

**NEW PROVIDENCE LIFE INSURANCE**

**COMPANY LIMITED**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2020**

**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 2020, 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 2020 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 36 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 2020. 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, appearing to read 'BDO'.

**Chartered Accountants  
Nassau Bahamas  
23 April 2021**



## 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 2020**

**(Expressed in Bahamian Dollars)**

	<u>Note</u>	<u>2020</u> \$	<u>2019</u> \$
<b>FIXED ASSETS</b>	5	198,982	131,327
<b>RIGHT-OF-USE ASSETS</b>	6	237,373	296,913
<b>INVESTMENT PROPERTY</b>	7	1,501,504	1,537,491
<b>NOTE RECEIVABLE</b>	8	250,000	—
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,731,223	2,650,065
Investments	9	5,388,871	5,255,988
Reinsurance ceded assets	11	842,643	544,757
Reinsurance assumed assets	12	—	82,877
Prepaid income tax		68,385	74,242
Other receivables and prepayments	13	<u>211,659</u>	<u>137,217</u>
		<u>8,242,781</u>	<u>8,745,146</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable and accruals		398,310	131,165
Lease liability - current portion	6	60,637	69,720
Due to administrator	10	167,047	1,810,424
Unearned premium	14	622,247	355,307
Advanced premium	15	—	44,010
Provision for unpaid claims	16	<u>1,185,173</u>	<u>1,169,485</u>
		<u>2,433,414</u>	<u>3,580,111</u>
<b>NET CURRENT ASSETS</b>		<u>5,809,367</u>	<u>5,165,035</u>
<b>LEASE LIABILITY</b>	6	<u>180,649</u>	<u>229,685</u>
		<u>\$7,816,577</u>	<u>\$6,901,081</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		(153,438)	48,630
Accumulated profit		<u>2,470,015</u>	<u>1,352,451</u>
		<u>\$7,816,577</u>	<u>\$6,901,081</u>

The statements were approved by the board of directors and authorised for issue on 23 April 2021, and are signed on its behalf by:



Director



Director

The Notes on pages 8 to 45 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 2020**

	Note	<u>2020</u> \$	<u>2019</u> \$
<b>UNDERWRITING INCOME</b>			
Net premiums written	19	9,476,206	5,811,224
Net reinsurance premium ceded	20	<u>(1,107,001)</u>	<u>(928,243)</u>
<b>Net direct premiums earned</b>		<u>8,369,205</u>	<u>4,882,981</u>
<b>REINSURANCE PREMIUM ASSUMED</b>	21	--	3,788,993
<b>INSURANCE BENEFITS AND CLAIMS</b>			
Claims paid	22	3,998,243	6,178,830
Recovery of loss/(gain) adjustment expense - net	23	17,390	(38,818)
Insurance claims recovered from reinsurers	20	<u>(1,298,003)</u>	<u>(1,720,467)</u>
		<u>2,717,630</u>	<u>4,419,545</u>
<b>EXPENDITURE</b>			
Commission expense	24	2,668,152	3,168,914
Administrative and marketing expenses	25	916,675	694,486
Administrator fee	26	771,878	587,302
Salaries and other employee benefits		556,297	494,619
Amortisation of right-of-use asset	6	59,540	53,592
Depreciation investment property		35,987	5,998
Depreciation fixed assets		<u>23,988</u>	<u>22,104</u>
		<u>5,032,517</u>	<u>5,027,015</u>
<b>Net underwriting income/(loss)</b>		<u>619,058</u>	<u>(774,586)</u>
<b>OTHER INCOME</b>			
Interest and dividend income		263,202	385,763
Other income	27	<u>369,045</u>	<u>212,494</u>
		<u>632,247</u>	<u>598,257</u>
<b>Profit/(loss) before other comprehensive income and tax</b>		1,251,305	(176,329)
Income tax benefit/(expense)	28	<u>26,259</u>	<u>(1,936)</u>
<b>NET PROFIT/(LOSS) FOR THE YEAR</b>		1,277,564	(178,265)
<b>OTHER COMPREHENSIVE INCOME</b>			
Fair value (loss)/gain on investments		<u>(202,068)</u>	<u>188,955</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		\$1,075,496	\$10,690

