One team.
One focus.

BF&M Limited
Annual Report 2022

One team.
One focus.

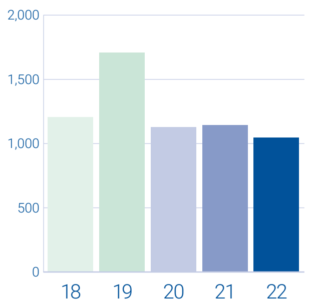
Our focus remains intact: to continue to be a valued partner for our most important stakeholders—our customers, our employees, our shareholders and our communities. Adopting a “one team” approach enables us to align our focus, concentrate our efforts, and be better positioned across the BF&M group of companies to execute against our strategy.

Table of contents

Financial highlights

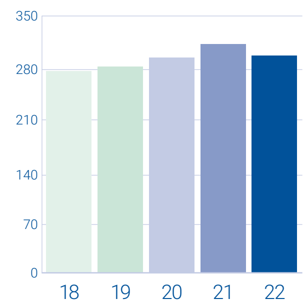
Total General Fund Assets
At end of year
(in millions of dollars)

$1,038.7



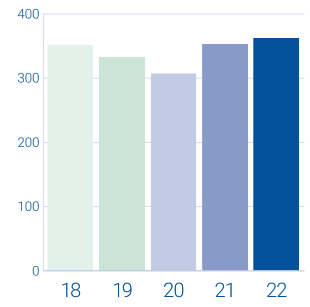
Shareholders' Equity
At end of year
(in millions of dollars)

$296.8



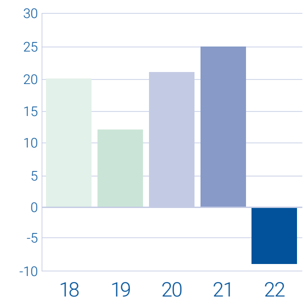
Gross Premiums Written
For the year
(in millions of dollars)

$363.1



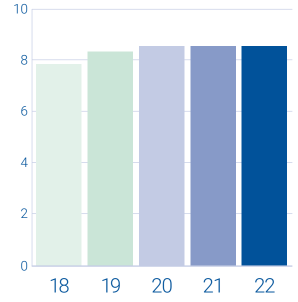
Shareholders' Net (Loss) / Income
For the year
(in millions of dollars)

$(8.8)



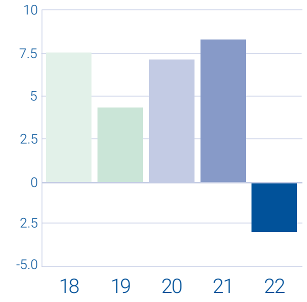
Dividends Declared
For the year
(in millions of dollars)

$8.5



Return on Common Shareholders' Equity
Financial ratios
(in percentages)

(2.9)%



A message from our Chairman

In 2022, the Board was pleased to announce Abigail Clifford as Group President and Chief Executive Officer. This appointment represents a major milestone in BF&M's history as Abigail is the first woman to attain the position, clearly demonstrating that gender is not a barrier within our company.

The Board and I have tremendous confidence in Abigail and her leadership, and we look forward to working with her on this next part of BF&M's journey. On my own behalf and on behalf of the Board, I want to acknowledge the immense contribution of my predecessor John Wight and thank him for his many years of loyal and outstanding service to the company. His industry knowledge and steadfast dedication contributed greatly to BF&M's sustained success during his tenure.

In 2022, the Board led a strategic review of the company to determine the best direction forward with a view to achieving certain objectives, including liquidity for Shareholders. The management team worked relentlessly over several months to carry out an exhaustive review of all aspects of the company and assess various options including the sale of the company. After careful consideration and review, the Board ultimately determined that a sale was not in the best interests of the company as a whole. Additionally, it was concluded that the best option was to proceed with the implementation of the current strategic initiatives, which we believe will lead to the continued improvement of value for Shareholders and other stakeholders. The Board is steadfast in its commitment to all stakeholders, and we pledge to continue to work with Abigail and her Executive Committee to drive the group's future success.

This year was marked by change and a volatile financial environment. Despite these conditions, BF&M continued to maintain its dividend and the core business remained profitable against a challenging macro environment. Rising reinsurance costs and capacity constraints, inflationary increases and impactful legislative and regulatory changes contributed to difficult circumstances for BF&M and its competitors alike. Against this backdrop, we know that we must work harder than ever to achieve the consistent returns and long-term value our Shareholders have come to expect. BF&M's diversified business model, combined with our robust risk management and disciplined approach to capital allocation, proved to be a key strength during these challenging times.

Of equal importance, during 2022 we were there for our customers when they needed us most. This unwavering commitment to helping our customers is made possible by the determination, dedication and resilience of our employees. On behalf of the Board and myself, I wish to thank all of BF&M's employees in our five core jurisdictions. Thanks to their hard work, we enter 2023 optimistically with a business that is ready to compete and poised to execute on a sound strategy.

Anthony Joaquin
Group Chairman,
BF&M Limited

A message from our Group President and CEO

Abigail Clifford
Group President and
Chief Executive Officer

In September, after a multi-year, thoughtful succession process, I assumed the role of Group President and CEO. It is a privilege to write my first Report to Shareholders.

I would first like to acknowledge the significant contributions John Wight made to our company. As CEO for 17 years, he was instrumental in building and leading a high quality, diversified and profitable insurance company. He expanded our reach beyond Bermuda and across the Caribbean, all while ensuring our financial strength and strong track record remained secure. John displayed unwavering commitment to our employees and our communities during his tenure. Given the value he placed on community and education, it was fitting to create the first BF&M scholarship in his honour. I thank him for his trust in me and we collectively wish him much joy in his well-deserved retirement.

Review of 2022

BF&M can be proud of its performance in this difficult transition year. The significant volatility in the capital markets resulted in negative returns across many sectors. With $2.2 billion of assets on our balance sheet, the company is exposed to investment risk. However, our overall investment results—while negative—outperformed the market. We fell short of our net income targets for the year, but with the investment losses stripped away, our core businesses remain profitable.

Overall, BF&M remains well capitalised and Shareholders' equity at 31 December

Our continued focus on value creation was demonstrated through several important initiatives in 2022:

2022 was $296.8 million. Based on our strong capitalisation, the Board of Directors maintained the 24¢ per share per quarter dividend during the year.

We were also pleased in 2022 to once again have AM Best affirm our "A" (Excellent) financial strength ratings across the BF&M group of companies. AM Best's rating system is designed to provide an opinion of an insurer's financial strength and ability to meet ongoing obligations to policyholders. To have received the affirmation during challenging market conditions is particularly meaningful.

In January 2022, I rolled out our five-year strategy. Our diversification strategy aims to position us as a market leader in Bermuda and the Caribbean, generating Shareholder value and delivering superior financial performance. It means we can secure the best reinsurance terms and continue to grow profitable business. Alongside diversification, we focused on harmonisation and our "one team" approach with the objective of a streamlined, automated and scalable business. Every decision we make is through the lens of whether our actions support achieving our long-term strategy. Details of our progress against specific strategic objectives within three focus areas—growth, efficiency and service—are shared by members of our Executive Committee throughout this report.

While 2022 brought change, many aspects of our business remain in place. We have a tremendous amount of employee goodwill and a culture of trust. This is not something we take for granted. While we continue to be guided by our established core values of truth, trust and team, this year we introduced a fourth value: talent. This represents our focus on appreciating, investing in and developing our people, ensuring we are viewed as an employer of choice.

We are also known for supporting and engaging in the communities we serve. Specifically in 2022, we focused on strategically coordinating our core pillars of giving across our offices —Bermuda, Cayman, Halifax, Bahamas and Barbados.

Diversity, equity and inclusion

At BF&M, making Diversity, Equity and Inclusion (DEI) a priority is not a mere exercise or an attempt to check the "right" boxes. Rather, DEI is something we take very seriously; it is something I have strived to embed in our DNA. Every member of our Executive Committee values DEI and is committed to ensuring it is integrated into every aspect of our business from our Human Resources and employee engagement efforts, to our management training and leadership sessions.

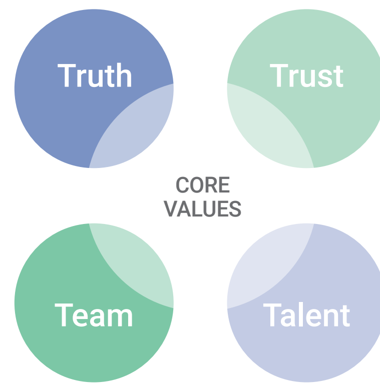
Though discussions around DEI can be difficult, they are essential and they will continue to be a vital part of our organisation's day-to-day operations and our long-term corporate strategy. In 2022, we were pleased to establish our internal DEI Committee and articulate our DEI statement to our team, our customers, stakeholders and to the communities in which we serve.

Environmental, social and governance

BF&M has been around for over 100 years and we want to be around for 100 more. It is imperative that we focus on our long-term sustainability through consideration of Environmental, Social

"Our focus is producing earnings to support our growth while maintaining an appropriate level of dividends and rightsizing our capital to grow our book value per share over time."

Values that guide us:



Strategic review

We underwent a strategic review. While this was a labour-intensive process, it was an important exercise and we gained great insight into areas of value to leverage going forward.

Integration

We made significant progress in integrating our operations into "one team". This resulted in increased efficiencies and improvement in our execution through the year.

Diversification

We moved forward on our goal to continue to diversify with our Cayman employee benefits expansion plan, ready to implement in 2023.

Assessment

We assessed the profitability of our individual life book and decided to put our Bahamas life business into run off.

Harmonisation

We began the harmonisation of our Property & Casualty products across our jurisdictions, resulting in an aligned operating model ready for future efficiencies.

Connecting with purpose

In November, leaders from across our group of companies came together for our 2022 Leadership Conference in Bermuda. We aligned as leaders across multiple jurisdictions, got to know one another and discussed how we plan to move forward as "one team" to deliver upon our strategic plan.

Looking ahead, we will remain focused on our fundamentals:

- **Leveraging our excellent technical skills in underwriting, servicing, pricing and marketing**
- **Retaining and attracting talented professionals who will enhance and diversify our capabilities**
- **Maintaining a streamlined, efficient organisation so our teams have the resources, knowledge and time to meet our customer needs**
- **Educating our policyholders on a broad range of insurance topics**
- **Enhancing our capital allocation to ensure maximum Shareholder returns**

and Governance (ESG) factors. In addition to the sustainability of our business operations, we want our focus on ESG to attract investors, build customer loyalty and improve financial performance.

Our future focus

One of my core responsibilities is to continue to focus on generating an appropriate return on equity for our Shareholders. This will require the execution of financial and operational plans consistent with our goal of achieving competitive returns. Our focus is producing earnings to support our growth needs while maintaining an appropriate level of dividends and rightsizing our capital to grow our book value per share over time.

We will continue to deliver on our five-year diversification strategy, including moving towards products and markets that show potential and will diversify our income streams. We will also invest organisationally to improve our ability to meet future customers' needs and to align with our digital strategy. We will continue to leverage our competitive advantage and deliver on our fundamentals as outlined above.

With thanks and appreciation

We are committed to developing our talent from within while also recruiting externally. We announced 23 internal promotions across our organisation in 2022. I am particularly grateful to several leaders who rose to the challenge of moving into new leadership positions, demonstrating their ability to pivot to meet the organisation's evolving needs. This is leadership in action and reflects the BF&M way.

I was pleased to promote Stephanie Hanson to EVP, Group Chief Operating Officer. Stephanie has supported the organisation's evolutionary development during her tenure over the last five years and I look forward to continuing to work with her on this next organisational phase.

I believe in shared leadership and BF&M's success would not be possible without the passion and dedication of our executive and management teams. You will note that this annual report highlights the entire Executive Committee and their contributions. I thank each of them for their support, energy and commitment.

In closing, as our group of companies continue to evolve, we rely on the commitment, dedication and expertise of all our employees. I am exceptionally proud of them and thank them for their efforts and their goodwill. I would also like to thank our business partners for their continued support through 2022. Finally, I would like to extend my gratitude to the Board of Directors who have provided thoughtful, invaluable guidance and support over the last year. I am privileged and excited by the opportunity to lead this company.

Abigail Clifford
Group President and
Chief Executive Officer

The BF&M group of companies at a glance

While BF&M has a proud heritage dating back to 1903 in Bermuda, our reach extends much further. Through our BF&M and Island Heritage brands, together with our established distribution partners, we provide insurance and employee benefit solutions both in Bermuda and throughout the Caribbean.

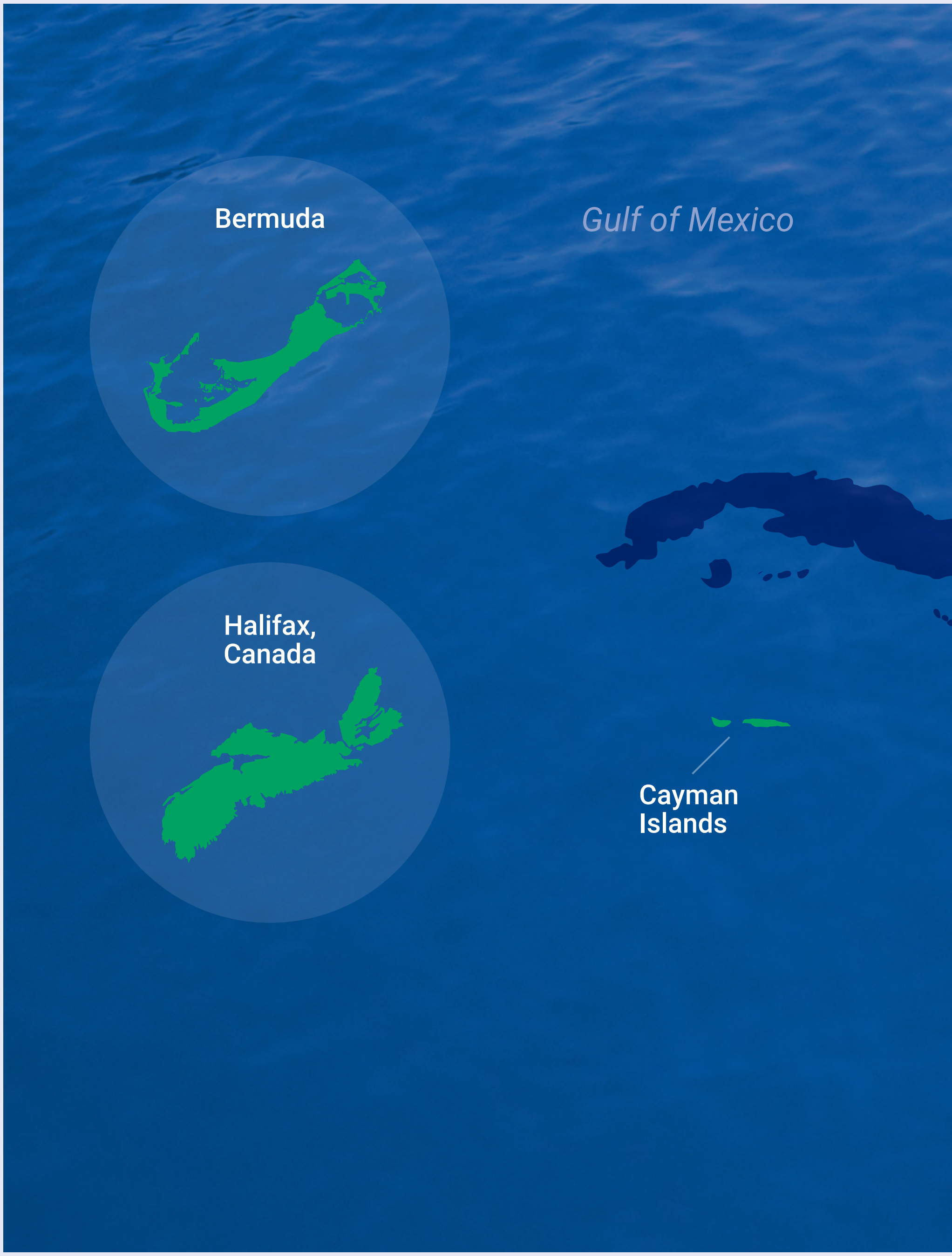
Our distribution network:

