NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2022

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

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Tel: (242)-325-6591
Fax: (242)-325-6592
www.bdobahamas.com
info@bdobahamas.com

P.O. Box N-10144
Gresham House
Charlotte Street South
Nassau, Bahamas

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 2022, 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 2022 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 (ISA). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' 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.

Key Audit Matter

Key audit matters are those matters that, in the auditors' professional judgment, were of most significance in the audit of the financial statements as at 31 December 2022. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditors' 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.

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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements (cont)
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 ISA 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 auditors' report is Brent Roberts.

BDO

Chartered Accountants
Nassau Bahamas
27 April 2023

APPENDIX TO THE AUDITORS' REPORT

Detailed Description of Our Responsibilities

As part of an audit in accordance with ISA, 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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 auditors' 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 2022
(Expressed in Bahamian Dollars)

	Note	2022	2021
		$	$
FIXED ASSETS	5	208,337	256,487
RIGHT-OF-USE ASSETS	6	113,527	175,450
INVESTMENT PROPERTY	7	1,429,530	1,465,517
NOTE RECEIVABLE	8	580,849	893,850
CURRENT ASSETS			
Cash and cash equivalents		3,088,192	2,473,925
Investments	9	5,225,438	5,009,083
Reinsurance ceded assets	11	631,462	1,082,753
Notes receivable – current portion	8	313,001	59,341
Prepaid income tax		--	68,385
Other receivables and prepayments	12	164,752	138,671
		9,422,845	8,832,158
CURRENT LIABILITIES			
Accounts payable and accruals		264,984	273,247
Income tax liability	24	2,000	--
Lease liability - current portion	6	67,722	60,850
Due to administrator	10	3,098,384	2,129,888
Unearned premium	13	598,137	526,481
Provision for unpaid claims	14	1,679,617	1,043,257
		5,710,844	4,033,723
NET CURRENT ASSETS		3,712,001	4,798,435
DEFERRED TAX LIABILITY	24	24,129	26,129
LEASE LIABILITY	6	49,662	119,799
		$5,970,453	$7,443,811
EQUITY			
Share capital	15	3,000,000	3,000,000
Preference shares	16	2,330,000	2,000,000
Contributed surplus	15	500,000	500,000
Fair value reserve		(453,295)	(94,058)
Accumulated profit		593,748	2,037,869
		$5,970,453	$7,443,811

The statements were approved by the board of directors and authorised for issue on 27 April 2023 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 2022

	Note	2022 $	2021 $
UNDERWRITING INCOME			
Net premiums written	17	9,990,550	9,505,284
Net reinsurance premium ceded	18	(1,191,866)	(1,307,947)
Net direct premiums earned		8,798,684	8,197,337
INSURANCE BENEFITS AND CLAIMS			
Claims paid	19	6,505,372	6,037,880
Loss/(gains) adjustment expense - net	20	628,707	(142,531)
Insurance claims recovered from reinsurers	18	(1,928,921)	(2,187,768)
		5,205,158	3,707,581
EXPENDITURE			
Commission expense	21	2,718,008	2,653,151
Administrative and marketing expenses	22	1,068,921	1,031,937
Administrator fee	23	682,594	631,354
Salaries and other employee benefits		680,870	622,867
Amortisation - right-of-use asset	6	61,923	61,923
Depreciation - fixed assets	5	48,150	45,967
Depreciation - investment property	7	35,987	35,987
		5,296,453	5,083,186
Net underwriting loss		(1,702,927)	(593,430)
OTHER INCOME			
Interest and investment income		297,591	289,878
Other income		125,215	57,535
		422,806	347,413
Loss before other comprehensive income and tax		(1,280,121)	(246,017)
Income tax expense	24	(4,000)	(26,129)
NET LOSS FOR THE YEAR		(1,284,121)	(272,146)
OTHER COMPREHENSIVE (LOSS)/INCOME			
Fair value(loss)/gain on investments		(359,237)	59,380
TOTAL COMPREHENSIVE LOSS		$(1,643,358)	$(212,766)
		=======	======

