AUDITED FINANCIAL STATEMENTS

British Caymanian Insurance Company Limited
Year Ended December 31, 2019
Independent Auditors' Report

Ernst & Young Ltd.

Building a better working world

British Caymanian Insurance Company Limited

Audited Financial Statements

Year Ended December 31, 2019

Contents

Ernst & Young Ltd.
62 Forum Lane
Camana Bay
P.O. Box 510
Grand Cayman KY1-1106
CAYMAN ISLANDS

Main tel: +1 345 949 8444
Fax: +1 345 949 8529
ey.com

Independent Auditors' Report

The Shareholder
British Caymanian Insurance Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of British Caymanian Insurance Company Limited (the "Company") which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

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 *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Board of Directors 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.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company's 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 the Board of Directors 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.

Ernst + Young Ltd.

April 6, 2020

British Caymanian Insurance Company Limited

Statement of Financial Position
(Expressed in Cayman Islands Dollars)

	December 31 2019	December 31 2018
Assets		
Cash and cash equivalents (*Notes 3 and 10)*	**$ 8,385,019**	$ 7,877,350
Financial assets *(Notes 4, 10, and 12)*	**26,474,921**	23,525,546
Amounts due from related companies *(Notes 10 and 12)*	**2,390,756**	1,051,583
Insurance balances receivable *(Notes 5, 10, and 12)*	**5,077,712**	4,431,840
Accounts receivable and accrued interest (*Note 10)*	**1,569,269**	1,373,853
Reinsurance balances receivable (*Note 10)*	**203,580**	233,959
Losses recoverable from reinsurers (*Notes 6 and 10)*	**1,376,603**	2,206,771
Prepaid reinsurance premiums	**8,684,878**	7,541,759
Prepaid expenses	**153,378**	297,782
Deferred acquisition expenses *(Note 7)*	**928,252**	765,085
Property, plant and equipment *(Notes 8 and 12)*	**356,923**	444,002
Intangible assets (*Note 9)*	**930,414**	1,126,179
Total assets	**$ 56,531,705**	$ 50,875,709
Liabilities		
Amounts due to related companies *(Notes 10 and 12)*	**$ 2,925,534**	$ 2,713,481
Reinsurance balances payable *(Note 10)*	**3,006,298**	2,853,281
Outstanding losses and loss expenses *(Notes 6 and 10)*	**5,266,909**	5,857,014
Accounts payable and other liabilities *(Notes 10 and 12)*	**474,725**	461,605
Unearned premiums	**14,425,851**	12,921,102
Deferred commission income	**1,871,950**	1,607,642
Total liabilities	**27,971,267**	26,414,125
Shareholder's equity		
Share capital (*Note 11)*	**3,000,000**	3,000,000
Share premium (*Note 11)*	**26,550,000**	26,550,000
Accumulated deficit	**(989,562)**	(5,088,416)
Total equity attributable to the equity holder of the Company	**28,560,438**	24,461,584
Total liabilities and shareholder's equity	**$ 56,531,705**	$ 50,875,709

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

On behalf of the Board:

/s/ John Michael Foster
Director Date: April 6, 2020

/s/ Charles Kirkconnell
Director Date: April 6, 2020

British Caymanian Insurance Company Limited

Statement of Comprehensive Income
(Expressed in Cayman Islands Dollars)

	Year Ended December 31 2019	2018
Premiums written *(Note 12)*	**$ 31,941,365**	$ 28,953,315
Change in unearned premiums written	**(1,504,749)**	(1,644,382)
Total premiums earned	**30,436,616**	27,308,933
Reinsurance premiums ceded *(Note 12)*	**23,438,853**	21,342,307
Change in prepaid reinsurance premiums	**(1,143,119)**	(1,423,719)
Premiums ceded	**22,295,734**	19,918,588
Net premiums earned	**8,140,882**	7,390,345
Claims paid *(Notes 6 and 12)*	**(4,773,469)**	(6,192,601)
Change in outstanding loss provisions *(Note 6)*	**590,105**	664,602
Claims recovered and recoverable from reinsurers *(Note 6)*	**618,314**	1,880,051
Net claims incurred *(Note 12)*	**(3,565,050)**	(3,647,948)
Commission earned on reinsurance	**4,978,600**	4,285,595
Commission expense *(Note 7)*	**(1,857,371)**	(1,575,135)
Net underwriting income	**7,697,061**	6,452,857
Net investment income (loss) *(Notes 4 and 12)*	**2,387,816**	(670,772)
General and administrative expenses *(Notes 12 and 14)*	**(5,986,023)**	(5,585,833)
Total comprehensive income for the year	**$ 4,098,854**	$ 196,252

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

British Caymanian Insurance Company Limited

Statement of Changes in Shareholder's Equity
(Expressed in Cayman Islands Dollars)

	Share Capital	Share Premium	Accumulated Deficit	Total Equity Attributable to the Equity Holder of the Company
Balance at December 31, 2017	$ 3,000,000	$ 26,550,000	(3,234,668)	26,315,332
Dividends	–	–	(2,050,000)	(2,050,000)
Net income and comprehensive income for the year	–	–	196,252	196,252
Balance at December 31, 2018	3,000,000	26,550,000	(5,088,416)	24,461,584
Dividends	–	–	–	–
Net income and comprehensive income for the year	–	–	**4,098,854**	**4,098,854**
Balance at December 31, 2019	**$ 3,000,000**	**$ 26,550,000**	**$ (989,562)**	**$ 28,560,438**

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

British Caymanian Insurance Company Limited

Statement of Cash Flows
(Expressed in Cayman Islands Dollars)

	Year Ended December 31	
	2019	**2018**
Operating activities		
Net income for the year	**$ 4,098,854**	$ 196,252
Adjustments for:		
Depreciation and amortization *(Notes 8 and 9)*	**391,266**	392,678
Bond amortization *(Note 4)*	**(21,414)**	(12,054)
Realized gains on sale of financial assets *(Note 4)*	**(233,300)**	(508,163)
Unrealized (gains) losses on financial assets *(Note 4)*	**(1,847,598)**	1,420,398
Operating cash flow before changes in operating working capital	**2,387,808**	1,489,111
Change in operating working capital *(Note 15)*	**202,466**	(258,572)
Net cash provided by operating activities	**2,590,274**	1,230,539
Investing activities		
Proceeds on the sale/maturity of financial assets	**4,599,059**	16,791,132
Purchases of financial assets	**(5,446,122)**	(13,043,115)
Purchases of property, plant and equipment *(Note 8)*	**(69,848)**	(93,837)
Purchases of intangible assets *(Note 9)*	**(38,574)**	(101,158)
Repayments to related companies	**(1,127,120)**	(1,748,581)
Net cash (used) provided by investing activities	**(2,082,605)**	1,804,441
Financing activities		
Dividends paid	**–**	(2,050,000)
Net cash used in financing activities	**–**	(2,050,000)
Increase in cash and cash equivalents	**507,669**	984,980
Cash and cash equivalents at beginning of year	**7,877,350**	6,892,370
Cash and cash equivalents at end of year	**$ 8,385,019**	$ 7,877,350

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

British Caymanian Insurance Company Limited

Notes to Financial Statements
(Expressed in Cayman Islands Dollars)

December 31, 2019

1. General

British Caymanian Insurance Company Limited (the Company), incorporated in the Cayman Islands on December 20, 1984, carries on business as an insurance company and was granted a Class A license under the Cayman Islands Insurance Law (Revised) on December 24, 1984.

The Company is a wholly owned subsidiary of British Caymanian Holdings Limited (the Parent), an entity domiciled in the Cayman Islands. The registered office and principal place of business of the Company and the Parent is BritCay House, P.O. Box 74, George Town, Grand Cayman, Cayman Islands, B.W. I. The Company's parent is 75% owned by Colonial Group International Limited (CGI), an entity domiciled in Bermuda, whose principal activity is to act as a holding company. Colonial Group International Limited is fully owned by Edmund Gibbons Limited (the Ultimate Parent), an entity domiciled in Bermuda.