**The Notes on pages 8 to 45 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 2020**

	<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 2019</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
Dividends paid – preference shares	--	--	--	--	(160,000)	(160,000)
Net income for the year	--	--	--	--	1,277,564	1,277,564
<b>Other comprehensive income:</b>						
Fair value loss on investments	--	--	--	(202,068)	--	(202,068)
<b>Total comprehensive income</b>	--	--	--	(202,068)	1,277,564	1,075,496
<b>31 December 2020</b>	<u>\$3,000,000</u>	<u>\$2,000,000</u>	<u>\$500,000</u>	<u>(\$153,438)</u>	<u>\$2,470,015</u>	<u>\$7,816,577</u>

The Notes on pages 8 to 45 form an integral part of these Financial Statements.



**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit/(loss) before tax	1,251,305	(176,329)
Depreciation	59,975	28,102
Amortisation of right-of-use asset	59,540	53,592
Interest on lease liability	11,601	11,420
Dividend income	(138,380)	(119,232)
Interest income	<u>(124,822)</u>	<u>(266,531)</u>
Operating income/(loss) before working capital changes	1,119,219	(468,978)
Increase in reinsurance ceded assets	(297,886)	(66,403)
Decrease/(increase) in reinsurance assumed assets	82,877	(72,918)
(Increase)/decrease in other receivables and prepayments	(68,585)	90,691
Increase in accounts payable and accruals	267,145	7,366
Net movement in due to administrator	(1,643,377)	101,904
Increase in unearned premium	266,940	47,010
Decrease in advanced premium	(44,010)	(2,778)
Increase/(decrease) in provision for unpaid claims	<u>15,688</u>	<u>(39,520)</u>
Cash used by operations	(301,989)	(403,626)
Income tax	26,259	(1,936)
Dividends received	138,380	119,232
Interest received	<u>124,822</u>	<u>266,531</u>
<b>Net cash used by operating activities</b>	<b><u>(12,528)</u></b>	<b><u>(19,799)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Note receivable (issuance)/repayment	(250,000)	1,063,561
Net movement in investments	(334,951)	2,569,568
Purchase of investment property	--	(1,543,489)
Purchase of fixed assets	<u>(91,643)</u>	<u>(7,092)</u>
<b>Net cash (used)/provided by investing activities</b>	<b><u>(676,594)</u></b>	<b><u>2,082,548</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of lease liability	(69,720)	(62,520)
Dividends paid – preference shares	<u>(160,000)</u>	<u>(160,000)</u>
<b>Net cash used by financing activities</b>	<b><u>(229,720)</u></b>	<b><u>(222,520)</u></b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(918,842)</b>	<b>1,840,229</b>
<b>Net cash and cash equivalents at beginning of the year</b>	<b><u>2,650,065</u></b>	<b><u>809,836</u></b>
<b>Net cash and cash equivalents at end of the year</b>	<b>\$1,731,223</b>	<b>\$2,650,065</b>
	=====	=====

**The Notes on pages 8 to 45 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 2020****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. 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 2020**

**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 equipment	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 2020**

**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 2020**

**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 2020**

**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 2020****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 2020****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 2020**

**3. ACCOUNTING POLICIES (cont)**

**Leases**

*The Company as Lessee*

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. 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 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.

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.

*The Company as Lessor*

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease period and services provided as agreed in the rent agreement.

**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 2020****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.

Prior to 2020, the Company has elected to be treated as a U.S. Company for U.S. Tax purposes subject to Section 953(d) of the U.S. Internal Revenue Code which 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.

Effective 1 January 2020, the Company revoked its election to be treated as a U.S. Company following the approval from the U.S. Internal Revenue Service on 18 June 2020. The Company's income is no longer subject to tax as there is no income tax in the Bahamas.

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**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 revised 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.

