

GUARDIAN RE (SAC) LTD.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2021

GUARDIAN RE (SAC) LTD.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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GUARDIAN RE (SAC) LTD.

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY

Management is responsible for the following:

- ▶ Preparing and fairly presenting the accompanying financial statements of Guardian Re (SAC) Ltd. which comprise the statement of financial position as at 31 December 2021, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- ▶ Ensuring that the company keeps proper accounting records;
- ▶ Selecting appropriate accounting policies and applying them in a consistent manner;
- ▶ Implementing, monitoring and evaluating the system of internal control that assures security of the company's assets, detection/prevention of fraud, and the achievement of company operational efficiencies;
- ▶ Ensuring that the system of internal control operated effectively during the reporting period;
- ▶ Producing reliable financial reporting that comply with laws and regulations, including The Insurance Act, 1978 (Bermuda) and Related Regulations as amended;
- ▶ Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the company will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.



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DEAN ROMANY  
PRESIDENT  
28 April 2022



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NALINI GOPIECHANSINGH  
VICE PRESIDENT - FINANCE  
28 April 2022



## Independent auditor's report

To the shareholder of Guardian Re (SAC) Ltd

### Report on the audit of the Company's financial statements

#### Our opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of Guardian Re (SAC) Ltd (the Company) as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### *What we have audited*

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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

#### *Independence*

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

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#### 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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## **Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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.

  
Port of Spain  
Trinidad, West Indies  
28 April 2022


GUARDIAN RE (SAC) LTD.

STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2021  
(Expressed in United States dollars)

	Notes	2021 \$'000	2020 \$'000
<b>Assets</b>			
Investment securities	5	3,500	-
Reinsurance assets	6	26,614	27,946
Due from parent and affiliated companies	7	25,040	35,515
Receivables	8	12,513	11,415
Deferred acquisition costs		341	393
Cash and cash equivalents	9	28,986	27,122
<b>Total assets</b>		<u>96,994</u>	<u>102,391</u>
<b>Equity and liabilities</b>			
<b>Shareholders' equity</b>			
Share capital	10	26,338	26,338
Contributed surplus	11	3,382	3,382
Retained earnings		<u>11,840</u>	<u>25,145</u>
<b>Total equity</b>		<u>41,560</u>	<u>54,865</u>
<b>Liabilities</b>			
Insurance contracts	12	51,682	43,209
Due to affiliated companies		6	3
Payables and accruals	13	<u>3,746</u>	<u>4,314</u>
<b>Total liabilities</b>		<u>55,434</u>	<u>47,526</u>
<b>Total equity and liabilities</b>		<u>96,994</u>	<u>102,391</u>

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

On 28 April 2022, the Board of Directors of Guardian Re (SAC) Ltd. authorised these financial statements for issue.

 Director

 Director

GUARDIAN RE (SAC) LTD.

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021  
(Expressed in United States dollars)

	Notes	2021 \$'000	2020 \$'000
Gross premiums written		36,801	42,800
Outward reinsurance premiums		<u>(25,808)</u>	<u>(30,012)</u>
Net premiums written		10,993	12,788
Change in net provision for unearned premiums		<u>1,310</u>	<u>(994)</u>
Net insurance premium revenue		12,303	11,794
Reinsurance commission		<u>2,663</u>	<u>3,386</u>
<b>Underwriting revenue</b>		<u>14,966</u>	<u>15,180</u>
Gross claims incurred	12.1(a)	18,964	(5,114)
Reinsurers' share of claims incurred	12.1(a)	<u>(2,950)</u>	<u>10,202</u>
Net claims incurred		16,014	5,088
Acquisition costs		1,506	1,582
Change in deferred acquisition costs		2	(50)
Expenses of management		<u>338</u>	<u>304</u>
<b>Underwriting expenses</b>		<u>17,860</u>	<u>6,924</u>
<b>Underwriting (loss)/profit</b>		<u>(2,893)</u>	<u>8,256</u>
Investment income	14	111	53
Net impairment gain/(loss) on financial assets		5	(9)
Other operating (loss)/income	15	<u>(13)</u>	<u>1,416</u>
<b>Net investment and other income</b>		<u>103</u>	<u>1,460</u>
<b>Results of operating activities</b>		<u>(2,790)</u>	<u>9,716</u>
<b>Total comprehensive (loss)/income for the period</b>		<u>(2,790)</u>	<u>9,716</u>
Comprehensive (loss)/income attributable to equity holders of the parent		<u>(2,790)</u>	<u>9,716</u>

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

GUARDIAN RE (SAC) LTD.

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021  
(Expressed in United States dollars)

		Attributable to equity holders of the parent			
		Share capital \$'000	Contributed surplus \$'000	Retained earnings \$'000	Total equity \$'000
<b>Balance at 1 January 2021</b>		26,338	3,382	25,145	54,865
Total comprehensive loss		—	—	(2,790)	(2,790)
Dividends paid	18	—	—	(10,515)	(10,515)
<b>Balance at 31 December 2021</b>		<u>26,338</u>	<u>3,382</u>	<u>11,840</u>	<u>41,560</u>
 <b>Balance at 1 January 2020</b>		 26,338	 3,382	 15,429	 45,149
Total comprehensive income		—	—	9,716	9,716
<b>Balance at 31 December 2020</b>		<u>26,338</u>	<u>3,382</u>	<u>25,145</u>	<u>54,865</u>

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



GUARDIAN RE (SAC) LTD.

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2021  
(Expressed in United States dollars)

	Notes	2021 \$'000	2020 \$'000
<b>Cash flows from operating activities</b>			
(Loss)/profit before taxation		(2,790)	9,716
<b>Adjustment for non-cash items:</b>			
Impairment (gain)/loss of financial assets		(5)	9
<b>Adjustment for specific items included on the accruals basis:</b>			
Investment income	14	(111)	(53)
Interest received		94	53
<b>Operating (loss)/profit before changes in operating assets/liabilities</b>		(2,812)	9,725
Increase/(decrease) in insurance liabilities		8,473	(6,400)
Decrease in reinsurance assets		1,332	13,322
Net movement in other operating assets/liabilities		8,916	(5,953)
Purchase of financial assets		(3,500)	—
<b>Cash generated by operating activities</b>		12,409	10,694
<b>Net cash provided by operating activities</b>		12,409	10,694
<b>Cash flows from financing activities</b>			
Dividends paid to equity holders of the parent		(10,515)	—
<b>Net cash used in financing activities</b>		(10,515)	—
<b>Net increase in cash and cash equivalents</b>	9	1,894	10,694

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

GUARDIAN RE (SAC) LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021  
(Expressed in United States dollars)

**1. Incorporation and business activities**

Guardian Re (SAC) Ltd. ("the Company") was incorporated under the laws of Bermuda on 6 November 1992. The Company is a wholly owned subsidiary of Guardian International Inc. ("GII"). GII is a company incorporated in Barbados on 5 October 2005 and is a licensed International Business Company which is wholly owned by Guardian Holdings Limited ("GHL"), which is incorporated in Trinidad and Tobago. The Company's registered office is Swan building, 26 Victoria Street, Hamilton, Bermuda.