The Company writes property, marine, automobile physical damage and liability risks, and other general risks in the Cayman Islands.

Prior to February 1, 2009, the Company also acted as a distributor and administrator for a pension product. Effective February 1, 2009, the operations of the pensions division are being carried out by a fellow subsidiary, British Caymanian Insurance Agencies Limited (Britcay Agency).

Prior to September 1, 2007, the Company also wrote medical, dental, group life, and accidental death and dismemberment business which was 100% reinsured with a related-party, Colonial Medical Insurance Company Limited (Colonial Medical). Since September 1, 2007, such medical business has been written directly by Colonial Medical with Britcay Agency administering the medical business for which it receives commissions.

2. Summary of Significant Accounting Policies

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements, including all notes, were authorized for issue by the Board of Directors on April 6, 2020.

2. Summary of Significant Accounting Policies (continued)

Basis of Measurement

The financial statements have been compiled on the going concern basis and prepared on the historical cost basis, except for the financial assets at fair value through profit or loss, which are stated at fair value, and financial assets held-to-maturity, which are carried at amortized cost. The Statement of Financial Position is presented in order of liquidity.

Functional and Presentation Currency

The financial statements are presented in Cayman Islands dollars, the Company's functional currency.

Foreign Currency Translation

Transactions involving currencies other than the Cayman Islands dollar are translated at exchange rates ruling at the time of those transactions. All monetary assets and liabilities originating in such currencies are translated at the rates ruling at the Statement of Financial Position date. Any profits or losses on exchange are included in the Statement of Comprehensive Income.

Use of Estimates and Judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, and the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. Summary of Significant Accounting Policies (continued)

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in the Notes 4, 6, 9, and 10.

Fair Value Measurement

Fair value is determined based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value is measured using the assumptions that market participants would use when pricing an asset or liability. The Company determines fair value by using quoted prices in active markets for identical or similar assets or liabilities. When quoted prices in active markets are not available, fair value is determined using valuation techniques that maximize the use of observable inputs. When observable valuation inputs are not available, significant judgment is required to determine fair value by assessing the valuation techniques and valuation inputs. The use of alternative valuation techniques or valuation inputs may result in a different fair value. A description of the fair value methodologies and assumptions by type of asset is included in Note 4.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the Company considers all cash on hand, time deposits with an original maturity of three months or less and money market funds which can be redeemed without penalty as equivalent to cash.

Financial Assets

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss,

2. Summary of Significant Accounting Policies (continued)

transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)
- Financial assets at fair value through profit or loss

2. Summary of Significant Accounting Policies (continued)

Financial Assets Carried at Amortized Cost

The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets classified as investments at amortized cost include bonds, other receivables and term deposits.

Financial Assets at Fair Value Through OCI (Debt Instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon de-recognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

2. Summary of Significant Accounting Policies (continued)

The Company has not designated any financial assets under this classification.

Financial Assets at Fair Value Through OCI (Equity Instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company has not designated any financial assets under this classification.

Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of comprehensive income.

This category includes listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognized as net investment income in the statement of profit or loss when the right of payment has been established.

2. Summary of Significant Accounting Policies (continued)

De-recognition

A financial asset is de-recognized when the Company's rights to contractual cash flows expires, when the Company transfers substantially all its risks and rewards of ownership or when the Company no longer retains control.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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.

Impairment of Financial Assets

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Company's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments 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 ECL (LTECL) basis and the qualitative assessment

2. Summary of Significant Accounting Policies (continued)

- 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
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, Exposure at Default (EAD) and Loss Given Defaults (LGD)
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

Under the general approach expected credit losses are categorized into one of three stages. Under stage 1 of the general approach, each financial asset or financial asset grouping will be measured for expected credit losses that result from default events that are possible within the 12 months subsequent to the current fiscal period (12-month ECL). Under stage 2 and 3 of the general approach, the financial asset or financial asset group must recognize an expected credit loss allowance for possible default events that may take place over the remaining life of the instrument (lifetime ECL). The categorization of an individual asset or asset group into stage 1, stage 2 or stage 3 is determined by whether there was a significant increase in credit risk since the initial recognition to the reporting date, with the exception that of an asset that is categorized as low credit risk.

The stage 1 ECL classification is used for low credit risk assets or assets that have shown significant improvement in credit quality and is reclassified from stage 2 or has had no significant change in credit risk since initial recognition.

The stage 2 ECL classification is used for assets for which there has been a significant decrease in credit quality since initial recognition, or stage 3 assets that have shown significant improvement in credit quality. The stage 3 ECL is reserved for assets considered to be credit impaired.

2. Summary of Significant Accounting Policies (continued)

The Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. Further, the Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of Non-Financial Assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Company bases its impairment calculation on detailed budgets and forecast calculations.

Impairment losses are recognized in the Statement of Comprehensive Income. Impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2. Summary of Significant Accounting Policies (continued)

Insurance and Investment Contracts

Insurance contracts are those contracts where the Company has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Contracts under which the Company does not accept significant insurance risk are classified as either investment contracts or considered service contracts and are accounted for in accordance with IFRS 9, *Financial Instruments* or IFRS 15, *Revenue from Contracts with Customers*, respectively.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its term, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can be reclassified as insurance contracts if insurance risk subsequently becomes significant.

Premiums

The Company's insurance premiums are earned pro rata over the term of the applicable risk period specified in the insurance policy. The Company's insurance policies cover losses occurring or claims made during the term of the policy. Generally, the Company receives a fixed premium which is identified in the policy and is recorded on the inception date of the contract and earned evenly over the policy term. Net premiums represent gross premiums, net of the share ceded to reinsurers for insuring part of the risk. Unearned premiums represent the portion of premiums written applicable to the unexpired terms of policies in force.

Receivable and Payable Related to Insurance Contracts

Receivables and payables related to insurance contracts are recognized when the related insurance contracts are written. These include amounts due to and from insurance contract holders, brokers and agents. Premiums receivable are recorded at amounts due less any allowance for estimated uncollectible premiums receivable.

Deferred Acquisition Costs

Deferred acquisition costs represent the cost of acquiring new business, consisting of commission expenses, which are directly related to the production of new business. Acquisition costs are deferred and amortized to income over the period in which the premiums are earned.

2. Summary of Significant Accounting Policies (continued)

Reinsurance Contracts Held

The Company uses reinsurance in the normal course of business to manage its risk exposure. Insurance ceded to a reinsurer does not relieve the Company from its obligations to policyholders. The Company remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet its obligations for reinsurance ceded to it under the reinsurance agreements.

Reinsurance assets represent the benefit derived from reinsurance agreements in force at the reporting date, taking into account the financial condition of the reinsurer. Amounts recoverable from reinsurers are estimated in accordance with the terms of the relevant reinsurance contract.

Premiums ceded and claims reimbursed are presented on a gross basis on the Statement of Comprehensive Income. Reinsurance assets are not offset against the related insurance contract liabilities and are presented separately on the Statement of Financial Position.

Reinsurance profit commission is calculated based on past underwriting results and in accordance with the terms of the reinsurance contracts, and is received from the reinsurers. The reinsurance profit commission is recorded on an accrual basis.

Outstanding Losses and Loss Expenses

Unpaid losses and loss expenses in the Statement of Financial Position include (i) reserves for reported unpaid losses and loss expenses and (ii) for losses incurred but not reported (referred to as IBNR reserves).

(i) Reserves for reported unpaid losses

The reserve for reported unpaid losses and loss expenses is established for losses that have been reported, but not yet paid. The reserve for reported unpaid losses and loss expenses is estimated based on claims reported from insureds and represents the estimated ultimate cost of events or conditions that have been reported to or specifically identified by the Company.