*Definition of a Business (Amendments to IFRS 3)*

Amendments to IFRS 3 were mandatorily effective for reporting periods beginning on or after 1 January 2020. The Company has applied the revised definition of a business for acquisitions occurring on or after 1 January 2020 in determining whether an acquisition is accounted for in accordance with IFRS 3 Business Combinations. The amendments do not permit the Company to reassess whether acquisitions occurring prior to 1 January 2020 met the revised definition of a business.

There were no acquisitions and/or business combinations in 2020.

*Definition of Material (Amendments to IAS 1 and IAS 8)*

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 2020**

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

*Definition of Material (Amendments to IAS 1 and IAS 8) (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 adoption of this standard did not have significant impact on the Company's financial statements.

*COVID-19-Related Rent Concessions (Amendments to IFRS 16)*

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessee accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- There is no substantive change to other terms and conditions of the lease

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

The adoption of these standards did not have significant impact on the Company.

The following new/amended accounting standards and interpretations that have been issued, but are not mandatory for financial years ended 31 December 2020, are not expected to have a significant impact on the Company in the period of initial application.

- *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)*  
The amendment specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).



**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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

- *Property, Plant and Equipment: Proceeds before intended Use (Amendment to IAS 16)*

The amendments prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

- *References to Conceptual Framework (Amendments to IFRS 3).*

The changes in Reference to the Conceptual Framework (Amendments to IFRS 3) are:

- update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;
- add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and
- add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

- *IFRS 17 Insurance Contracts (effective 1 January 2023)*

In June 2020, the IASB issued amendments to IFRS 17, including a deferral of its effective date to 1 January 2023.

- *Interest Rate Benchmark Reform – IBOR ‘phase 2’*

The amendment relates to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting.

*Annual Improvements to IFRSs 2018-2020 Cycle*

There were four amendments as part of the 2018-2020 Annual Improvements Cycle. These were made to IFRS 1 First-time adoption of International Financial Reporting Standard, IFRS 9 Financial Instruments, IFRS 16 Leases, and IFRS 41 Agriculture.

- IFRS 1 – effective 1 January 2022

Permission for the subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to IFRSs.

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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

*Annual Improvements to IFRSs 2018-2020 Cycle (cont)*

- IFRS 9 – effective 1 January 2022  
The amendment clarifies which fees an entity includes when it applies the ‘10 per cent’ test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.
  
- IAS 16  
The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.  
  
The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.
  
- IAS 41 – effective 1 January 2022  
The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that ‘settlement’ includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**5. FIXED ASSETS**

	<b><u>Leasehold improvements</u></b>	<b><u>Office furniture and equipment</u></b>	<b><u>Total</u></b>
	\$	\$	\$
<b>COST</b>			
1 January 2020	203,602	102,403	306,005
Additions	<u>17,646</u>	<u>73,997</u>	<u>91,643</u>
31 December 2020	<u>221,248</u>	<u>176,400</u>	<u>397,648</u>
<b>DEPRECIATION</b>			
1 January 2020	72,275	102,403	174,678
Charge for the year	<u>14,112</u>	<u>9,876</u>	<u>23,988</u>
31 December 2020	<u>86,387</u>	<u>112,279</u>	<u>198,666</u>
<b>NET BOOK VALUE</b>			
31 December 2020	\$134,861	\$64,121	\$198,982
	=====	=====	=====
31 December 2019	\$131,327	\$--	\$131,327
	=====	=====	=====

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**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 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
	=====	=====	=====

**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>2020</u></b>	<b><u>2019</u></b>
	\$	\$
Opening balance	296,913	--
Additions	--	350,505
Amortisation	<u>(59,540)</u>	<u>(53,592)</u>
	\$237,373	\$296,913
	=====	=====

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**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>2020</u></b>	<b><u>2019</u></b>
	<b>\$</b>	<b>\$</b>
Opening balance	299,405	--
Additions	--	350,505
Lease payments	(69,720)	(62,520)
Interest expense	<u>11,601</u>	<u>11,420</u>
	\$241,286	\$299,405
	=====	=====

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

	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>\$</b>	<b>\$</b>
One year	60,637	69,720
More than one year	<u>180,649</u>	<u>229,685</u>
	\$241,286	\$299,405
	=====	=====

The Company has a low value storage lease it renews monthly. The storage unit rent totaled \$835 during the year (2019: \$1,285).