GHL is 61.772% (2020:61.967%) owned by NCB Global Holdings Limited ("NCBGH"). NCBGH is 100% owned by NCB Financial Group Limited ("NCBFG"). NCBFG was incorporated in Jamaica in April 2016 and is the financial holding company for the NCB Group ("NCBFG"). NCBFG is 52.1% (2020:52.46%) owned by AIC (Barbados) Limited and the ultimate parent company is Portland Holdings Inc., incorporated in Canada. Portland Holdings Inc. is controlled by Hon. Michael A. Lee-Chin, O.J., a director of the Company.

The ordinary shares of GHL are listed on the Trinidad and Tobago Stock Exchange and NCBFG's ordinary shares are listed on the Jamaica Stock Exchange and the Trinidad and Tobago Stock Exchange.

The Company is licensed as a Class 3A insurer under The Insurance Act, 1978 (Bermuda), related Regulations and amendments thereto. The Company is registered under the Segregated Accounts Companies Act 2000 of Bermuda. The Company may establish segregated accounts where directed by the related insurance policy or reinsurance agreements. Creditors of segregated accounts established have no claim upon the assets of other segregated accounts or upon the Company's general assets. The Company does not have any segregated account as of 31 December 2021.

The Company provides reinsurance coverage to both affiliated insurance companies and non-related commercial insurance companies.

The affiliated insurance companies business comprise of catastrophe aggregate excess of loss, catastrophe excess of loss reinstatement premium protection, and risk excess of loss in respect of underlying business written in the Caribbean.

The non-affiliated reinsurance is principally:

(1) Quota share participation on various geographically defined catastrophe aggregate excess of loss treaties in respect of business written by SiriusPoint Ltd. The Company did not renew the reinsurance arrangements upon its expiration at 31 December 2020.

Commencing 1 January 2021, Guardian General Insurance Company (GGIL), an affiliate, participated on various geographically defined catastrophe aggregate excess of loss treaties in respect of business written by SiriusPoint Ltd and retroceded to the Company by way of a 100% quota share arrangement. GGIL did not renew the reinsurance arrangements upon its expiration at 31 December 2021.

(2) 50% quota share treaty of the General Insurance Account of Markerstudy Insurance Services Ltd. comprised principally of automobile and property insurance. The reinsurance arrangement with Markerstudy Insurance Services Ltd. is in run from 1 January 2010.

GUARDIAN RE (SAC) LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021  
(Expressed in United States dollars)  
(Continued)

**2. Significant accounting policies**

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

**2.1 Basis of preparation**

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

**(a) New standards and amendments/revisions to published standards and interpretations effective in 2021**

The following amendment to published standards took effect for the Company's accounting periods beginning on or after 1 January 2021:

**IFRS 16 Leases - Amendments - Covid-19-Related Rent Concessions**

The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to Covid-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications.

The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the conditions are met:

- a. 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;
- b. any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- c. there is no substantive change to the other terms and conditions of the lease.

The amendments had no material impact on the financial statements of the Company.

**(b) New standards and amendments/revisions to published standards and interpretations effective in 2021**

The following new IFRS amendments that have been issued do not apply to the activities of the Company:

- ▶ IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 4 Insurance Contracts
- ▶ IFRS 7 Financial Instruments: Disclosures and IFRS 16 Leases - Amendments - Interest Rate Benchmark Reform Phase 2

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021  
(Expressed in United States dollars)  
(Continued)

**2. Significant accounting policies** (continued)

**2.1 Basis of preparation** (continued)

**(c) New standards, interpretations and revised or amended standards that are not yet effective and have not been early adopted by the Company**

The following is a list of new IFRS standards, interpretations and amendments issued that are not yet effective as at 31 December 2021 and have not been early adopted by the Company. The Company expects to implement these standards when they become effective.

**Effective 1 January 2022:**

- ▶ IFRS 3 Business Combinations - Amendments - Reference to the Conceptual Framework
- ▶ IFRS 16 Leases - Amendments - Covid-19-Related Rent Concessions beyond 30 June 2021
- ▶ IAS 16 Property, Plant and Equipment - Amendments - Proceeds before intended use
- ▶ IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Amendments - Onerous contract - Cost of fulfilling a contract
- ▶ Annual Improvements to IFRSs 2018 - 2020 Cycle:
  - ▶ IFRS 1 First-time Adoption of International Financial Reporting Standards - Amendments - Subsidiary as a first-time
  - ▶ IFRS 9 Financial Instruments - Amendments - Fees in the '10 per cent' test for derecognition of financial liabilities

The Company is currently evaluating the impact of these amendments, however they are not expected to have a material impact on the Company's financial statements.

**Effective 1 January 2023:**

- ▶ IAS 1 Presentation of Financial Statements - Amendments - Classification of liabilities as current or non-current
- ▶ IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 - Amendments - Disclosure of accounting policies
- ▶ IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Amendments - Definition of accounting estimates
- ▶ IAS 12 Income Taxes - Amendments - Deferred tax related to assets and liabilities arising from a single transaction

GUARDIAN RE (SAC) LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021  
(Expressed in United States dollars)  
(Continued)

**2. Significant accounting policies (continued)**

**2.1 Basis of preparation (continued)**

**(c) New standards, interpretations and revised or amended standards that are not yet effective and have not been early adopted by the Company (continued)**

**Effective 1 January 2023 (continued):**

► IFRS 17 Insurance Contracts

IFRS 17 will replace IFRS 4 Insurance Contracts and will materially change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Group's financial statements. In June 2020, the IASB released amendments which, among other things, addressed concerns raised on the initial release of the standard, dealt with some implementation challenges and confirmed the deferral of the standard's effective date as 1 January

IFRS 17 must be applied retrospectively. However if full retrospective application to a group of contracts is impractical, the modified retrospective or fair value methods may be used. The standard requires entities to measure insurance contract liabilities in the statement of financial position as the total of (a) the fulfilment cash flows – the current estimates of amounts that the Group expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk for those amounts and (b) the contractual service margin – the future profit for providing insurance coverage.

IFRS 17 will have a significant impact on the Company's financial statements, tax and regulatory capital positions and other financial metrics that are dependent upon IFRS accounting values. The Company's assessment of the impact of IFRS 17, including work to ensure implementation by the effective date, is ongoing.

**Amendments Postponed:**

- IFRS 10 and IAS 28 - Amendments - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - In December 2015, the IASB deferred the effective date of the amendments until such time it has finalised any amendments that result from its research project on the equity method of accounting.

The postponement of these amendments are not expected to have any material impact on the financial statements of the Company.

GUARDIAN RE (SAC) LTD.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021  
(Expressed in United States dollars)  
(Continued)

**2. Significant accounting policies (continued)**

**2.2 Foreign currency translation**

**(a) Translation of transactions in foreign currencies**

The financial results of Guardian Re (SAC) Ltd. are prepared in the currency in which they conduct their ordinary course of business, which is referred to as functional currency.

Transactions occurring in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the 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 the statement of comprehensive income.

**(b) Translation to the presentation currency**

In preparing the financial statements, the results and financial position of all the Company's business segments are translated from their respective functional currencies to United States dollars, the presentation currency, as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- (ii) Income and expenses for each statement of comprehensive income are translated at average exchange rates; and
- (iii) All resulting exchange differences are recognised as a separate component of equity.

**2.3 Financial assets**

**(a) Initial recognition and measurement**

Financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, the date on which the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

At initial recognition, the Company measures financial assets at its fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of income.