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 2022

	Share capital	Preference shares	Contributed surplus	Fair value reserve	Accumulated profit	Total
	$	$	$	$	$	$
1 January 2021	3,000,000	2,000,000	500,000	(153,438)	2,470,015	7,816,577
Dividends paid – preference shares	--	--	--	--	(160,000)	(160,000)
Net loss for the year	--	--	--	--	(272,146)	(272,146)
Other comprehensive income:						
Fair value gain on investments	--	--	--	59,380	--	59,380
Total comprehensive income	--	--	--	59,380	(272,146)	(212,766)
31 December 2021	3,000,000	2,000,000	500,000	(94,058)	2,037,869	7,443,811
Issuance of preference shares	--	330,000	--	--	--	330,000
Dividends paid – preference shares	--	--	--	--	(160,000)	(160,000)
Net loss for the year	--	--	--	--	(1,284,121)	(1,284,121)
Other comprehensive income:						
Fair value loss on investments	--	--	--	(359,237)	--	(359,237)
Total comprehensive income	--	--	--	(359,237)	(1,284,121)	(1,643,358)
31 December 2022	$3,000,000	$2,330,000	$500,000	$(453,295)	$593,748	$5,970,453
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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 2022

	2022 $	2021 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss before tax	(1,280,121)	(246,017)
Adjustment for:		
Depreciation	84,137	81,954
Amortisation of right-of-use asset	61,923	61,923
Interest on lease liability	6,455	9,083
Dividend income	(71,153)	(74,262)
Interest income	(226,438)	(215,616)
Operating loss before working capital changes	(1,425,197)	(382,935)
Decrease/(increase) in reinsurance ceded assets	451,291	(240,110)
(Increase)/decrease in other receivables and prepayments	(26,081)	71,435
Decrease in accounts payable and accruals	(8,263)	(125,063)
Net movement in due to administrator	968,496	1,962,841
Increase/(decrease) in unearned premium	71,656	(95,766)
Increase/(decrease) in provision for unpaid claims	636,360	(141,916)
Cash provided by operations	668,262	1,048,486
Tax refund	68,385	--
Income tax paid	(4,000)	--
Dividends received	71,153	74,262
Interest received	226,438	217,169
Net cash provided by operating activities	1,030,238	1,339,917
CASH FLOWS FROM INVESTING ACTIVITIES		
Net movement in notes receivable	59,341	(703,191)
Net movement in investments	(575,592)	439,168
Purchase of fixed assets	--	(103,472)
Net cash used by investing activities	(516,251)	(367,495)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease liability	(69,720)	(69,720)
Issuance of preference shares	330,000	--
Dividends paid – preference shares	(160,000)	(160,000)
Net cash provided/(used) by financing activities	100,280	(229,720)
Net increase in cash and cash equivalents	614,267	742,702
Net cash and cash equivalents at beginning of the year	2,473,925	1,731,223
Net cash and cash equivalents at end of the year	$3,088,192	$2,473,925
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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 2022

1. INCORPORATION AND ACTIVITIES

New Providence Life Insurance Company Limited (formerly Star Bahamas General Insurance Company Limited) ("the 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 (the "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.

The Company's issued and outstanding shares are owned by AmFirst Holdings Inc. (75%) and Star General Investments (G.B) Limited (25%) as at 31 December 2022.

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 (IFRSs). 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 IFRSs 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 estimates.

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 the severity or frequency of claims from historical trends. The estimates are mainly based on the Company's historical and industry experience.

2. BASIS OF PREPARATION

Critical accounting estimates and judgements (cont)

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 asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable 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.

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.

3. ACCOUNTING POLICIES (cont)

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, notes receivable, and reinsurance ceded assets. These financial assets are held to collect contractual cash flows.

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.

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 and due to administrator.

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.

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, cancelled or expired.

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.

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 functional 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.

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 on 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 are 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.

3. ACCOUNTING POLICIES (cont)

Investment property

Investment property is property held to earn rental income. 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 recognised 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 to 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 had elected to be treated as a U.S. Company for U.S. Tax purposes. 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.

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, other than the income from its U.S. investment, is no longer subject to tax as there is no income tax in The Bahamas.

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% and later on reduced to 10% effective 1 January 2022.