4 Customer-serving locations

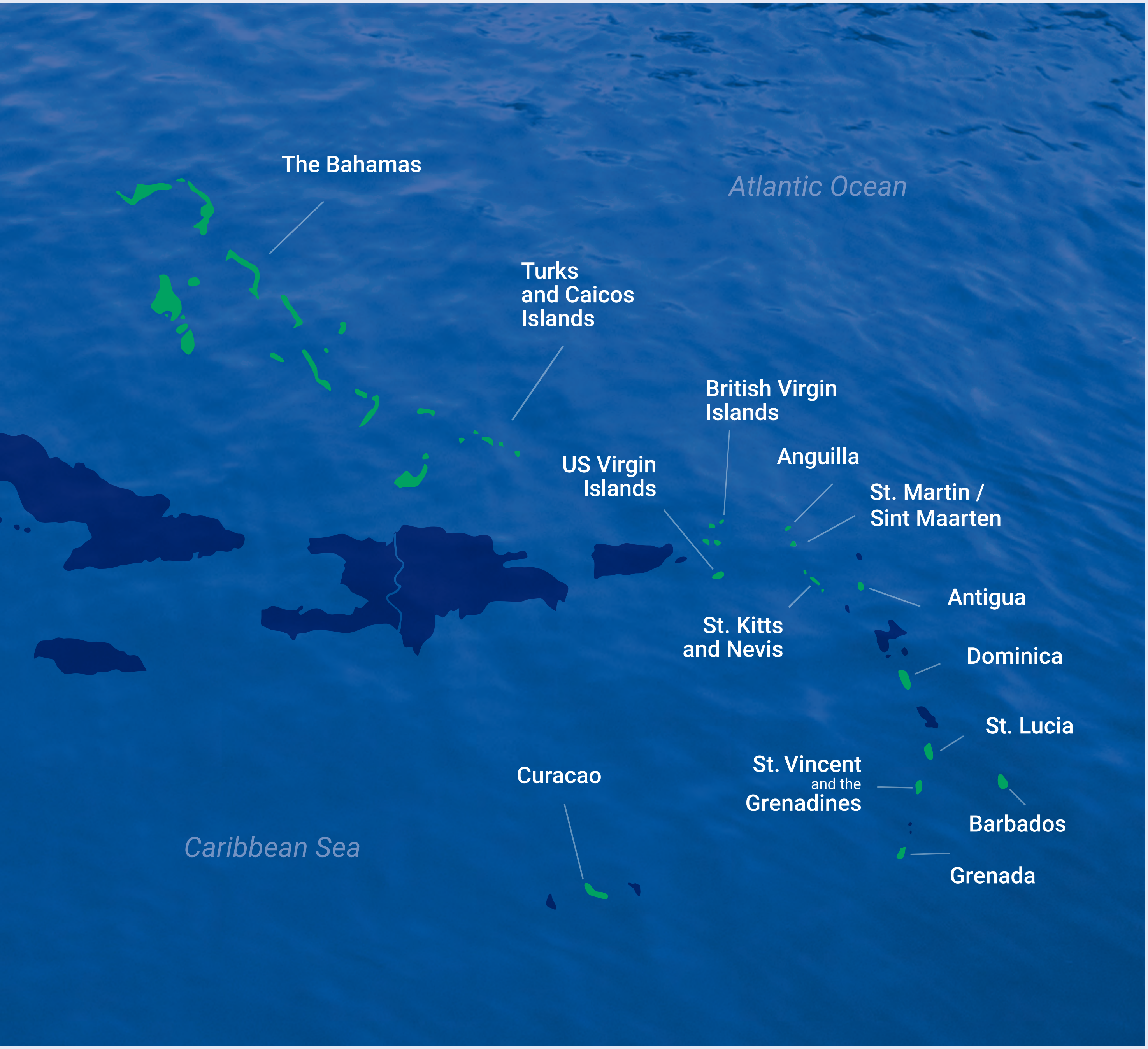
4 Bancassurance partnerships

5 Managing general agents

63 Brokers and agents



120	16	5	248
years	jurisdictions	offices	employees



Financial review

AM Best financial ratings

A excellent	BF&M General Insurance Company **Bermuda**
A excellent	BF&M Life Insurance Company **Bermuda**
A excellent	Island Heritage Insurance Company, Ltd. **Cayman**

From a financial perspective, 2022 was a challenging year as we experienced volatile investment markets, upward pressure on reinsurance rates and shrinking capacity. While our results reflect these difficult conditions, there are several positive trends emerging and our strong finish to the year provides considerable optimism for the year ahead.

Weathering the storm

After a strong performance in 2021, tough markets and economic conditions conspired to have a negative impact on our numbers for the year ended 31 December 2022. Shareholders' net earnings for the period reflected a loss of $8.8 million, versus a $25.2 million profit in 2021. This resulted in a negative return on Shareholders' equity of 2.9%, a decrease from the 8.3% return on equity generated in 2021.

Much of the variance over 2021 was attributable to the unrealised losses in our investment portfolio due to falling equity and bond prices. While we are required to report these unrealised losses immediately, it is important to note that much of the loss relates to bonds with a par value greater than their current market value. This means that these losses will almost certainly reverse over time and will ultimately be brought back into our earnings.

BF&M remains extremely well-capitalised; Shareholders' equity at year-end was $296.8 million, with strong quarterly dividend pay-outs continuing for our Shareholders. This strong capital position puts us in a favourable position against our competitors who are facing the same external market challenges but without the same cushion.

Our Property & Casualty business continues to work diligently to mitigate the impact of a hard reinsurance market and the associated increased cost of reinsurance. While our policyholders were thankfully largely unaffected, reinsurer losses from Hurricanes Ian and Fiona were substantial. Not surprisingly, these reinsurers continue to take a hard look at the Caribbean where there is significant catastrophe exposure and coverage is becoming more expensive and harder to come by. To confront these pressures, we have become more selective in our underwriting, and will continue to ensure that the risks we do take on are adequately priced.

On the Health, Life & Pensions side, our life business performed well, while on the health side we saw a significant increase in claims, both locally and overseas. As the world emerged from the pandemic—people started going to

** Note: Investment values are recorded using the accounting policy under International Financial Reporting Standards. This often leads to significant volatility of financial results.*

the doctor again and surgeries were scheduled. However, we anticipated this correction and expect health claim levels to ease off through 2023.

On the pension side, the plans we administer are of course subject to the same market dynamics, and while our assets under management declined in 2022, we were pleased with the level of new contributions and new business. Our platforms have been strengthened, and we are very optimistic that our value proposition will generate an increasingly strong and consistent level of fee income going forward.

Staying the course

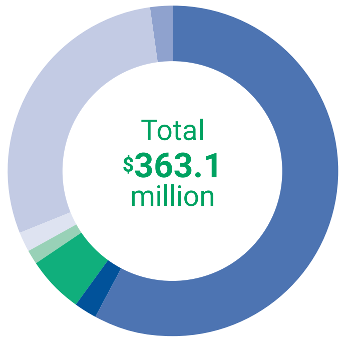
Our balance sheet is strong. Our diversified portfolio strategy continues to hold up well through these uncertain times. Higher interest rates have already begun to have a positive impact on our earnings, and this will continue to accelerate over the next several years.

A significant change in accounting requirements under International Financial Reporting Standards comes into effect on 1 January 2023. Preparing for this shift was a major undertaking through 2022 and our team continues to work hard to make sure the implementation goes smoothly.

I believe the future looks bright for our group of companies. Looking to 2023, we understand the challenges ahead of us, and we will continue to focus on our core business, streamlining our processes and managing our expenses. I am optimistic that some stability will return to the markets and that the organisation will be able to capitalise on its solid foundation. I would like to extend my sincere gratitude to our Finance team—thank you for your valued contributions over the past year.

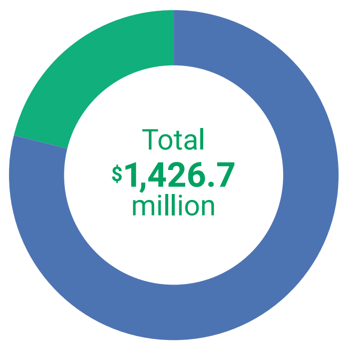
Bruce Walker
EVP, Group Chief
Financial Officer

Gross Premiums Written by Line of Business For the year ended 31 December 2022



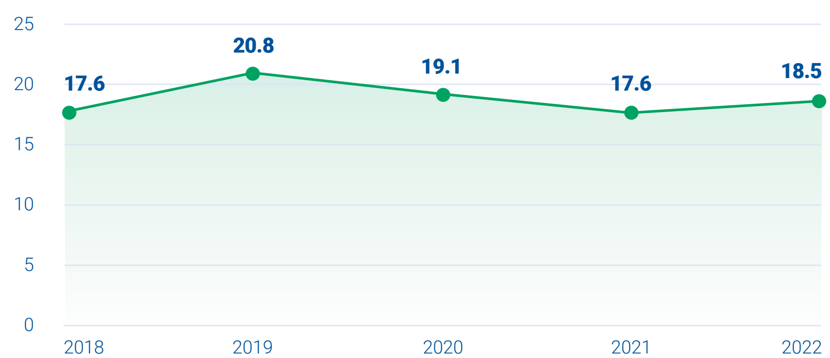
Property	58.0%
Casualty	2.1%
Motor	5.7%
Marine	1.2%
Individual Life	1.9%
Group Life and Health	28.9%
Other	2.2%

Assets Under Management At end of year



Segregated Assets	79%
Guaranteed Interest Account	21%

Investment Income (Net of Fair Value) For the year ended (in millions of dollars)



Operational review

With oversight for the support operations across the 16 jurisdictions in which we do business and a remit to optimise operational efficiency, 2022 was a busy year. Not only did we see changes in the Executive Committee referenced by Group President and Chief Executive Officer, Abigail Clifford, we also saw some significant shifts in our operations.

Foundation change

In 2022, we returned our focus to our core business and started to lay the operational foundation for our ambitions. We introduced the concept of "one team" to the businesses and all support areas. The goal was to move away from a siloed environment towards an agile operation, eliminating duplication.

Supported by our digital strategy, we now have the foundation to scale with ease and a structure across our jurisdictions which makes sense from an operational and cost perspective.

As part of our "one team" strategy, we examined our talent, irrespective of group company and location, and finalised a restructure of the Human Resource and Legal and Compliance teams.

Similarly, 2022 saw the restructuring of the Property & Casualty functions of Island Heritage and BF&M—which had largely been operating independently —into one centralised, cross-jurisdictional unit. It was a big win for the internal talent we promoted as a result.

The end result were teams that made sense; they understood the importance of leveraging talent and technology and were excited and ready for an ambitious future.

Execution focus

With our "one team" readied, 2022 provided an opportunity to demonstrate how these restructured teams could now better support the execution of the three pillars of BF&M's strategy for 2022: growth, service, and efficiency.

From my perspective, growth looks a lot like ambition—always seeking opportunities and having the determination to capitalise upon them. Before expanding our Group Life and Disability offering into Cayman, we used 2022 to lay the foundation for growth; ensuring we had the product, the people and the technology in place so that when we launch in 2023, our teams are optimised to serve the needs of our customers across jurisdictions in an efficient way.

On the service front, we constantly reinforce our focus on the customer —as evidenced in the messages throughout this report. A critical way we are supporting this objective is through our digital strategy.

As our lives become increasingly digital, we are well aware that our group of companies need to adapt to stay ahead. From how we communicate, to how we work, to how we buy insurance. We are investing in our digital capabilities to respond to the needs of our customers and remain the provider of choice.

We are also harnessing digitalisation to remove any unnecessary complexity in the way we deal with customers. With the customer at the centre of our decision-making processes, the digital strategy we adopt must continue to support both our customer and the business as a whole. The search for efficiencies also remained important. In 2022, the organisation came to embrace that efficiency is not a one-off initiative or project, it really is an organisational mindset.

Sometimes small changes can add up to big changes and we saw this as we implemented efficiency initiatives—from benefits realignment to payroll outsourcing, to adopting a cloud-based governance, risk management and compliance tool to support regulatory reporting, operational risk management and contract reviews. Simple changes such as automating repetitive tasks like reporting reminders and filing deadlines across jurisdictions was a benefit for everyone in the organisation. In addition to supporting our operations, this technology enables the collection of data that helps us gain valuable insight into our operations, simplifies reporting and unites people across jurisdictions through common technology.

2022 also saw the first part of a two-year project to provide enhanced regulatory technology to the business. Recognising the increasing manual burden of compliance requirements on the business, we were able to identify and implement a cloud-based solution tool that does the heavy lifting for our frontline teams. As we begin the roll out of this tool in 2023, we expect it to support the refocus of our business teams to servicing our customers rather than form filling. A much better use of their time.

Focused on our people

Finally, and perhaps most crucially, at the outset of 2022 we recognised that the operational uncertainty and physical distance that Covid had created, had taken its toll on our people. It was clear that our teams needed a cultural “spark,” something to reignite their passion for their work and the industry. We started 2022 with a fresh slate and a renewed sense of commitment to our people and the culture within our group of companies.

The necessary focus was on employee engagement and experience, and providing clarity on our company culture. We went back to basics; celebrating achievements, milestones, and important dates across jurisdictions.

We standardised our messaging across jurisdictions and introduced a group-wide monthly newsletter designed to keep our teams connected, with job postings, new hires and celebrating staff successes.

We also looked at what it meant to work for the BF&M group of companies and how we could ensure consistency in what people experienced, no matter where they were based. Simple changes like standardising our onboarding and enhancing new employee training all helped with this objective.

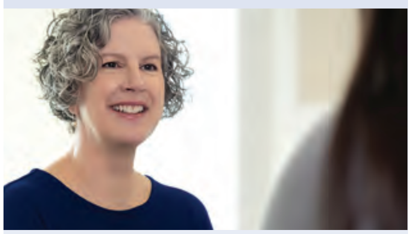
Looking ahead

What does the year ahead look like from an operational perspective? For one, we are going to continue making headway on the “one team” journey we started in 2022. One of my priorities will be to work with our marketing team to ensure we are adopting a strong digital marketing focus. We will also be focusing on making sure our vision and strategy for leveraging technology and data are clear and understood throughout the organisation. Finally, we will continue to make our people a priority and will invest in our employees through leadership development, DEI initiatives, internships and education with a view to promoting from within.

I am fortunate to work with terrific teams throughout the organisation. Thank you all for your hard work and continued excellence and dedication.

Stephanie Hanson
EVP, Group Chief Operating Officer

Jennifer Campbell
Chief Human Resources Officer



“Collectively, we have never been more focused on talent within our group of companies. In 2022, LinkedIn Learning was given to all staff, with over 15,000 videos viewed. We also focused on leaders, with a targeted group attending training, and all leaders included in eight sessions on a variety of topics. This is just the start of our ongoing commitment to investing in our employees.”

Larenzo Ratteray
Group Head of Consumer Solutions

“The reorganisation of the Property & Casualty department took teams separated by jurisdictions and saw them reorganised by customer segment. This move not only allowed us to become “one team” across our group of companies, it also strengthened our collective knowledge base, allowed us to identify efficiencies in our operations, and ultimately —put the customer at the centre of everything we do.”

Report from Property & Casualty

In keeping with the theme of this year's Annual Report, the Property & Casualty team were focused through 2022 on our strategic pillars of efficiency and service. To reach our growth potential and best serve our customers, we envisaged our operations working seamlessly across our jurisdictions within our group of companies.

One team, focused to deliver

With those ambitions in mind, in early 2022, we launched a two-year project to integrate and harmonise the Property & Casualty operations at BF&M and Island Heritage into one cohesive unit. The end goal? A more efficient operation, capable of leveraging cross-jurisdictional expertise, structured to provide optimum products and service to our customers.

During 2022, the harmonisation project drew in every aspect of our business, from underwriting to product lines, to customer service. Receiving input from all teams, across all jurisdictions, ensured that the final standardised policy represents the best we can offer—clear language and market-leading coverage.

We effected changes behind the scenes too, an internal reorganisation saw teams based in Bermuda, Cayman and Barbados expand their responsibilities as we moved to one structure capable of operating across jurisdictions. This was a critical step to support our harmonisation efforts which needed collaboration across the team. At the end of the year, we were ahead of the project timeline and under budget.

Continued spotlight on our customer

In 2022, we continued to provide our customers with valuable insight to help them make informed insurance decisions. Through our ongoing online educational campaign, customers were able to access resources on a variety of 'how to' subjects, from how to buy insurance and make a claim to ensuring hurricane preparedness.

In addition, given the inflationary environment, we focused on underinsurance education and communication. It has never been more important to us to ensure our customers are insured to value and understand the risks posed by any coverage gaps.

Looking forward

In the year ahead, the harmonisation project will continue as a priority. We also anticipate that tough reinsurance market conditions will present capacity challenges across the market. We are poised to deploy our capacity to support retention of our long-term customers, focused on disciplined underwriting, adequate pricing, and risk management.

I would like to extend my appreciation and gratitude to the Property & Casualty team. Working together, we have achieved so much over the past year and I look forward to continuing this progress in 2023.

Caroline Mills-White
EVP, Group Head
of Property & Casualty

Report from Life, Health & Pensions

In 2022, we successfully pivoted away from pandemic-related issues that had dominated the last two years. Our focus was reignited on our core business, providing our customers with the very best products and employee benefits packages. Our strategic business pillars of growth, efficiency and service provided a framework for focus in the Life, Health & Pensions team.

New opportunities

We are a dynamic team, always looking for ways to capitalise on opportunities to grow. One of our significant initiatives in this area during 2022 was laying the groundwork to provide a more comprehensive offering in Cayman. The first step in our strategy is the launch of Group Life and Disability products. We used the past year to build on the model we already utilise successfully in Bermuda and targeted the products that we know our customers value. We are now set for a robust entry into the Cayman market in early 2023.

A drive for efficiency

Improving efficiencies in our operations was a core objective through the past year. Driven by our strategic pillar, our team is continually seeking opportunities to streamline processes, automate tasks and operate as cost-effectively as possible. Sometimes these improvements are internal—such as making it easier to send invoices—and sometimes they are customer-facing, such as forms which clients can fill out and sign online. These small adjustments in the way we deliver our services add up and make a difference in our customer experience.

