Bahamas and is recognised when the Company's obligation to make payment has been established. Premium tax is remitted quarterly in accordance with the Insurance Commission of the Bahamas regulation.

**Foreign currency translation**

The financial statements are presented in Bahamian dollars, which is the Company's functional and presentation currency, as it represents the currency of the primary economic environment in which the Company operates.

Foreign currency transactions are translated into the functionally currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2019****3. ACCOUNTING POLICIES (cont)****Leases**

All leases are accounted for by recognising a right-of-use asset and a lease liability except for; leases of low value assets and leases with a duration of 12 months or less. IFRS 16 was adopted 1 January 2019 without restatement of comparative figures.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for; lease payments made at or before commencement of the lease, initial direct costs incurred and the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

**Joint arrangements**

The Company has a joint arrangement in its ownership of certain investment property. The Company has both the rights to assets and obligations for the liabilities of the joint arrangement. The Company accounts for its interest in the joint operations by recognising a percentage share of assets, liabilities, revenues and expenses in accordance with its agreed rights and obligations.

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2019****3. ACCOUNTING POLICIES (cont)****Investment property**

Investment property is property held to earn rentals. It is stated at cost, including transaction costs less accumulated depreciation and any accumulated impairment losses. All other repairs and maintenance are charged to profit and loss during the period in which they are incurred. Land is recognized and carried at cost. Depreciation is computed on a straight-line basis over the estimated useful life of 39 years.

**Employee benefits**

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

**Income taxes**

Income taxes are recognised for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Section 953(d) of the U.S. Internal Revenue Code allows a controlled foreign corporation engaged in the insurance business to elect to be treated as a U.S. corporation for U.S. tax purposes. A controlled foreign corporation that makes this election will be subject to tax in the United States on its worldwide income but will not be subject to the branch profits tax or the branch-level interest tax imposed by section 884. Further, the excise tax imposed under section 4371 on policies issued by foreign insurers will not apply. The Company has elected to be treated as a U.S. Company for U.S. Tax purposes.



**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**3. ACCOUNTING POLICIES (cont)**

**Value added tax**

On 1 January 2015, the Value Added Tax (VAT) Act became effective in the Commonwealth of the Bahamas with 3 categories for goods and services: tax at 7.5%, exempt and zero-rated.

In accordance with the Act, the Company's insurance premiums written are VAT exempt for the period from 1 January to 30 June 2015. Starting 1 July 2015, insurance premiums written are subject to 7.5% VAT rate.

Effective 1 July 2018, the VAT rate has increased from 7.5% to 12%.

**4. NEW AND AMENDED STANDARDS**

The Company has adopted the following new and amended Standards and Interpretations issued by International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to the Company's operations and effective for the current accounting period.

*IFRS 16 Leases*

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 contains a single lessee accounting model, which eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease, other than short term leases and leases of low value items for which a lessee has the option not to apply the measurement and presentation requirements of IFRS 16, will be recorded in the statement of financial position with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. For many entities the effect of bringing all leases on the statement of financial position will be very significant and will require careful planning, including for commercial effects.

In the income statement, the application of IFRS 16 will result in a depreciation charge (within operating expenses) and an interest expense.

The accounting requirements from the perspective of the lessor remains largely in line with previous IAS 17 requirements.

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**4. NEW AND AMENDED STANDARDS (cont)**

*IFRS 16 Leases (cont)*

The Company has adopted the requirement of IFRS 16 in the current accounting period. The modified retrospective approach is applied. Consequently, the comparative figure has not been restated.

*Amendment to IAS 28 – Long-term Interests in Associates and Joint Ventures*

This amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests in associates and joint ventures. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount that are or may also be required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

Adoption of this amendment did not have a significant impact on the financial statements since the Company does not have interest in associates and joint ventures.

*Annual Improvements to IFRSs 2015-2017 Cycle*

There were four amendments as part of the 2015-2017 Annual Improvements Cycle. These were made to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs.

- *IFRS 3 - effective 1 January 2019*  
A company remeasures its previously held interest in a joint operation when it obtains control of the business.
- *IFRS 11 - effective 1 January 2019*  
A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- *IFRS 12 - effective 1 January 2019*  
A company accounts for all income tax consequences of dividend payments in the same way.
- *IAS 23 - effective 1 January 2019*  
A company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

Adoption of this standard did not have a significant impact on the financial statements.