4. NEW AND AMENDED STANDARDS

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

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

IAS 37 defines an onerous contract as a contract in which the unavoidable costs (costs that the Company has committed to pursuant to the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments to IAS 37.68A clarify, that the costs relating directly to the contract consist of both:

- The incremental costs of fulfilling that contract (e.g. direct labour and material); and
- An allocation of other costs that relate directly to fulfilling contracts (e.g. Allocation of depreciation charge on property, plant and equipment used in fulfilling the contract.)

These amendments had no impact on the year-end financial statements of the Company as there were onerous contracts on or after the beginning of the earliest period presented.

4. NEW AND AMENDED STANDARDS (cont)

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use (e.g. the proceeds from selling samples produced during the testing phase of a manufacturing facility after it is being constructed but before start of commercial production). The proceeds from selling such samples, together with the costs of producing them, are now recognised in profit or loss.

These amendments had no impact on the year-end financial statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

References to Conceptual Framework (Amendments to IFRS 3)

In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Effective for the period beginning 1 January 2023

The following new/amended accounting standards and interpretations that have been issued, but are not mandatory for financial years ended 31 December 2022, are not expected to have a significant impact on the Company in the period of initial application.

- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)*

  The amendments are as follows:

  - An entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
  - Several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
  - The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;
  - The amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and

4. NEW AND AMENDED STANDARDS (cont)

Effective for the period beginning 1 January 2023 (cont)

- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) (cont)*

  - The amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

  In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1.

- *Definition of Accounting Estimates (Amendments to IAS 8)*

  The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

  - The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
  - Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
  - The Board clarifies that a change in an accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
  - A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

4. NEW AND AMENDED STANDARDS (cont)

Effective for the period beginning 1 January 2023 (cont)

- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*

  On 23 January 2020, the IASB issued amendments that provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.

- *Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*

  The main amendment is an exemption from the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. This is also explained in the newly inserted paragraph IAS 12.22A.

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: Subsidiary as a First-time Adopter (FTA)*

  The amendment permits a 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.

- *IFRS 9: Fees in the ‘10 per cent’ Test for Derecognition of Financial liabilities*

  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.

4. NEW AND AMENDED STANDARDS (cont)

Annual Improvements to IFRSs 2018-2020 Cycle (cont)

- *IAS 41: Taxation in Fair Value Measurements*

  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.

- *IFRS 16: Lease Incentives*

  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.

- *IFRS 17 Insurance Contracts*

  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.

  <u>Status of the IFRS 17 Implementation Project</u>

In preparation for the adoption of the IFRS 17, the Company contracted experts to perform accounting advisory services, the purpose of which is to work through, from start to finish, how different insurance policies could be accounted for in broad terms under IFRS 17 with pro-forma accounting entries, together with a training session to cover the aspects of IFRS 17 that are relevant to the Company's business for the Company's key finance team members. This aims to provide management with guidance on how their insurance policies could be accounted for in accordance with the requirements of IFRS 17, and what their accounting policy choices are, in advance of initiating their IFRS 17 implementation project.

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

4. NEW AND AMENDED STANDARDS (cont)

Effective for the period beginning 1 January 2023 (cont)

- *IFRS 17 Insurance Contracts (cont)*

  Status of the IFRS 17 Implementation Project (cont)

The adoption of IFRS 17 will result in significant accounting changes, with an impact on the statement of financial position and statement of profit or loss and other comprehensive income. At the date of the approval of these financial statements, the Company has not estimated the expected impacts at the transition date, which is 1 January 2022. The implementation process is currently focused on building the comparative 2022 information applying transitional requirements of the standard. It is not yet practicable to reliably disclose any quantitative information on the impacts of IFRS 17 for the comparative 2022 period. The Company might determine that current options or valuations relating to IFRS 17 could be adjusted in the course of the formal implementation of the standards in the Company's 2023 financial reporting.