The Company's financial assets include cash and short-term deposits, investment in debt securities, interest receivable, receivables arising from insurance contracts and reinsurance contracts, loan to parent and other loans and receivables.

NOTES TO THE FINANCIAL STATEMENTS  
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(Expressed in United States dollars)  
(Continued)

**2. Significant accounting policies (continued)**

**2.3 Financial assets (continued)**

**(b) Classification and subsequent measurement**

Subsequent to initial recognition, the Company's debt instruments are measured in accordance with the business models determined by the Group's respective business units for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Company classified its debt instruments:

(i) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The carrying amounts of these assets are adjusted by any expected credit loss allowance recognised. In addition to certain debt securities, the Company's loans and receivables are carried at amortised cost.

(ii) Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss.

The Company reclassifies debt instruments when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be infrequent.

**(c) Receivables**

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, receivables are measured at amortized cost, using the effective interest rate method.

The business model is to hold assets and collect contractual cash flows or to collect contractual cash flows and sell and therefore the Company's business units assess whether the financial assets' cash flows represent solely payments of principal and interest. In making this assessment, the business units considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. the definition of interest. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

**(d) Derecognition of financial assets**

A financial asset (or when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- ▶ The rights to receive cash flows from the asset have expired.
- ▶ The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement.
- ▶ The Company has transferred its rights to receive cash flows from the asset and either:
  - ▶ has transferred substantially all the risk and rewards of the asset, or
  - ▶ has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

**2. Significant accounting policies** (continued)

**2.4 Impairment of financial assets**

At each reporting date, the Company assesses, on a forward-looking basis, the expected credit losses (ECL) associated with its financial assets measured at amortised cost .

- ▶ Debt securities that are determined to have low credit risk at the reporting date; and
- ▶ Other financial instruments for which credit risk has not increased significantly since initial recognition.

Lifetime ECL is the ECL that result from all possible default events over the expected life of a financial asset, whereas 12-month ECL is the portion of ECL that results from default events that are possible within the 12 months after the reporting date.

For receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Loss allowances for ECL are presented in the financial statements as follows:

- ▶ Financial assets measured at amortised cost: the loss allowance is deducted from the gross carrying amount of the assets in the statement of financial position. Movement in ECL is recognised in the statement of comprehensive income.

*Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring as at the reporting date with the risk of default occurring as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

The quantitative assessment to identify whether a significant increase in credit risk has occurred for an exposure is performed by comparing:

- ▶ the remaining lifetime probability of default as at the reporting date; with
- ▶ the remaining lifetime probability of default for this point in time that was estimated at the time of initial recognition of the exposure.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021  
(Expressed in United States dollars)  
(Continued)

**2. Significant accounting policies** (continued)

**2.4 Impairment of financial assets** (continued)

*Significant increase in credit risk ( continued)*

The qualitative assessment to identify whether credit risk has increased significantly since initial recognition takes into account the following:

- ▶ Actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- ▶ Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- ▶ Actual or expected significant changes in the operating results of the debtor;
- ▶ Significant increases in credit risk on other financial instruments of the debtor;
- ▶ Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor;
- ▶ Actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant change in the debtor's ability to meet its debt obligation.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrated otherwise.

Despite the aforementioned, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if the financial instrument has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations. The Company considers a debt instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021  
(Expressed in United States dollars)  
(Continued)

**2. Significant accounting policies** (continued)

**2.4 Impairment of financial assets** (continued)

*Significant increase in credit risk (continued)*

*Definition of default*

The Company considers a financial asset to be in default when:

- ▶ the debtor is past due more than 90 days unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate

*Measurement of expected credit losses*

The measurement of expected credit losses is a function of:

- ▶ Probability of default (PD)- an estimate of the likelihood of default over a given time horizon;
- ▶ Loss given default (LGD) - an estimate of the loss arising in the case where a default occurs at a given time; and
- ▶ Exposure at default (EAD) - an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Forward-looking information considered by the Company includes economic data and forecasts published by governmental bodies and monetary authorities, supranational organisations such as the Organization for Economic Cooperation and Development and the International Monetary Fund, and selected private-sector and academic forecasters.

Expected credit losses are measured as the present value of all cash shortfalls i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The mechanics of the expected credit losses method are summarised below:

- ▶ A financial instrument that is not credit-impaired on initial recognition, a 12-month ECL allowance is calculated. The Company calculates the 12-month ECL allowance based on the expectation of a default occurring in the twelve months following the reporting date. The expected 12-month default probability is applied to a forecast exposure at default and multiplied by the expected loss given default, and discounted by the original effective interest rate.
- ▶ When a financial instrument has shown a significant increase in credit risk since initial recognition, the Company records an allowance for life-time ECL. The mechanics are similar to 12-month ECL calculation on a financial instrument that is not credit-impaired on initial recognition, but default probability and loss given default are estimated over the life of the instrument.
- ▶ A financial instrument that is credit-impaired, but is not a purchased or originated credit-impaired financial instrument, the Company records an allowance for lifetime ECL calculated similar to lifetime ECL on a financial instrument that has shown a significant increase in credit risk since initial recognition.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a Company of financial assets with similar credit risk characteristics and that Company of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. The impairment assessment is performed at each statement of financial position date.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the statement of income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

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**2. Significant accounting policies (continued)**

**2.5 Fair value measurement**

The Company measures financial instruments at fair value at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ▶ In the principal market for the asset or liability, or
- ▶ In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- ▶ Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- ▶ Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- ▶ Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. Assets and liabilities, with the exception of freehold and investment properties, included in level 3 are held at cost, being the fair value of the consideration paid on acquisition and are regularly assessed for impairment. Freehold and investment properties included in level 3 are held at fair value which is currently the replacement value.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

**2.6 Offsetting financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liabilities simultaneously.

**2.7 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, money market placements that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts and other short-term highly liquid investments with original maturities of three months or less.

Cash and cash equivalents are carried at amortised cost on the statement of financial position.

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**2. Significant accounting policies (continued)**

**2.8 Share capital**

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

**2.9 Insurance contracts**

The Company issues contracts that transfer insurance risk. Insurance contracts are those contracts that transfer significant insurance risk. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

**(a) Recognition and measurement**

For all these contracts, premiums are recognized as revenue (earned premiums) on a pro-rata basis over the period of coverage. The portion of premiums received on in-force contracts that relate to unexpired risks at the statement of financial position date is reported as an unearned premium liability. Premiums are shown before deduction of commissions payable to brokers and exclude any taxes or duties levied on such premiums. Premium income includes premiums collected by brokers not yet received by the Company.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders. They arise from events that have occurred up to the statement of financial position date, even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using techniques such as the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported ("IBNR"). Estimates are continually revised as more information becomes available and for the effects of anticipated inflation. Adjustments arising on these revisions are recognized within claims expense in the current year.

**(b) Outstanding claims**

Provision for outstanding claims and the related costs of settlement are based on incidents reported before the end of the financial year and include appropriate provisions for claims incurred but not yet reported. Estimates are continually revised as more information becomes available and for the effects of anticipated inflation. Adjustments arising on these revisions are included with claims expense in the current year.

**(c) Deferred acquisition costs ("DAC")**

Commissions paid to brokers relating to securing new contracts and renewing existing contracts are capitalized as an intangible asset and subsequently amortized over the terms of the policies as the premium is earned. All other costs are recognized as expenses when incurred.