2. Summary of Significant Accounting Policies (continued)

(ii) IBNR reserves

IBNR reserves represent provision for claims that have been incurred but not yet reported to the Company, as well as future losses development on losses already reported, in excess of the reserve for reported unpaid losses and loss expenses. The Company's appointed actuary is responsible for determining the amount of the IBNR reserves. The Company's actuary employs a variety of generally accepted methodologies to determine estimated ultimate loss reserves, including the "Bornhuetter-Ferguson incurred loss method" and frequency and severity approaches.

The Company's outstanding loss and loss expense reserves are reviewed regularly, and adjustments, if any, are reflected in earnings in the period in which they become known. The establishment of new loss and loss expense reserves or the adjustment of previously recorded loss and loss expense reserves could result in significant positive or negative changes to the Company's financial condition for any particular period. While management believes the Company's estimate of loss and loss expense reserves is reasonable, the ultimate loss experience may not be reliably predicted, and it is possible losses and loss expenses may be materially different than the total reserve for losses and loss expenses recorded by the Company.

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost less accumulated depreciation and impairment losses. The cost of replacing a component of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized as incurred in general and administrative expenses on the Statement of Comprehensive Income.

Depreciation is charged to general and administrative expenses in the Statement of Comprehensive Income on a straight-line basis over the estimated useful life of the asset. The estimated useful lives are as follows:

Computer hardware	5 years
Furniture and office equipment	5 – 15 years
Motor vehicles	5 years
Leasehold improvements	5 – 10 years

2. Summary of Significant Accounting Policies (continued)

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Identifiable Intangible Assets

Intangible assets relate to a book of business of a Cayman Islands insurance agency (see Note 9) and computer software. The book of business acquired carries similar risks to those already underwritten by the Company.

Acquisition of book of business: The acquired book of business of a Cayman Islands insurance agency was capitalized on the basis of the costs incurred to acquire. Until December 31, 2014, management had determined that the asset had an indefinite useful life. Accordingly, the asset was not subject to amortization but was tested annually for impairment. Due to a change in circumstances, effective January 1, 2015, management determined that the asset's useful life had changed from indefinite to finite.

Computer software: The Company has classified software costs as intangible assets if they are not an integral part of the computer equipment. Costs associated with maintaining computer software programs are recognized as an expense as incurred.

Finite intangible assets are recorded at cost less accumulated amortization. Amortization is provided for on a straight-line basis over the following estimated useful lives.

Computer software	5 – 7 years
Book of business	10 years

Commission Income

Commission income is recorded on an accruals basis and represents reinsurance commission income. These commissions vary according to the related insurance contract and are deferred and amortized over the terms of the policies.

2. Summary of Significant Accounting Policies (continued)

Investment Income

Interest on cash and debt securities is recorded on an accrual basis. Dividend income is recognized when the right to receive it is established. For loans and receivables reported at amortized cost, interest income is calculated using the effective interest rate method and is reported in the Statement of Comprehensive Income.

Defined Contribution Plan

Contributions to the defined contribution plan are recognized as an expense in net income or loss in the Statement of Comprehensive Income as incurred. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient funds to pay all employees the benefits relating to employee service in current and prior periods.

Profit-Sharing and Bonus Plans

The Company recognizes a liability and an expense for bonuses and profit-sharing. The Company recognizes a provision where contractually obligated or where there is past practice that created a constructive obligation.

Taxation

Under the laws of Cayman Islands there are presently no income, withholding or capital gains taxes payable by the Company.

New Standards, Interpretations and Amendments to Published Standards

New Standards, Amendments and Interpretations but not Effective for the Financial Year Beginning January 1, 2019 and not Early Adopted

IFRS 17, *Insurance Contracts* was issued in May 2018 and provides a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. The IASB has tentatively decided to

2. Summary of Significant Accounting Policies (continued)

amend the effective date of IFRS 17 from reporting periods starting on or after January 1, 2021 to reporting periods starting on or after January 1, 2023. Early application is permitted, provided that the Company also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Company intends to adopt the standard at it mandatory effective date and is currently evaluating the impact of this standard.

There were no other such standards, interpretations or amendments to existing standards effective or not effective for the financial year beginning January 1, 2019, that have or are expected to have a significant impact on the Company.

3. Cash and Cash Equivalents

Cash and cash equivalents represent current accounts, demand deposits, and short-term deposit balances, with $51,342 (2018 – $80,178) held by a Bermuda-based bank related by common control and $8,333,677 (2018 – $7,797,172) held with unrelated banks mainly in the Cayman Islands.

4. Financial Assets

At the Statement of Financial Position date, financial assets are categorized as follows:

	2019		**2018**	
	Carrying Value	**Cost/ Amortized Cost**	**Carrying Value**	**Cost/ Amortized Cost**
At fair value through profit or loss	**$ 23,972,017**	**$ 21,956,355**	$ 21,599,118	$ 21,646,066
Amortized cost	**2,502,904**	**2,502,904**	1,926,428	1,926,428
	$ 26,474,921	**$ 24,459,259**	$ 23,525,546	$ 23,572,494

4. Financial Assets (continued)

Amortized Cost Investments

Investments held at amortized cost include fixed maturity debt instruments which mature as follows:

	2019	2018
Less than one year	**$ 278,548**	$ 141,513
From one year to five years	**2,224,356**	1,103,168
From five years to ten years	**–**	681,747
	$ 2,502,904	$ 1,926,428

Financial assets are carried at amortized cost and comprise corporate debt instruments with maturities ranging from 2020 to 2026 (2018 – 2019 to 2026) and coupon rates ranging from 1.875% and 4.4% (2018 – 1.875% to 4.4%). The fair value of these investments at the balance sheet date are $2,601,685 (2018 – $1,924,256).

At Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss comprise the following:

	December 31, 2019		December 31, 2018	
	Fair Value	Cost	Fair Value	Cost
Managed funds	**$ 20,486,076**	**$ 18,105,714**	$ 18,255,226	$ 17,956,997
US Government bonds	**3,419,772**	**3,365,258**	3,217,426	3,203,686
Common equity securities	**66,169**	**485,383**	126,466	485,383
Total	**$ 23,972,017**	**$ 21,956,355**	$ 21,599,118	$ 21,646,066

4. Financial Assets (continued)

The managed funds owned by the Company invest in a number of different types of investments which may include: large cap, small cap and emerging market equity, U.S. bonds, high yield bonds, and alternative investments which can include private equity. These investments are subject to the conditions and restrictions as further defined in the terms of the offering of each fund, which are usually contained in a formal Offering Memoranda. Such Offering Memoranda generally define the nature and types of investments in which a managed fund can invest and provide for specified procedures regarding further investment and redemption from the particular fund.

Whilst investments in managed investment funds can achieve investment diversification, these investments can also subject the Company to a concentration of risk in one company or investment strategy. Because the investments in managed investment funds can only be redeemed or transferred in accordance with the terms of the offering of the particular fund, generally weekly, monthly, or quarterly, the ability of the Company to realize such investments may be restricted.

The investment portfolio is monitored by CGI's Investment Committee and is subject to investment guidelines approved by the Board of Directors.

The maturity profile of Government debt securities, categorized at fair value through profit or loss, at their carrying value as at the Statement of Financial Position date is as follows:

	December 31	
	2019	**2018**
Due less than one year	**$ 1,979,503**	$ 910,344
Due from one through five years	**1,440,269**	1,848,660
Due from six through 10 years	**–**	458,422
	$ 3,419,772	$ 3,217,426

For equity securities, the Company's largest concentration in any one investee is less than 1% of total investments (2018 – less than 1%). For managed funds, the Company's largest concentration in any one investee is 28% (2018 – 28%) of total investments. All government debt is held with the United States Treasury.

4. Financial Assets (continued)

Fair Value Measurement

The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical instruments.

Level 2 – Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates, credit risks, etc.) and inputs that are derived from or corroborated by observable market data.

Level 3 – Model derived valuations in which one or more significant inputs or significant value drivers are unobservable. These measurements include circumstances in which there is little, if any, market activity for the asset or liability. In making the assessment, the Company considers factors specific to the asset or liability and such an assessment will involve significant management judgment. Because of the inherent uncertainty in the valuation of these Level 3 investments, fair values of such investments may differ from the values that would have been used had a ready market for these investments existed, and the differences could be material.