5. FIXED ASSETS

	Leasehold improvements	Office furniture and equipment	Total
	$	$	$
COST			
1 January and 31 December 2022	237,217	263,903	501,120
DEPRECIATION			
1 January 2022	101,579	143,054	244,633
Charge for the year	15,850	32,300	48,150
31 December 2022	117,429	175,354	292,783
NET BOOK VALUE			
31 December 2022	$119,788	$88,549	$208,337
	======	======	======
31 December 2021	$135,638	$120,849	$256,487
	======	======	======

5. FIXED ASSETS (cont)

	Leasehold improvements	Office furniture and equipment	Total
	$	$	$
COST			
1 January 2021	221,248	176,400	397,648
Additions	15,969	87,503	103,472
31 December 2021	237,217	263,903	501,120
DEPRECIATION			
1 January 2021	86,387	112,279	198,666
Charge for the year	15,192	30,775	45,967
31 December 2021	101,579	143,054	244,633
NET BOOK VALUE			
31 December 2021	$135,638	$120,849	$256,487
	======	======	======
31 December 2020	$134,861	$64,121	$198,982
	======	======	======

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:

	2022	2021
	$	$
Opening balance	175,450	237,373
Amortisation	(61,923)	(61,923)
	$113,527	$175,450
	======	======

6. RIGHT-OF-USE ASSET / LEASE LIABILITY (cont)

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

	2022 $	2021 $
Opening balance	180,649	241,286
Lease payments	(69,720)	(69,720)
Interest expense	6,455	9,083
	$117,384	$180,649

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

	2022 $	2021 $
One year	67,722	60,850
Two years to five years	49,662	119,799
	$117,384	$180,649

The Company has a low value storage lease it renews monthly. The storage unit rent totalled $1,070 during the year (2021: $1,780).

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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7. INVESTMENT PROPERTY

	Land	Building	Total
	$	$	$
COST			
1 January and 31 December 2022	140,000	1,403,489	1,543,489
DEPRECIATION			
1 January 2022	--	77,972	77,972
Charge for the year	--	35,987	35,987
31 December 2022	--	113,959	113,959
NET BOOK VALUE			
31 December 2022	$140,000	$1,289,530	$1,429,530
31 December 2021	$140,000	$1,325,517	$1,465,517

	Land	Building	Total
	$	$	$
COST			
1 January and 31 December 2021	140,000	1,403,489	1,543,489
DEPRECIATION			
1 January 2021	--	41,985	41,985
Charge for the year	--	35,987	35,987
31 December 2021	--	77,972	77,972
NET BOOK VALUE			
31 December 2021	$140,000	$1,325,517	$1,465,517
31 December 2020	$140,000	$1,361,504	$1,501,504

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. There are restrictions on this asset as disclosed in Note 10. Additionally, the Company has agreed to manage the investment property.

7. INVESTMENT PROPERTY (cont)

On 27 January 2023, subsequent to year end, the Company entered into a market listing agreement with a broker to list, market, and sell the Investment Property.

8. NOTE RECEIVABLE

Loan receivable comprise of:

	2022	2021
	$	$
AmFirst Holdings Inc.	643,850	703,191
Helicon Capital	250,000	250,000
	$893,850	$953,191
	======	======

On 21 April 2020, the Company granted an unsecured promissory note to Helicon Capital ("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 December 2023.

On 1 February 2021, the Parent (AmFirst Holdings Inc.) entered into a debenture agreement with its various related companies – AmFirst Insurance Company, the Company, London America Insurance Company, and AmFirst Life Insurance Company.

The breakdown of the principal amount of the loan follows:

	2022	2021
	$	$
London America Insurance Company	2,550,000	2,550,000
AmFirst Insurance Company	2,200,000	2,200,000
AmFirst Life Insurance	2,000,000	2,000,000
New Providence Life Insurance Company	750,000	750,000
	$7,500,000	$7,500,000
	=======	=======

The loan to the Parent accrues interest of 6% annually starting 1 March 2021 on the unpaid balance. The loan is repayable in 120 equal monthly installments.

8. NOTE RECEIVABLE (cont)

For the year ended 31 December 2022, the interest income totalled $40,577 (2021: $51,456) was collected in full.

The maturity of the loans follows:

	2022	2021
	$	$
Current portion	313,001	59,341
Noncurrent portion	580,849	893,850
	$893,850	$953,191
	======	======

9. INVESTMENTS

All of the Company's investments are considered to be 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).

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

9. INVESTMENTS (cont)

The following table presents the Company's assets that are measured at fair value as at 31 December 2022 and 2021. The Company does not have financial liabilities at fair value.