Service we can take pride in

In 2022, we continued to focus on service; ensuring that our processes are structured around our customers' needs and preferences. We want to service them in the way that works for them—whether that is providing online resources for self-service or being available for in-person meetings. A key part of our customer-centric service approach extends to customer education. Healthcare and pensions continued to be the subject of public debate and legislative change. It was critical that we kept customers informed about how those changes affect them through resources on the company website as well as education sessions, regular communication and check-ins.

Emerging from Covid, the focus on prevention in the healthcare space has been essential. We developed new resources and enhanced support for wellness—in particular, mental health. This will remain a priority for the foreseeable future.

In closing, I would like to recognise the hard work and dedication of the Health, Life & Pensions team. Our employees continue to go above and beyond for our customers—because of their flexibility and commitment, we have succeeded in maintaining the high level of service our customers deserve.

Michelle Jackson
EVP, Group Head of
Life, Health and Pensions

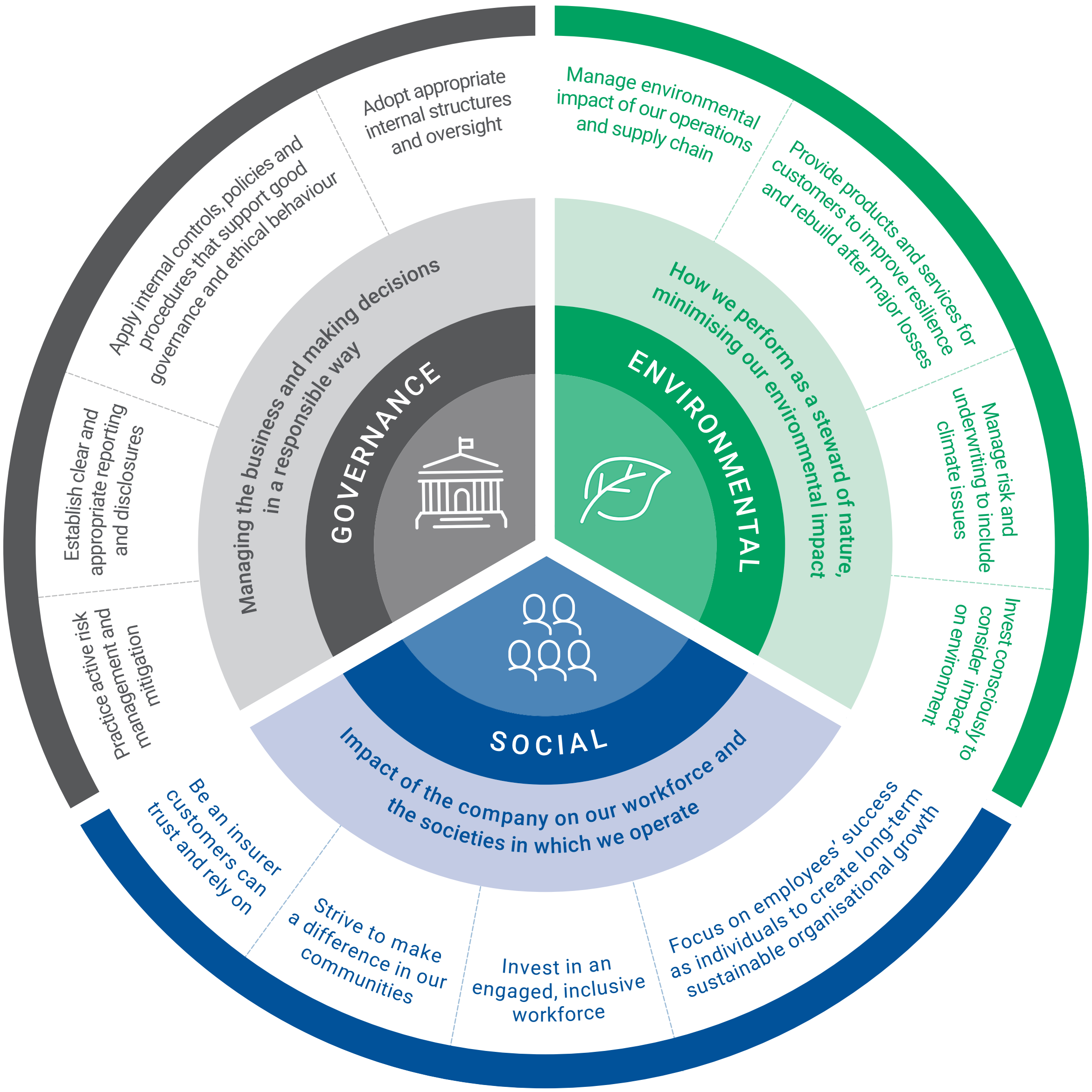
Environmental, social and governance

As a group of companies, we are taking action and revising processes to shape a more responsible, sustainable and inclusive way forward.

In support of the global effort to achieve net zero, BF&M partnered with Climate Wise in 2022, making a commitment to offset the carbon footprint of every employee across our group of companies. We also made strides in our DEI efforts through the formation of our DEI Committee and our investment in talent development. From a governance perspective, we continued to strengthen our pre-existing robust governance structure, with a focus on organisational training around ethical behaviours and policies.

Together, we are guided by our ESG framework which reminds us how each dimension of ESG impacts our day-to-day operations and the actions we take.

We are committed to continuing our ESG journey and look forward to sharing our progress.



Partnering with purpose: to build stronger communities

Through our giving, we aim to achieve long-term, positive impact in the communities in which we operate.

During 2022, we were focused on aligning our community engagement initiatives across our jurisdictions and ensuring we partnered with charities that support our core pillars of giving: Youth and Education, Heritage and Future, and Wellness.

As the longstanding sponsor of the BF&M Breast Cancer Awareness Walk in Bermuda, we established alignment with Island Heritage by committing to a five-year sponsorship of the Light Up the Night Breast Cancer Walk in Cayman.

Similarly, while BF&M continued to support Bermuda's Women's Resource Centre, in 2022 Island Heritage took on platinum sponsorship of the Cayman Islands Crisis Centre's Power of the Purse Luncheon.

As a company operating across islands, we also continued to support maritime preservation as a sponsor of the Bermuda Seagrass Project and by donating to the Central Caribbean Marine Institute through the Island Heritage Charity Drive.

Giving back always has and will continue to be a cornerstone of our culture.

One team. One focus.

Board of Directors

L. Anthony Joaquin
Group Chairman,
Retired Managing Partner,
Ernst & Young

Abigail Clifford
Group President
and CEO,
BF&M Limited

Nancy L. Gosling [2]
President and CEO,
Gosling Brothers Limited

Christopher L. Harris [2]
Former CEO,
Montpelier Re Holdings Ltd.

Gordon J. Henderson [1]
Retired President
and CEO, BMO Life
Insurance Company

Andrew Lo [2]
President and CEO,
Knowledge First Financial

Paul. C. J. Markey [2]
Retired Chairman,
AON Bermuda

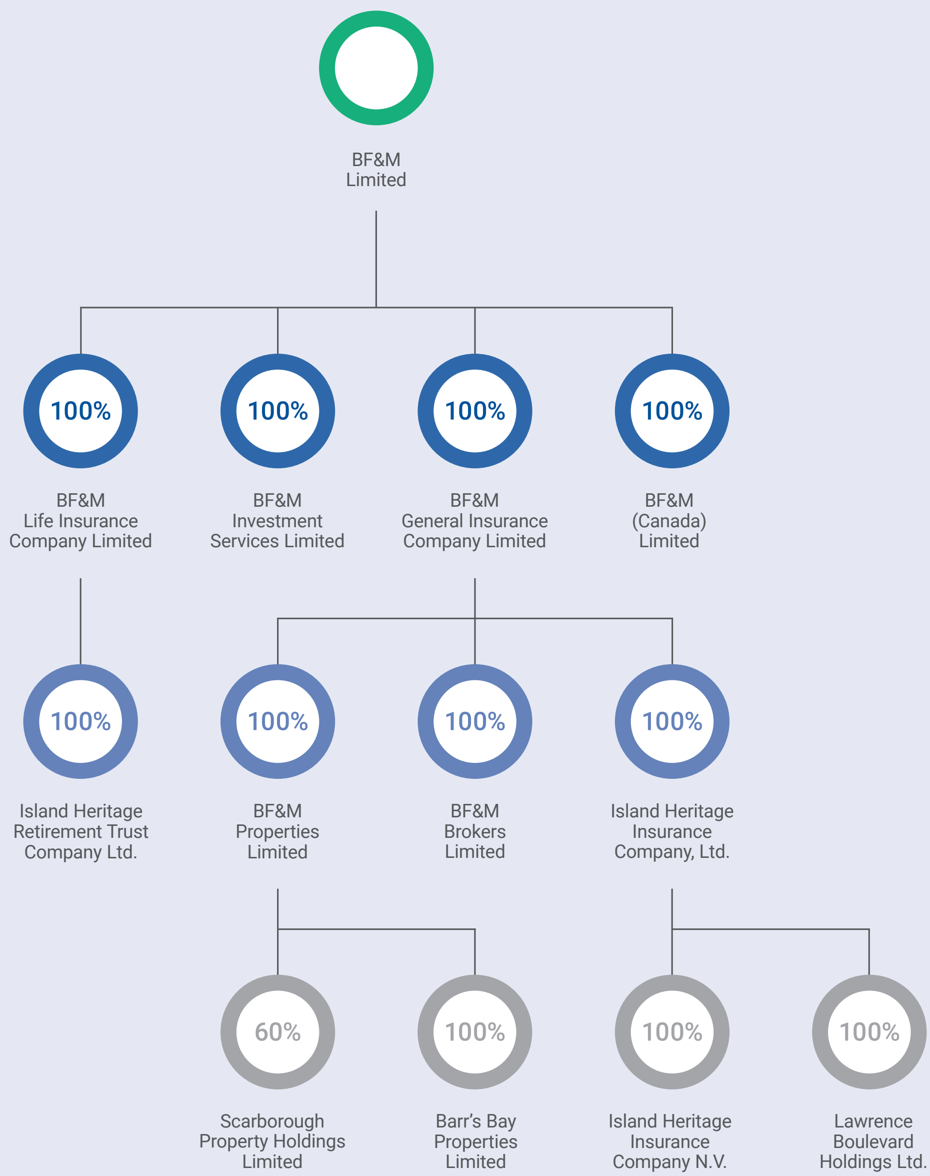
Conor O'Dea [1]
Retired Chairman / Director,
Butterfield Bank (Cayman) Ltd.

Jennifer Reynolds [1]
CEO, Women Corporate
Directors Foundation (WCD)

[1] Finance, Compensation and Corporate Governance Committee

[2] Audit, Compliance and Corporate Risk Management Committee

Corporate structure



Financial statements

Responsibility for Financial Reporting

For the year ended 31 December 2022

The management of BF&M Limited ("the Group") is responsible for the preparation of the consolidated financial statements contained in this report. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

Management has established and maintains a system of financial reporting and internal controls to provide reasonable assurance that transactions are properly authorised and recorded. These controls include the careful selection, training, and supervision of qualified employees, the establishment of well-defined responsibilities, and the communication of policies relating to good conduct and business practice. Internal controls are reviewed and evaluated by the Group's internal audit function.

The Audit, Compliance, and Corporate Risk Management Committee, composed of directors who are not officers or employees of the Group, reviews the consolidated financial statements on behalf of the Board of Directors before the statements are submitted to the shareholders.

The shareholders' independent auditors, PricewaterhouseCoopers Ltd., have audited the consolidated financial statements of the Group in accordance with International Standards on Auditing and have expressed their opinion in their report to the Group's shareholders. The auditors have unrestricted access to and meet periodically with the Audit, Compliance, and Corporate Risk Management Committee to review its findings regarding internal controls over the financial reporting process, auditing matters and reporting issues.

These consolidated financial statements have been authorised for issue by the Board of Directors on 24 March 2023. The Board of Directors has the power to amend these consolidated financial statements after issue, if required.

L. Anthony Joaquin, FCA, JP
Group Chairman

Abigail Clifford, B.A., M.Sc.
Group President and Chief Executive Officer

Independent auditor’s report

To the Shareholders of BF&M Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of BF&M Limited (the Company) and its subsidiaries (together ‘the Group’) as at 31 December 2022, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group’s consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Chartered Professional Accountants of Bermuda Rules of Professional Conduct (CPA Bermuda Rules) that are relevant to our audit of the consolidated financial statements in Bermuda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the CPA Bermuda Rules.

PricewaterhouseCoopers Ltd., Chartered Professional Accountants, P.O. Box HM 1171, Hamilton HM EX, Bermuda
T: +1 (441) 295 2000, F:+1 (441) 295 1242, www.pwc.com/bermuda

Our audit approach

Overview

- Overall group materiality: $1.5 million, which represents 1% of net premiums earned for 2022.

- We conducted an audit of three full scope components covering over 90% of the Group's consolidated total assets and revenues. Each of the three components were audited by component audit teams located in Bermuda, and the Cayman Islands. The Group engagement team has regular interaction with the aforementioned component teams.

- Valuation of claims incurred but not reported for property and casualty lines
- Methodologies and assumptions used for determining insurance contract liabilities for life and health claims
- Assessment of the impairment of goodwill of Island Heritage

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

BF&M Limited is the parent of a group of entities. The financial information of this Group is included in the consolidated financial statements of BF&M Limited. The Group is structured into five operating segments (see Note 7 of the consolidated financial statements) and is a consolidation of 12 separate legal entities (see Note 1 of the consolidated financial statements).

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the components by us, as the Group engagement team, or by PwC component auditors in Bermuda, and the Cayman Islands operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained.

The Group's operations are dominated by three financially significant legal entities which also represent three operating segments, and as such these legal entities required an audit of their complete financial information which provided us with over 90% coverage of the Group's operations as measured by consolidated total assets and revenues. These legal entities are: (i) BF&M Life Insurance Company Limited, (ii) BF&M General Insurance Company Limited, and (iii) Island Heritage Insurance Company, Ltd. Additionally, based on our professional judgment, audit procedures were conducted by the Group engagement team over certain balances within the Group's real estate and corporate segments, as well as analytical procedures over the remaining components. The Group engagement team had regular interaction with all component audit teams and reviewed in detail all reports with regards to the audit approach and findings submitted by the component audit teams.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall group materiality	$1.5 million
How we determined it	1% of net premiums earned for 2022
Rationale for the materiality benchmark applied	We chose net premiums earned as the benchmark because, in our view it is a benchmark against which the historical share price of the Group trends closely, and therefore is most meaningful to users of the Group's consolidated financial statements. Net premiums earned fairly represents the size and complexity of the business and it is not distorted by insured catastrophe events to which the Group is exposed. We chose a threshold of 1%, which is within the range of acceptable quantitative materiality thresholds for our selected benchmark, to arrive at our determination of materiality.

We agreed with the Audit Compliance and Corporate Risk Management Committee that we would report to them misstatements identified during our audit above $75,000, and reclassification misstatements above $1.5 million, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>

Valuation of claims incurred but not reported for property and casualty lines

See notes 2.O(i), 5B and 23 to the consolidated financial statements for disclosures of related accounting policies, judgments and estimates.

Total claims incurred but not reported for property and casualty lines as at 31 December 2022 are $17.4 million.

The methodologies and assumptions utilised to develop claims incurred but not reported involves a significant degree of judgment. The liabilities are based on the best-estimate ultimate cost of all claims incurred but not reported, a provision for development on reported claims, together with the related claims handling costs. A range of methods may be used to determine these provisions.

Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims which are also subject to complex calculations.

Management uses an external actuarial expert to assist in determining the value of claims incurred but not reported.

</td><td>

Our approach to testing management's valuation of claims incurred but not reported for property and casualty lines involved the following procedures, amongst others:

- In order to challenge management's assumptions and methodologies, we were assisted by our PwC actuarial experts, who performed independent re-projections on selected classes of business, particularly focusing on the largest and most volatile reserves as these were considered higher risk. For these classes, we compared our independent claims reserve estimates to those recorded by management and sought to understand any significant differences.
- For the remaining classes of business, our PwC actuarial experts evaluated the appropriateness of the methodology and reasonableness of assumptions applied by management. In performing this work, we compared the Group's actuarial methodologies with those commonly used in the insurance industry and used by the Group in prior periods.
- We tested the completeness, accuracy and reliability of the underlying data utilised by management and their external actuarial expert to support the actuarial valuation.

The results of our procedures indicated that the valuation of claims incurred but not reported for property and casualty lines were supported by the evidence we obtained.