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**4. NEW AND AMENDED STANDARDS (cont)**

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial years ended 31 December 2019. They have not been adopted in preparing the financial statements and are expected to affect the entity in the period of initial application. In all cases the entity intends to apply these standards from application date as indicated below.

*Amendments to IFRS 3 - Definition of a business*

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

The Company does not expect any significant impact on the financial statements upon the future adoption of these amendments.

*Amendments to IAS 1 and IAS 8 - Definition of material*

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of ‘obscuring’ material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from ‘could influence’ to ‘could reasonably be expected to influence’.

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2019****4. NEW AND AMENDED STANDARDS (cont)**

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

The Company does not expect any significant impact on the financial statements upon the future adoption of these amendments.

*IFRS 17 – Insurance Contracts (issued May 2017- effective 1 January 2021)*

IFRS 17 Insurance Contracts, was issued in May 2017 and lays out a fundamentally new way of measuring and presenting insurance contracts and related financial statement items for entities that issue insurance contracts. Some of the key aspects of IFRS 17 include new models for insurance liabilities, changes to discounting and the rate being used to discount claims liabilities, and changes to deferred premium acquisition costs. The technical aspects of IFRS 17 are complex and will require specific consultation on the situation to determine the exact impact.

The effective date for IFRS 17 is January 1, 2021, with the requirement to restate comparative figures. The Company is in the process of evaluating the impact of the new standard.

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**5. FIXED ASSETS**

	<b><u>Leasehold improvements</u></b>	<b><u>Office furniture and equipment</u></b>	<b><u>Total</u></b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>COST</b>			
1 January 2019	196,510	102,403	298,913
Additions	<u>7,092</u>	<u>--</u>	<u>7,092</u>
31 December 2019	<u>203,602</u>	<u>102,403</u>	<u>306,005</u>
<b>DEPRECIATION</b>			
1 January 2019	58,938	93,636	152,574
Charge for the year	<u>13,337</u>	<u>8,767</u>	<u>22,104</u>
31 December 2019	<u>72,275</u>	<u>102,403</u>	<u>174,678</u>
<b>NET BOOK VALUE</b>			
31 December 2019	\$131,327	\$--	\$131,327
	=====	=====	=====
31 December 2018	\$137,572	\$8,767	\$146,339
	=====	=====	=====



**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**5. FIXED ASSETS (cont)**

	<b><u>Leasehold improvements</u></b>	<b><u>Office furniture and equipment</u></b>	<b><u>Total</u></b>
	\$	\$	\$
<b>COST</b>			
1 January and 31 December 2018	<u>196,510</u>	<u>102,403</u>	<u>298,913</u>
<b>DEPRECIATION</b>			
1 January 2018	45,837	73,156	118,993
Charge for the year	<u>13,101</u>	<u>20,480</u>	<u>33,581</u>
31 December 2018	<u>58,938</u>	<u>93,636</u>	<u>152,574</u>
<b>NET BOOK VALUE</b>			
31 December 2018	\$137,572	\$8,767	\$146,339
	=====	=====	=====
31 December 2017	\$150,673	\$29,247	\$179,920
	=====	=====	=====

**6. RIGHT-OF-USE ASSET / LEASE LIABILITY**

The Company has lease contracts for 2 office spaces in an office building located in the Western district of the Island of New Providence. Both lease terms are for 5 years, commencing October 2019 to September 2024.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	<b><u>2019</u></b>
	\$
Opening balance	--
Additions	350,505
Amortisation	<u>(53,592)</u>
	\$296,913
	=====

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2019****6. RIGHT-OF-USE ASSET / LEASE LIABILITY (cont)**

Set out below are the carrying amounts of lease liability and the movements during the year:

	<b><u>2019</u></b>
	<b>\$</b>
Opening balance	--
Additions	350,505
Interest expense	11,420
Lease payments	<u>(62,520)</u>
	\$299,405
	=====

The Company has outstanding commitments for future lease payments are as follows:

	<b><u>2019</u></b>
	<b>\$</b>
One year	69,720
Two years to five years	<u>229,685</u>
	\$299,405
	=====

The Company has a low value storage lease it renews monthly. The storage unit rent totalled \$1,285 during the year.