	Fair Value Measurements			
	Level 1	**Level 2**	**Level 3**	**Total**
2022	**$**	**$**	**$**	**$**
Equities	687,653	--	--	687,653
Exchange traded funds	2,482,913	--	--	2,482,913
Government bonds	--	1,337,195	--	1,337,195
Preferred stock	619,365	--	--	619,365
Private equity	--	--	98,312	98,312
	$3,789,931	$1,337,195	$98,312	$5,225,438
2021	**$**	**$**	**$**	**$**
Equities	821,928	480,000	--	1,301,928
Exchange traded funds	1,227,993	--	--	1,227,993
Corporate bonds	--	55,893	--	55,893
Government bonds	--	1,626,404	--	1,626,404
Preferred stock	698,553	--	--	698,553
Private equity	--	--	98,312	98,312
	$2,748,474	$2,162,297	$98,312	$5,009,083

The private equity investment of $98,312 pertains to 1.82% ownership in a limited liability company operating in the hotel business. The company commenced operations in 2018. Management considers the fair value of the investment to be unchanged. The total dividend received amounted to $13,205 (2021: $15,482).

9. INVESTMENTS (cont)

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 $1,956,560 (2021: $2,308,537) in investments and $1,429,530 (2021: $1,465,517) in investment property.

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. Balance due to Administrator consists of payments made by the Administrator on behalf of the Company in excess of the funds received. The payable balance was unsecured, interest free and has no fixed terms of repayment.

11. REINSURANCE CEDED ASSETS

Reinsurance ceded assets comprise of:

	2022	2021
	$	$
Deferred reinsurance premium	618,883	603,316
Receivable from reinsurance recoveries	703	475,214
Reinsurers’ share of provision for unpaid claims	11,876	4,223
	$631,462	$1,082,753

12. OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments comprise of:

	2022	2021
	$	$
Interest receivable	35,411	35,804
Premiums direct	65,578	44,559
Others	63,763	58,308
	$164,752	$138,671

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

13. UNEARNED PREMIUM

	2022 $	2021 $
Gross premiums written - direct	10,371,006	9,704,252
Premiums earned - direct	(9,772,869)	(9,177,771)
Unearned premium direct, end of year	$598,137	$526,481

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.

14. PROVISION FOR UNPAID CLAIMS

Provision for unpaid claims is comprised of:

	2022 $	2021 $
Claims reserve	469,277	359,189
Life policy reserve	1,199,793	676,644
Loss adjustment expense reserve	10,547	7,424
	$1,679,617	$1,043,257

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.

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

14. PROVISION FOR UNPAID CLAIMS (cont)

Gross Claims Development

Cost	2020 $	2021 $	2022 $	Total $
At end of claim year	3,244,976	3,778,117	6,679,335	13,702,428
One year later	1,962,240	1,851,607	--	3,813,847
Two years later	15,213	--	--	15,213
Current estimate of cumulative claims cost	5,222,429	5,629,724	6,679,335	17,531,488
Cumulative payments	(5,222,364)	(5,623,154)	(5,733,926)	(16,579,444)
Outstanding claims	65	6,570	945,409	952,044
Outstanding from prior years				39
Impact of discount & PFAD and other LAE after reinsurance				136,929
				$1,089,012

Net of Reinsurance Claims Development

Cost	2020 $	2021 $	2022 $	Total $
At end of claim year	2,682,324	3,147,693	4,684,450	10,514,467
One year later	404,575	726,379	--	1,130,954
Two years later	(22,850)	--	--	(22,850)
Current estimate of cumulative claims cost	3,064,049	3,874,072	4,684,450	11,622,571
Cumulative payments	(3,064,008)	(3,868,770)	(4,358,298)	(11,291,076)
Outstanding claims	41	5,302	326,152	331,495
Outstanding from prior years				37
Impact of discount & PFAD and other LAE after reinsurance				137,745
				$469,277

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

14. PROVISION FOR UNPAID CLAIMS (cont)

Gross Claims Development

Cost	2019 $	2020 $	2021 $	Total $
At end of claim year	4,416,999	3,246,692	5,949,710	13,613,401
One year later	1,043,564	1,972,467	--	3,016,031
Two years later	3,656	--	--	3,656
Current estimate of cumulative claims cost	5,464,219	5,219,159	5,949,710	16,633,088
Cumulative payments	(5,464,156)	(5,213,161)	(4,968,538)	(15,645,855)
Outstanding claims	63	5,998	981,172	987,233
Outstanding from prior years				30
Impact of discount & PFAD and other LAE after reinsurance				118,589
				$1,105,852