NOTES TO THE FINANCIAL STATEMENTS  
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**2. Significant accounting policies (continued)**

**2.9 Insurance contracts (continued)**

**(d) Liability adequacy test**

At each statement of financial position date, the Company assesses whether its recognized insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate, the deficiency is recognized in the statement of income and the amount of the relevant insurance liabilities is increased.

**(e) Reinsurance contracts held**

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inward reinsurance) are included within insurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

The Company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the statement of income.

**(f) Receivables and payables related to insurance contracts**

Receivables and payables are recognized when due. These include amounts due to and from brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognizes that impairment loss in the statement of income.

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**2. Significant accounting policies (continued)**

**2.10 Revenue recognition**

**(a) Premium income**

Premium income is recognized on the accrual basis in accordance with the terms of the underlying contracts as outlined in Note 2.9 (a) (i) . The portion of unearned premium related to the unexpired portion of the policy is reflected in unearned premiums at the end of the year and is included in insurance contract liabilities. The reinsurer's share of unearned premiums is recognized as an asset and is included in reinsurance assets.

**(b) Interest income**

Interest income is recognized using the effective interest method.

**(c) Commission income**

Commissions are recognized on the accrual basis when the services have been provided.

**2.11 Dividend distribution**

Dividend distribution to the Company's shareholder is recognized as an appropriation in the financial statements in the period in which the dividends are approved by the Company's Board of Directors.

**3. Critical accounting estimates and judgements in applying accounting policies**

The Company makes estimates and assumptions that may affect the reported amounts of assets and liabilities during the succeeding financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*Covid-19 Pandemic*

A source of estimation uncertainty that originated in 2020 and continues to affect the Company into 2021 is the ongoing Covid-19 pandemic. While uncertainty remains about the speed of the economic recovery, the trajectory has undoubtedly been positive, with the development and distribution of vaccines and the gradual reopening of economies worldwide. Further positive developments include increased tourism for Bermuda and record prices accompanied by narrowing credit spreads in the international market for stocks and bonds. The Company has made forward-looking projections using the macroeconomic indicators, such as real GDP, unemployment, and inflation, which were available as at the end of the reporting period. The ongoing uncertainty means an increased likelihood that actual economic outcomes will vary from estimates used, resulting in differences between the current accounting estimates and the actual future results of the Company. These uncertainties predominantly affected the measurement of expected credit losses on financial assets (see Note 4.2.2).

**(a) The ultimate liability arising from claims made under insurance contracts**

The estimation of the ultimate liability arising from claims made under insurance contracts is an important accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims; in particular, the claims arising from motor contracts. At 31 December 2021, the carrying amount of insurance contracts was \$51,682,000 (2020: \$43,209,000).

**3. Critical accounting estimates and judgements in applying accounting policies (continued)**

**(b) Business model assessment**

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. Factors considered by the Company in determining the business model for a group of assets are disclosed in Note 2.3(a).

**(c) Impairment losses on financial assets**

The measurement of expected credit loss allowance for financial assets measured at amortised cost and fair value through other comprehensive income requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's expected credit loss calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the expected credit loss models that are considered accounting judgements and estimates include:

- ▶ The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime expected credit loss basis and the qualitative assessment
- ▶ The segmentation of financial assets when their ECL is assessed on a collective basis
- ▶ Development of ECL models, including the various formulas and the choice of inputs
- ▶ Selection of forward-looking macroeconomic scenarios to derive the economic inputs into the expected credit loss models
- ▶ Development of forward-looking scenarios probability weighted based on macroeconomic trends and expectations
- ▶ Determination of associations between macroeconomic scenarios and, economic inputs and the effect on probabilities of default, exposure at default and loss given default

The Company regularly reviews its internal models in the context of actual loss experience and adjust when necessary. The carrying amount of expected credit loss allowance on financial assets are disclosed in Note 4.2.2(d).

**3. Critical accounting estimates and judgements in applying accounting policies (continued)**

**(c) Impairment losses on financial assets (continued)**

*Forward-looking macroeconomic variables*

The estimation and application of forward-looking information requires significant judgment. PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. The estimation of ECL on 12-month ECLs and Lifetime ECLs is a discounted probability-weighted estimate that considers three future macroeconomic scenarios, with macroeconomic projections varying by territory. The base case scenario assumes that a stable economic environment where current conditions, based on available macroeconomic data, will largely continue. Upside and downside scenarios are set relative to the base case scenario based on reasonably possible alternative macroeconomic conditions, considering macroeconomic forecasts and

Scenarios are reassessed on at least an annual basis and more frequently if conditions warrant. Scenarios are probability-weighted separately for each territory modeled according to the best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights are updated on an annual basis or more frequently as warranted.

*Covid-19 Pandemic*

In the prior year, to incorporate the economic impact of the Covid-19 pandemic, the Company made adjustments to its ECL models such as increasing the likelihood of pessimistic scenarios and overlaying a further pessimistic scenario that explicitly accounts for acute negative economic fallout. For the year ended 31 December 2021, the overlay for the acute negative scenario remains; however, the likelihood attributed to this and other pessimistic scenarios have been reduced given the improvements in the current and expected economic environment. The resulting probability of default and losses given default were applied to all financial assets.

Management also maintains the position that the lifetime default risk of assets with several years remaining to maturity has not significantly changed since the onset of the Covid-19 pandemic, an important factor given that IFRS 9 requires that entities assess the risk of default over the life of expected assets. Such assets account for a significant portion of the Group's investment portfolio.

The carrying amounts of expected credit loss allowance on financial assets are disclosed in Note 4.2.2.

**4. Management of insurance and financial risk**

The Company issues contracts that transfer insurance risk. This section summarizes these risks and the way the Company manages them.

**4.1 Insurance risk**

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.



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**4. Management of insurance and financial risk (continued)**

**4.1 Insurance risk (continued)**

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and the type of industry covered.

**4.1.1 Property insurance contracts**

**Frequency and severity of claims**

For property insurance contracts, climatic changes give rise to more frequent and severe extreme weather events (for example, river flooding and hurricanes) and their consequences (for example, subsidence claims). For certain contracts, the Company has also limited the number of claims that can be paid in any policy year or introduced a maximum amount payable for claims in any policy year.

The Company's reinsurance arrangements consists of non proportional excess of loss placements on a per claimant and a per occurrence basis.

**4.2 Financial risk**

The Company is exposed to financial risk through its financial assets, reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The components of this financial risk are interest rate risk, foreign currency risk, liquidity risk and credit risk. These risks arise from open positions in interest rate and currency, all of which are exposed to general and specific market movements.

Risk management is carried out by Executive Investment and Insurance Committees under policies approved by the Company's board of directors. The Company identifies, evaluates and hedges financial risks. The board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

**4.2.1 Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk - interest rate risk and currency risk each of which are outlined below.

**(a) Interest rate risk**

Insurance contracts do not expose the Company to interest rate risk as these are undiscounted and contractually non-interest bearing. Exposure is managed largely by the use of natural hedges that arise by matching interest sensitive assets with liabilities of a similar nature. The Company also mitigates the effect of interest rate risk of the investment portfolio through the functioning of an Executive Investment Committee.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. For the sensitivity analysis, a 1% movement in interest rates was used for the United Kingdom (2020: 1%) and 1% for the United States market (2020: 1%). There is no effect in the statement of comprehensive income for 2021 (2020: NIL).