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**7. INVESTMENT PROPERTY**

	<b><u>Land</u></b>	<b><u>Building</u></b>	<b><u>Total</u></b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>COST</b>			
1 January 2019	--	--	--
Additions	<u>140,000</u>	<u>1,403,489</u>	<u>1,543,489</u>
31 December 2019	140,000	1,403,489	1,543,389
	=====	=====	=====
<b>Depreciation</b>			
1 January 2019	--	--	--
Charge for the year	--	<u>5,998</u>	<u>5,998</u>
31 December 2019	--	<u>5,998</u>	<u>5,998</u>
<b>Net Book Value</b>			
31 December 2019	\$140,000	\$1,397,491	\$1,537,491
	=====	=====	=====

During the year the Company purchased an office building, as an investment property, under a joint arrangement with a related party, London America Ltd. The Company recognised 70% of the investment property's assets, liabilities, revenue and expenses. During the year the portion of investment property recognised in the Statement of Profit or Loss was \$Nil. There are restrictions on this asset as disclosed on Note 9. Subsequent to year end, the Company has agreed to manage the investment property.

**8. NOTE RECEIVABLE**

Loan receivable comprise of:

	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b>\$</b>	<b>\$</b>
Note receivable	--	1,063,561
Less: Current portion	--	<u>(136,088)</u>
	\$--	\$927,473
	==	=====

On 28 May 2015, the Company granted a promissory note to JDR Mississippi LLC, which is owned by a Director of the Company, ("Borrower") for a principal amount of \$1,480,129 in order for the Borrower to settle its bank loan. The loan accrues interest of 7% per annum and is to be repaid through blended principal and interest payment of \$17,186 per month beginning 28 June 2015 until 28 May 2025 at which time the remaining indebtedness and accrued interest shall be due and payable. During the year, the note receivable was settled in full.

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**9. INVESTMENTS**

All of the Company's investments are considered to be at financial assets measured at FVOCI. The Company's investments are ranked into Levels 1 to 3, based on the degree to which the fair value is observable:

Level 1 - Fair value measures are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 - Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Company's assets that are measured at fair value as at 31 December 2019 and 2018. The Company does not have financial liabilities at fair value.

	<b>Fair Value Measurements</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b><u>2019</u></b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Equities	345,270	--	--	345,270
Exchange traded funds	1,579,570	--	--	1,579,570
Corporate bonds	--	277,200	--	277,200
Government bonds	--	977,700	--	977,700
Preferred stock	1,477,936	500,000	--	1,977,936
Private equity	--	--	98,312	98,312
	<u>\$3,402,776</u>	<u>\$1,754,900</u>	<u>\$98,312</u>	<u>\$5,255,988</u>
	=====	=====	=====	=====
<b><u>2018</u></b>				
Equities	312,568	--	--	312,568
Exchange traded funds	1,798,099	--	--	1,798,099
Corporate bonds	--	399,948	--	399,948
Government bonds	--	3,560,357	--	3,560,357
Preferred stock	966,971	500,000	--	1,466,971
Private equity	--	--	98,312	98,312
	<u>\$3,077,638</u>	<u>\$4,460,305</u>	<u>\$98,312</u>	<u>\$7,636,255</u>
	=====	=====	=====	=====

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**9. INVESTMENTS (cont)**

The private equity investment of \$98,312 pertains to 1.82% ownership on a limited liability company which is in the process of constructing a hotel. The project was substantially completed during the fourth quarter of 2018. Management considers the fair value of the investment to be unchanged.

Per the Insurance Act of the Bahamas, the Company established Bahamian assets in a trust equal to its liability and contingent reserve of its policyholders. The movement of these assets are restricted and at year end these assets totaled \$2,377,022 of investments (2018: \$3,634,579) and \$1,537,491 in investment property (2018: \$nil).

During the year, the Company recognised a fair value reserve, net of tax, through other comprehensive income of \$188,955 (2018: (\$145,977)).

**10. DUE TO ADMINISTRATOR**

Transactions with the Administrator pertain to premium payments received from insurance policy holders less commissions and administrative expenses held by the Administrator on behalf of the Company. In the current and prior year, there is a balance due to Administrator since payments made by the Administrator on behalf of the Company exceeded the funds held. The payable balance was unsecured, interest free and has no fixed terms of repayment.