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**7. INVESTMENT PROPERTY**

	<b><u>Land</u></b> \$	<b><u>Building</u></b> \$	<b><u>Total</u></b> \$
<b>COST</b>			
1 January 2020	140,000	1,403,489	1,543,489
Additions	---	---	---
31 December 2020	140,000	1,403,489	1,543,389
	=====	=====	=====
<b>Depreciation</b>			
1 January 2020	--	5,998	5,998
Charge for the year	--	<u>35,987</u>	<u>35,987</u>
31 December 2020	--	<u>41,985</u>	<u>41,985</u>
<b>Net Book Value</b>			
31 December 2020	\$140,000	\$1,361,504	\$1,501,504
	=====	=====	=====
31 December 2019	\$140,000	\$1,397,491	\$1,537,491
	=====	=====	=====
	<b><u>Land</u></b> \$	<b><u>Building</u></b> \$	<b><u>Total</u></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
	=====	=====	=====
31 December 2018	\$--	\$--	\$--
	=====	=====	=====

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**7. INVESTMENT PROPERTY (cont)**

During 2019, 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 Company leased a portion of the property to Moir & Company Limited for a period of one year ending 31 December 2020, with an extension option of a minimum period of one year, for \$36,000. The portion of investment property recognised in the Statement of Profit or Loss was \$25,200 (2019: \$Nil). There are restrictions on this asset as disclosed on Note 9. During 2020, the Company has agreed to manage the investment property.

**8. NOTE RECEIVABLE**

Loan receivable comprise of:

	<b><u>2020</u></b>	<b><u>2019</u></b>
	\$	\$
Note receivable	250,000	--
Less: Current portion	<u>    --    </u>	<u>    --    </u>
	\$250,000	\$--
	<u>=====</u>	<u>    ==    </u>

On 21 April 2020, the Company granted an unsecured promissory note to Genesis Capital LLC ("Borrower") for a principal amount of \$250,000. The loan accrues interest of 6% quarterly starting 30 June 2020 on the unpaid balance with the final payment of all unpaid principal and accrued interest on 31 June 2023. For the year ended 31 December 2020, the interest income totalled \$10,458 was collected in full.

**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).



**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**9. INVESTMENTS (cont)**

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 2020 and 2019. 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>2020</u></b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Equities	207,904	--	--	207,904
Exchange traded funds	1,369,313	--	--	1,369,313
Corporate bonds	--	233,200	--	233,200
Government bonds	--	2,386,033	--	2,386,033
Preferred stock	1,094,109	--	--	1,094,109
Private equity	--	--	<u>98,312</u>	<u>98,312</u>
	\$2,671,326	\$2,619,233	\$98,312	\$5,388,871
	=====	=====	=====	=====
<b><u>2019</u></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	--	--	<u>98,312</u>	<u>98,312</u>
	\$3,402,776	\$1,754,900	\$98,312	\$5,255,988
	=====	=====	=====	=====

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. Subsequent to 31 December 2020, the Company received dividend from the company for \$5,464.

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 \$2,386,033 of investments (2019: \$2,377,022) and \$1,501,504 in investment property (2019: \$1,537,491).

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**9. INVESTMENTS (cont)**

During the year, the Company recognised a fair value reserve, net of tax, through other comprehensive (loss)/income of \$(202,068) (2019: \$188,955).