</td></tr>
</table>

Methodologies and assumptions used for determining insurance contract liabilities for life and health claims *See notes 2.O(i), 5B, and 23 to the consolidated financial statements for disclosures of related accounting policies, judgments and estimates.* As at 31 December 2022 insurance contract liabilities for life and health claims are $174.8 million. The valuation of the provision for the settlement of future claims involves complex and subjective judgments about future events, both internal and external to the business, for which small changes in assumptions can result in material impacts to the valuation of these liabilities. The key assumptions include mortality, morbidity, lapse, policy administration expenses, and interest rates. Management uses internal actuarial experts to assist in determining these assumptions and in valuing insurance contract liabilities for life and health claims.	Our approach for testing management's methodologies and assumptions used for determining insurance contract liabilities for life and health claims involved the following procedures, amongst others: • We have utilised our PwC actuarial experts to assist in the evaluation of the methodologies and assumptions utilised by management for consistency with industry and entity-specific facts and circumstances. • We assessed the reasonableness of changes in key assumptions based on consistency with internal experience and/or industry studies and guidance and examined experience to confirm that unchanged assumptions are still reasonable for the current valuation and are consistent with relevant actuarial standards of practice. • We tested a sample of contracts to ascertain that contract features and assumptions were appropriately reflected within the actuarial model. The results of our procedures indicated that the methodologies and assumptions used by management for determining insurance contract liabilities for life and health claims are reasonable.
Assessment of the impairment of goodwill of Island Heritage *See notes 2 and 18 to the consolidated financial statements for disclosures of related accounting policies, judgments and estimates.* Management's annual impairment assessment of Island Heritage Insurance Company, Ltd. (the Cash Generating Unit ("CGU")), resulted in full impairment of goodwill of $5.4 million.	Our approach for testing the impairment of goodwill involved the following procedures, amongst others: • With respect to management's assumptions surrounding cash inflows and outflows (i) we compared management's forecasts against historical performance of the CGU, as well as the current market environment, and (ii) performed sensitivities around the key assumptions and considered the likelihood of these outcomes.

The future cash flow forecasts utilised to develop management's impairment assessment involve significant judgment, given both industry and relevant CGU facts and circumstances.

The key inputs to the cash flow forecasts include expected cash inflows, expected cash outflows and the discount rate applied.

- Tested the mathematical accuracy of management's model used to assess impairment.

- We were assisted by our PwC valuation expert who (i) performed an assessment of the value of the CGU using management's cash inflows and outflows, and (ii) performed an evaluation of the discount rate applied against market based inputs. The outcome of these procedures provided the basis to develop an independent range of values used to assess the impairment of the goodwill.

The results of our procedures indicated that the full impairment of goodwill related to the CGU, and related financial statement disclosures are supported by the evidence we obtained.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants
Hamilton, Bermuda
31 March 2023

Consolidated Statement of Financial Position

As at 31 December 2022 (in thousands of Bermuda dollars)

	Notes	2022 $	2021* $
Assets			
Cash and cash equivalents	9	75,847	103,192
Regulatory assets	10	24,676	24,783
Investments	11	677,506	665,050
Insurance receivables and other assets	12	92,219	84,703
Deferred acquisition costs	13	13,357	12,080
Reinsurance assets	14	100,968	99,596
Investment properties	15	21,831	21,579
Property and equipment	16	17,548	15,281
Tax recoverable	17	787	1,005
Deferred tax asset	17	310	288
Intangible assets	18	13,654	22,537
Assets held for sale	4	–	79,170
Total general fund assets		**1,038,703**	**1,129,264**
Segregated funds assets	19	1,128,491	1,349,792
Total assets		**2,167,194**	**2,479,056**
Liabilities			
Other liabilities	20	109,066	123,606
Retirement benefit obligations	21	640	953
Investment contract liabilities	22	298,205	308,075
Insurance contract liabilities	23	327,525	298,669
Liabilities held for sale	4	–	78,232
Total general fund liabilities		**735,436**	**809,535**
Segregated funds liabilities	19	1,128,491	1,349,792
Total liabilities		**1,863,927**	**2,159,327**
Equity			
Share capital	24	9,187	9,073
Treasury shares	24	(5,227)	(4,998)
Contributed surplus	24	1,482	1,482
Share premium	24	67,853	66,240
Accumulated other comprehensive loss	29	(1,287)	(1,231)
Retained earnings		224,815	242,212
Total shareholders' equity		**296,823**	**312,778**
Non-controlling interests		6,444	6,951
Total equity		**303,267**	**319,729**
Total liabilities and equity		**2,167,194**	**2,479,056**

**Certain comparative figures have been reclassified to conform to the consolidated financial statements presentation adopted for the current period. As at 31 December 2021, $476 was reclassified from "Investment properties" to "Insurance receivables and other assets".*

Approved by the Board of Directors

Abigail Clifford, B.A., M.Sc.
Group President and Chief Executive Officer

L. Anthony Joaquin, FCA, JP
Group Chairman

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

Consolidated Statement of Income

For the year ended 31 December 2022 (in thousands of Bermuda dollars except for per share amounts)

Income	Notes	2022 $	2021 $
Gross premiums written		363,050	353,030
Reinsurance ceded		(207,136)	(198,476)
Net premiums written		**155,914**	**154,554**
Net change in unearned premiums	23	(2,429)	(2,617)
Net premiums earned		**153,485**	**151,937**
Investment result	11	(66,506)	4,185
Commission and other income	26	49,332	51,696
Rental income		1,958	2,771
Total income		**138,269**	**210,589**
Benefits and Expenses			
Insurance contracts benefits and expenses			
Life and health policy benefits	27	49,240	82,039
Short term claim and adjustment expenses	27	15,776	14,765
Investment contract benefits		(19,709)	(5,395)
Participating policyholders' net (income) loss		(43)	808
Commission and acquisition expense		30,735	29,873
Operating expenses	28	57,670	54,647
Amortisation expense		12,590	8,183
Interest expense	16	100	83
Total benefits and expenses		**146,359**	**185,003**
Net (loss) / income before income taxes		**(8,090)**	**25,586**
Income taxes expense	17	(674)	(511)
(Loss) / income from continuing operations		**(8,764)**	**25,075**
Gain from discontinued operations	4	–	595
Net (loss) / income for the year		**(8,764)**	**25,670**
Net (loss) / income attributable to:			
Shareholders		(8,848)	25,173
Non-controlling interests in subsidiaries		84	497
Net (loss) / income for the year		**(8,764)**	**25,670**
Net (loss) / income from continuing operations attributable to:			
Shareholders		(8,848)	24,578
Non-controlling interests in subsidiaries		84	497
Net (loss) / income from continuing operations for the year		**(8,764)**	**25,075**
Net income from discontinued operations attributable to:			
Shareholders	4	–	595
Net income from discontinued operations for the year		**–**	**595**
Earnings per share			
Basic and fully diluted – from continuing operations	30	($1.00)	$2.77
Basic and fully diluted – from discontinued operations	30	–	$0.07
Basic and fully diluted – total	30	($1.00)	$2.84

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022 (in thousands of Bermuda dollars except for per share amounts)

	2022 $	2021 $
Net (loss) / income for the year	(8,764)	25,670
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Re-measurement of retirement benefit obligations	383	970
	383	970
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	(430)	9
	(430)	9
Total other comprehensive (loss) / income for the year after income taxes	**(47)**	**979**
Total other comprehensive (loss) / income attributable to:		
Shareholders	(56)	955
Non-controlling interests in subsidiaries	9	24
Total other comprehensive (loss) / income for the year after income taxes	**(47)**	**979**
Total other comprehensive (loss) / income from continuing operations attributable to:		
Shareholders	(56)	955
Non-controlling interests in subsidiaries	9	24
Total other comprehensive (loss) / income from continuing operations for the year after income taxes	**(47)**	**979**
Comprehensive (loss) / income	**(8,811)**	**26,649**
Comprehensive (loss) / income attributable to:		
Shareholders	(8,904)	26,128
Non-controlling interests in subsidiaries	93	521
Comprehensive (loss) / income	**(8,811)**	**26,649**
Comprehensive (loss) / income from continuing operations attributable to:		
Shareholders	(8,904)	25,533
Non-controlling interests in subsidiaries	93	521
Comprehensive (loss) / income from continuing operations	**(8,811)**	**26,054**
Comprehensive income from discontinued operations attributable to:		
Shareholders	–	595
Comprehensive income from discontinued operations	**–**	**595**

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in Note 17.

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

	Notes	2022 $	2021 $
Share capital			
Balance – beginning of year		9,073	9,025
Shares issued under employee share purchase plan	24	11	11
Shares issued under equity incentive plan	24	7	9
Share grants issued under equity incentive plan	24	106	90
Share grants forfeited under equity incentive plan	24	(10)	(62)
Balance – end of year		**9,187**	**9,073**
Treasury shares			
Balance – beginning of year		(4,998)	(1,664)
Acquisition of shares	24	(232)	(3,334)
Shares issued under employee share purchase plan	24	3	–
Balance – end of year		**(5,227)**	**(4,998)**
Contributed surplus – beginning and end of year		**1,482**	**1,482**
Share premium			
Balance – beginning of year		66,240	65,086
Shares issued under employee share purchase plan	24	236	214
Shares issued under equity incentive plan		164	162
Share grants issued under equity incentive plan		1,951	1,809
Share grants forfeited under equity incentive plan		(238)	(1,050)
Deferred share grant		(500)	19
Balance – end of year		**67,853**	**66,240**
Accumulated other comprehensive loss			
Balance – beginning of year		(1,231)	(2,186)
Other comprehensive (loss) / income for the year		(56)	955
Balance – end of year		**(1,287)**	**(1,231)**
Retained earnings			
Balance – beginning of year		242,212	223,358
Net (loss) / income for the year – from continuing operations		(8,848)	24,578
Net income for the year – from discontinued operations		–	595
Cash dividends		(8,549)	(8,505)
Acquisition of non-controlling interests net of purchase price		–	2,186
Balance – end of year		**224,815**	**242,212**
Total equity attributable to shareholders of the Group		**296,823**	**312,778**
Attributable to non-controlling interests			
Balance – beginning of year		6,951	10,723
Net income for the year		84	497
Other comprehensive income for the year		9	24
Cash dividends		(600)	(800)
Acquisition of non-controlling interests		–	(3,493)
Balance – end of year		**6,444**	**6,951**
Total equity		**303,267**	**319,729**

The dividends paid in 2022 and 2021 were $8,549 ($0.96 per share) and $8,505 ($0.96 per share) respectively.

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

	Notes	2022 $	2021* $
Cash flows from operating activities			
(Loss) / income from continuing operations for the year before income taxes		(8,090)	25,586
Gain from discontinued operations for the year before income taxes	4	–	595
Adjustments for:			
Investment result		(17,559)	(16,335)
Net realised loss / (gain) on investments		1,752	(3,607)
Change in fair value of investments		82,517	14,918
Impairment of investments		(1,292)	–
Amortisation of property and equipment		1,426	1,655
Amortisation of investment properties		988	926
Amortisation of intangible assets		4,484	5,591
Net impairment / (recovery) of intangible assets		5,655	(481)
Loss on sale of property and equipment		–	74
Interest expense		100	83
Compensation expense related to shares and options		1,857	1,245
Changes in assets and liabilities:			
Fixed deposits and regulatory assets		(706)	(1,083)
Insurance receivables and other assets		(6,372)	(4,999)
Deferred acquisition costs		(1,277)	(1,061)
Reinsurance assets		(8,516)	15,095
Insurance contract liabilities		(36,843)	(17,644)
Investment contract liabilities		(9,870)	(6,562)
Other liabilities		(19,701)	14,502
Retirement benefit obligations		70	128
Cash (used) / generated from operations		**(11,377)**	**28,626**
Income taxes paid		(509)	(527)
Interest received		17,347	17,342
Dividends received		963	866
Net cash (used) / generated from operating activities		**6,424**	**46,307**
Cash flows from investing activities			
Purchase of investments		(176,280)	(241,265)
Proceeds from sales of investments		158,564	162,570
Net acquisition of property and equipment		(3,694)	(560)
Additions to investment properties		(1,240)	(2,269)
Net acquisition of intangible assets		(1,255)	(472)
Net cash used for investing activities		**(23,905)**	**(81,996)**
Cash flows from financing activities			
Cash dividends paid		(8,549)	(8,505)
Interest paid		(100)	(83)
Acquisition of treasury shares		(229)	(3,334)
Net cash paid on acquisition of non-controlling interest		–	(1,307)
Cash dividends paid to non-controlling interest		(600)	(800)
Cash proceeds on issue of common shares		44	–
Principal elements of lease payments		(409)	(254)
Net cash used for financing activities		**(9,843)**	**(14,283)**
Effect from changes in exchange rates		(430)	9
Decrease in cash and cash equivalents		(27,754)	(49,963)
Cash and cash equivalents – beginning of year		103,601	153,564
Cash and cash equivalents – end of year		**75,847**	**103,601**
Cash and cash equivalents include:			
Cash and cash equivalents of assets held for sale		–	409
Cash and cash equivalents of continuing operations		75,847	103,192
		75,847	**103,601**

See Note 11 for disclosures of non cash investing activities arising in the year. Certain comparative figures have been reclassified to conform to the consolidated financial statements presentation adopted for the current period.

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

Notes to Consolidated Financial Statements

For the year ended 31 December 2022

Notes to Consolidated Financial Statements

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

1. Nature of the Group and its business

BF&M Limited (the "Group") was incorporated in Bermuda on 5 August 1991, as a holding company, and is a public limited company listed on the Bermuda Stock Exchange. The address of its registered office is: 112 Pitts Bay Road, Pembroke HM08, Bermuda.

The Group's principal business is insurance. It determines and charges a premium to policyholders which, taken as a pool with all other policyholders, is expected to cover underwriting costs and claims which may take a number of years to settle. The business risks of insurance reside in determining the premium, settlement of claims, estimation of claim costs and management of investment funds.

The Group is involved in property, casualty, motor, marine, life, health and long-term disability insurance, annuities, the management and investment of pension plans, as well as the rental of office space in buildings owned by the Group.

The Group has the following subsidiaries:

	% owned	Principal country of operation and incorporation
BF&M General Insurance Company Limited ("BF&M General")	100	Bermuda
BF&M Life Insurance Company Limited ("BF&M Life")	100	Bermuda
Island Heritage Insurance Company, Ltd. ("IHIC")	100	Cayman Islands
Barr's Bay Properties Limited ("Barr's Bay")	100	Bermuda
BF&M (Canada) Limited ("BF&M Canada")	100	Canada
BF&M Brokers Limited ("BF&M Brokers")	100	Bermuda
BF&M Investment Services Limited ("BFMISL")	100	Bermuda
BF&M Properties Limited ("BF&M Properties")	100	Bermuda
Island Heritage Insurance Company N.V.	100	Netherlands Antilles
Island Heritage Retirement Trust Company Ltd. ("IHRT")	100	Cayman Islands
Lawrence Boulevard Holdings Ltd.	100	Cayman Islands
Scarborough Property Holdings Limited ("Scarborough")	60	Bermuda

During 2022, the Group completed the dissolution of its subsidiary Hamilton Reinsurance Company Limited. It was 100% owned by the Group.

All subsidiary undertakings are included in the consolidated financial statements with any portion not owned by the Group reflected in non-controlling interest; in addition, all subsidiaries have a 31 December year-end.

On 24 March 2023 the Board of Directors approved the consolidated financial statements and authorised them for issue. The Board of Directors has the power to amend the consolidated financial statements after issue.

2. Significant accounting policies

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

A. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued and adopted by the International Accounting Standards Board ("IASB").

B. Basis of preparation

i) Basis of measurement

The consolidated financial statements have been compiled on the going concern basis and prepared on the historical cost basis, as modified by the revaluation of i) available-for-sale financial instruments and certain segregated fund assets and liabilities measured at fair value and ii) financial assets and liabilities at fair value through profit or loss; and the remeasurement of retirement benefit obligations measured at present value.

The consolidated statement of financial position is presented in order of liquidity except for Assets held for sale and Liabilities held for sale. Refer to Note 4.

ii) Critical estimates, judgments and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions. It is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumptions made could require a material adjustment to the carrying amount of the asset or liability affected. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

Key sources of estimation uncertainty and areas where significant judgments have been made are listed below and discussed throughout the notes to these consolidated financial statements including:

- The actuarial assumptions used in the valuation of life and health insurance and investment contract liabilities under the Canadian Asset Liability Method ("CALM") require significant judgment and estimation. Key assumptions and considerations in choosing assumptions and sensitivities are discussed in Note 5B.
- The estimate of the ultimate liability arising from claims under short-term insurance contracts. Refer to Note 5B.
- In the determination of the fair value of financial instruments, the Group's management exercises judgment in the determination of fair value inputs, particularly those items categorised within level 3 of the fair value hierarchy. Refer to Note 8.
- Management considers the synergies and future economic benefits to be realised in the initial recognition and measurement of goodwill and intangible assets as well as evaluating recoverable amounts. The assessment of the carrying value of goodwill and intangible assets relies upon the use of forecasts and future results. Refer to Note 2N and Note 18.
- The actuarial assumptions used in determining the liability and expense of the Group's retirement benefit obligations. Management reviews previous experience of its plan members and market conditions for the year. Refer to Note 21.
- Management uses independent qualified appraisal services to assist in determining the fair value of investment properties or properties providing collateral for mortgages, for purposes of evaluating possible impairment. This fair value assessment requires judgments and estimates on future cash flows and general market conditions. Refer to Notes 8 and 15.

iii) COVID-19 pandemic considerations

In early 2020 COVID-19 was declared a pandemic by the World Health Organisation. The Group's results and operations have been and may continue to be adversely impacted by COVID-19. The adverse effects include but are not limited to market volatility, increase in credit risk, foreign currency exchange rate volatility, increases in insurance claims, redemptions, and disruption of business operations.