**11. REINSURANCE CEDED ASSETS**

Reinsurance ceded assets comprise of:

	<b><u>2019</u></b>	<b><u>2018</u></b>
	\$	\$
Deferred reinsurance premium	477,863	442,613
Receivable from reinsurance recoveries	61,584	29,729
Reinsurers' share of provision for unpaid claims	<u>5,310</u>	<u>6,012</u>
	544,757	\$478,354
	=====	=====



**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**12. REINSURANCE ASSUMED ASSETS**

Reinsurance assumed assets comprise of:

	<b><u>2019</u></b>	<b><u>2018</u></b>
	\$	\$
Due from Standard Life and Accident Reinsurance Company	\$82,877	\$65,056
	=====	=====

The balances due from Standard Life and Accident Reinsurance Company, pertains to outstanding assumed reinsurance premium less assumed claims, commissions and administrative expenses on reinsurance. The receivable balances were unsecured, interest free and has no fixed terms of repayment.

**13. OTHER RECEIVABLES AND PREPAYMENTS**

Other receivables and prepayments comprise of:

	<b><u>2019</u></b>	<b><u>2018</u></b>
	\$	\$
Interest receivable	22,531	81,753
Premiums direct	58,686	3,589
Others	<u>56,000</u>	<u>56,000</u>
	\$137,217	\$141,342
	=====	=====

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**14. UNEARNED PREMIUM**

	<b><u>2019</u></b>	<b><u>2018</u></b>
	\$	\$
Gross premiums written - direct	6,038,850	5,539,484
Premiums earned - direct	(5,683,543)	(5,231,187)
Unearned premium direct, end of year	355,307	308,297
Add: Unearned reinsurance premium assumed	--	--
	\$355,307	\$308,297
	=====	=====

The Company estimates 55% of the gross premium to be the portion related to recovery of cost or acquisition cost of insurance contract. The remaining 45% is the portion related to insurance protection. In the event that insurance policies are cancelled, the portion related to recovery of cost will not be refunded thus considered as earned immediately. Only the portion related to insurance protection is considered in the calculation of unearned premium.

**15. ADVANCED PREMIUM**

This balance represents the premiums received in advance of the Company's next annual insurance policy billing including the assumed advanced premium on reinsurance. The balance remains an advance until the respective policy renewal has been issued by the Company and is earned over the term of the policy.

**16. PROVISION FOR UNPAID CLAIMS**

Provision for unpaid claims is comprised of:

	<b><u>2019</u></b>	<b><u>2018</u></b>
	\$	\$
Claims reserve	855,906	998,606
Life policy reserve	270,783	160,468
Loss adjustment expense reserve	42,796	49,931
	\$1,169,485	\$1,209,005
	=====	=====

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**16. PROVISION FOR UNPAID CLAIMS (cont)**

The following estimate of claims by calendar year, gross and net of reinsurance, for the past 3 years associated with outstanding claims. The estimate of total incurred claims for each calendar year varies based on when the estimate were made.

**Gross Claims Development**

	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>Total</u></b>
<b><u>Cost</u></b>	<b><u>\$</u></b>	<b><u>\$</u></b>	<b><u>\$</u></b>	<b><u>\$</u></b>
At end of claim year	2,467,579	2,941,815	4,201,262	9,610,656
One year later	692,540	770,371	--	1,462,911
Two years later	<u>9,933</u>	<u>--</u>	<u>--</u>	<u>9,933</u>
Current estimate of cumulative claims cost	3,170,052	3,712,186	4,201,262	11,083,500
Cumulative payments	<u>(3,170,002)</u>	<u>(3,707,594)</u>	<u>(3,383,033)</u>	<u>(10,260,629)</u>
Outstanding claims	50	4,592	818,229	822,871
Impact of discount & PFAD				<u>75,831</u>
				\$898,702
				=====

**Net of Reinsurance Claims Development**

	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>Total</u></b>
<b><u>Cost</u></b>	<b><u>\$</u></b>	<b><u>\$</u></b>	<b><u>\$</u></b>	<b><u>\$</u></b>
At end of claim year	2,467,579	2,941,815	4,194,461	9,603,855
One year later	692,540	770,371	--	1,462,911
Two years later	<u>9,933</u>	<u>--</u>	<u>--</u>	<u>9,933</u>
Current estimate of cumulative claims cost	3,170,052	3,712,186	4,194,461	11,076,699
Cumulative payments	<u>(3,170,002)</u>	<u>(3,707,594)</u>	<u>(3,383,033)</u>	<u>(10,260,629)</u>
Outstanding claims	50	4,592	811,428	816,070
Impact of discount & PFAD				<u>75,831</u>
				\$891,901
				=====