**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>2020</u></b>	<b><u>2019</u></b>
	\$	\$
Deferred reinsurance premium	602,110	477,863
Receivable from reinsurance recoveries	236,925	61,584
Reinsurers' share of provision for unpaid claims	<u>3,608</u>	<u>5,310</u>
	\$842,643	\$544,757
	=====	=====

**12. REINSURANCE ASSUMED ASSETS**

Reinsurance assumed assets comprise of:

	<b><u>2020</u></b>	<b><u>2019</u></b>
	\$	\$
Due from Standard Life and Accident Reinsurance Company	\$--	\$82,877
	==	=====

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**12. REINSURANCE ASSUMED ASSETS (cont)**

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.

During 2020, the Company terminated its agreement with Standard Life and Accident Insurance Company.

**13. OTHER RECEIVABLES AND PREPAYMENTS**

Other receivables and prepayments comprise of:

	<b><u>2020</u></b>	<b><u>2019</u></b>
	\$	\$
Interest receivable	37,357	22,531
Premiums direct	91,996	58,686
Others	<u>82,306</u>	<u>56,000</u>
	\$211,659	\$137,217
	=====	=====

**14. UNEARNED PREMIUM**

	<b><u>2020</u></b>	<b><u>2019</u></b>
	\$	\$
Gross premiums written - direct	10,026,495	6,038,850
Premiums earned - direct	<u>(9,404,248)</u>	<u>(5,683,543)</u>
Unearned premium direct, end of year	622,247	355,307
Add: Unearned reinsurance premium assumed	-----	-----
	\$622,247	\$355,307
	=====	=====

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**14. UNEARNED PREMIUM (unearned)**

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>2020</u></b>	<b><u>2019</u></b>
	\$	\$
Claims reserve	698,990	855,906
Life policy reserve	451,234	270,783
Loss adjustment expense reserve	<u>34,949</u>	<u>42,796</u>
	\$1,185,173	\$1,169,485
	=====	=====

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 was made.

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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

**Gross Claims Development**

<u>Cost</u>	<u>2018</u> \$	<u>2019</u> \$	<u>2020</u> \$	<u>Total</u> \$
At end of claim year	3,157,042	4,421,213	4,497,741	12,075,996
One year later	1,384,574	735,457	--	2,120,031
Two years later	<u>6,565</u>	<u>--</u>	<u>--</u>	<u>6,565</u>
Current estimate of cumulative claims cost	4,548,181	5,156,670	4,497,741	14,202,592
Cumulative payments	<u>(4,548,134)</u>	<u>(5,135,640)</u>	<u>(3,338,661)</u>	<u>(13,022,435)</u>
Outstanding claims	47	21,030	1,159,080	1,180,157
Outstanding from prior years				21
Impact of discount & PFAD				<u>113,560</u>
				<u>\$1,293,738</u> =====

**Net of Reinsurance Claims Development**

<u>Cost</u>	<u>2018</u> \$	<u>2019</u> \$	<u>2020</u> \$	<u>Total</u> \$
At end of claim year	2,941,815	3,409,054	3,346,875	9,697,744
One year later	765,797	(1,288)	--	764,509
Two years later	<u>(2,014)</u>	<u>--</u>	<u>--</u>	<u>(2,014)</u>
Current estimate of cumulative claims cost	3,705,598	3,407,766	3,346,875	10,460,239
Cumulative payments	<u>(3,705,582)</u>	<u>(3,396,669)</u>	<u>(2,776,015)</u>	<u>(9,878,266)</u>
Outstanding claims	16	11,097	570,860	581,973
Outstanding from prior years				22
Impact of discount & PFAD				<u>113,560</u>
				<u>\$695,555</u> =====

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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

**Gross Claims Development**

	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>Total</u></b>
<u>Cost</u>	\$	\$	\$	\$
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>
<u>Cost</u>	\$	\$	\$	\$
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
				=====

The gross claims development did not reconcile to the provision for unpaid claims since the gross claims development did not include the life policy reserves and loss adjustment expense reserves. Moreover, excess of loss reinsurance adjustments were embedded in the reserve development.

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**17. SHARE CAPITAL**

	<b><u>2020</u></b>	<b><u>2019</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. As disclosed in Note 1, AmFirst Insurance Company sold 58% ownership interest in the Company to AmFirst Holdings Inc. Amfirst Holdings now owns 75% of the ownership interest in the Company.