4. Financial Assets (continued)

The following table presents the Company's fair value hierarchy for those assets or liabilities measured at fair value and for which fair values are disclosed as of December 31, 2019:

	Level 1	**Level 2**	**Level 3**	**Total**
Assets measured at fair value				
Managed funds	**$ 811,098**	**$ 19,378,806**	**$ 296,172**	**$ 20,486,076**
US Government bonds	**3,419,772**	**–**	**–**	**3,419,772**
Common equity securities	**10,353**	**–**	**55,816**	**66,169**
Total	**$ 4,241,223**	**$ 19,378,806**	**$ 351,988**	**$ 23,972,017**
Assets for which fair values are disclosed				
Amortized cost	**$ –**	**$ 2,601,685**	**$ –**	**$ 2,601,685**
Total	**$ 4,241,223**	**$ 21,980,491**	**$ 351,988**	**$ 26,573,702**

The following table presents the Company's fair value hierarchy for those assets or liabilities measured at fair value and for which fair values are disclosed as of December 31, 2018:

	Level 1	**Level 2**	**Level 3**	**Total**
Assets measured at fair value				
Managed funds	$ 1,131,583	$ 14,996,471	$ 2,127,172	$ 18,255,226
US Government bonds	3,217,426	–	–	3,217,426
Common equity securities	15,580	–	110,886	126,466
Total	$ 4,364,589	$ 14,996,471	$ 2,238,058	$ 21,599,118
Assets for which fair values are disclosed				
Amortized cost	$ –	$ 1,926,428	$ –	$ 1,926,428
Total	$ 4,364,589	$ 16,922,899	$ 2,238,058	$ 23,525,546

There were no transfers between Level 1 and Level 2 during the year. There was one transfer between Level 2 and Level 3 as noted below.

4. Financial Assets (continued)

Financial Assets in Level 1

The fair value of investments traded in active markets is based on quoted market prices at the Statement of Financial Position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These investments are included in Level 1. Investments included in Level 1 comprise primarily domestic and foreign quoted equity shares, government bonds and managed funds.

Financial Assets in Level 2 and Level 3

The fair value of investments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Specific valuation techniques include market standard valuation methodologies, which include discounted cash flow analysis, consensus pricing from various broker dealers that are typically the market makers, or other similar techniques. The assumptions and valuation inputs in applying these market standard valuation methodologies are determined primarily using observable market inputs, which include, but are not limited to, benchmark yields, reported trades of identical or similar instruments, broker-dealer quotes, issuer spreads, bid prices, and reference data including market research publications. In limited circumstances, non-binding broker quotes are used. If all significant inputs required to fair value an investment are observable, the investment is included in Level 2. Investments included in Level 2 comprise primarily managed funds and corporate bonds.

Fair values of the Company's interests in unquoted managed fund investments are based upon the Net Asset Values of the underlying investment funds as reported by the investment managers, or their independent administrators. The Company's ability to redeem its managed fund investments at the reported net asset value per share (or its equivalent) determines whether the managed fund investment is categorized within Level 2 or Level 3 of the fair value hierarchy. If the managed fund can be redeemed within a time period of three months with no gates or other redemption restrictions it is classified within Level 2. Otherwise the managed fund is classified within Level 3.

4. Financial Assets (continued)

Level 3 common equity securities represent holdings not on a recognized stock exchange and are valued at book value less a discount to recognize illiquidity.

The following table provides a summary of the changes in fair value of the Company's Level 3 financial assets for the year ended December 31, 2019:

	Managed Funds	**Common Equity Securities**	**Total**
Beginning balance at January 1, 2019	**$ 2,127,172**	**$ 110,886**	**$ 2,238,058**
Movement in unrealized gains (losses)	**76,284**	**(55,070)**	**21,214**
Transfer to Level 2	**(1,907,284)**	**–**	**(1,907,284)**
Ending balance at December 31, 2019	**$ 296,172**	**$ 55,816**	**$ 351,988**
Total gains for the year included in income on Level 3 assets (recognized in investment income)	**$ 76,284**	**$ (55,070)**	**$ 21,214**

The following table provides a summary of the changes in fair value of the Company's Level 3 financial assets for the year ended December 31, 2018.

	Managed Funds	**Common Equity Securities**	**Total**
Beginning balance at January 1, 2018	$ 2,485,573	$ 100,414	$ 2,585,987
Realized gains	10,887	–	10,887
Movement in unrealized gains	19,638	10,472	30,110
Sales	(388,926)	–	(388,926)
Ending balance at December 31, 2018	$ 2,127,172	$ 110,886	$ 2,238,058
Total gains for the year included in income on Level 3 assets (recognized in investment income)	$ 30,525	$ 10,472	$ 40,997

4. Financial Assets (continued)

A review of the fair value hierarchy classifications is conducted on an ongoing basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets and liabilities and as a result of this ongoing assessment, at the reporting date, there was a transfer of unquoted managed fund from Level 3 to Level 2 in accordance with the Group's policy cited above.

Net investment income (loss) comprises the following:

	December 31	
	2019	**2018**
Dividend and interest income *(Note 12)*	**$ 361,803**	$ 286,554
Foreign exchange gain	**61,711**	84,456
Net realized gain on sale of financial assets at fair value through profit and loss	**233,300**	489,298
Net realized gain on sale of financial assets at amortized cost	**–**	18,865
Net unrealized gain (loss) on financial assets	**1,847,598**	(1,420,398)
Bond amortization	**21,414**	12,054
Management fees and investment expenses *(Note 12)*	**(138,010)**	(141,601)
	$ 2,387,816	$ (670,772)

5. Insurance Balances Receivable

Insurance balances receivable is presented net of an allowance for doubtful accounts of $50,000 (2018 – $50,000).

6. Outstanding Losses and Loss Expenses and Losses Recoverable from Reinsurers

Outstanding losses and loss expenses are reported gross of reinsurance ceded and the ceded liabilities are reported separately as a reinsurance asset. Outstanding losses and loss expenses include reserves for reported unpaid losses and loss expenses and losses incurred but not reported.

Movements in insurance liabilities and reinsurance assets are as follows:

	December 31, 2019			**December 31, 2018**		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Loss reserves						
Notified claims	**$ 3,942,809**	**$ 1,350,525**	**$ 2,592,284**	$ 4,960,212	$ 1,932,191	$ 3,028,021
Incurred but not reported	**1,914,205**	**856,246**	**1,057,959**	1,561,404	509,465	1,051,939
Total at beginning of year	**5,857,014**	**2,206,771**	**3,650,243**	6,521,616	2,441,656	4,079,960
Movements during the year						
Claims incurred:						
– current year	**3,422,498**	**480,154**	**2,942,344**	3,710,034	500,650	3,209,384
– prior year	**760,866**	**138,160**	**622,706**	1,817,965	1,379,401	438,564
Total claims incurred	**4,183,364**	**618,314**	**3,565,050**	5,527,999	1,880,051	3,647,948
Claims settled:						
– current year	**2,427,027**	**402,770**	**2,024,257**	2,479,680	302,252	2,177,428
– prior year	**2,346,442**	**1,045,712**	**1,300,730**	3,712,921	1,812,684	1,900,237
Total claims settled in the year	**4,773,469**	**1,448,482**	**3,324,987**	6,192,601	2,114,936	4,077,665
Total at end of year	**$ 5,266,909**	**$ 1,376,603**	**$ 3,890,306**	$ 5,857,014	$ 2,206,771	$ 3,650,243
Notified claims	**3,575,828**	**796,125**	**2,779,703**	3,942,809	1,350,525	2,592,284
Incurred but not reported	**1,691,081**	**580,478**	**1,110,603**	1,914,205	856,246	1,057,959
Total at end of year	**$ 5,266,909**	**$ 1,376,603**	**$ 3,890,306**	$ 5,857,014	$ 2,206,771	$ 3,650,243

6. Outstanding Losses and Loss Expenses and Losses Recoverable from Reinsurers (continued)

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The top half of the table below illustrates how the Company's estimate of net retained total claims outstanding for each accident year has changed at successive year ends.