Net of Reinsurance Claims Development

Cost	2019 $	2020 $	2021 $	Total $
At end of claim year	3,606,179	2,661,272	3,900,077	10,167,528
One year later	114,276	265,943	--	380,219
Two years later	2,366	--	--	2,366
Current estimate of cumulative claims cost	3,722,821	2,927,215	3,900,077	10,550,113
Cumulative payments	(3,723,896)	(3,007,042)	(3,575,293)	(10,306,231)
Outstanding claims	(1,075)	(79,827)	324,784	243,882
Outstanding from prior years				30
Impact of discount & PFAD and other LAE after reinsurance				115,277
				$359,189

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

15. SHARE CAPITAL

	2022	2021
Authorised, issued and fully paid		
3,000,000 ordinary shares of $1 each	$3,000,000	$3,000,000

Ownership of the Company's issued share capital follows:

	No. of Shares 2022	2021
AmFirst Holdings Inc	2,250,000	2,250,000
Star General Investments (G.B.) Limited	750,000	750,000
	3,000,000	3,000,000

16. PREFERENCE SHARES

	2022	2021
Authorised		
2,330,000 (2021: $2,000,000) 8% Redeemable preference shares of $1 each	$2,330,000	$2,000,000
Issued and fully paid		
2,330,000 (2021: $2,000,000) 8% Redeemable preference shares of $1 each	$2,330,000	$2,000,000

The Board of Directors has resolved and the Insurance Commission of the Bahamas ("ICB") has authorised the offering of $2,000,000 Series A 8% Redeemable Preference Shares. The preference shares pay cash dividend semi-annually in December and June of 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.

On 20 December 2022, the Insurance Commission approved the issuance of additional preference shares totaling $330,000 as a capital injection was needed to maintain the Company's prescribed capital ratio.

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

16. 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 sells 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.

17. NET PREMIUMS WRITTEN

Net premiums written comprise of:

	2022	2021
	$	$
Gross premiums written	10,371,006	9,704,252
Premium tax	(308,800)	(294,734)
	10,062,206	9,409,518
(Increase)/decrease in unearned premium	(71,656)	95,766
	$9,990,550	$9,505,284
	=======	=======

18. NET REINSURANCE PREMIUMS CEDED

Net reinsurance premiums ceded comprise of:

	2022 $	2021 $
Reinsurance premiums ceded	1,280,596	1,356,732
Ceding commission	(73,163)	(47,579)
Increase in deferred reinsurance premium ceded	(15,567)	(1,206)
	$1,191,866	$1,307,947

The Company has the following reinsurance agreements:

Reinsurer	Coverage
Health Insurance	
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
Personal Accident and/or Sickness	
Beazley 3623	- Maximum $1,000,000 any one person. Monthly benefit 1% of sum insured payable for a maximum of 9 months excess of 90 days each and every loss.
Personal Critical Accident and/or Sickness	
Beazley 3623	- Maximum $1,000,000 any one 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 2022

18. NET REINSURANCE PREMIUMS CEDED (cont)

Reinsurer | **Coverage**

Recoveries from reinsurers follow:

	2022 $	2021 $
AmFirst Insurance Company (Oklahoma)	1,182,593	685,588
AmFirst Life Insurance Company (Puerto Rico)	642,255	685,588
Lloyds London	104,073	816,592
	$1,928,921	$2,187,768

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.