Ownership of the Company’s issued share capital follows:

	<b><u>No. of Shares</u></b>	
	<b><u>2020</u></b>	<b><u>2019</u></b>
AMFirst Insurance Company Inc.	--	1,732,500
AMFirst Holdings Inc	2,250,000	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>2020</u></b>	<b><u>2019</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 2020**

**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>2020</u></b>	<b><u>2019</u></b>
	<b>\$</b>	<b>\$</b>
Gross premiums written	10,026,495	6,038,850
Premium tax	<u>(283,349)</u>	<u>(180,616)</u>
	9,743,146	5,858,234
Increase in unearned premium	<u>(266,940)</u>	<u>(47,010)</u>
	\$9,476,206	\$5,811,224
	=====	=====



**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**20. NET REINSURANCE PREMIUMS CEDED**

Net reinsurance premiums ceded comprise of:

	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>\$</b>	<b>\$</b>
Reinsurance premiums ceded	1,302,569	968,492
Ceding commission	(37,148)	(39,172)
Increase in deferred reinsurance premium ceded	<u>(158,420)</u>	<u>(1,077)</u>
	<u>\$1,107,001</u>	<u>\$928,243</u>

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 (Mississippi)	- 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 2020**

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

Recoveries from reinsurers follow:

	<b><u>2020</u></b>	<b><u>2019</u></b>
	\$	\$
AMFirst Life Insurance Company (Puerto Rico)	473,004	718,438
AMFirst Insurance Company (Oklahoma)	473,004	718,438
Lloyds London	<u>351,995</u>	<u>283,591</u>
	\$1,298,003	\$1,720,467
	=====	=====

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**

Reinsurance premium assumed comprise of:

	<b><u>2020</u></b>	<b><u>2019</u></b>
	\$	\$
Gross reinsurance premium assumed	--	3,788,993
Decrease in unearned reinsurance premium assumed	--	<u>--</u>
	\$--	\$3,788,993
	==	=====

During 2020, the Company terminated its agreement with Standard Life and Accident Insurance Company.

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**22. CLAIMS PAID**

Claims paid comprise of:

	<b><u>2020</u></b>	<b><u>2019</u></b>
	\$	\$
Claims paid on direct written policies	3,998,243	4,384,366
Reinsurance assumed claims paid	<u>          --          </u>	<u>1,794,464</u>
	\$3,998,243	\$6,178,830
	=====	=====

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

Loss adjustment expense - net is comprised of:

	<b><u>2020</u></b>	<b><u>2019</u></b>
	\$	\$
Change in claims reserve	(155,295)	(146,413)
Change in loss adjustment expense reserve	(7,765)	--
Change in policy reserve	<u>180,450</u>	<u>107,595</u>
	\$17,390	\$(38,818)
	=====	=====

**24. COMMISSION EXPENSE**

Commission expense is comprised of:

	<b><u>2020</u></b>	<b><u>2019</u></b>
	\$	\$
Commission paid on reinsurance assumed	2,668,152	1,638,810
Commission paid on premiums written	<u>          --          </u>	<u>1,530,104</u>
	\$2,668,152	\$3,168,914
	=====	=====

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**25. ADMINISTRATIVE AND MARKETING EXPENSES**

	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>\$</b>	<b>\$</b>
Bank charges	257,217	232,391
Foreign exchange loss	101,077	11,499
License fees	69,254	50,413
Professional fees	60,848	65,259
Directors and management expenses	52,000	50,500
Actuarial expenses	51,185	19,276
Computer and IT expense	44,522	16,934
Telephone	30,484	26,716
Office supplies	18,889	11,388
Marketing	18,230	22,482
Insurance expense	10,118	17,640
Utilities	9,176	13,230
Repairs and maintenance	7,473	7,700
Postage and shipping	6,827	3,462
Travel expenses	2,163	32,046
Rent	835	1,285
Dues and subscriptions	646	3,065
Others	<u>175,731</u>	<u>109,200</u>
	\$916,675	\$694,486
	=====	=====

**26. ADMINISTRATOR FEE**

The Company entered into an amended Claims and Policy Servicing Agreement with Morgan White Administrators International, Inc. (MWAI) effective 1 January 2019. MWAI performs administrative services, claim administration services and fund deposit and transfer services on behalf of the Company. MWAI receives (1) 10% of the collected gross premium less any billing fees and (2) Administrator's billing fees. The total fees paid to MWAI in 2020 amounted to \$771,878 (2019: \$587,302).