Reporting year/period	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Total**
Estimate of ultimate claim costs											
At end of reporting year/period	$ 3,555,826	$ 3,448,578	$ 3,522,628	$ 3,222,645	$ 2,997,000	$ 2,524,270	$ 3,150,000	$ 2,670,048	$ 3,192,377	$ 2,869,009	
One year later	3,384,918	3,453,272	3,303,918	3,105,018	2,990,743	2,400,000	3,576,757	2,552,820	3,362,836		
Two years later	3,402,820	3,451,603	3,243,169	3,268,006	3,050,000	2,361,209	3,620,493	2,434,092			
Three years later	3,436,980	3,450,000	3,359,764	3,250,000	3,379,918	2,380.813	3,724,304				
Four years later	3,425,000	3,447,086	3,320,000	3,208,382	3,297,374	2,524,303					
Five years later	3,460,104	3,300,000	3,314,687	3,252,123	3,295,173						
Six years later	3,550,000	3,228,723	3,348,026	3,252,123							
Seven years later	3,554,850	3,210,725	3,349,687								
Eight years later	3,668,972	3,210,725									
Nine years later	3,658,972										
Current estimate of cumulative claims	3,658,972	3,210,725	3,349,687	3,252,123	3,295,173	2,524,302	3,724,304	2,434,092	3,362,836	2,869,009	31,681,223
Cumulative payments to date	(3,585,585)	(3,210,725)	(3,310,137)	(3,252,123)	(3,255,173)	(2,266,543)	(3,010,560)	(2,331,084)	(2,528,835)	(1,883,893)	(28,634,658)
Liability recognized in the Statement of Financial Position	73,387	–	39,550	–	40,000	257,759	713,744	103,008	834,001	985,116	3,046,565
Total net casualty reserve at December 31, 2019											3,046,565
Add: applicable reinsurance											904,859
Total gross casualty reserve at December 31, 2019											$ 3,951,424

6. Outstanding Losses and Loss Expenses and Losses Recoverable from Reinsurers (continued)

The insurance liabilities for property and liability claims were excluded from the table as such claim payments are typically resolved more quickly and, accordingly, have a relatively insignificant outstanding loss reserve. As a result, amounts reflected in the table relate mainly to personal liability claims involving serious bodily injury. Hurricane claims were also excluded from the data as there were no outstanding hurricane claims involving serious bodily injury at the end of the year and, accordingly, there was no impact on the IBNR reserve.

7. Deferred Acquisition Costs

The following reflects the amounts of acquisition costs deferred and amortized as of and for the year ended:

	2019	**2018**
Deferred acquisition costs, beginning of year	**$ 765,085**	$ 652,432
Expenses capitalized	**2,020,538**	1,687,788
Amortization expense	**(1,857,371)**	(1,575,135)
Deferred acquisition costs, end of year	**$ 928,252**	$ 765,085

8. Property, Plant, and Equipment

Property, plant, and equipment as at December 31, 2019, are detailed below:

	December 31, 2018	Additions	Disposals	December 31, 2019
Cost				
Leasehold improvements	$ 458,050	$ –	$ (1,590)	**$ 456,460**
Computer hardware	516,374	66,552	(6,985)	**575,941**
Motor vehicles	40,052	–	–	**40,052**
Furniture and office equipment	426,518	3,296	–	**429,814**
	$ 1,440,994	$ 69,848	$ (8,575)	**$ 1,502,267**

	December 31, 2018	Depreciation Expense	Disposals	December 31, 2019
Accumulated depreciation				
Leasehold improvements	$ 340,207	$ 39,281	$ (1,590)	**$ 377,898**
Computer hardware	318,848	81,667	(6,985)	**393,530**
Motor vehicles	22,927	8,010	–	**30,937**
Furniture and office equipment	315,010	27,969	–	**342,979**
	$ 996,992	$ 156,927	$ (8,575)	**$ 1,145,344**
Net book value	$ 444,002			**$ 356,923**

8. Property, Plant, and Equipment (continued)

Property, plant, and equipment as at December 31, 2018, are detailed below:

	December 31, 2017	Additions	Disposals	December 31, 2018
Cost				
Leasehold improvements	$ 471,390	$ –	$ (13,340)	$ 458,050
Computer hardware	660,294	83,039	(226,959)	516,374
Motor vehicles	31,535	8,517	–	40,052
Furniture and office equipment	424,587	2,281	(350)	426,518
	$ 1,587,806	$ 93,837	$ (240,649)	$ 1,440,994

	December 31, 2017	Depreciation Expense	Disposals	December 31, 2018
Accumulated depreciation				
Leasehold improvements	$ 308,907	$ 44,640	$ (13,340)	$ 340,207
Computer hardware	461,915	83,892	(226,959)	318,848
Motor vehicles	15,768	7,159	–	22,927
Furniture and office equipment	279,353	36,007	(350)	315,010
	$ 1,065,943	$ 171,698	$ (240,649)	$ 996,992
Net book value	$ 521,863			$ 444,002

A portion of the depreciation expense, approximately $7,600 (2018 – $10,500), gets recharged to Britcay Agency. In addition to the depreciation above, the Company is also recharged a portion, approximately $26,300 (2018 – $26,500), of depreciation from Britcay Agency.

Included in property, plant and equipment are fully amortized assets of $396,415 (2018 – $302,118) which are still in use.

9. Intangible Assets

Intangible assets comprising computer software and an acquired book of business as at December 31, 2019, are detailed below:

	December 31, 2018	Additions	Disposals	December 31, 2019
Cost				
Computer software	$ 535,269	$ 38,574	$ (2,146)	**$ 571,697**
Book of business	1,433,333	–	–	**1,433,333**
	$ 1,968,602	$ 38,574	$ (2,147)	**$ 2,005,030**

	December 31 2018	Amortization Expense	Disposals	December 31, 2019
Accumulated depreciation				
Computer software	$ 269,090	$ 91,005	$ (2,146)	**$ 357,949**
Book of business	573,333	143,334	–	**716,667**
	$ 842,423	$ 234,339	$ (2,147)	**$ 1,074,616**
Net book value	$ 1,126,179			**$ 930,414**

Intangible assets comprising computer software and an acquired book of business as at December 31, 2018, are detailed below:

	December 31, 2017	Additions	Disposals	December 31, 2018
Cost				
Computer software	$ 434,111	$ 101,158	$ –	$ 535,269
Book of business	1,433,333	–	–	1,433,333
	$ 1,867,444	$ 101,158	$ –	$ 1,968,602

	December 31, 2017	Amortization Expense	Disposals	December 31, 2018
Accumulated depreciation				
Computer software	$ 191,443	$ 77,647	$ –	$ 269,090
Book of business	430,000	143,333	–	573,333
	$ 621,443	$ 220,980	$ –	$ 842,423
Net book value	$ 1,246,001			$ 1,126,179

9. Intangible Assets (continued)

Included in intangible assets are fully amortized assets of $57,242 (2018 – $57,749) which are still in use.

10. Risk Management and Financial Instruments

The activities of the Company involve the use of insurance contracts and financial instruments. As such, the Company is exposed to insurance risks and financial risks. This note presents information about the Company's exposure to each of the above risks, the objectives, policies, and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company is also guided by the risk management framework of CGI. The Board and CGI have established the Investment Committee, Audit Committee and Risk Oversight Committee which along with management of the Company are responsible for developing and monitoring the Company's risk management policies. The Committees and management report regularly to the Board of Directors on their activities.

The risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks, and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee and Risk Oversight Committee of CGI are standing committees of the Board of Directors and assist the Board in fulfilling its oversight responsibilities relating to the financial reporting process, internal accounting and financial controls, audit and risk review process, risk assessment and risk management and compliance with legal and regulatory requirements. The Audit Committee, Risk Oversight Committee and Investment Committee meet at least four times per annum and report to the Board on their performance with respect to their respective terms of reference.