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4. Management of insurance and financial risk (continued)

4.2 Financial risk (continued)

4.2.1 Market risk (continued)

(b) Currency risk

The Company takes on exposure to effects of fluctuations in the prevailing foreign currency rates on its financial position and cash flows. The Company acts as a reinsurer for cedant Guardian group companies that have operations in the Caribbean as well as participates in reinsurance arrangements with Sirius Insurance International corporation and Markerstudy Insurance Services Ltd. that underwrites risks on a worldwide basis. The main exposure to risks are in respect to the Euro and the Sterling. The Company's strategy for dealing with foreign exchange risk is to offset as far as possible foreign currency liabilities with assets denominated in the same currency.

The Company has an Executive Investment Committee that has oversight for the management of currency risk.

The tables below summarize the Company's exposure to foreign currency exchange rate risk as at 31 December 2021. The Company's assets and liabilities at carrying amounts are included in the table categorized by currency positions expressed in US\$ equivalents.

	USD \$'000	GBP \$'000	EUR \$'000	Total \$'000
<b>As at 31 December 2021</b>				
<b>Total assets</b>	<u>56,146</u>	<u>26,679</u>	<u>14,170</u>	<u>96,995</u>
<b>Total liabilities</b>	<u>7,697</u>	<u>26,302</u>	<u>21,436</u>	<u>55,435</u>
<b>Net statement of financial position</b>	<u>48,449</u>	<u>377</u>	<u>(7,266)</u>	<u>41,560</u>
<b>As at 31 December 2020</b>				
<b>Total assets</b>	<u>61,949</u>	<u>25,580</u>	<u>14,861</u>	<u>102,390</u>
<b>Total liabilities</b>	<u>11,786</u>	<u>25,128</u>	<u>10,613</u>	<u>47,527</u>
<b>Net statement of financial position</b>	<u>50,163</u>	<u>452</u>	<u>4,248</u>	<u>54,863</u>

*Sensitivity analysis – currency risk*

The Company has significant foreign operations whose functional currencies are Pound Sterling (GBP) and Euro dollars (EUR). The Company is subject to foreign exchange risk as a result of the translation of the foreign operations whose functional currencies are different from the presentation currency of the Company. The sensitivity analysis for currency rate risk illustrates how changes in the fair value of the future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates at the reporting date. For the sensitivity analyses in 2021, 6.7% movement in exchange rates was used for GBP while -3.7% was used for EUR. For 2020, -1.7% movement in exchange rates was used for GBP while -8.9% was used for EUR.

The table below shows the impact on the statement of comprehensive income at the reporting date:

	GBP \$'000	EUR \$'000	Total \$'000
2021	25	269	294
2020	(8)	(378)	(386)

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**Management of insurance and financial risk** (continued)

**4.2 Financial risk** (continued)

**4.2.2 Credit risk**

Credit risk is defined as the potential for loss that can occur as a result of an individual, counterparty or issuer being unable or unwilling to honour its contractual obligations to us. Some of the credit risk mitigation techniques include, where appropriate, the right to require initial collateral or margin, the right to terminate transactions or to obtain collateral (including guarantees) should unfavorable events occur.

(a) **Assets bearing credit risk**

The Company actively monitors the financial status of its reinsurers both by reference to publicly available information and the Financial Strength Ratings of Standard and Poors. All of the Company's reinsurers are rated "A-" or above by Standard and Poors. The ratings are assigned to reinsurance companies that have, in the opinion of Standard and Poors, a superior ability to meet their ongoing obligations to the primary insurer.

	<b>Gross exposure</b>		<b>Net carrying amount</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Receivables	12,518	11,419	12,514	11,414
Due from parent and affiliated companies	25,115	35,625	25,040	35,515
Reinsurance assets	26,614	27,946	26,614	27,946
Investment securities	3,500	—	3,500	—
Cash and cash equivalents	29,039	27,144	28,986	27,122
<b>Balance at end of year</b>	<b>96,786</b>	<b>102,134</b>	<b>96,654</b>	<b>101,997</b>

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## NOTES TO THE FINANCIAL STATEMENTS

Gain on sale of associated company

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### Management of insurance and financial risk (continued)

#### 4.2 Financial risk (continued)

##### 4.2.2 Credit risk (continued)

###### (b) Credit quality of assets

The credit quality of assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

###### AAA

An obligation rated 'AAA' has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

###### AA

An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment is very strong.

###### A

An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

###### BBB

An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

###### Below BBB

Obligations rated 'Below BBB' are regarded as having significant speculative characteristics. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

###### Not Rated

This indicates that there is insufficient information on which to base a rating. These balances are current and are monitored regularly for impairment. This classification includes obligations due from individuals, short term securities and receivables arising under contracts of insurance underwritten in the international property and casualty business of the Company.

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**Management of insurance and financial risk** (continued)**4.2 Financial risk** (continued)**4.2.2 Credit risk** (continued)**(b) Credit quality of assets** (continued)

The following tables set out the credit quality analysis for financial assets measured at amortised cost

	12-month ECL \$'000	Lifetime ECL		Total \$'000
		Not credit impaired \$'000	Credit impaired \$'000	
<b>Receivables</b>				
<b>As at 31 December 2021</b>				
A	—	12,518	—	12,518
Gross carrying amount	—	12,518	—	12,518
Loss allowance	—	(5)	—	(5)
Net carrying amount	—	12,513	—	12,513
<b>As at 31 December 2020</b>				
A	—	11,420	—	11,420
Gross carrying amount	—	11,420	—	11,420
Loss allowance	—	(5)	—	(5)
Net carrying amount	—	11,415	—	11,415

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4. Management of insurance and financial risk (continued)

4.2 Financial risk (continued)

4.2.2 Credit risk (continued)

(b) Credit quality of assets (continued)

		Lifetime ECL		
	12-month ECL \$'000	Not credit impaired \$'000	Credit impaired \$'000	Total \$'000
<b>Due from parent and affiliated companies</b>				
<b>As at 31 December 2021</b>				
A	5	—	—	5
Below BBB	25,110	—	—	25,110
Gross carrying amount	25,115	—	—	25,115
Loss allowance	(75)	—	—	(75)
Net carrying amount	25,040	—	—	25,040
<b>As at 31 December 2020</b>				
A	-	—	—	-
Below BBB	35,625	—	—	35,625
Gross carrying amount	35,625	—	—	35,625
Loss allowance	(110)	—	—	(110)
Net carrying amount	35,515	—	—	35,515
		Lifetime ECL		
	12-month ECL \$'000	Not credit impaired \$'000	Credit impaired \$'000	Total \$'000
<b>Cash and cash equivalents</b>				
<b>As at 31 December 2021</b>				
A	9,998	—	—	9,998
BBB	12,402	—	—	12,402
Below BBB	6,638	—	—	6,638
Gross carrying amount	29,038	—	—	29,038
Loss allowance	(52)	—	—	(52)
Net carrying amount	28,986	—	—	28,986
<b>As at 31 December 2020</b>				
A	10,308	—	—	10,308
BBB	15,274	—	—	15,274
Below BBB	1,562	—	—	1,562
Gross carrying amount	27,144	—	—	27,144
Loss allowance	(22)	—	—	(22)
Net carrying amount	27,122	—	—	27,122

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**4. Management of insurance and financial risk (continued)**

**4.2 Financial risk (continued)**

**4.2.2 Credit risk (continued)**

**(b) Credit quality of assets (continued)**

The following tables set out the credit quality analysis for financial assets measured at fair value through other comprehensive income

	<b>12-month ECL \$'000</b>
<b>Investment securities</b>	
<b>As at 31 December 2021</b>	
BBB	3,500

The following table sets out the credit quality analysis for reinsurance assets.