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**17. SHARE CAPITAL**

	<b><u>2019</u></b>	<b><u>2018</u></b>
<b>Authorised, issued and fully paid</b>		
3,000,000 ordinary shares of \$1 each	\$3,000,000	\$3,000,000
	=====	=====

Effective 1 January 2014, Star General Investments (G.B.) Limited (“Seller”) sold all of the Company’s issued and outstanding shares to AMFirst Insurance Company Inc. and OIC Holdings Inc. (“Purchasers”) for \$3,500,000 which was applied as \$3,000,000 in share capital and \$500,000 as contributed surplus. The Purchasers then agreed to resell 750,000 shares at \$1 each to the Seller. In 2018, OIC Holdings, a 17% owner of the common stock of the Company, dissolved and the ownership interest in Company was transferred to AmFirst Holdings, the ultimate parent company.

Ownership of the Company’s issued share capital follows:

	<b><u>No. of Shares</u></b>	
	<b><u>2019</u></b>	<b><u>2018</u></b>
AMFirst Insurance Company Inc.	1,732,500	1,732,500
AMFirst Holdings Inc	517,500	517,500
Star General Investments (G.B.) Limited	<u>750,000</u>	<u>750,000</u>
	3,000,000	3,000,000
	=====	=====

**18. PREFERENCE SHARES**

	<b><u>2019</u></b>	<b><u>2018</u></b>
<b>Authorised</b>		
2,000,000 8% Redeemable preference shares of \$1 each	\$2,000,000	\$2,000,000
	=====	=====
<b>Issued and fully paid</b>		
2,000,000 8% Redeemable preference shares of \$1 each	\$2,000,000	\$2,000,000
	=====	=====

The Board of Directors has resolved and the Insurance Commission of the Bahamas (“ICB”) has authorized the offering of \$2,000,000 Series A 8% Redeemable Preference Shares. The preference shares pay cash dividend semi-annually in December and June each year subject to the declaration of the Directors. Should the Directors make the decision not to pay the dividend, the dividend would not be cumulative.

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**18. PREFERENCE SHARES (cont)**

The preference shares have no maturity date but may be redeemed at the option of the Company with 90 days written notice to the preference shareholders at any time after the fifth anniversary of the Closing Date, with the prior approval of the ICB.

If the Company liquidates, dissolves, winds-up, or sell more than 50% of the value of the Company's assets other than in the ordinary course of the Company's business, holders of the preference shares will have the right to redeem their preference shares, being the right to receive the return of the par value plus any premium paid thereon plus any unpaid declared dividends on the preference shares to the date of that liquidation, dissolution, winding-up, or reduction or decrease in assets before any distribution is made to any subordinated class of shares, including the Company's ordinary shares, but after the distribution on any of the Company's indebtedness, including policy holder and creditor claims, ranking senior to the preference shares. The Company will not be required to pay any dividends after the date of such liquidation, dissolution, winding-up or sale.

The preference shares will rank with respect to the payment of dividends and payments upon liquidation: (1) senior to the Company's ordinary shares; (2) pari-passu with any class of preference shares hereafter issued by the Company and (3) subordinate to any bonds, debentures, debt obligations, or policy holder claims currently of which the Company may enter into.

The preference shares are not secured by any specific collateral. The preference shares will have no voting rights.

**19. NET PREMIUMS WRITTEN**

Net premiums written comprise of:

	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b>\$</b>	<b>\$</b>
Gross premiums written	6,038,850	5,539,484
Premium tax	<u>(180,616)</u>	<u>(166,328)</u>
	5,858,234	5,373,156
Increase in unearned premium	<u>(47,010)</u>	<u>(19,101)</u>
	\$5,811,224	\$5,354,055
	=====	=====

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**20. NET REINSURANCE PREMIUMS CEDED**

Net reinsurance premiums ceded comprise of:

	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b>\$</b>	<b>\$</b>
Reinsurance premiums ceded	968,492	968,236
Ceding commission	(39,172)	(38,938)
Increase in deferred reinsurance premium ceded	<u>(1,077)</u>	<u>(399)</u>
	\$928,243	\$928,899
	=====	=====

The Company has the following reinsurance agreements:

<b><u>Reinsurer</u></b>	<b><u>Coverage</u></b>
<b><u>Health Insurance</u></b>	
AmFirst Life Insurance Company (Puerto Rico)	- 50% of losses between \$50,000 and \$200,000
AMFirst Insurance Company (Oklahoma)	- 50% of losses between \$50,000 and \$200,000
Certain Underwriting Members of Lloyds London	- All losses in excess of \$200,000 up to \$800,000 per person each and every loss. Maximum amount recoverable of \$2,400,000
<b><u>Personal Accident and/or Sickness</u></b>	
Pembroke 4000	- Maximum \$1,000,000 anyone person. Monthly benefit 1% of sum insured payable for a maximum of 9 months excess of 90 days each and every loss.
<b><u>Personal Critical Accident and/or Sickness</u></b>	
Pembroke 4000	- Maximum \$1,000,000 anyone person. Monthly benefit 1% of sum insured payable for a maximum of 36 months excess of 90 days each and every loss.