10. Risk Management and Financial Instruments (continued)

The principles used by the Company in managing its risks are set out below:

Insurance Risk

The Company writes motor vehicle, property, marine, and general liability risks in Cayman Islands with the following per risk treaty limits:

	Per Risk
Property	$ 6,000,000
Motor liability	$ 10,000,000
General liability	$ 5,000,000
Marine liability	$ 410,000
Engineering	$ 9,184,000
Construction bonds	$ 1,640,000

The majority of the insurance risk to which the Company is exposed is of a short-tail nature. Policies generally cover a 12-month period. The duration of claims liability varies as presented below:

	2019	2018
Net short-term insurance liabilities – property risk	6 months	6 months
Net short-term insurance liabilities – casualty risk	1 year, 11 months to 3 years, 1 month	2 years to 3 years

Insurance contract risk is the risk that a loss arises from the following reasons:

- fluctuation in the timing, frequency and severity of claims relative to expectations;
- inadequate reinsurance protection; and
- large unexpected losses arising from a single event such as a catastrophe.

10. Risk Management and Financial Instruments (continued)

Insured events can occur at any time during the coverage period and can generate losses of variable amounts. An objective of the Company is to ensure that sufficient claims liabilities are established to cover future insurance claim payments related to past insured events. The Company's success depends upon its ability to accurately assess the risk associated with the insurance contracts underwritten by the Company. The Company establishes claims liabilities to cover the estimated liability for the payment of all losses, including loss adjustment expenses incurred with respect to insurance contracts underwritten by the Company. Claims liabilities do not represent an exact calculation of the liability. Rather, claims liabilities are the Company's best estimates of its expected ultimate cost of resolution and administration of claims.

The composition of the Company's insurance risk, as well as the methods employed to mitigate risks, are described below.

Risk Related to the Timing, Frequency, and Severity of Claims

The occurrence of claims being unforeseeable, the Company is exposed to the risk that the number and the severity of claims would exceed the estimates.

Strict claim review policies are in place to assess all new and ongoing claims. Regular detailed reviews of claims handling procedures and frequent investigations of possible fraudulent claims reduce the Company's risk exposure. Further, the Company enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that could negatively impact the business.

Reinsurance Protection

In the normal course of business, the Company limits the amount of loss on any one policy by reinsuring certain levels of risk with other insurers. Reinsurance ceded does not discharge the Company's liability as the primary insurer. In the event that the reinsurers are unable to meet their obligations under the reinsurance agreements, the Company would also be liable for the reinsured amount.

10. Risk Management and Financial Instruments (continued)

The Company reinsures its property risks under a property quota share treaty whereby 82.5% of each risk up to $6,000,000 is ceded to reinsurers. The event limit is $439,500,000 (2018 – $394,944,000). There is a property per risk excess of loss contract which further reduces our net exposure to $205,000. For larger individual property risks the Company provides coverage by way of prearranged facilities and facultative reinsurance. The Company also purchases net retained catastrophe reinsurance for per occurrence exposures in excess of US$5,000,000 for the first event and US$3,500,000 for the second event (2018 – US$3,500,000) up to a maximum of US$130,000,000 (2018 – US$120,000,000). A company related through common control provides cover to reduce the treaty deductible down to US$2,000,000 (2018 – US$2,000,000).

The Company purchases excess of loss reinsurance protection for the motor and general liability program, which limits losses to $500,000 (2018 – $500,000) per occurrence. The Company purchases reinsurance for marine risks under a per occurrence and per risk excess of loss treaty with a deductible of US$125,000 (2018 – US$125,000).

Catastrophe Risk

Catastrophe risk is the risk of occurrence of a catastrophe defined as any one claim, or group of claims related to a single event such as large fires, hurricanes or wind storms. Catastrophes can have a significant impact on the underwriting income of an insurer.

The Company has limited its exposure to catastrophe risk by imposing maximum claim amounts on certain contracts, as well as by using reinsurance arrangements. The placement of ceded reinsurance is almost exclusively on an excess-of-loss basis (per event or per risk). Retention limits for the excess-of-loss reinsurance vary by product line.

10. Risk Management and Financial Instruments (continued)

Exposure to Insurance Risk

Key assumptions
The principal assumption underlying the unpaid claim estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrences, changes in market factors such as public attitude to claiming, economic conditions as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Sensitivities
The insurance claim liabilities are sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

December 31, 2019	Change in Assumptions	Increase (Decrease) in Gross Liabilities $000	Increase (Decrease) in Net Liabilities $000	Increase (Decrease) in Profit Before Tax $000	Increase (Decrease) in Equity $000
Average claim cost	+10%	527	389	(389)	(389)
Average number of claims	+10%	527	389	(389)	(389)
Average claim cost	-10%	(527)	(389)	389	389
Average number of claims	-10%	(527)	(389)	389	389

The Company predominantly funds its net insurance liabilities (net of reinsurance recoveries) through its cash in the normal course of its operations. In the event of a catastrophe, the net insurance liabilities may require to be funded through the disposal of the Company's portfolio of investments.

10. Risk Management and Financial Instruments (continued)

Financial Risk

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

- Credit risk
- Liquidity risk
- Market risk

The nature and extent of the financial instruments outstanding at the statement of financial position date and the risk management policies of the Company are discussed below:

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Company's maximum credit risk exposure is the carrying value of assets less any provisions for irrecoverable amounts. The Company is exposed to credit risk in the following areas:

Cash and Investments

Investment asset allocation is determined by the Company's investment manager who manages the distribution of the assets to achieve the Company's investment objectives. Divergence from target asset allocations and the composition of the portfolio is monitored by the Company's Board of Directors and the CGI's Investment Committee. Details of concentrations of cash and cash equivalents and investments are disclosed in Notes 3 and 4.

Insurance Balances Receivable

The Company's exposure to credit risk is influenced by the financial stability of entities and individuals purchasing insurance products. This credit risk is controlled by monitoring the aging of all amounts outstanding on an ongoing basis and monitoring the customers' financial health by reference to the media and discussions with the customers. A provision is made for non-recovery if considered necessary.

10. Risk Management and Financial Instruments (continued)

As at December 31, 2019, approximately $1,532,574 (2018 – $1,312,164) of insurance balances receivable due to the Company were from three major client groups, agents or brokers. Management is of the opinion that this concentration will not have a significant impact on the Company's financial condition.

Collateral is not held against any of the outstanding balances, however the Company has the right to cancel the policy for non-payment. Cancellation or extension of the terms of credit is instituted on a case by case basis.

Reinsurance Balances Receivable

Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company; consequently, allowances are established for amounts deemed uncollectible. The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of its reinsurers to minimize the exposure to significant losses from reinsurer insolvencies.

The Company reviews the creditworthiness of reinsurers on an annual basis and only enters and maintains contracts with reinsurers that (1) have been rated as A- or higher by the AM Best credit rating agency and (2) have in excess of US$500 million in capital and surplus. Current financial statements for the reinsurers are reviewed annually. Based on the individual reinsurance agreements, the Company may have the right to offset amounts due to reinsurers against any amounts due from reinsurers.

Amounts due from reinsurers are assessed regularly, for any indication of impairment. At December 31, 2019, losses recoverable from reinsurers were due from reinsurers who all have an A.M. Best rating of at least A. At year-end, there is no significant credit risk associated with any of the Company's reinsurers.

10. Risk Management and Financial Instruments (continued)

Related-Party and Other Receivables

Amounts due from related parties and other receivables are assessed and monitored on a monthly basis for any indication of impairment. As at December 31, 2019, $1,032,292 (2018 – $981,950) of amounts due from related parties was due from Gibbons Management Services Limited representing 43% (2018 – 93%) of total amounts due from related parties. As at December 31, 2019, all amounts are considered to be collectible.