<b>As at 31 December 2021</b>	<b>A \$'000</b>
Reinsurance assets	26,614
<b>As at 31 December 2020</b>	<b>A \$'000</b>
Reinsurance assets	27,946

**(c) Credit-impaired reinsurance and financial assets and collateral held**

The Company had no credit-impaired assets as at 31 December 2021.

**(d) Loss allowance**

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial asset. Reconciling items include the following:

► Remeasurements, which comprise the impact of changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions.

	<b>12-month ECL \$'000</b>	<b>Lifetime ECL</b>		
		<b>Not credit impaired \$'000</b>	<b>Credit impaired \$'000</b>	<b>Total \$'000</b>
<b>Cash and cash equivalents</b>				
<b>Balance at 1 January 2021</b>	22	—	—	22
Remeasurements	30	—	—	30
<b>Balance at 31 December 2021</b>	<b>52</b>	<b>—</b>	<b>—</b>	<b>52</b>

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**4. Management of insurance and financial risk (continued)**

**4.2 Financial risk (continued)**

**4.2.2 Credit risk (continued)**

**(d) Loss allowance (continued)**

	12-month ECL \$'000	Lifetime ECL		Total \$'000
		Not credit impaired \$'000	Credit impaired \$'000	
<b>Due from parent and affiliated companies</b>				
<b>Balance at 1 January 2021</b>	110	—	—	110
Remeasurements	(35)	—	—	(35)
<b>Balance at 31 December 2021</b>	75	—	—	75

**Credit Risk - Economic Variable Assumptions**

The most significant period-end assumptions used for the ECL estimate as at 31 December 2021 and 2020 are set out below.

The PDs and LGDs are impacted by long-term changes in the various data sets gathered from external rating agencies such as Moody's. Macroeconomic variables used in the Group's ECL models also include, but are not limited to, gross domestic product growth, inflation rates, national budget deficits, debt to GDP ratios for the various territories. Refer to the tables below for the ranges applied to each scenario for the two most significant assumptions.

Scenario	2021 Assumptions			2020 Assumptions		
	GDP growth	Inflation	Weights	GDP growth	Inflation	Weights
Base	Stable	Positive	15% - 50%	Stable	Positive	65% - 70%
Optimistic	Positive	Positive	40% - 70%	Positive	Positive	5% - 10%
Pessimistic	Negative	Negative	5% - 10%	Negative	Negative	15% - 20%
Acute pessimistic	Negative	Negative	5%	Negative	Negative	5% - 10%

Refer to Note 3(c) for descriptions of the scenarios.

**Sensitivity analysis**

Set out below are the changes in ECL allowance at the reporting date that would result from a reasonably possible change in the probabilities of default (PDs) used by the Company.

	Actual PDs applied 2021	2020	Change in PD	Impact on ECL 2021 \$'000	2020 \$'000
Cash and cash equivalents	0.052% - 0.626%	0.059% - 0.126%	+/- 20%	10	4
Due from parent and affiliated companies	0.409% - 0.409%	0.436% - 0.436%	+/- 20%	<u>15</u> <u>25</u>	<u>22</u> <u>26</u>



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**4. Management of insurance and financial risk** (continued)

**4.2 Financial risk** (continued)

**4.2.2 Credit risk** (continued)

**(e) Concentrations of risks of reinsurance and financial assets with credit risk exposure**

The concentration of credit risk is substantially unchanged compared to the prior year.

	<b>A</b>	<b>BBB</b>	<b>Below BBB</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>2021</b>
<b>As at 31 December 2021</b>				<b>\$</b>
Receivables	12,160	—	—	12,160
Due from parent and affiliated companies	5	—	25,035	25,040
Reinsurance assets	26,614	—	—	26,614
Cash and cash equivalents	9,998	12,370	6,618	28,986
	<u>48,777</u>	<u>12,370</u>	<u>31,653</u>	<u>92,800</u>

	<b>A</b>	<b>BBB</b>	<b>Below BBB</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>As at 31 Decemebr 2020</b>				
Receivables	11,415	—	—	11,415
Due from parent	—	—	35,515	35,515
Reinsurance assets	27,946	—	—	27,946
Cash and cash equivalents	10,308	15,257	1,557	27,122
	<u>49,669</u>	<u>15,257</u>	<u>37,072</u>	<u>101,998</u>

The following table breaks down the Company's main credit risk exposure, as categorized by the industry sectors of counterparties.

	<b>Financial institutions</b>	<b>Reinsurers</b>	<b>Other</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>As at 31 December 2021</b>				
Receivables	16	12,497	—	12,513
Due from parent and affiliated companies	—	—	25,040	25,040
Reinsurance assets	—	26,614	—	26,614
Cash and cash equivalents	28,986	—	—	28,986
	<u>29,002</u>	<u>39,111</u>	<u>25,040</u>	<u>93,153</u>
<b>As at 31 December 2020</b>				
Receivables	—	11,415	—	11,415
Due from parent and affiliated companies	—	—	35,515	35,515
Reinsurance assets	—	27,946	—	27,946
Cash and cash equivalents	27,122	—	—	27,122
	<u>27,122</u>	<u>39,361</u>	<u>35,515</u>	<u>101,998</u>

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**4. Management of insurance and financial risk** (continued)

**4.2 Financial risk** (continued)

**4.2.3 Liquidity risk**

The Company is exposed to calls on its available cash resources mainly from claims arising from catastrophe events in relation to short term insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. An internally constituted investment committee sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover claims.

The following tables analyze the reinsurance and financial assets and insurance liabilities of the Company into relevant maturity groupings on the remaining period to the contractual or expected maturity date. Insurance contracts are at expected undiscounted cash flows. Reinsurance and financial assets are at contractual or expected discounted cash flows.

Insurance and financial liabilities	Carrying amount \$'000	Contractual/expected undiscounted cash flows	
		Less than one year \$'000	One - five years \$'000
<b>As at 31 December 2021</b>			
Insurance contracts	51,682	37,709	13,973
Other payables and accruals	3,747	3,747	—
Due to affiliated companies	6	6	—
<b>Total</b>	<b>55,435</b>	<b>41,462</b>	<b>13,973</b>
<b>As at 31 December 2020</b>			
Insurance contracts	43,209	29,852	13,357
Other payables and accruals	4,315	4,315	—
Due to affiliated companies	3	3	—
<b>Total</b>	<b>47,527</b>	<b>34,170</b>	<b>13,357</b>

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**4. Management of insurance and financial risk (continued)**

**4.2 Financial risk (continued)**

**4.2.3 Liquidity risk (continued)**

	Carrying amount \$'000	Contractual/expected undiscounted cash flows	
		Less than one year \$'000	One - five years \$'000
<b>Reinsurance and financial assets</b>			
<b>As at 31 December 2021</b>			
Investment securities	3,500	3,500	—
Receivables	12,513	12,513	—
Reinsurance assets	26,614	14,378	12,236
Cash and cash equivalents	28,986	28,986	—
Due from parent and affiliated companies	25,040	25,040	—
<b>Total</b>	<b>96,653</b>	<b>84,417</b>	<b>12,236</b>
<b>As at 31 December 2020</b>			
Receivables	11,415	11,415	—
Reinsurance assets	27,946	16,542	11,404
Cash and cash equivalents	27,122	27,122	—
Due from parent and affiliated companies	35,515	35,515	—
<b>Total</b>	<b>101,998</b>	<b>90,594</b>	<b>11,404</b>

Insurance contracts and other financial liabilities are carried at undiscounted amounts. Reinsurance and financial assets are at contractual or expected discounted cash flows.