The application of our accounting policies requires estimates, assumptions and judgments as they relate to matters that are inherently uncertain. The Group has established procedures to ensure that our accounting policies are applied consistently and there have been no material changes to methodologies applied for determining estimates. With respect to the critical estimates, judgments, and assumptions in 2B (ii), no material COVID-19 specific provisions or adjustments were warranted. Management continues to monitor the Group's experience and exposure, including evaluation of the risks included in Note 5.

C. Consolidation

i) Subsidiaries

Subsidiaries are all entities over which the Group has control. Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date control is transferred to the Group and deconsolidated on the date control ceases. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated on consolidation. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

ii) Transactions with non-controlling interest

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group.

D. Determination of fair value

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 at the measurement date. Fair value is measured using the assumptions that market participants would use when pricing an asset or liability.

When available, quoted market prices are used to determine fair value. If quoted market prices are not available, fair value is typically based on alternative valuation methods such as discounted cash flows and other techniques. When observable valuation inputs are not available, significant judgment is required to determine fair value by assessing the valuation methods and inputs. For bonds and fixed income securities, broker quotes are typically used when external public vendor prices are not available. Judgment is also applied in adjusting external observable data for items including liquidity and credit factors. A description of the fair value methodologies and assumptions by type of asset is included in Note 8.

E. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

F. Foreign currency translation

i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). All amounts in the consolidated financial statements, excluding per share data or where otherwise stated, are in thousands of Bermuda dollars, which is the Group's presentation currency (the "presentation currency").

ii) Transactions and balances

Monetary assets and liabilities denominated in currencies other than the functional currency of the Group or its subsidiaries are translated into the functional currency using the rate of exchange prevailing at the consolidated statement of financial position date. Income and expenses are translated at rates of exchange in effect on the transaction dates. Foreign exchange gains and losses are expensed in the consolidated statement of income.

Translation differences on non-monetary financial assets and liabilities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets classified as available-for-sale are included in other comprehensive income.

iii) Group companies

The financial statements of foreign operations are translated from their respective functional currency to Bermuda dollars, the Group's presentation currency. Assets and liabilities are translated at rates of exchange for the period at the statement of financial position date, and income and expenses are translated using the average rates of exchange. The accumulated gains or losses arising from translation of functional currencies to the presentation currency are included in other comprehensive income on the consolidated statement of comprehensive income.

The Cayman Islands operation's functional currency is in United States dollars, which are on par with the Bermuda dollar. As a result there are no unrealised translation gains and losses to be reported other than for BF&M Canada, for which the functional currency is the Canadian dollar.

G. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly liquid financial assets with original maturities of three months or less and are readily convertible to known amounts of cash and which are subject to an insignificant change in value, and bank overdrafts.

H. Regulatory assets

Regulatory assets are held with Regulators as a legal requirement in order to provide services in the respective territories. Regulatory assets comprise deposits and fixed income securities. Refer to Note 2I(i) for the classification, recognition and subsequent measurement of fixed income securities held as regulatory assets.

I. Financial instruments

i) Financial assets

Classification, recognition and subsequent measurements of financial assets

The Group classifies its investments into the following categories: a) financial assets at fair value through profit and loss ("FVTPL"); b) held-to-maturity; c) loans and receivables; and d) financial assets available-for-sale. Management determines the classification at initial recognition and is dependent on the nature of the assets and the purpose for which the assets were acquired.

a) FVTPL

A financial asset is classified at FVTPL if it is designated as such upon initial recognition or is classified as held-for-trading. A financial asset can be designated as FVTPL if it eliminates or significantly reduces an accounting mismatch. A financial asset is classified as held-for-trading if it is acquired mainly for the purpose of selling in the near term or traded for the purposes of earning investment income. Attributable transaction costs upon initial recognition are recognised in investment result in the consolidated statement of income as incurred. FVTPL assets are measured at fair value and changes in fair value as well as realised gains and losses on sales are recognised in investment result in the consolidated statement of income. Dividends earned on equities are recorded in investment result in the consolidated statement of income. Derivatives are also categorised as held-for-trading unless they are designated as hedges. The Group has not designated any derivatives as hedges.

b) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments that the Group has the positive intent and ability to hold to maturity. Held-to-maturity financial assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest rate method, less any impairment losses. Amortisation of premiums and accretion of discounts are included in investment result in the consolidated statement of income.

Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

c) Loans and receivables

Loans and receivables are all non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment loss. For purposes of this classification loans and receivables are comprised of mortgages and other loans. Realised gains or losses from the sale of loans and receivables are recorded in investment result in the consolidated statement of income.

d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, including properties pending sale associated with non-performing mortgages, that are not classified in any of the previous categories. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Equities are subsequently carried at fair value. Gains and losses arising from changes in the fair value of the financial assets available-for-sale are included in the consolidated statement of comprehensive income in the period in which they arise. When assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the consolidated statement of income.

All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Balances pending settlement as a result of sales and purchases are reflected in the consolidated statement of financial position as receivable for investments sold and payable for investments purchased.

De-recognition and offsetting

The Group derecognises a financial asset when the rights to receive cash flows from the financial asset have expired or have been transferred and the Group has transferred substantially all the risk and rewards of ownership of the financial asset, which is normally the trade date.

Investment income

Dividends on equity and fund instruments are recognised in the consolidated statement of income on the ex-dividend date. Interest income is recorded on the accruals basis, using the effective interest rate method, in investment result in the consolidated statement of income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

ii) Financial liabilities

Classification, recognition and subsequent measurement of financial liabilities
The Group has the following financial liabilities: a) financial liabilities at FVTPL and b) other financial liabilities. Management determines the classification at initial recognition.

a) FVTPL
The Group's financial liabilities at FVTPL relate to certain investment contract liabilities. Contracts recorded at FVTPL are measured at fair value at inception and each subsequent reporting period. Changes in fair value of investment contract liabilities are recorded in investment contract benefits in the consolidated statement of income.

b) Other financial liabilities
All remaining financial liabilities are classified as other financial liabilities. Such financial liabilities are initially recognised at fair value plus any directly attributable transaction costs. Included under other liabilities are accounts payable. Other remaining liabilities are considered short-term payables with no stated interest rate and the carrying value of these financial liabilities approximates fair value at the reporting date.

All other liabilities (including liabilities designated at FVTPL) are recognised initially on the trade date at which the Group becomes a party to the contractual provision of the instrument.

J. Impairment of assets

i) Impairment of financial assets

The Group reviews the carrying value of its financial assets, except those classified as FVTPL, at each period end for evidence of impairment and reversal of previously recognised impairment losses. These assets are considered impaired if there is objective evidence of impairment as a result of one or more loss events that have an impact that can be reliably estimated on the estimated future cash flows of the asset and the financial assets carrying value exceeds the present value of the estimated future cash flows. Objective factors that are considered when determining whether a financial asset or group of financial assets may be impaired include, but are not limited to the following: (i) failure to make scheduled payments of capital and/or interest; (ii) adverse changes in the payment pattern of the borrower; (iii) renegotiation of terms or granting of concessions to the borrower; and (iv) significant deterioration in the fair value of the security underlying the financial asset.

a) Loans and receivables
When loans and receivables assets (other than collateralised loans) carried at amortised cost are impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. For collateralised loans the carrying amount is reduced to its recoverable amount, being the future cash flow of the collateralised value less cost to sell discounted at the original effective interest rate of the instrument. For all loans and receivables where an impairment loss has occurred, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of income. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed in investment result in the consolidated statement of income.

b) Financial assets classified as available-for-sale
In the case of equity and fund financial assets classified as available-for-sale, in addition to the types of events listed above, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment.

When an available-for-sale asset is impaired, the loss accumulated in other comprehensive income is reclassified to investment result in the consolidated statement of income. The cumulative loss that is reclassified from other comprehensive income to investment result is measured as the difference between the acquisition cost and the current fair value of the financial assets less any impairment loss previously recognised in the consolidated statement of income. If, in a subsequent period, the fair value of an available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment is reversed through the consolidated statement of income.

ii) Impairment of non-financial assets

The Group's non-financial assets comprise investment properties, property and equipment and intangible assets. Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Non-financial assets that are subject to amortisation are reviewed for impairment whenever there is objective evidence of impairment. Objective evidence includes, but is not limited to the following: (i) adverse economic, regulatory or environmental conditions that may restrict future cash flows and asset usage and/or recoverability; (ii) the likelihood of accelerated obsolescence arising from the development of new technologies and products; and (iii) the disintegration of the active market(s) to which the asset is related. If objective evidence of impairment exists, then the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount and is recognised as part of amortisation expense in the consolidated statement of income. The recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions of the time value of money and the risks specific to the asset. Assets which cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (cash-generating units), except where the value in use of an asset can be estimated as being close to its fair value less costs to sell where fair value can be reliably determined.

K. Investment properties

Investment properties are defined as properties with an insignificant portion that is owner occupied and are held for long-term rental yields or capital appreciation and comprise freehold land and buildings. Properties that do not meet these criteria are classified as property and equipment. Investment properties are initially recognised at cost in the consolidated statement of financial position. Subsequently, investment properties are carried at historical cost less depreciation. Depreciation on investment properties is calculated using the straight-line method over 50 years, excluding land and its residual value. Rental income from investment properties is recognised on a straight-line basis over the term of the lease in rental income in the consolidated statement of income. Expenditures relating to ongoing maintenance of investment properties are expensed. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The assets' residual values and useful lives are reviewed at the end of each reporting period and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

L. Property and equipment

Owner occupied properties and all other assets classified as property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditures relating to ongoing maintenance of property and equipment are expensed as incurred in operating expenses in the consolidated statement of income.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives at the following rates:

- Computer hardware — 3 to 5 years
- Motor vehicles — 5 years
- Furniture and equipment — 5 to 10 years
- Leasehold improvements — the shorter of the lease term or 5 to 10 years
- Buildings — 50 years

The assets' residual values, useful lives and method of depreciation are reviewed at the end of each reporting period and adjusted if appropriate. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is considered impaired and it is written down immediately to its recoverable amount. In the event of improvement in the estimated recoverable amount, the related impairment may be reversed.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in commissions and other income in the consolidated statement of income.

M. Leases

i) The Group as a lessee

The Group leases various buildings and equipment. Rental contracts are typically made for fixed periods (5 to 10 years for buildings and 3 to 6 years for equipment) but may have extension options described further below. These leases do not include residual value guarantees or purchase options.

Lease contracts that contain an identified asset for which the Group has the right to direct the use of the identified asset and obtain substantially all of the economic benefits through the period of use are recognised on the consolidated statement of financial position as a right-of-use asset within Property and equipment and a corresponding liability within Other liabilities at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments: fixed payments, less any lease incentives receivable; variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date; lease payments for reasonably certain renewal options; and payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- Where possible, uses recent third-party financing received by the Group as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.
- Because all third-party financing is to be arranged at the Group level, the use of the Group financing rates has been applied.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases with a lease term of 12 months or less and all leases of low-value assets are recognised as an expense in the consolidated statement of income.

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The probability of renewal (or termination) is assessed using several factors such as: suitability and location of the asset; comparison to market rates; historical lease durations; costs and business disruption to replace the lease assets; and any other relevant factors.

Most extension options in equipment leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

ii) The Group as a lessor

Where the Group is the lessor under an operating lease for its investment properties, lease arrangements are fixed, and income is credited to the consolidated statement of income on a straight-line basis over the period of the lease. In addition the tenant can renew their lease when their tenancy is nearing expiry. There are no contingent rentals included in the lease agreements.

N. Intangible assets

Intangible assets include finite life intangible assets and goodwill. These assets include the following:

i) Finite life intangible assets

Intangible assets that were determined to have finite lives are amortised on a straight-line basis over varying periods of up to 10 years, being the estimated expected lives. The estimated life is re-evaluated when there is objective evidence of impairment (refer to Note 2J(ii)). For assets that are not yet in use, the impairment is assessed on an annual basis. Finite life intangible assets include the following:

Customer relationships and contracts

These assets, which comprise customer lists, customer relationships and contracts acquired from the purchase of rights or as part of business combinations, were initially measured at fair value by estimating the net present value of future cash flows from the contracts in force at the date of acquisition. Subsequently, these assets are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line basis over either 5 or 10 years, being the expected life of the business assumed. These assets include assets acquired on the acquisition of IHIC and BF&M Brokers and assets acquired from agents in the health, life, annuity and pension segment.

Distribution channels

These assets, which comprise agent and bank relationships acquired as part of business combinations, were initially measured at fair value by estimating the net present value of future cash flows from these relationships based on certain historical ratios of gross written premium arising from these distribution channels on business in force at the date of acquisition. Subsequently, these assets are carried as cost less accumulated amortisation. Amortisation is calculated using the straight-line basis over 10 years, being the expected life of the business assumed and the business channel relationship. These assets include assets acquired on the acquisition of IHIC.

Software development costs

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable software products controlled by the Group are recognised as internally generated intangible assets when:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use it;
- There is an ability to use the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software development include employee costs and an appropriate portion of directly attributable overheads. Other development expenditures that do not meet these criteria are expensed when incurred. Capitalised software development costs for projects in use are amortised on a straight-line basis over their useful lives, which range from 3 to 10 years.

ii) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the acquisition cost over the fair value of the Group's proportionate share of the net identifiable assets and liabilities of an acquired business at the acquisition date. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGU"), which in this case are the acquired businesses on an individual basis. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate potential impairment. The carrying value of the CGU, inclusive of goodwill and other intangibles is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

O. Insurance and investment contracts

The Group issues contracts that transfer insurance risk or financial risk or both.

i) Insurance contracts

Insurance contracts are those contracts where the Group (the insurer) has accepted significant insurance risk from another party, the policyholder or ceding company, by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur. In addition, the Group considers the proportion of premiums received to the benefit payable if the insured event did occur. Insurance contracts can also transfer financial risk.

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

Life and health insurance contracts include term, whole life and universal life insurance contracts, group life insurance policies, health insurance contracts and life contingent annuities. The Group holds whole life contracts which may be either participating or non-participating contracts.

Short-term insurance contracts include property, casualty, motor, marine and other specialty insurance contracts. These contracts are all non-participating contracts.

Sections a–d outline the recognition and measurement of material financial statement line items related specifically to insurance contracts.

a) Deferred acquisition costs ("DAC") related to insurance contracts

For short term insurance contracts, commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised. All other costs are recognised as expenses when incurred. The DAC is subsequently amortised over the term of the policies on a straight-line basis as premium is earned. For policies written where there has been a total loss on sums insured, any deferred acquisition costs still reported in the consolidated statement of financial position will be immediately recognised in full in the consolidated statement of income.

b) Reinsurance contracts held related to insurance contracts

The Group uses reinsurance in the normal course of business to manage its risk exposure. Contracts entered into by the Group with reinsurers, under which the Group is compensated by the reinsurers for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts, are classified as reinsurance contracts held. Reinsurance assets are measured using the amounts and assumptions associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract.

The Group purchases reinsurance to share part of the risks originally accepted by the Group in writing premiums. This reinsurance, however, does not relieve the Group of its primary obligation to policyholders. If any reinsurers are unable to meet their obligations under the related agreements, the Group remains liable to its policyholders for the unrecoverable amounts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are amortised consistent with the underlying insurance contracts.

The Group assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its estimated recoverable amount and recognises that impairment loss in the consolidated statement of income. For reinsurance coverage that is exhausted before the policy end date, any deferred balances still recorded in the consolidated statement of financial position will be recognised in full immediately in the consolidated statement of income.

c) Insurance contract liabilities

Life and health insurance contracts

These contracts (meaning insurance contract liabilities, both participating and non-participating) include all forms of life, health and accident insurance and life contingent annuities sold to individuals and groups. A provision for life and health insurance liabilities is made which represents the amounts required, in addition to future premiums and investment income, to provide for future benefit payments, policyholder dividends, commission and policy administrative expenses for all in-force life insurance and annuity policies. These benefits are determined using generally accepted actuarial practices according to standards established by the Canadian Actuarial Standards Board ("ASB"). In accordance with these standards, the provisions have been determined using the Canadian Asset Liability Method ("CALM") or an approximation of CALM.

The insurance liabilities under CALM are calculated by projecting asset and liability cash flows under a variety of interest rate scenarios using best estimate assumptions, together with margins for adverse deviations with respect to other contingencies pertinent to the valuation. Long term business provisions make sufficient allowance for the expected experience scenario and for adverse deviations in experience. Liabilities derived through an approximation to CALM utilise a combination of Group and industry specific experience in order to determine the best estimate assumptions and corresponding margins for adverse deviations. Group and individual health reserves, the largest line of business utilising an approximation of CALM, are estimated using a historical analysis of the Group's claims emergence patterns and completion factors. Many of the estimates used in actuarial valuation relate to future events and involve a significant amount of judgment. As a result, these estimates are subject to revision on a regular basis and would be recognised in the consolidated statement of income at time of revision.