The following table analyses the aging of the Company's receivables as at December 31, 2019:

	Insurance Balances Receivable	Accounts Receivable and Accrued Interest	Reinsurance Balances Receivable	Losses Recoverable From Reinsurers	Amounts Due From Related Companies	Total
Installments not currently due or up to 30 days	$ 4,543,696	$ 1,569,269	$ 191,442	$ 1,376,603	$ 2,390,756	$ 10,071,766
31 – 60 days	356,937	–	6,547	–	–	363,484
61 – 90 days	138,909	–	2,057	–	–	140,966
Over 90 days	38,170	–	3,534	–	–	41,704
	$ 5,077,712	$ 1,569,269	$ 203,580	$ 1,376,603	$ 2,390,756	$ 10,617,920

The following table analyses the aging of the Company's receivables as at December 31, 2018:

	Insurance Balances Receivable	Accounts Receivable and Accrued Interest	Reinsurance Balances Receivable	Losses Recoverable From Reinsurers	Amounts Due From Related Companies	Total
Installments not currently due or up to 30 days	$ 4,004,144	$ 1,373,853	$ 232,672	$ 2,206,771	$ 1,051,583	$ 8,869,023
31 – 60 days	207,342	–	877	–	–	208,219
61 – 90 days	41,780	–	410	–	–	42,190
Over 90 days	178,574	–	–	–	–	178,574
	$ 4,431,840	$ 1,373,853	$ 233,959	$ 2,206,771	$ 1,051,583	$ 9,298,006

Insurance balances receivable is presented net of an allowance for doubtful accounts of $50,000 (2018 – $50,000).

10. Risk Management and Financial Instruments (continued)

Included in insurance and reinsurance balances receivable are amounts over 30 days past due of $546,154 (2018 – $428,983) that are not considered to be impaired as management considered these to be fully recoverable.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company is exposed to daily calls on its available cash resources for the payment of claims and operating expenses. In order to manage liquidity, management seeks to maintain levels of cash and short-term deposits sufficient to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following summarizes the contractual recovery or settlement of other assets held (within 12 months from the statement of financial position date) and the maturity profile of the Company's liabilities relating to financial instruments and insurance contracts:

	December 31, 2019			**December 31, 2018**		
	<12 Months	**>12 Months**	**Total**	**<12 Months**	**>12 Months**	**Total**
Financial assets						
Cash and cash equivalents	**$ 8,385,019**	**$ –**	**$ 8,385,019**	$ 7,877,350	$ –	$ 7,877,350
Financial assets	**26,122,933**	**351,988**	**26,474,921**	21,287,488	2,238,058	23,525,546
Insurance balances receivable	**5,077,712**	**–**	**5,077,712**	4,431,840	–	4,431,840
Reinsurance balances receivable	**203,580**	**–**	**203,580**	233,959	–	233,959
Losses recoverable from reinsurers	**1,376,603**	**–**	**1,376,603**	2,206,771	–	2,206,771
Accounts receivable and accrued interest	**1,569,269**	**–**	**1,569,269**	1,373,853	–	1,373,853
Amounts due from related companies	**2,390,756**	**–**	**2,390,756**	1,051,583	–	1,051,583
Total	**$ 45,125,872**	**$ 351,988**	**$ 45,477,860**	$ 38,462,844	$ 2,238,058	$ 40,700,902
Financial liabilities						
Outstanding losses and loss expenses	**$ 5,266,909**	**$ –**	**$ 5,266,909**	$ 5,857,014	$ –	$ 5,857,014
Reinsurance balances payable	**3,006,298**	**–**	**3,006,298**	2,853,281	–	2,853,281
Amounts due to related companies	**2,925,534**	**–**	**2,925,534**	2,713,481	–	2,713,481
Accounts payable and other liabilities	**474,725**	**–**	**474,725**	461,605	–	461,605
Total	**$ 11,673,466**	**$ –**	**$ 11,673,466**	$ 11,885,381	$ –	$ 11,885,381
Liquidity margin	**$ 33,452,406**	**$ 351,988**	**$ 33,804,394**	$ 26,577,463	$ 2,238,058	$ 28,815,521

10. Risk Management and Financial Instruments (continued)

Market Risk

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

Interest-Rate Risk

The Company invests in managed funds and corporate and government bonds, the fair values of which are affected by changes in interest rates. Details of interest rate risk on related-party balances are disclosed in Note 12. Interest rate sensitivity analysis is not disclosed, as the Company reasonably expects the change in interest rates would not have a material impact.

Currency Risk

The majority of the Company's financial assets and liabilities are denominated in Cayman Islands dollars or US dollars. Certain investments and amounts due to/from related parties are denominated in Bermuda Dollars. Given that the Cayman Islands dollar and Bermuda dollar are pegged to the US dollar, the Company is not normally exposed to significant currency risk.

Equity Price Risk

The Company is subject to equity price risk due to daily changes in the market value of securities in its fund and equity portfolios. Equity price risk is actively managed in order to mitigate anticipated unfavorable market movements where this lies outside the risk appetite of CGI's Investment Committee. Diversified portfolios of assets are held in order to reduce exposure to individual equities. At the Statement of Financial Position date, management estimates that a 10% increase in prices for fund and equity securities held, with all other variables held constant, would increase net income by approximately $531,601. A 10% decrease in equity prices would have a corresponding decrease in net income.

10. Risk Management and Financial Instruments (continued)

Limitations of Sensitivity Analysis

The sensitivity information included in this note demonstrates the estimated impact of a change in a major input assumption while other assumptions remain unchanged. In reality, there are normally significant levels of correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results. Furthermore, estimates of sensitivity may become less reliable in unusual market conditions such as instances when risk free interest rates fall towards zero.

11. Capital Management and Statutory Requirements

Capital Management

The Company's objectives when managing capital, which it defines as shareholder's equity, are:

- To comply with the capital requirements set by the Cayman Islands Monetary Authority (CIMA);
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for its shareholder; and
- To maintain a strong capital base to support the development of its business.

CIMA has statutory powers that enable it to use its discretion to require the Company to conduct its operations in accordance with general or specific conditions which may be imposed by CIMA or may be agreed between CIMA and the Company. The Company is required to maintain capital in excess of the greater of approximately $375,000 and an amount determined as per a prescribed formula set out in local legislation. The formula prescribes minimum capital requirements for the Company's assets and liabilities based on the relative riskiness of the balances and also provides for a margin for catastrophe.

11. Capital Management and Statutory Requirements (continued)

At December 31, 2019 and 2018, the Company was in compliance with the capital regulations existing at said date.

The Company's capital base consists of common shares, share premium and accumulated deficit.

Common Shares

	December 31	
	2019	**2018**
Authorized, issued and fully paid		
3,000,000 (2018 – 3,000,000) ordinary shares of $1.00 each	**$ 3,000,000**	$ 3,000,000

Share Premium

Share premium represents the amount by which the issue price of $9.85 per share exceeded the par value of $1 per share. Under the Company's Articles of Association, the use of the share premium account is restricted.

12. Related-Party Transactions

The following transactions were carried out with related parties:

(a) Income and Expenses

	Income (Expense)	
	2019	**2018**
Premiums written[1]	**2,507,921**	2,018,136
Reinsurance premiums ceded[2]	**(230,584)**	(207,214)
Claims incurred[1]	**(160,815)**	(352,484)
Claims incurred[3]	**(350,962)**	(359,969)
General and administrative expenses, including:	**(1,970,576)**	(1,636,841)
Staff costs[4]	**(340,234)**	(290,544)
Management fee expense[5]	**(958,241)**	(661,989)
Rent	**(414,987)**	(411,920)
Professional[6]	**(12,915)**	(12,915)
Computer expenses [7]	**(159,230)**	(175,013)
Insurance [8]	**(81,212)**	(78,353)
Other	**(3,757)**	(6,107)

[1] The Company writes insurance for certain of its directors, key management and companies related through common control. These risks are written at standard commercial rates and are subject to the normal reinsurance protections of the Company.