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**4. Management of insurance and financial risk (continued)**

**4.2.4 Capital management**

The Company's objectives when managing capital are:

- a. To comply with the insurance capital requirements required by the regulators of the insurance markets where the Company operates;
- b. To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- c. To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

The Company is subject to insurance solvency regulations in accordance to the statutory requirements of Section 6 of Insurance Act. Every class 3A insurer is required to maintain minimum margin of solvency which is the greater of (A) \$1,000,000; (B) \$1,200,000 plus 15% of net premiums written greater than \$6,000,000; (C) 15% of net loss reserves and (D) 25% of insurer's Enhanced Capital Requirement (ECR) where ECR is calculated based on Bermuda Solvency Capital Requirement (BSCR) model. The BSCR is a risk-based mathematical model employed by the BMA to determine the capital adequacy levels of insurers.

For 2021 and 2020, the Company has met the minimum solvency and capital requirements.

The table below summarizes the regulatory capital held and the minimum regulatory capital requirement.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Regulatory capital held	<u>41,560</u>	<u>54,865</u>
Minimum regulatory capital	<u>8,515</u>	<u>5,812</u>

**5. Investment securities**

	<b>2021</b>	
	<b>Carrying</b>	<b>Fair</b>
	<b>value</b>	<b>value</b>
	<b>\$'000</b>	<b>\$'000</b>
Investment securities at measured at fair value through other comprehensive income (FVOCI)	<u>3,500</u>	<u>3,500</u>

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<b>6. Reinsurance assets</b>	<b>Current \$'000</b>	<b>Non- current \$'000</b>	<b>Total \$'000</b>
<b>2021</b>			
Claims reported and loss adjustment expenses	7,487	8,065	15,552
Claims incurred but not reported	2,830	4,171	7,001
Unearned premiums	<u>4,061</u>	<u>—</u>	<u>4,061</u>
	<u><u>14,378</u></u>	<u><u>12,236</u></u>	<u><u>26,614</u></u>
<b>2020</b>			
Claims reported and loss adjustment expenses	9,519	8,491	18,010
Claims incurred but not reported	1,976	2,913	4,889
Unearned premiums	<u>5,047</u>	<u>—</u>	<u>5,047</u>
	<u><u>16,542</u></u>	<u><u>11,404</u></u>	<u><u>27,946</u></u>
<b>7. Due from parent and affiliated companies</b>		<b>2021 \$'000</b>	<b>2020 \$'000</b>
Guardian International Inc.		25,035	35,515
Guardian General Insurance Limited		<u>5</u>	<u>—</u>
		<u><u>25,040</u></u>	<u><u>35,515</u></u>

The amount due from parent is unsecured, interest bearing and has fixed

The outstanding balance as at year end amounted to \$25,035,000 broken down as follows:

	<b>2021 \$'000</b>	<b>2020 \$'000</b>
As at 1 January	35,515	34,806
Add: Loan interest accrued	<u>—</u>	<u>721</u>
	35,515	35,527
Less In-specie dividends	<u>(10,515)</u>	<u>—</u>
	25,000	35,527
Net movement in loss allowance	<u>35</u>	<u>(12)</u>
As at 31 December	<u><u>25,035</u></u>	<u><u>35,515</u></u>

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<b>8. Receivables</b>	<b>2021 \$'000</b>	<b>2020 \$'000</b>
Brokers and insurance companies	4,395	938
Reinsurers	7,766	10,477
Sundry receivables	<u>352</u>	<u>-</u>
	<u>12,513</u>	<u>11,415</u>
Current	<u>12,513</u>	<u>11,415</u>

The fair values of receivables approximate their carrying values due to the short term nature of the expected cash flows.

There are no concentrations of credit risk with respect to receivables.

<b>9. Cash and cash equivalents</b>	<b>2021 \$'000</b>	<b>2020 \$'000</b>
Cash at bank and in hand	22,368	25,565
Cash and cash equivalents in mutual funds	<u>6,618</u>	<u>1,557</u>
	<u>28,986</u>	<u>27,122</u>

The average effective interest rate on cash and cash equivalents was 2.64% (2020: 1.69%).

	<b>2021 \$'000</b>	<b>2020 \$'000</b>
Cash and cash equivalents	19,600	25,582
Deposits less than 90 days	2,800	
Cash and cash equivalents of mutual fund unit holders	<u>6,638</u>	<u>1,562</u>
	29,038	27,144
Loss allowance	<u>(52)</u>	<u>(22)</u>
Net cash and cash equivalents	<u>28,986</u>	<u>27,122</u>
At beginning of year	27,122	16,425
Net movement in loss allowance	<u>(30)</u>	<u>3</u>
	27,092	16,428
At end of year	<u>28,986</u>	<u>27,122</u>
Net increase in cash used in cash flow	<u>1,894</u>	<u>10,694</u>

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**10. Share capital**

*Authorized*

An unlimited number of ordinary shares of no par value

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Ordinary shares in issue as at 31 December	26,338	26,338

**11. Contributed Surplus**

Contributed surplus represents cash contributed to the Company by its original shareholder in addition to its subscription to share capital.

<b>12. Insurance contracts</b>	<b>Current</b>	<b>Non-current</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>2021</b>			
Reported claims outstanding	22,160	9,220	31,380
Claims incurred but not reported	9,392	4,753	14,145
	<u>31,552</u>	<u>13,973</u>	<u>45,525</u>
Outstanding claims	31,552	13,973	45,525
Unearned premiums (Note 13.1 (b))	6,157	—	6,157
	<u>37,709</u>	<u>13,973</u>	<u>51,682</u>
<b>2020</b>			
Reported claims outstanding	17,164	9,908	27,072
Claims incurred but not reported	3,958	3,449	7,407
	<u>21,122</u>	<u>13,357</u>	<u>34,479</u>
Outstanding claims	21,122	13,357	34,479
Unearned premiums (Note 13.1 (b))	8,730	—	8,730
	<u>29,852</u>	<u>13,357</u>	<u>43,209</u>

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**12. Insurance contracts** (continued)

**12.1 Movements in insurance liabilities and reinsurance assets**

**(a) Claims and loss adjustment expenses/claims incurred but not reported**

Year ended 31 December	2021			2020		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Notified claims	27,072	(18,010)	9,062	41,283	(37,143)	4,140
Incurred but not reported	7,407	(4,889)	2,518	2,224	(429)	1,795
Total at beginning of year	34,479	(22,899)	11,580	43,507	(37,572)	5,935
Cash paid for claims settled in the year	(5,109)	2,421	(2,688)	(6,066)	5,222	(844)
Increase in liabilities	18,964	(2,950)	16,014	(5,114)	10,202	5,088
Net exchange differences and other movements	(2,809)	875	(1,934)	2,152	(751)	1,401
Total at end of year	45,525	(22,553)	22,972	34,479	(22,899)	11,580
Notified claims	31,380	(15,552)	15,828	27,072	(18,010)	9,062
Incurred but not reported	14,145	(7,001)	7,144	7,407	(4,889)	2,518
	45,525	(22,553)	22,972	34,479	(22,899)	11,580