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**20. NET REINSURANCE PREMIUMS CEDED (cont)**

Recoveries from reinsurers follow:

	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b>\$</b>	<b>\$</b>
AMFirst Life Insurance Company (Puerto Rico)	718,438	35,681
AMFirst Insurance Company Ltd. (Bermuda)	--	102,546
AMFirst Insurance Company (Oklahoma)	718,438	138,226
Lloyds London	<u>283,591</u>	<u>--</u>
	\$1,720,467	\$276,453
	=====	=====

The period of risk for each reinsurance agreement is considered to be for 2 years thus the reinsurance premium is amortised over the same duration.

**21. REINSURANCE PREMIUM ASSUMED**

The Company entered into the following quota share reinsurance agreements:

<b><u>Reinsured</u></b>	<b><u>Coverage</u></b>
Standard Life and Accident Insurance Company	- 20% quota share of all gross liabilities and obligations arising out of the "Premium Saver" medical policies issued by the reinsured.
AMFirst Insurance Company, Ltd. (Bermuda)	- 10% quota share of all gross liabilities and obligations arising out of the Executive Disability policies issued by the reinsured excluding the cash value portion. - 100% share of all gross liabilities and obligations arising out of the Cash Value portion of the above policy.

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2019****21. REINSURANCE PREMIUM ASSUMED (cont)**

Reinsurance premium assumed comprise of:

	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b>\$</b>	<b>\$</b>
Gross reinsurance premium assumed	3,788,993	2,930,420
Decrease in unearned reinsurance premium assumed	<u>          --          </u>	<u>      102,403      </u>
	\$3,788,993	\$3,032,823
	<u>=====</u>	<u>=====</u>

**22. CLAIMS PAID**

Claims paid comprise of:

	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b>\$</b>	<b>\$</b>
Claims paid on direct written policies	4,384,366	2,313,428
Reinsurance assumed claims paid	<u>     1,794,464     </u>	<u>     1,661,546     </u>
	\$6,178,830	\$3,974,974
	<u>=====</u>	<u>=====</u>



**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**23. (GAIN)/LOSS ADJUSTMENT EXPENSE - NET**

Loss adjustment expense - net is comprised of:

	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b>\$</b>	<b>\$</b>
Change in claims reserve	(146,413)	(162,818)
Change in loss adjustment expense reserve	--	(1,402)
Change in policy reserve	<u>107,595</u>	<u>(926,859)</u>
	\$(38,818)	\$(1,091,079)
	=====	=====

**24. COMMISSION EXPENSE**

Commission expense is comprised of:

	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b>\$</b>	<b>\$</b>
Commission paid on reinsurance assumed	1,638,810	1,629,067
Commission paid on premiums written	<u>1,530,104</u>	<u>1,376,878</u>
	\$3,168,914	\$3,005,945
	=====	=====

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**25. ADMINISTRATIVE AND MARKETING EXPENSES**

	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b>\$</b>	<b>\$</b>
Bank charges	232,391	186,838
Professional fees	65,259	32,850
Directors and management expenses	50,500	51,500
License fees	50,413	21,585
Travel expenses	32,046	61,533
Telephone	26,716	6,976
Marketing	22,482	30,686
Actuarial expenses	19,276	47,071
Insurance expense	17,640	2,823
Computer and IT expense	16,934	18,171
Utilities	13,230	16,291
Foreign exchange loss	11,499	102,530
Office supplies	11,388	20,028
Repairs and maintenance	7,700	3,809
Postage and shipping	3,462	4,797
Dues and subscriptions	3,065	5,844
Rent	1,285	74,133
Others	<u>109,200</u>	<u>41,614</u>
	\$694,486	\$729,079
	=====	=====

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**26. INCOME TAX**

Income tax comprise of:

	<b><u>2019</u></b>	<b><u>2018</u></b>
	\$	\$
Federal tax expense	(14,260)	25,746
Deferred tax	<u>16,196</u>	<u>118,339</u>
	\$1,936	\$144,085
	=====	=====

Reconciliation between the income tax and the product of accounting profit based on the statutory tax rate of 21% (2018: 21%) follows:

	<b><u>2019</u></b>	<b><u>2018</u></b>
	\$	\$
(Loss)/profit before tax	(176,329)	<u>704,876</u>
Tax at statutory rates	(37,029)	148,024
Tax effect of expenses not deductible for tax purposes	40,274	3,706
Tax effect of dividend received deduction	(4,636)	(6,872)
Tax effect of proration	<u>1,391</u>	<u>2,062</u>
	--	146,920
Prior year return to provision difference	(14,260)	608
Alternative minimum tax adjustment	<u>--</u>	<u>(121,782)</u>
	\$(14,260)	\$25,746
	- =====	=====

**27. PENSION PLAN**

The Company has a Participation Agreement with The Royal Fidelity Pension Plan (“the Plan”), a defined contribution pension plan in which all employees are required to be members. Under the Plan, the Company contributes an amount equivalent to the member’s contribution up to a maximum of 4.00% of the employees’ salaries. Total pension cost charged to operations amounted to \$14,928 (2018: \$9,575).

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2019****28. RELATED PARTY TRANSACTIONS**

The Company's directors are regarded to be its key management personnel. The president and non-executive directors are paid an annual fee of \$6,000 plus \$500 for every board meeting and committee meeting attended.

During the year, the key management personnel benefits totaled \$4,286 (2018: \$4,350).

The following reinsurers and reinsured companies are considered related parties by virtue of common ownership within the group.

**Reinsurers**

AmFirst Life Insurance Company (Puerto Rico)

AmFirst Insurance Company (Oklahoma)

**Reinsured**

AmFirst Insurance Company, Ltd. (Bermuda)

**29. MATURITIES OF FINANCIAL ASSETS AND LIABILITIES**

All of the Company's current financial assets and liabilities are due within one year.

**30. INTEREST RATE RISK**

Except for the Company's note receivable and investment in bonds as disclosed in Note 8 and 9, no financial instruments have a significant exposure to interest rate risk.

**31. FAIR VALUE OF FINANCIAL INSTRUMENTS**

All of the Company's significant financial instruments are considered to have fair values equivalent to their carrying value.

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2019****32. FINANCIAL RISK MANAGEMENT**

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

- Credit risk
- Liquidity risk
- Market risk
- Insurance risk

This note presents information about the Company's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

**Credit risk**

Credit risk is the risk of financial loss arising if a counter-party fails to meet its contractual obligations. The Company actively seeks to minimise this risk by placing its bank balances with first rate financial institutions. The majority of the Company's receivables are due from administrators and reinsurers thus there is no significant exposure to credit risk.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligation as they fall due. The Company's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The Company maintains adequate highly liquid assets in the form of cash and cash equivalents to assure necessary liquidity. Claim payments are funded by current operating cash flow including investment income.

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**32. FINANCIAL RISK MANAGEMENT (cont)**

**Liquidity risk (cont)**

Maturity profile of the Company's investments in Corporate and Government bonds follows:

	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b>\$</b>	<b>\$</b>
One to five years	277,200	1,494,807
Five to ten years	--	60,000
More than ten years	<u>977,700</u>	<u>2,405,498</u>
	\$1,254,900	\$3,960,305
	=====	=====

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company is exposed to market risk on investments in that the Company may not be able to readily dispose of its holdings when it chooses and also that the price obtained on disposal is below that at which the investment is included in the Company's financial statements.

The Company's market risk is managed through regular monitoring by the Investment Committee of the Board of Directors and through diversification of the investment portfolio across a wide range of financial assets.

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2019****32. FINANCIAL RISK MANAGEMENT (cont)****Insurance risk**

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements as disclosed in Note 20.

Amounts recoverable from reinsurers are calculated in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The Company's primary business is accident and health ("A&H") covering individuals. The Company's blocks of business consist of the following:

- Individual Medical Expense Plans – These plans provide medical expense coverage for individuals.
- Individual Disability Income Plans – These coverages provide disability income for individuals.
- Individual Term Life – These plans provide coverage to an individual for a fixed period of time in which if the life insured dies during the defined period, a death benefit will be paid to the beneficiary.
- Group Term Life – These plans provide coverage to a group for a fixed period of time in which if a covered individual dies during the defined period, a death benefit will be paid to the beneficiaries.