In certain life and health reinsurance contracts underwritten by BF&M Life, where the timeliness and quality of information from cedants is not sufficient to provide a reasonable estimate of true premium written, then those premiums are recorded as cash is received from the cedants. An insurance contract liability is calculated and any loss on an underwriting year is recorded in the consolidated statement of income. If any profit is anticipated on an underwriting year, then further reserves are established to record to nil underwriting income. This takes place for the first 3 years of each underwriting year programme as this time period is felt to be the minimum time necessary to determine underwriting results.

Expected reinsurance recoveries, net of any required provision for impairment are estimated using principles consistent with the Group's method for establishing the related liability and are recorded in accordance with the terms of the Group's reinsurance agreements.

Short-term insurance contracts

Claims and loss adjustment expenses are charged to insurance contract benefits and expenses in the consolidated statement of income as incurred based on the estimated ultimate liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims.

A provision for short-term insurance liabilities is made for the estimated costs of claims notified but not settled at the consolidated statement of financial position date using the best information available at that time. In addition to development on known claims, a provision is included for losses and loss adjustment expenses incurred but not reported on the basis of past experience. The provision is based on an actuarial analysis of the Group's accident year development experience. The provision is determined using generally accepted actuarial practices in Canada. The method of making such estimates and for establishing the resulting provisions is reviewed and updated annually and any adjustments resulting therefrom are reflected in earnings in the period in which they are determined.

Expected reinsurance recoveries on claims, net of any required provision for doubtful amounts, are estimated using principles consistent with the Group's method for establishing the related liability and are in accordance with the terms of the Group's reinsurance agreements.

d) Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed on short-term insurance contracts to ensure the adequacy of the contract liabilities net of related DAC. In performing these tests, current best estimates of future contractual cash flows, claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to the consolidated statement of income initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision). Any DAC written off as a result of this test cannot subsequently be reinstated.

ii) Investment contracts

Investment contracts are those contracts that do not transfer significant insurance risk but do transfer financial risk from the policyholder. The Group issues contracts that in some instances contain a discretionary participation feature ("DPF"). This feature entitles the holder to receive, as a supplement to guaranteed benefits, a dividend. Dividends are paid on the policy anniversary and as long as the policy is in force. These contracts are referred to as participating contracts. IFRS allows the non-guaranteed, or participating, elements of such contracts to be classified as either a liability or as equity, depending on the nature of the obligation to the policyholder. The contracts issued by the Group contain constructive obligations to the policyholder with respect to the DPF of the contracts. The Group has therefore elected to classify these features as a liability.

Investment contracts with DPF's are accounted for in accordance with IFRS 4 and investment contracts without discretionary participating features are accounted for in accordance with IAS 39, Financial Instruments: Recognition and Measurement.

The Group's investment contracts include pension plans with a guaranteed minimum rate of return and annuities that do not transfer insurance risk. All investment contracts issued are non-participating.

Liabilities for investment contracts have been designated at FVTPL. Contracts recorded at FVTPL are measured at fair value at inception and each subsequent reporting period. Changes in investment contract liabilities are recorded as a change in investment contract benefits expense in the consolidated statement of income. These liabilities are derecognised when the obligation of the contract is discharged, cancelled or expired.

iii) Receivables and payables related to insurance contracts and investment contracts

Receivables and payables are recognised at contract inception. These include amounts due to and from agents, brokers and insurance and investment contract holders. These receivables and payables are included in insurance receivables and other assets, insurance and investment contract liabilities and other liabilities in the consolidated statement of financial position.

If there is objective evidence that the receivable is impaired, the Group reduces the carrying amount of the receivable accordingly and recognises that impairment loss in the consolidated statement of income. The Group gathers the objective evidence that a receivable is impaired using the same process adopted for loans and receivables in Note 2 J(i) above. The impairment loss is calculated using the same method used for these financial assets.

P. Service contracts

Contracts issued by the Group that do not transfer significant insurance or financial risk from the customer are referred to as service contracts. These contracts are primarily for the provision of pension administration and investment management services. Fee income earned from these contracts is described in the Revenue Recognition accounting policy, Note 2U(iii). DAC arising from service contracts are amortised over the expected life of the contracts up to a maximum of 10 years. Where the cost of meeting the obligations of the contract exceed the economic benefits expected to be received under it, a provision is recognised.

Q. Segregated funds and liabilities

Segregated funds assets and liabilities relates to contracts issued by the Group where the benefit amount to the policyholder is directly linked to the fair value of the investment held in the particular segregated fund. The underlying assets are registered in the name of the Group and the segregated fund policyholder has no direct access to the specific assets. The contractual arrangements are such that the segregated fund policyholder bears the risk and rewards of the fund's investment performance. There is also no insurance risk to the Group with these contracts. Segregated funds net assets are recorded at fair value. The fair value of the segregated funds net liabilities is equal to the segregated funds net assets. Investment income earned by the segregated funds and expenses incurred by the segregated funds offset and are not separately presented in the consolidated statement of income and are disclosed in Note 19. Fee income earned on the management of these contracts is included in commission and other income in the consolidated statement of income.

R. Loans to policyholders

Loans to policyholders are initially measured at fair value and subsequently carried at amortised cost and are fully secured by the policy values on which the loans are made. These loans are classified as loans and included in investments in the consolidated statement of financial position.

S. Current and deferred income tax

The tax expense for the period on the Group's Canadian operation and Cayman Islands operation, via its operations in various Caribbean Islands, comprises current and deferred tax. Tax is recognised in the consolidated statement of income, except to the extent that it relates to items recognised in the consolidated statement of comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries operate and generate taxable income.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statement of financial position. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The tax effect of carry-forwards of unused tax losses are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised. When management's assessment indicates that it is more likely than not that deferred income tax assets will not be realised, a valuation allowance is recorded against the deferred tax assets.

T. Employee benefits

The Group operates various post-employment schemes, including defined benefit and defined contribution pension plans and post-employment medical plans.

i) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. With respect to the Group's defined contribution plans, the Group pays contributions into the plan and has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

A defined benefit plan is a pension plan in which the Group is obligated to pay a specified benefit based on a predetermined formula. The net liability recognised in the consolidated statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the financial reporting period less the fair value of plan assets. When the calculation results in a surplus, the asset recognised is limited to the present value of the future economic benefit available in the form of future refunds from the plan or reductions in future contributions to the plan (the asset limit). The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market interest rates of high-quality debt instruments.

Re-measurement of the net defined benefit asset or liability consists of actuarial gains and losses, the change in effect from asset limits and the return on plan assets, excluding amounts included in net interest on the net defined benefit asset or liability, and are charged or credited to other comprehensive income in the period in which they arise. Current service costs, past services cost, any gains or losses from curtailments and interest on the net defined benefit liability (asset) are recognised immediately in the consolidated statement of income.

ii) Other post-employment obligations

In addition to pension benefits, the Group provides post-retirement benefits for health care to qualified Bermuda retirees. The entitlement to these benefits was conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. As the plan is closed to new participants, only the interest on the obligation is recognised in the consolidated statement of income. Actuarial gains and losses are charged or credited to equity in other comprehensive income in the period in which they arise.

iii) Share-based compensation

The Group has an Equity Incentive Plan under which the entity receives services from employees as consideration for equity instruments of the Group (both equity, and equity based but cash settled, transactions). Share grants are issued to employees equal to the fair value of the shares on the grant date. The amount of the benefit of these share grants is amortised over the vesting period as operating expense in the consolidated statement of income. Where share grants are forfeited due to failure by the employee to satisfy the service conditions, any expense previously recognised in relation to such shares is reversed effective the date of forfeiture.

If the Group grants share options to employees that vest in the future if service conditions are met, then the fair value of the options will be calculated at the date the options are granted. This fair value will be charged to the consolidated statement of income equally over the vesting period with adjustments made at each accounting date to reflect the best estimate of the number of options that will eventually vest. Expenses previously recognised related to share options are not reversed on forfeit.

The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to share capital and share premium with a corresponding charge to operating expenses.

iv) Employee share purchase plan

The Group operates an employee share purchase plan that allows its employees to purchase the Group's common shares at below-market rates, subject to certain restrictions. Shares are offered at a discount to the shares' fair market value, as determined by the market share price on the date of purchase. Employees may purchase shares up to a maximum percentage of their gross salary. The discount is charged to compensation expense in the period in which the shares are purchased.

U. Revenue recognition

Revenue comprises the fair value for services. Revenue is recognised as follows:

i) Premium income

Premiums on most life and health insurance contracts and life contingent annuity investment contracts are recognised as revenue when due from the policyholder.

Premiums on life and health reinsurance contracts underwritten by BF&M Life are recognised based on receipts reported by the ceding company.

Contributions received on non-participating investment contracts are treated as policyholder deposits and not recorded as revenue in the consolidated statement of income. Only those contributions used to cover insured risk and associated costs are treated as premium income. These include fees for the cost of insurance and administrative charges.

For short-term insurance products, premiums written are earned on a pro-rata basis over the terms of the policies to which they are related. Unearned premiums represent the portion of premiums written that relate to the period of risk subsequent to the year-end. Unearned premiums are included as a component of insurance contract liabilities in the consolidated statement of financial position. For policies written where there has been a total loss on sums insured, any unearned premium still reported in the consolidated statement of financial position is immediately recognised in full in the consolidated statement of income.

ii) Commission income

For short-term reinsurance contracts, commission income is recognised over the term of the related reinsurance contracts and in accordance with the expensing of the related reinsurance premiums. Commission income on long-term insurance contracts is recognised when earned and the amount is readily determinable. The recognition of profit commissions is also dependent on the loss experience underlying such reinsurance policies.

iii) Service contracts

Revenue arising from the management of service contracts, pension administrative services and investment advisory and management services offered by the Group is included within commission and other income in the consolidated statement of income. Revenue is recognised at the point in time when services are rendered. The majority of the revenue from service contracts is comprised of variable consideration and is recognised when it is highly probable that a significant reversal in the amount of the revenue recognised will not occur.

V. Share capital and treasury shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognised as a deduction from equity.

Where the Group purchases the Group's common shares, for example as the result of a share buy-back, the consideration paid, including any directly attributable costs, is deducted from equity until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transactions costs, is included in equity.

W. Dividend distribution

Dividend distribution to the Group's shareholders' is recognised as a liability in the consolidated statement of financial position in the period in which the dividends are approved by the Group's Board of Directors.

X. Earnings per share

Basic earnings per share is presented in the consolidated statement of income and is calculated by dividing the shareholders' net earnings for the year by the weighted average number of ordinary shares outstanding, excluding treasury shares, at the reporting date.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. When there is a loss, no potential common shares are included in the computation of fully diluted earnings per share.

Y. Non-current assets and disposal groups classified as held-for-sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is satisfied when a sale is highly probable and the assets are available for immediate sale in their present condition, subject only to terms that are usual and customary for sales of non-current assets and disposal groups. For a sale to be highly probable management are committed to sell the non-current asset or disposal group within one year from the date of classification as held for sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell. Certain assets are specifically excluded from these measurement requirements. The assets in this category include financial assets, investment properties and insurance and reinsurance assets. These exempt assets are measured in accordance with the relevant accounting policies described within the Notes to these consolidated financial statements. The disposal group as a whole is then measured to the lower of its carrying amount and fair value less cost to sell. Any impairment loss for the disposal group is recognised as a reduction to the carrying amount of the non-current assets in the disposal group that are in scope of the measurement requirements.

Assets and liabilities in a disposal group classified as held for sale are presented separately in the consolidated statements of financial position.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- Represents a separate major line of business or geographic area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

When an operation is classified as a discontinued operation the comparative consolidated statement of income and consolidated statement of comprehensive income is represented as if the operation had been discontinued from the start of the comparative year.

3. New and revised accounting standards

A. New and revised accounting standards effective 1 January 2022

The Group has applied the following relevant standards and amendments for the first time for its annual reporting period commencing 1 January 2022:

(i) **Annual Improvements 2018-2020 Cycle –** Annual Improvements 2018-2020 Cycle was issued in May 2020 and is effective on or after 1 January 2022. The IASB issued four minor amendments to different standards as part of the Annual Improvements process, to be applied prospectively. Adoption of these amendments did not have a significant impact on the Group's consolidated financial statements.

(ii) **Amendments to IFRS 3 "Business Combinations" –** Amendments to IFRS 3 Business Combinations were issued in May 2020, and are effective on or after 1 January 2022, with earlier application permitted. The amendments update references to the revised Conceptual Framework without significantly changing its requirements. It requires that the principles in IAS 37 Provisions, Contingent Liabilities and Contingent Assets be used to identify liabilities and contingent assets arising from a business combination. Adoption of these amendments did not have a significant impact on Group's consolidated financial statements.

B. New and revised accounting standards not yet effective

The following sets out standards that will be adopted on 1 January 2023:

IFRS 17 – *Insurance Contracts* ("IFRS 17") – IFRS 17 will replace IFRS 4 which sets out the requirements for the recognition, measurement, presentation, and disclosures of insurance contracts a company issues, reinsurance contracts it holds, and investment contracts with discretionary participation features issued.

The key principals under IFRS17 which impact the Group's consolidated financial statements are:

- The measurement of the present value of future contract cash flows incorporating an explicit risk adjustment and remeasured at each reporting period (the fulfilment cash flows).
- A contractual service margin, representing the unearned profit of the insurance contracts to be recognised in profit or loss over the service period (coverage period); for reinsurance contracts held, a contractual service margin is modified, instead of unearned profit, it presents a net cost or net gain on purchasing the reinsurance.
- IFRS 17 introduces the concept of directly attributable expenses. Directly attributable expenses are included in the IFRS 17 measurement of insurance contract liabilities, whereas non-directly attributable expenses are recognised in profit and loss as incurred. Directly attributable expenses also include acquisition expenses from the costs of selling, underwriting and starting a group of insurance contracts that are directly attributable.
- The presentation of insurance revenue and insurance service expenses in the consolidated statement of comprehensive income based on the concept of insurance services provided during the period; and
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

Two of the three measurement models introduced by IFRS 17 are applicable to the Group as follows:

General Measurement Model (GMM)

The Group will apply this model to its Annuity and Individual Life insurance products. Under this model, the Group will measure insurance contract liabilities in the consolidated statement of financial position as the total of: (i) the fulfilment cash flows (FCF) – being the current estimates of amounts that the Group expects to collect (e.g. premiums) and pay out (e.g. claims, benefits, expenses), including adjustments for discounting and an explicit adjustment for non-financial risks related to those amounts; and (ii) the contractual service margin (CSM) – being the unearned profit for providing insurance coverage, which is subsequently recognised into profit or loss over time as the insurance services are provided.

Premium Allocation Approach (PAA)

The Group applies this model to its short-term insurance products, such as property and casualty products, and group life and health products. This simplified model can be used when the contract boundary is less than one year, or the approach is expected to produce a similar liability for remaining coverage (LRC) as under the GMM. Under the PAA, the LRC is set as the premiums received less acquisition expenses, less premium revenue recognised, the Group has elected not to discount the LRC. The liability for incurred claims follows the same measurement provisions as the GMM and discounting is applied, as well as a specific risk adjustment to compensate for non-financial risk.

The measurement of reinsurance contracts held is similar to insurance contracts issued except the CSM can be positive or negative.

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

On transition to IFRS 17, the Group will restate comparative information for 2022 and apply the fair value approach to its Annuity and Individual Life insurance products and the full retrospective approach for its short-term insurance products. The fair value approach calculates the CSM of the liability for remaining coverage as the difference between the fair value of a group of insurance contracts at the date of transition and the FCF measured at that date.

IFRS 9 – *Financial Instruments* ("IFRS 9") – IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement, effective 1 January 2023.

The Group satisfies the criteria set out in IFRS 4 Insurance Contracts for the temporary exemption from IFRS 9. At 31 December 2015 (the date specified by IFRS 4), the carrying value of the Groups liabilities connected with insurance comprised over 90% of the total liabilities.

IFRS 9 brings together all three aspects of the accounting for financial instruments project undertaken by the IASB: classification and measurement, impairment, and hedge accounting. Financial asset classification is based on the cash flow characteristics and the business model in which an asset is held. The classification determines how a financial instrument is accounted for and measured. All financial assets are measured as Fair Value Through Profit or Loss (FVTPL), Fair Value Through Other Comprehensive Income (FVOCI), or amortised cost.

IFRS 9 also introduces an impairment model for financial instruments not measured at FVTPL that requires recognition of expected losses at initial recognition of a financial instrument and the recognition of full lifetime expected losses if certain criteria are met. In addition, a new model for hedge accounting was introduced to achieve better alignment with risk management activities.

There will be no significant impact on the Group's other financial assets and liabilities on transition to IFRS 9.

4. Assets and liabilities held for sale and dispositions

A. Assets and liabilities held for sale

In 2021, management had committed to hold for sale a block of business including the related assets and liabilities. As at the 31 December 2022, management determined the criteria to be reflected as held for sale per the requirements of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* were no longer met. There was no gain or loss recognised upon recording the disposal group as held for sale, or the subsequent reversal to continuing operations, as all the assets and liabilities of the disposal group are outside of the scope of the measurement criteria of IFRS 5. The following table shows the assets and liabilities held for sale at 31 December.