**(b) Provision for unearned premiums**

	2021			2020		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Total at beginning of year	8,730	(5,045)	3,685	6,101	(3,695)	2,406
Increase in the period	6,434	(4,061)	2,373	8,447	(5,047)	3,400
Release in the period	(8,730)	5,047	(3,683)	(6,101)	3,697	(2,404)
Net exchange differences	(277)	—	(277)	283	—	283
Total at end of year	6,157	(4,059)	2,098	8,730	(5,045)	3,685



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**Insurance contracts** (continued)

**12.2 Development claim tables - insurance contracts** (continued)

<b>Insurance claims - gross</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Total</b>
<b>Accident year</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Estimate of ultimate claims costs:							
- at end of accident year	4,509	92,250	-	39,956	273	161	
- one year later	3,363	83,830	-	27,993	887		
- two years later	2,748	79,100	-	27,318			
- three years later	2,998	76,959	-				
- four years later	2,898	76,972					
- five years later	2,899						
Current estimate of cumulative	2,899	76,972	-	27,318	887	161	108,237
Cumulative payments to date	(2,184)	(76,967)	-	(27,043)	(28)	-	(106,222)
Liability recognised in the statement of financial position	715	5	-	275	859	161	2,015
Liability in respect of prior years							101
Total liability							2,116

<b>Insurance claims - gross</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Total</b>
<b>Underwriting year</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Estimate of ultimate claims costs:							
- at end of underwriting year	3,368	3,485	2,682	1,423	2,716	14,077	
- one year later	3,841	4,268	3,040	2,204	3,726		
- two years later	3,609	4,105	2,821	2,108			
- three years later	3,524	4,054	2,841				
- four years later	3,480	3,992					
- five years later	3,401						
Current estimate of cumulative	3,401	3,992	2,841	2,108	3,726	14,077	30,145
Cumulative payments to date	(3,249)	(3,354)	(2,121)	(1,116)	(962)	(678)	(11,480)
Liability recognised in the statement of financial position	152	638	720	992	2,764	13,399	18,665
Liability in respect of prior years							24,744
Total liability							43,409

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**Insurance contracts** (continued)**12.2 Development claim tables - insurance contracts** (continued)**Insurance claims - net**

<b>Accident year</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Estimate of ultimate claims costs:							
- at end of accident year	3,260	6,740	—	8,811	—	—	
- one year later	2,498	7,190	—	9,277	—	—	
- two years later	1,883	7,450	—	9,276	—	—	
- three years later	2,133	7,502	—	—	—	—	
- four years later	2,033	7,502	—	—	—	—	
- five years later	946						
Current estimate of cumulative	946	7,502	—	9,276	—	—	17,724
Cumulative payments to date	<u>(341)</u>	<u>(8,113)</u>	<u>—</u>	<u>(9,273)</u>	<u>—</u>	<u>—</u>	<u>(17,727)</u>
Liability recognised in the statement of financial position	<u>605</u>	<u>(611)</u>	<u>—</u>	<u>3</u>	<u>—</u>	<u>—</u>	<u>(3)</u>
Liability in respect of prior years							<u>103</u>
Total liability							<u>100</u>

**Insurance claims - net**

<b>Underwriting year</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Estimate of ultimate claims costs:							
- at end of underwriting year	3,368	3,485	2,682	1,423	2,716	14,077	
- one year later	3,841	4,268	3,040	2,204	3,726		
- two years later	3,609	4,105	2,821	2,108			
- three years later	3,524	4,054	2,841				
- four years later	3,480	3,992					
- five years later	3,401						
Current estimate of cumulative	3,401	3,992	2,841	2,108	3,726	14,077	30,145
Cumulative payments to date	<u>(3,249)</u>	<u>(3,354)</u>	<u>(2,121)</u>	<u>(1,116)</u>	<u>(962)</u>	<u>(678)</u>	<u>(11,480)</u>
Liability recognised in the statement of financial position	<u>152</u>	<u>638</u>	<u>720</u>	<u>992</u>	<u>2,764</u>	<u>13,399</u>	<u>18,665</u>
Liability in respect of prior years							<u>4,207</u>
Total liability							<u>22,872</u>

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	2021	2020
	\$'000	\$'000
<b>13. Payables and accruals</b>		
Due to reinsurers	582	1,185
Trade payables and accrued expenses	<u>3,164</u>	<u>3,129</u>
	<u>3,746</u>	<u>4,314</u>

	2021	2020
	\$'000	\$'000
<b>14. Investment income</b>		
Interest income on funds held by ceding reinsurer	17	24
Cash and cash equivalents – interest income	<u>94</u>	<u>29</u>
	<u>111</u>	<u>53</u>

	2021	2020
	\$'000	\$'000
<b>15. Other operating income</b>		
Foreign exchange (loss)/gain	(13)	583
Other income	–	112
Loan interest from related party	<u>–</u>	<u>721</u>
	<u>(13)</u>	<u>1,416</u>

**16. Taxation**

Bermuda does not impose any form of taxation on receipts, dividends, capital gains, gifts or net income. In the event that such taxes are levied, the Company has received an assurance from the Bermuda government to be exempted from all such taxes until 31 March 2035.

GUARDIAN RE (SAC) LTD.

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	2021	2020
	\$'000	\$'000
<b>17. Dividends</b>		
Final dividend for 2021 - \$0.399 per share (2020 - NIL per share)	<u>10,515</u>	<u>—</u>

Under the Insurance Act, insurers are restricted in declaring or paying dividends in any financial year that are greater than 25% of statutory capital and surplus in relation to the previous financial year, unless an affidavit is filed with the Bermuda Monetary Authority (BMA) declaring that such dividends has not caused the insurer to meet its relevant margins, i.e. solvency and liquidity margins.

**18. Related party transactions**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The following transactions were entered into with subsidiaries within the Guardian Holdings Limited Group in the normal course of business.

	2021	2020
	\$'000	\$'000
<b>Loan interest income</b>		
Guardian International Inc.	-	721
	<b>\$'000</b>	<b>\$'000</b>
<b>Expenses</b>		
Guardian Asset Management & Investment Services Ltd	6	-
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Premium ceded by Guardian group companies</b>		
Guardian General Insurance Limited	27,336	33,244
Guardian General Insurance Jamaica Limited	1,672	1,516
Fatum Aruba and Fatum Curacao	<u>2,085</u>	<u>2,454</u>
	<u>31,093</u>	<u>37,214</u>
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Claim payments made to Guardian group company</b>		
Guardian General Insurance Limited	1,082	2,273
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Key management compensation</b>		
Director's fees	54	50

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**19. Subsequent events**

The war in Ukraine is not expected to have a significant impact on the Company. Management has determined that there is no material uncertainty that casts doubt on the Company's ability to continue as a going concern. It is expected that the war may have some impact, though not significant, as a result from the volatility in foreign exchange rates.