[2] The Company purchases reinsurance to reduce the treaty deductible from a company related through common control.

[3] The Company uses the services of related companies in the settlement of its claims.

[4] The Company purchases pension and health insurance coverage for its employees from companies related through common control on normal commercial terms and conditions.

[5] The Company has an agreement with a company related through common control for the provision of functions and services necessary and incidental to the successful overall management of the Company. For the services provided, the Company is charged a fee.

[6] Professional fees include fees paid to a company related through common control for payroll processing.

[7] Included in computer expenses are fees paid to CGI for use of their computer software and costs paid to companies under common control.

[8] The Company purchases insurance coverage from itself and a company related through common control.

12. Related-Party Transactions (continued)

(b) Year-end Balances

	December 31 2019	December 31 2018
Amounts due from related companies		
Gibbons Management Services Limited	**$ 1,032,292**	$ 981,950
Colonial Group International Limited	**–**	370
Colonial Medical Insurance Company Limited	**423,113**	–
Atlantic Medical Insurance Company Limited	**4,504**	–
Colonial Insurance Company Limited	**431,410**	–
British Caymanian Holdings Limited	**497,150**	62,260
Colonial Pension Services Limited	**2,287**	7,003
	$ 2,390,756	$ 1,051,583
Amounts due to related companies		
Colonial Medical Insurance Company	**$ –**	$ 2,259,802
British Caymanian Insurance Agencies Limited	**2,828,462**	228,667
Atlantic Medical Insurance Limited	**–**	4,149
Colonial Life Assurance Company Limited	**21,915**	13,805
Colonial Group International Limited	**75,157**	–
Colonial Insurance Company Limited	**–**	207,058
	$ 2,925,534	$ 2,713,481

The amounts due to and from companies related through common control are unsecured and due on demand. No provisions are held against amounts due from related parties (2018 – $Nil). Balances due to/from Colonial Insurance Company Ltd. and Gibbons Management Services Limited (GMSL) bear interest at 5% (2018 – 5%) for loans denominated in Bermuda dollars and 3% (2018 – 3%) for loans denominated in US dollars. Balances held by the Company with Colonial Insurance Company Ltd. are denominated in US dollars. Balances held with GMSL are denominated in Bermuda dollars. Balances with all other related parties are non-interest bearing.

12. Related-Party Transactions (continued)

During the year, the Company incurred interest income of $4,642 (2018 – interest expense of $747) under the arrangement with Colonial Insurance Company Ltd. and interest income of $50,342 (2018 – $47,887) under the arrangement with GMSL.

Included in insurance balances receivable are premiums of $127,760 (2018 – $4,708) due from related companies. The balances receivable are unsecured in nature and bear no interest. No provisions are held against receivables from related parties (2018 – $Nil).

Included in accounts payable and other liabilities is $71,071 (2018 – $28,883) due to related parties.

During the year, the Company purchased $41,860 (2018 – $38,066) of property, plant, and equipment from related companies.

(c) Investments

During the year, the Company used Clarien Bank Limited and its wholly owned subsidiaries (Clarien) for certain investment custodian, and investment management services.

At December 31, 2019, the Company had 7 (2018 – 6) positions with an aggregate fair value of $9,274,612 (2018 – $7,067,166) in investment funds managed by Clarien.

At December 31, 2019, financial assets at fair value through profit or loss with a fair value of $23,972,017 (2018 – $21,599,118) and financial assets held-to-maturity with an amortized cost of $2,502,904 (2018 – $1,926,428) were custodied and managed by Clarien. Included in net investment income for the year are investment management fees of $133,509 (2018 – $136,824). The transactions with Clarien occur on standard commercial terms.

12. Related-Party Transactions (continued)

(d) Key Management Compensation

Compensation to key management employees deemed to be related parties under IAS 24 was as follows:

	December 31 2019	December 31 2018
Salaries and other short-term employee benefits	**$ 297,399**	$ 209,938
Defined contribution pension and medical insurance expenses	**24,695**	21,480
	$ 322,094	$ 231,418

In the ordinary course of business, companies related through common control pay certain expenses on behalf of the Company, whereby these costs are recharged to the Company through the use of related-party loans. In addition, the Company may pay certain expenses on behalf of companies related through common control, the costs of which are recharged to the related companies. Related-party loan balances are regularly monitored by management. Dividends may also be settled by way of offset against related-party loans.

13. Minimum Lease Commitments

The Parent's lease for an office building expires in 2021. Minimum annual lease and occupancy charge commitments as of December 31, 2019, are as follows:

Within 1 year	$ 955,466
One to five years	398,111

These future lease payments will be fully recharged between the Company and Britcay Agency depending on the applicable usage area per entity in any given year. For the year ending December 31, 2019, the lease payments were recharged between the Company and Britcay Agency at 44% and 56% respectively (2018 – 44% and 56% respectively).

14. General and Administrative Expenses

	December 31 2019	2018
Staff *(refer below) (Note 12)*	**$ 2,705,717**	$ 2,624,639
Property *(Note 12)*	**612,971**	607,661
Marketing	**307,379**	252,606
Depreciation and amortization *(Notes 8 and 9)*	**409,870**	408,455
Professional *(Note 12)*	**1,099,432**	797,199
Communications	**88,395**	91,387
Office *(Note 12)*	**134,305**	154,097
Provision for bad and doubtful debts	**629**	1,035
Memberships and subscriptions	**13,429**	13,050
Donations	**6,211**	5,723
Travel	**119,530**	125,670
Computer *(Note 12)*	**401,971**	424,562
Other expenses, including finance charges	**86,184**	79,749
Total general and administration expenses *(Note 12)*	**$ 5,986,023**	$ 5,585,833

Staff Related Expenses

The Company maintains a defined contribution benefit plan for all full-time employees. The monthly contributions by the employees and the Company are each based on 5% of the employees' salaries. The Company's portion of the contributions vests immediately. The Company paid contributions for the year amounting to $108,981 (2018 – $102,416) which are included in staff costs in general and administrative expenses in the Statement of Comprehensive Income.

The Company's employees are also part of the Edmund Gibbons Limited Retirees Pension and Health Insurance benefits (EGL Plan) whereby, the retirees will be reimbursed by the Company for a portion of the basic medical plan premium from 25% – 100%, depending on the number of years of service. There is no contractual agreement or stated policy with EGL for charging the Company its share of net defined benefit cost and therefore, the portion of premium paid for the eligible retiree is included in general and administrative expenses.

15. Change in Operating Working Capital

	December 31 2019	December 31 2018
Decrease (increase) in:		
Insurance balances receivable	**$ (645,872)**	$ (558,497)
Reinsurance balances receivable	**30,379**	144,523
Prepaid reinsurance premiums	**(1,143,119)**	(1,423,719)
Losses recoverable from reinsurers	**830,168**	234,885
Deferred acquisition expenses	**(163,167)**	(112,653)
Prepaid expenses	**144,404**	(98,966)
Accounts receivable and accrued interest	**(195,416)**	(201,464)
Increase (decrease) in:		
Outstanding losses and loss expenses	**(590,105)**	(664,602)
Unearned premiums	**1,504,749**	1,644,382
Deferred commission income	**264,308**	270,477
Reinsurance balances payable	**153,017**	435,910
Accounts payable and other liabilities	**13,120**	71,152
	$ 202,466	$ (258,572)

16. Dividends

During the year, the Company declared a dividend payable to its sole shareholder of $Nil (2018 – $2,050,000).

17. Subsequent Events

The Company has completed its subsequent events evaluation for the period subsequent to the balance sheet through April 6, 2020, the date the financial statements were available to be issued.

Subsequent to December 31, 2019, there has been a global coronavirus outbreak (COVID-19) that will have an effect on the Company's operations. As of the date of issuance of the Financial Statements, the outbreak is still evolving, and thus there is uncertainty as to its ultimate impact on the Company.

There were no other subsequent events requiring disclosure or recognition in the audited financial statements.

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