	Notes	2022 $	2021 $
Assets			
Cash and cash equivalents	9	–	409
Investments	11	–	77,823
Insurance receivables and other assets	12	–	938
Total assets held for sale		–	**79,170**
Liabilities			
Other liabilities	20	–	5,389
Reinsurance liabilities	14	–	7,144
Insurance contract liabilities	23	–	65,699
Total liabilities held for sale		–	**78,232**

B. Disposition of Barbados operation

On 3 September 2020, the Group finalised the disposal of Insurance Corporation of Barbados Limited ("ICBL") and its holding company, Hamilton Financial Limited, (the "disposal group") which were reported as discontinued operations. During 2021, the Group settled its closing costs and partially reversed the 2020 impairment to certain software development assets, on the basis that ICBL continues to use these assets post-sale, resulting in a gain on write down of discontinued operations of $595.

5. Management of financial and insurance risk

Risk management and objectives

The Group's primary objective in undertaking risk management activity is to manage risk exposures in line with risk appetite, minimising its exposure to unexpected financial loss and limiting the potential for deviation from anticipated outcomes. In this respect, a framework of limits and qualitative statements, aligned with the Group's risk appetite, is in place for material exposures. Key management recognises the critical importance of having efficient and effective risk management systems in place.

A significant part of the Group's business involves the acceptance and management of risk. The Group is exposed to insurance, market, credit, liquidity and operational risks and operates a formal risk management framework to ensure that all significant risks are identified and managed.

The Group seeks to manage its exposures to risk through control techniques which ensure that the residual risk exposures are within acceptable tolerances agreed by the Board of Directors. The Group has established a risk management function with terms of reference from the Board of Directors, its committees, and the associated executive management committees. This is supplemented with an organisational structure with documented delegated authorities and responsibilities from the Board of Directors to executive management committees and senior managers. The key control techniques for the major categories of risk exposure are summarised in the following sections.

Risks are usually grouped by risk type: (i) financial, including credit, liquidity, and market; and (ii) insurance, including life and health insurance and short-term insurance risk. Risks falling within these types may affect a number of key metrics including those relating to the consolidated statement of financial position's strength, liquidity, and profit. The risk factors mentioned below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties.

Assets which relate to certain life insurance and investment contracts are managed for the account and risk of the Group's customers. They are segregated and managed to meet specific investment objectives of the policyholders. The assets back the insurance liabilities and the financial liabilities arising from these contracts. The fair value of the liabilities reflects the fair value of the assets.

A. Financial risks

i) Credit risk

Credit risk is the exposure that a counter-party to a financial instrument is unable to meet an obligation, thereby causing a financial loss to the Group. The Group faces credit risk on its financial assets.

The following policies and procedures are in place to manage this risk:

- Holding a diversified investment portfolio that focuses on quality of investment. The portfolio is monitored and reviewed regularly by management's Investment Committee and by the Board of Director's Finance, Compensation, and Corporate Governance Committee;
- Investment guidelines are in place that require the purchase of only investment-grade assets and minimise undue concentration of assets in any single issuer, industry group, asset class or credit rating, unless required by local law or regulation;
- Investment guidelines specify collateral requirements for mortgages and loans and receivables which include the underlying property or other security;
- Transacting business with well-established reinsurance companies with strong credit ratings; and
- Transacting business with well-established financial institutions and diversification of holdings where possible.

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

Maximum exposure to credit risk

The following table summarises the Group's maximum exposure to credit risk related to financial assets. The maximum credit exposure is the carrying value of the asset net of any allowances for losses.

	2022 $	2021* $
Cash and cash equivalents	75,847	103,601
Regulatory assets	24,676	24,783
Fixed income securities	498,783	583,176
Mortgages and loans	50,198	51,200
Insurance receivables and other assets	92,219	85,641
Reinsurance assets	100,968	92,452
	842,691	940,853
Assets held for sale	–	79,170
Total	**842,691**	**861,683**

**Certain comparative figures have been reclassified to conform to the consolidated financial statements presentation adopted for the current period. As at 31 December 2021, $476 was reclassified from "Investment properties" to "Insurance receivables and other assets".*

Concentration of credit risk

Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries.

The following table provides details of the carrying value of fixed income securities by industry sector and geographic distribution:

	2022 $	2022 $	2021 $	2021 $
Assets held in:	Investments	Regulatory assets	Investments	Regulatory assets
Fixed income securities issued or guaranteed by:				
Financials	92,264	3,187	84,873	3,483
Government	71,747	6,943	73,722	7,789
U.S. Treasury and other agencies	71,366	831	85,013	355
Utilities and energy	58,921	727	82,355	–
Consumer staples and discretionary	73,116	510	81,420	303
Telecom	11,591	–	14,065	–
Computer technology products and services	7,109	882	15,955	942
Industrials and materials	35,466	–	42,621	–
Other	77,203	–	103,152	–
	498,783	13,080	583,176	12,872
Assets held for sale	–	–	73,516	–
Total fixed income securities	**498,783**	**13,080**	**509,660**	**12,872**

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

	2022 $	2022 $	2021 $	2021 $
Assets held in:	Investments	Regulatory assets	Investments	Regulatory assets
United States	447,169	4,737	519,905	3,480
Canada	6,454	321	4,342	360
Northern Europe	17,294	514	17,807	875
Asia-Pacific	3,296	1,095	6,665	723
United Kingdom	12,733	434	14,065	416
Caribbean	11,264	5,979	19,440	6,707
Other	573	–	952	311
	498,783	13,080	583,176	12,872
Assets held for sale	–	–	73,516	–
Total fixed income securities	**498,783**	**13,080**	**509,660**	**12,872**

The carrying value of mortgages and loans by geographic location is shown in the following table:

	2022 $	2021 $
Bermuda	50,198	51,200
Assets held for sale	–	4,307
Total mortgages and loans	**50,198**	**46,893**

Credit quality of financial assets

The credit quality of financial assets is assessed quarterly by reference to external credit ratings if available or review of historical and current conditions that existed at the consolidated statement of financial position date.

As at 31 December 2022	AAA $	AA $	A $	BBB $	BB and lower $	Not rated $	Total $
Cash and cash equivalents	8,820	15,903	24,923	24,850	–	1,351	**75,847**
Regulatory assets	1,829	453	9,411	2,628	6,701	3,655	**24,677**
Fixed income securities	58,975	185,753	170,897	82,541	616	–	**498,782**
Total	**69,624**	**202,109**	**205,231**	**110,019**	**7,317**	**5,006**	**599,306**

As at 31 December 2021	AAA $	AA $	A $	BBB $	BB and lower $	Not rated $	Total $
Cash and cash equivalents	15,150	14,242	45,243	26,896	–	2,070	**103,601**
Regulatory assets	2,153	2,226	7,311	2,403	6,365	4,325	**24,783**
Fixed income securities	91,797	190,766	204,913	95,428	272	–	**583,176**
	109,100	207,234	257,467	124,727	6,637	6,395	**711,560**
Assets held for sale	–	–	–	–	–	–	**73,925**
Total	**109,100**	**207,234**	**257,467**	**124,727**	**6,637**	**6,395**	**637,635**

The Group's reinsurance panel consists of 47 reinsurance companies, excluding facultative and fronting policies, the majority of which are rated A- or better by AM Best. Any exceptions to this are approved by the Group Security Committee.

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

Past due or credit impaired mortgages and loans

Mortgages are comprised of first mortgages on real property situated in Bermuda and are registered under The Mortgage Registration Act 1976 and The Trustee Act 1975.

Other loans are secured by collateral assignments.

Mortgages and loans that are past due but not considered impaired are loans for which scheduled payments have not been received, but management has reasonable assurance of collection of the full amount of principal and interest due. Management exercises judgment in assessing a borrower's ability to meet current and future contractual interest and principal payments including assessing the current financial position of the borrower and the value of the collateral.

The following table provides the outstanding principal balance of the mortgage and loans that are considered past due or impaired:

	2022 $	2021 $
Not past due	45,244	40,991
Past due but not impaired:		
Past due less than 90 days	3,687	4,068
Past due 90 to 180 days	697	924
Past due 180 days or more	148	1,562
Impaired (net of impairment provisions)	422	3,655
	50,198	51,200
Assets held for sale	–	4,307
Total mortgages and loans	**50,198**	**46,893**

Of the $50,198 of mortgages and loans held, $16,296 are currently interest-only with future principal repayment schedules established.

Interest accrued on the impaired mortgages amounted to $nil as at 31 December 2022 (2021 – $nil).

Significant judgment is applied by management in the determination of impairment including the timing and amount of future collections, costs expected to be incurred to collect or dispose of the collateral, and sale proceeds on any required disposal of collateral.

The reconciliation of the impairment and provision on mortgages and loans is as follows:

	2022 $	2021 $
At 1 January	14,134	14,134
Sales of foreclosed mortgage loans	(11,968)	–
Increase in impairment and provision allowances	200	–
Total at 31 December	**2,366**	**14,134**

A significant estimate in the determination of impairment is the timing of future collections, which is based on the expected timing of liquidating the underlying collateral. Market value fluctuations will impact the value of the collateral and can significantly impact the estimate of impairment. Management estimates that collection will occur within 12 months. An additional impairment of between $13 and $26 could be incurred if collection occurred within 18-24 months. A 10% drop in the collateral value supporting the mortgages on the Group's credit watch list plus all foreclosed properties, would result in a further impairment charge of $82 (2021 – $201).

ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations as they become due. The following policies and procedures are in place to manage this risk:

- Management maintains levels of cash and short-term deposits, which are sufficient to fulfill the Group's short-term obligations;
- Short-term cash flow needs are adequately met by operating cash flows and proceeds from mortgage and loan repayments;
- The Group closely manages operating liquidity through cash flow matching of assets and liabilities on its life insurance, annuities, and pensions business. Investments in various types of assets occur with a view to match them to the liabilities of various durations;
- Investments are graded internally on a liquidity level (1 to 4) and the Group looks to maintain adequate levels in highly liquid (1 and 2) securities;

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

- The ability of the Group's subsidiaries in certain jurisdictions to pay dividends and transfer funds is regulated. The Group maintains appropriate dividend and capital policies to ensure movement of cash flow through the Group as needed;
- Arrangements with reinsurers are made to ensure that recoverables are received in a timely fashion in the event of a liquidity crisis.

The maturity profile of financial assets at 31 December 2022 is as follows:

	Within 1 year $	2 to 3 years $	4 to 5 years $	Over 5 years $	Total $	Effective interest rate ranges
Corporate loans	12,000	–	–	–	12,000	3.50%
Policyholder loans	215	430	430	3,219	4,294	4.75% - 8.25%
Mortgages	2,544	4,590	4,501	22,269	33,904	4.50% - 9.00%
Regulatory deposits	13,724	5,243	2,137	3,572	24,676	1.50% - 6.95%
Fixed income securities	88,519	112,864	110,119	187,281	498,783	0.21% - 7.54%
Insurance receivables and other assets	92,219	–	–	–	92,219	0%
Total	**209,221**	**123,127**	**117,187**	**216,341**	**665,876**	
Percent of total	**31.4%**	**18.5%**	**17.6%**	**32.5%**	**100.0%**	

The maturity profile of financial assets at 31 December 2021 was as follows:

	Within 1 year $	2 to 3 years $	4 to 5 years $	Over 5 years $	Total $	Effective interest rate ranges
Corporate loans	–	12,000	–	–	12,000	3.50%
Policyholder loans	215	431	431	3,230	4,307	4.75% - 8.25%
Mortgages	5,999	3,886	3,960	21,048	34,893	4.50% - 9.00%
Regulatory deposits	12,786	6,906	1,197	3,894	24,783	0% - 6.95%
Fixed income securities	97,737	143,023	99,761	242,655	583,176	0.01% - 7.13%
Insurance receivables and other assets	84,689	–	–	–	84,689	0%
	201,426	166,246	105,349	270,827	743,848	
Assets held for sale	–	–	–	–	78,761	
Total	**201,426**	**166,246**	**105,349**	**270,827**	**665,087**	
Percent of total	**27.1%**	**22.3%**	**14.2%**	**36.4%**	**100.0%**	

The maturity profiles of the Group's significant insurance and financial liabilities are summarised in the following tables. Maturity profiles for financial liabilities are disclosed according to contractual maturity dates. Maturity profiles for net insurance liabilities are based on expectations.

The maturity profile of liabilities at 31 December 2022 is as follows:

	Within 1 year $	1 to 5 years $	Over 5 years $	Total $
Other liabilities	105,568	483	3,015	109,066
Investment contract liabilities	95,517	202,628	60	298,205
Insurance contract liabilities – net of reinsurance	71,442	36	155,079	226,557
Total	**272,527**	**203,147**	**158,154**	**633,828**

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

The maturity profile of liabilities at 31 December 2021 was as follows:

	Within 1 year $	1 to 5 years $	Over 5 years $	Total $
Other liabilities	127,979	670	346	128,995
Investment contract liabilities	100,835	206,585	655	308,075
Insurance contract liabilities – net of reinsurance	65,897	221	205,797	271,915
	294,711	207,476	206,798	708,985
Liabilities held for sale	–	–	–	78,232
Total	**294,711**	**207,476**	**206,798**	**630,753**

iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk), and market prices (price risk).

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has operations in several jurisdictions and revenue and expenses are denominated in several local currencies. The Group is not significantly exposed to foreign exchange risk because of the following:

- The majority of the Group's assets, liabilities, and earnings are denominated in Bermuda, Cayman, Bahamian or United States dollars;
- The Bermuda, Cayman and Bahamian dollars are pegged to the United States dollar;
- The Bermuda dollar is at par with the United States dollar; and
- The Group's Canadian operation is fully integrated. Its assets and liabilities are not considered material.

The Group regularly monitors currency translation fluctuations. Generally, the Group looks to match the currency of its local assets to the currency of the local liabilities they support or to the United States dollar as the currency of the liabilities is generally pegged to the United States dollar. This achieves the objective of mitigating risk of loss arising from movements in currency. Policies written in currencies that are not pegged to the United States dollar are not material and the Group considers the currency risk minimal.

Interest rate risk

Interest rate risk is price volatility produced by changes in the overall level of interest rates. Change in market interest rates can impact the reinvestment of matured investments, as the returns available on the new investment may be significantly different from the returns previously achieved. The Group manages these risks through:

- Asset allocation and diversification of the investment portfolio;
- Utilisation of a formal process for managing the matching of assets and liabilities;
- Investing in assets that are suitable for the products sold;
- Investing in fixed income assets that closely match the life liability product cash flows for products with fixed and highly predictable benefit payments; and
- Quantifying and reviewing regularly the risk associated with the mismatch in portfolio duration and cash flow.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

Investment contracts with fixed and guaranteed terms held to maturity are accounted for at amortised cost and their carrying amounts are not sensitive to changes in the level of interest rates.

In relation to financial assets, management monitors the sensitivity of reported interest rate movements by assessing the expected changes in the different portfolios due to parallel movements of 100 basis points in all yield curves.

The impact of interest rate risk for the Group's actuarial liabilities and the assets supporting those liabilities is included in Note 5B – Insurance Risk below. The Group also holds fixed income investments which support non-life insurance liabilities and surplus. If the base interest rates, as measured by the US Treasury yield curve, shifted parallel by 100 basis points higher/lower, the immediate impact to net income would have been $2,971 / $2,974 (2021 – $3,611 / $3,590) lower/higher. The interest rate sensitivity impact was calculated using the modified duration method.

Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting the market.

The Group's price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities.

The Group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector, and market.

A 10% increase/decrease in the value of the Group's equity and fund portfolio would increase/decrease the Group's comprehensive income by $12,820 (2021 – $10,817) and the Group's other components of equity by $nil (2021 – $nil). The price risk sensitivity impact was calculated by using the ending balances in equity and funds at a 10% increase/decrease.

B. Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. Insurance risk is implicit in the Group's insurance business and arises as a consequence of the type and volume of business written and the concentration of risk in particular policies or groups of policies subject to the same risks.

i) Life and health insurance risk

Insurance risk in the Group arises through its exposure to mortality and morbidity risks and exposure to worse than anticipated operating experience on factors such as persistency levels and management and administration expenses.

Management of life and health insurance risks

The Group has developed an insurance risk policy and guidelines. Individual insurance risks are managed at a business unit level but are also monitored at the Group level.

The impact of insurance risk is monitored by the business units as part of the control cycle of business management. Exposure is monitored through the assessment of liabilities and the asset liability management framework. At the Group level the overall exposure to insurance risk is measured through management reporting, stress testing, and Bermuda Solvency Capital Requirement ("BSCR") analysis.

The Board of Directors considers the reinsurance coverage across the life and health businesses. It confirms that guidance and procedures are in place for each of the major components of life insurance risk, and that the businesses mitigate against any insurance risk within the parameters for the overall Group risk appetite.

The Board of Directors has also developed guidance for business units on management of a number of areas of insurance risk to ensure best practice is shared throughout the Group and common standards are adopted.