The Company in return receives from MWAI for the performance of its own administrative services. The total administrative fee to the Company for the performance of its own administrative services in 2020 amounted to \$316,591 (2019: \$200,000) as disclosed in Note 27.

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**27. OTHER INCOME**

	<b><u>2020</u></b>	<b><u>2019</u></b>
	\$	\$
Reimbursed administrative fee	316,591	200,000
Miscellaneous	<u>52,454</u>	<u>12,494</u>
	\$369,045	\$212,494
	=====	=====

**28. INCOME TAX**

Income tax comprise of:

	<b><u>2020</u></b>	<b><u>2019</u></b>
	\$	\$
Federal tax benefit/(expense)	(26,259)	(14,260)
Deferred tax	--	<u>16,196</u>
	\$(26,259)	\$1,936
	=====	=====

Reconciliation between the income tax and the product of accounting profit based on the statutory tax rate of nil% (2019: 21%) follows:

	<b><u>2020</u></b>	<b><u>2019</u></b>
	\$	\$
Profit/(loss) before tax	<u>1,251,305</u>	(176,329)
Tax at statutory rates	--	(37,029)
Tax effect of expenses not deductible for tax purposes	--	40,274
Tax effect of dividend received deduction	--	(4,636)
Tax effect of proration	--	<u>1,391</u>
	--	--
Prior year return to provision difference	(185)	(14,260)
Refund for NOL carryback	(32,240)	
Alternative minimum tax adjustment	<u>6,166</u>	--
	\$(26,259)	\$(14,260)
	=====	=====

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**28. INCOME TAX (cont)**

On 8 June 2020, The US IRS approved to:

- a. grant consent to revoke the Company's election of Section 953(d) to be treated as domestic corporation
- b. the Company will also be treated as transferring as of 1 January 2020, all of its property to a foreign corporation
- c. any gain will be reported on the Company's US Federal income tax return for the one day beginning and ending 1 January 2020.

**29. 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 \$16,204 (2019: \$14,928).

**30. 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 \$5,545 (2019: \$4,286).

As disclosed in Notes 26 and 27, the reimbursed administrative fee received by the Company from MWAI totalled \$316,591 for the year ended 31 December 2020 (2019: \$200,000).

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)

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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

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

**32. 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.

**33. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

**34. 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.

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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

**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.

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

	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>\$</b>	<b>\$</b>
One to five years	1,036,837	277,200
Five to ten years	--	--
More than ten years	<u>1,582,396</u>	<u>977,700</u>
	\$2,619,233	\$1,254,900
	=====	=====

**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 2020****34. 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 2020****34. 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 valuated at 3.5%.

**35. 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 2020****35. 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.

**36. 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 2020 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 all the insurance companies still honor these policies during the waiver period.

**NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**36. 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.	No real impact has been seen from a negative perspective.
Investments - effect on fair value and interest income	Some held investments lost value because of what the markets did in 2020. However, the Company has the ability to hold the investments for as long as it would take for the value to come back. The Company does not believe any securities have been permanently impaired.
Insurance Premiums including the recovery of premiums receivable	No issues in regard to premium collection. The Company's business increased in 2020.
Claims and losses payable including IBNR	The Company did realize a reduction in its paid loss ratio in 2020. The Company's assumption is that COVID-19 did play a central role in that outcome.
Payroll	No impact to report. The Company continued to pay its employees even when they had to be at home due to mandated restrictions.
Other expenses	There is no significant impact.