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2019****32. FINANCIAL RISK MANAGEMENT (cont)**

The assumptions used for the actuarial valuation of the Company's provision for unpaid claims as disclosed in Note 16 follows:

*Medical*

The medical coverages tend to settle quickly. Approximately 80% of the final claims are paid within three calendar months of incurral. A key reason for this quick settlement is contract provisions for a required 90-day claim reporting by the insured. Given the extremely short-tailed nature of loss and LAE claims for the medical lines of business, these reserves were predominantly estimated based strictly on the incurred-to-paid loss development method (completion factor approach). Under the completion factor method, the historical development of incurred-to-paid lags is tracked to establish average lag times and project ultimate losses. This procedure is done by incurral month and by line of business.

The Company uses an approximation to split the total loss and LAE reserve into two components. The LAE reserves are assumed to equal 5% of their respective total loss reserves.

*Disability*

For the minor disability coverages, loss reserves and contract reserves were developed via conservative expected loss ratio approach and one-year full preliminary term basis, respectively. As at year-end no existing disability claims are known.

*Term Life*

For the term life coverages, these are newly written policies and no existing claims are known. Life reserves were based on the 2001 CSO ALB mortality table valued at 3.5%.

**33. CAPITAL**

The Company's objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for its shareholder and benefits for other stakeholders and;
- To provide an adequate return to its shareholder by investing in securities that provide an acceptable return commensurately with the level of risk.



**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2019****33. CAPITAL (cont)**

In order to maintain the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or obtain funds from the shareholder.

The ICB has prescribed a minimum capital requirement of \$2,000,000 for domestic insurance companies offering long term insurance policies. The Company considers its share capital, preference shares, contributed surplus to be its capital.

Additionally, the ICB has prescribed that there should be sufficient admissible assets to meet the minimum margin of solvency requirement of \$2,000,000 plus 20% of gross written premiums. Admissible assets, which exclude any balance due from affiliated entities, are discounted based on rates prescribed in the Insurance (General) Regulations 2010.

During the year, the Company is considered compliance with the minimum capital and solvency requirements of the ICB.

**34. COMPARATIVE FIGURES**

Presentation of certain comparative balances has been re-stated in order to conform with the current year's presentation.

**35. SUBSEQUENT EVENT**

The 2019 Novel Coronavirus infection ('coronavirus') or 'COVID-19' outbreak poses a serious public health threat. It has interrupted the movement of people and goods throughout the world, and many levels of government are instituting restrictions on individuals and businesses. The resulting impact on financial reporting will be significant.

The World Health Organisation (WHO) announced the coronavirus as a global health emergency, which prompted the governments worldwide to put actions in place to slow the spread of COVID-19 including social distancing, curfews and total lockdowns of businesses. As such, the outbreak represents a significant subsequent event with regards to the 31 December 2019 financial statements.

Additionally, during March 2020, the Government of the Bahamas waived the premium payments of all Insurance Company policy holders for the next several months and has mandated that the all insurance companies still honor these policies during the waiver period. The Insurance Industry is seeking legal counsel at this time and has asked the Government for additional information on the matter.

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**35. SUBSEQUENT EVENT (Cont)**

Expected impact on significant financial statement areas follow:

<b><u>Financial Statement area</u></b>	<b><u>Description of Impact</u></b>
Cash and cash equivalent including related interest income.	The Company has not experienced change in regard to premium collection. Clients are submitting premium through online banking. The Company has been able to maintain operations as normal.
Investments - effect on fair value and interest income	The Company's portfolio of publicly traded assets was down approximately \$500,000. Management fully expects these investment values to rise and not be an issue to our operations. Management has the intent of holding assets until maturity or a time in which the value will produce gains rather than losses.
Insurance Premiums including the recovery of premiums receivable	Premium collection has not been affected. There may be a dip in premium collection later in the year as a result of longer-term effect of COVID-19, however this dip is not expected to be significant.
Claims and losses payable including IBNR	Management expects claims to decrease during these times as less claims will be filed due to restricted access to doctors other than in the event of a medical emergency. Our policyholders are Bahamians and thus far the Bahamas has not experienced a significant number of COVID-19 related cases as a result of the strict lockdowns measures implemented by the Government of the Bahamas that have been in effect since the pandemic began.