19. CLAIMS PAID

	2022 $	2021 $
Claims paid on direct written policies	$6,505,372	$6,037,880

20. LOSS/(GAINS) RECOVERY OF ADJUSTMENT EXPENSE - NET

Loss/(gains) adjustment expense - net is comprised of:

	2022 $	2021 $
Change in claims reserve	102,839	(340,477)
Change in loss adjustment expense reserve	2,719	(27,465)
Change in policy reserve	523,149	225,411
	$628,707	$(142,531)

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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21. COMMISSION EXPENSE

Commission expense is comprised of:

	2022 $	2021 $
Commission paid on premiums written	$2,718,008	$2,653,151
	=======	=======

22. ADMINISTRATIVE AND MARKETING EXPENSES

	2022 $	2021 $
Bank charges	334,888	340,454
Foreign exchange loss	123,527	105,234
Professional fees	96,693	61,576
License fees	62,096	86,228
Telephone	58,862	23,381
Actuarial expenses	55,850	55,856
Common are maintenance	55,546	46,138
Directors and management expenses	44,000	52,000
Travel expenses	41,482	36,476
Office supplies	11,579	29,873
Utilities	11,573	8,919
Marketing	8,394	9,983
Repairs and maintenance	8,066	4,020
Insurance expense	3,917	22,378
Postage and shipping	1,758	11,586
Computer and IT expense	1,290	10,645
Rent	1,070	1,780
Dues and subscriptions	733	878
Others	147,597	124,532
	$1,068,921	$1,031,937
	=======	=======

23. ADMINISTRATOR FEE

	2022 $	2021 $
Administrator fee	1,001,067	951,119
Recovery of administrator fee	(318,473)	(319,765)
	$682,594	$631,354

The Company entered into an amended Claims and Policy Servicing Agreement with Morgan White Administrators International, Inc. (MWAII) effective 1 January 2019. MWAII performs administrative services, claim administration services and fund deposit and transfer services on behalf of the Company. MWAII receives (1) 10% of the collected gross premium less any billing fees and (2) Administrator's billing fees. The total fees billed by MWAII was $1,001,067 (2021: $951,119).

The Company in return receives refund from MWAII for the performance of its administrative services. The total administrative fee for the performance of its own administrative services was $318,473 (2021: $319,765) as disclosed in Note 23.

24. INCOME TAX

Income tax comprise of:

	2022 $	2021 $
Federal tax expense	6,000	--
Deferred tax (benefit)/expense	(2,000)	26,129
	$4,000	$26,129

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

24. INCOME TAX (cont)

Reconciliation between the income tax and the product of accounting profit based on the statutory tax follows:

	2022 $	2021 $
Loss before tax	(1,280,121)	(246,017)
Tax at statutory rates	--	--
Tax on US partnership K-1 activity	4,000	26,129
Prior year return to provision difference	--	--
Refund for NOL carryback	--	--
Alternative minimum tax adjustment	--	--
	$4,000	$26,129
	====	=====

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.

As at 31 December 2022, current tax liability totalling $2,000 (2021: $nil) and deferred tax totalling $24,129 (2021: $26,129) refers to the U.S. income tax that will have to be paid in relation to an investment in an LLC located in the U.S. that owns and operates a hotel.

25. 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 was $26,396 (2021: $27,756).

26. 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 $14,892 (2021: $12,167).

As disclosed in Notes 23, the reimbursed administrative fee received by the Company from MWAII totaled $318,473 (2021: $319,765) for the year ended 31 December 2022.

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)

The total notes receivable from the Parent is disclosed in Note 7.

27. MATURITIES OF FINANCIAL ASSETS AND LIABILITIES

All of the Company's current financial assets and liabilities, except for notes receivable as disclosed in Note 8, are due within one year.

28. INTEREST RATE RISK

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

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

30. 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 obligations 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.

30. FINANCIAL RISK MANAGEMENT (cont)

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

	2022	2021
	$	$
One to five years	30,162	294,043
Five to ten years	226,142	30,174
More than ten years	1,080,891	1,302,187
	$1,337,195	$1,626,404
	=======	=======

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.

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 18.

30. FINANCIAL RISK MANAGEMENT (cont)

Insurance risk (cont)

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.

The assumptions used for the actuarial valuation of the Company's provision for unpaid claims as disclosed in Note 14 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.

30. FINANCIAL RISK MANAGEMENT (cont)

Insurance risk (cont)

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%.

31. CAPITAL

The Company's objectives when managing capital are:

- To safeguard its 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.

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.

In a letter dated 20 December 2022, the ICB also prescribed a capital ratio of 150%.

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

30. SUBSEQUENT EVENT

As disclosed in Note 7, on 27 January 2023, subsequent to year end, the Company entered into a market listing agreement with a broker to list, market and sell the investment property.