The individual life and health insurance risks are managed as follows:

- Mortality and morbidity risks are mitigated by use of reinsurance. The Group companies select reinsurers, from those approved by the Group, based on local factors, but assess the overall programme to manage Group-wide risk exposures and monitor that the aggregation of risk ceded to individual reinsurers is within the Group appetite for credit risk. In the case of default by a reinsurer, this does not release the Group from its liability to the insured policyholders.
- Longevity risk: Whilst individual Group companies are responsible for reserving and pricing for annuity business, the Group monitors the exposure to this risk and the capital implications to manage the impact on the Group-wide exposure and the capital funding that Group companies may require as a consequence.
- Persistency risk: Where possible the financial impact of lapses is reduced through appropriate product design. Group companies also implement specific initiatives to improve retention of policies which may otherwise lapse.
- Product design and pricing risk arises from poorly designed or inadequately priced products and can lead to both financial loss and reputational damage to the Group. Guidelines have been developed to support the Group companies through the complete cycle of the product development process, financial analysis and pricing.
- Expense risk is primarily managed by the Group companies through the assessment of profitability and frequent monitoring of expense levels.

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

Concentration risk

The following table shows life and health insurance liabilities by geographic area.

	2022			2021		
	Gross $	Reinsurance $	Net $	Gross $	Reinsurance $	Net $
Bermuda	164,481	3,552	168,033	211,961	5,281	217,242
Bahamas	4,168	486	4,654	5,853	717	6,570
Other Caribbean and Latin America	6,123	–	6,123	4,253	–	4,253
Cayman	39	–	39	235	–	235
	174,811	4,038	178,849	222,302	5,998	228,300
Liabilities held for sale	–	–	–	65,699	7,144	72,843
Total	**174,811**	**4,038**	**178,849**	**156,603**	**(1,146)**	**155,457**

Assumptions and methodology

The nature of life and health insurance business is such that a number of assumptions are made in compiling these consolidated financial statements. Assumptions are made about investment returns, mortality rates, lapse rate, morbidity, expenses, and premium payment patterns in connection with the in-force policies for each business unit. Assumptions are best estimates based on historic and expected experience of the business. The estimate of the ultimate liability arising from life and health insurance contracts is a significant accounting estimate.

The valuation of liabilities is performed using CALM. In some instances approximations are used due to the nature of liabilities. The approximations are not expected to change the results materially. Best estimate assumptions are generally based on industry and Group experience. Provisions for adverse deviations ("PfADs") are determined by applying appropriate margins for adverse deviations ("MfADs") to the best estimate assumptions. A variety of factors are considered in the Group's valuation techniques, such as yield curve, credit spreads, and default assumptions, which have market observable inputs.

a) Mortality

Mortality refers to the rates at which death is expected to occur for defined classes of insured. Management reviews the Group's mortality experience annually, however the portfolio of business is too small to form the basis for any internally produced mortality assumption. Therefore, the Group's mortality assumption is based on industry experience. The assumed mortality rates for life insurance contracts do not reflect any future improvement. For life contingent annuities, the assumed mortality assumption includes future mortality improvement, the effect of which is to increase insurance contract liabilities, based on prescribed mortality improvement rates promulgated by the Canadian Actuarial Standards Board ("ASB").

For life products, a higher mortality would be financially adverse to the Group. For annuity products, a lower mortality would be financially adverse to the Group.

b) Morbidity

Morbidity refers to the likelihood that an insured will contract or develop any number of illnesses. The Group's portfolio of group and individual health business is large enough for an internal analysis of lag and is used, along with an analysis of experience, as the basis for setting annually renewable premiums. A very small block of individual disability business assumes industry standard morbidity rates when setting assumptions. Morbidity also refers to both the rates of accident or sickness and the rates of recovery therefrom. An increase in medical claim rates net of reinsurance would increase the actuarial liabilities.

c) Investment returns

With the exception of assets backing certain participating liabilities, assets are not formally segmented by line of business or product line. Invested assets are notionally segmented to support the actuarial liabilities valued under CALM. For each segment the future cash flows from insurance and investment contracts and the assets supporting them are projected under a number of interest rate scenarios some of which are prescribed for CALM under Canadian Actuarial Standards of Practice or an approximation of CALM. Both current assets and future reinvestment consider credit / asset default risk (assumed to earn a credit spread, including appropriate default provision, above the risk-free Treasury yield based on current and future expected market conditions). U.S. Treasury and Agency bonds were assigned a "no risk" default charge. Other asset defaults were based on industry experience.

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

d) Expenses
Actuarial liabilities provide for future administrative policy-related expenses. These include the costs of premium collection, claims adjudication and processing, related consulting services, preparation and mailing of policy statements and related indirect expenses and overheads. A unit expense study is performed annually to determine an appropriate estimate of future expenses by liability type. An inflation assumption is incorporated in the estimate of future expenses consistent with the interest rate scenarios projected under CALM.

e) Lapse
The best estimate lapse assumption is based on a combination of industry and the Group's lapse experience and pricing assumptions for newer products.

Policyholders may allow their policies to terminate prior to the end of the contractual period by choosing not to continue to pay premiums or by exercising one of the non-forfeiture options contained in the contract. Assumptions for termination experience on life insurance are based on industry and the Group's experience. Termination rates vary by plan, policy duration and method of premium payment. For universal life policies, it is also necessary to set assumptions about premium cessation occurring prior to termination of the policy.

f) Premium payment patterns
Universal life liabilities are sensitive to the amount of discretionary premium received from the policyholders. A premium persistency assumption is made for all universal life products and can vary by plan, age and policy duration.

g) Policyholder dividends
Future policyholder dividends are included in the determination of actuarial liabilities for participating policies, with the assumption that future policyholder dividends will change to reflect the experience of the respective participating accounts consistent with the participating policyholder dividend policies.

Sensitivity test analysis
There is considerable judgment required by management in making assumptions in the measurement of insurance and investment contract liabilities. Application of different assumptions may result in a different measure of the liabilities. Therefore, sensitivity testing is widely used to measure the capital required and volatility in earnings due to exposure to life and health insurance risks. This assessment is taken at both business unit level and at Group level where the impact of aggregation of similar risks can be measured. This enables the Group to determine whether action is required to reduce risk, or whether that risk is within the overall risk appetite.

The Group uses a number of sensitivity test-based risk management tools to understand the volatility of earnings, the volatility of its capital requirements, and to manage its capital more efficiently. Sensitivities to economic and operating experience are regularly produced on all of the Group's financial performance measurements to inform the Group's decision making and planning processes, and as part of the framework for identifying and quantifying the risks to which each of its business units, and the Group as a whole, are exposed.

The following provides information about management's best estimate of the impact of changes in assumptions used to determine the Group's life and health insurance contract liabilities.

		Increase in liability	
	Change in assumption	2022 $	2021 $
Mortality rate – life products	+3%	342	355
Mortality rate – annuity products	-3%	772	1,137
Morbidity – medical claims	+1%	848	719
Expenses	+10%	1,778	1,790
Termination rate	+10%	1,301	1,298

Investment returns
Assets are notionally segmented to correspond to the different liability categories of the Group. For each segment, the projected current asset and liability cash flows are used in CALM under several interest rate scenarios to determine the actuarial liabilities. Asset cash flows are reduced to provide for asset default losses.

Interest rate risk associated with this assumption is measured by determining the effect on the present value of the projected net asset and liability cash flows of the Group of an immediate 1% increase or a 1% decrease in the level of interest rates. These interest rate changes will impact the projected cash flows.

The effect of an immediate 1% increase in interest rates would be to decrease the present value of these net projected cash outflows by approximately $5,374 (2021 – $10,175). The effect of an immediate 1% decrease in interest rates would be to increase the present value of these net projected cash outflows by approximately $5,374 (2021 – $10,175).

ii) General insurance risk

Types of risk

General insurance risk in the Group arises from:

- Fluctuations in the timing, frequency and severity of claims and claim settlements relative to expectations;
- Unexpected claims arising from a single source;
- Unexpected increases in reinsurance costs;
- Inaccurate pricing of risks or inappropriate underwriting of risks when underwritten;
- Inadequate reinsurance protection or other risk transfer techniques; and
- Inadequate reserves.

The majority of the general insurance business underwritten by the Group is of a short-term nature such as property, motor and marine insurances. The Group's general insurance exposures are located in Bermuda and throughout the Caribbean, climate change may impact the frequency and severity of tropical cyclone activity in the regions in which Group writes general insurance, which in turn may impact the frequency and severity of claims. The Group's underwriting strategy and appetite is agreed by the Board of Directors and communicated via specific policy statements and guidelines. Like the life insurance risk, general insurance risk is managed primarily at a business unit level with oversight at a Group level.

Management of general insurance risks

The Group's insurance risk policy sets out the overall framework for the management of insurance risk. As part of the framework, a structure of delegated pricing and underwriting authorities is in place. Pricing is based on assumptions which consider past experience and trends. Insurance exposures are limited through the purchase of reinsurance. Overall, the Group seeks to be conservative in its acceptance of insurance risks by establishing strict underwriting criteria and limits. The underwriting policy is clearly documented, setting out risks which are unacceptable and the terms applicable for non-standard risks.

Significant insurance risks will be reported through the risk management framework. The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprise a provision for claims incurred but not yet reported ("IBNR"), a provision for reported claims not yet paid and a provision for unexpired risks at the end of the reporting period.

Management under the direction of the Board of Directors monitors and develops the management of insurance risk in the general insurance business units and assesses the aggregate risk exposure. It is responsible for the development, implementation and review of the Group policies for underwriting, claims, reinsurance, and reserving that operate within the risk management framework.

BF&M General and IHIC have developed mechanisms that identify, quantify and manage accumulated exposures to contain them within the limits of the appetite of the Group. Where appropriate such mechanisms are employed throughout the business units to promote the adoption of best practice as standard.

Reinsurance strategy

Reinsurance is used to reduce potential loss to the Group from individual large risks and catastrophic events. It may also be used to manage capital or to provide access to specialist underwriting expertise.

Significant reinsurance programmes are reviewed annually at both the business unit and Group level, to verify that the levels of protection being purchased reflect any developments in exposure and the risk appetite of the Group. The reinsurance arrangements include quota share and excess of loss catastrophe treaties. In addition to the overall Group reinsurance programme, individual business units are permitted to purchase additional reinsurance protection.

Reinsurance purchases are in line with the strategy set out in the Group's Reinsurance policy. The basis of these purchases is underpinned by extensive financial and capital modeling and actuarial analysis to optimise the cost and capital efficiency benefits from the reinsurance programme.

The reinsurance is placed with providers who meet the Group's counterparty security requirements, and large reinsurance placements may also require approval from the Board of Directors.

Management evaluates the remaining reinsurance coverage available from the Group's excess of loss catastrophe treaties subsequent to claims activity related to catastrophic events and, in the current year, have concluded that the remaining available coverage will be sufficient to absorb potential adverse development on unsettled claims.

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

Concentration risk

Processes are in place to manage catastrophe risk in individual business units and at a Group level. The Group cedes much of its catastrophe risk to third-party reinsurers but retains a pooled element for its own account gaining diversification benefits.

The concentration of insurance risk before and after reinsurance by territory in relation to the type of general insurance business risk accepted is summarised below, with reference to the carrying amount of the insurance reserve liabilities (gross and net of reinsurance) arising from general insurance contracts:

31 December 2022

Territory		Property $	Motor $	All other $	Total $
Bermuda					
	Gross	6,081	10,723	2,098	18,902
	Net	895	4,959	1,305	7,159
Cayman / other Caribbean					
	Gross	17,900	8,931	5,242	32,073
	Net	1,588	6,573	3,160	11,321
Total					
	Gross	**23,981**	**19,654**	**7,340**	**50,975**
	Net	**2,483**	**11,532**	**4,465**	**18,480**

31 December 2021

Territory		Property $	Motor $	All other $	Total $
Bermuda					
	Gross	2,204	8,053	1,800	12,057
	Net	480	4,903	1,198	6,581
Cayman / other Caribbean					
	Gross	22,541	7,153	5,060	34,754
	Net	1,343	5,576	3,319	10,238
Total					
	Gross	**24,745**	**15,206**	**6,860**	**46,811**
	Net	**1,823**	**10,479**	**4,517**	**16,819**

Assumptions and methodology

The ultimate cost of outstanding contract liabilities are estimated by using a range of standard actuarial claims projections techniques, such as the Incurred Development Methodology and the Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that the Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. Historical claims development is analysed by accident period. Claims development is analysed for each geographical area as well as by line of business.

General insurance business claims reserving

The subsidiaries writing general insurance business have a documented reserving policy setting out the basis on which liabilities are to be determined using statistical analysis and actuarial experience. Policies for each subsidiary are in line with relevant local regulation and legislation.

Management monitors and conducts quarterly reviews of the Group's general insurance claims provisions, and their adequacy.

The Group has claims departments dealing with the mitigation of risks surrounding known exposures. These departments investigate and adjust claims with the assistance and advice of external loss adjusters. The claims are reviewed individually on a quarterly basis and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments. The adequacy of the Group's general insurance claims provisions is ultimately overseen by the Board of Directors.

The estimate of the ultimate liability arising from short term insurance contracts is a significant accounting estimate. These liabilities are divided into two categories: the provision for IBNR and the provision for the cost of reported claims not yet paid. Provisions are also made for adverse development and unallocated loss adjustment expenses.

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

The estimation of the IBNR claims is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims. For casualty contracts, the IBNR liability will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities.

In estimating the liability for the cost of reported claims not yet paid, the Group considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

Any estimate of future costs is subject to the inherent uncertainties in predicting the course of future events. Assumptions are made around costs such as repairs, jury decisions, court interpretations and legislative changes. Consequently, the amounts recorded in respect of unpaid claims may change significantly in the short term. Management engages independent actuaries to assist them in making such estimates based on the Group's own loss history and relevant industry data.

Claims development tables

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The top half of each table illustrates how the Group's estimate of total claims outstanding for each accident year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the consolidated statement of financial position. A calendar year basis is considered to be most appropriate for the business written by the Group.

Gross loss development

Accident year estimate of ultimate claims cost	**2013 $**	**2014 $**	**2015 $**	**2016 $**	**2017 $**	**2018 $**	**2019 $**	**2020 $**	**2021 $**	**2022 $**	**Total $**
At the end of accident year	17,933	53,618	17,475	81,040	662,760	17,961	596,796	18,040	27,117	**30,291**	–
One year later	17,171	45,163	17,725	77,231	603,079	16,511	524,655	16,837	29,516	–	–
Two years later	16,081	44,157	16,716	78,486	595,127	15,413	531,747	16,687	–	–	–
Three years later	16,600	45,104	16,539	76,898	595,520	15,161	532,644	–	–	–	–
Four years later	19,919	45,488	16,661	76,354	594,679	14,539	–	–	–	–	–
Five years later	17,918	45,115	16,647	76,481	592,325	–	–	–	–	–	–
Six years later	17,913	45,011	16,591	75,247	–	–	–	–	–	–	–
Seven years later	17,648	45,013	16,762	–	–	–	–	–	–	–	–
Eight years later	17,647	45,078	–	–	–	–	–	–	–	–	–
Nine years later	17,653	–	–	–	–	–	–	–	–	–	–
Current estimates of cumulative claims	17,653	45,078	16,762	75,247	592,325	14,539	532,644	16,687	29,516	**30,291**	**1,370,742**
Cumulative payments to date	(17,570)	(44,891)	(16,243)	(74,697)	(585,758)	(13,775)	(527,610)	(8,742)	(19,623)	**(11,201)**	**(1,320,110)**
Gross liability recognised in the consolidated statement of financial position	83	187	519	550	6,567	764	5,034	7,945	9,893	**19,090**	**50,632**
Reserve in respect of prior years	–	–	–	–	–	–	–	–	–	–	**343**
Total reserve included in the consolidated statement of financial position	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**50,975**

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

Net loss development:

Accident year estimate of ultimate claims cost	2013 $	2014 $	2015 $	2016 $	2017 $	2018 $	2019 $	2020 $	2021 $	2022 $	Total $
At the end of accident year	11,974	16,469	11,651	20,733	25,680	13,858	20,671	12,724	15,652	**16,117**	–
One year later	11,679	16,207	11,672	19,129	25,334	12,720	19,580	11,729	16,154	–	–
Two years later	10,950	15,627	11,217	18,724	24,233	11,970	19,609	11,393	–	–	–
Three years later	11,216	15,607	11,231	18,565	23,914	11,727	19,643	–	–	–	–
Four years later	11,052	15,714	11,155	18,156	23,968	11,288	–	–	–	–	–
Five years later	10,959	15,676	11,138	18,221	23,851	–	–	–	–	–	–
Six years later	10,932	15,640	11,035	18,428	–	–	–	–	–	–	–
Seven years later	10,679	15,638	11,054	–	–	–	–	–	–	–	–
Eight years later	10,679	15,691	–	–	–	–	–	–	–	–	–
Nine years later	10,681	–	–	–	–	–	–	–	–	–	–
Current estimates of cumulative claims	10,681	15,691	11,054	18,428	23,851	11,288	19,643	11,393	16,154	**16,117**	**154,300**
Cumulative payments to date	(10,664)	(15,615)	(10,908)	(17,959)	(23,302)	(10,668)	(17,835)	(9,269)	(12,925)	**(7,028)**	**(136,173)**
Net liability recognised in the consolidated statement of financial position	17	76	146	469	549	620	1,808	2,124	3,229	**9,089**	**18,127**
Reserve in respect of prior years	–	–	–	–	–	–	–	–	–	–	**353**
Total reserve included in the consolidated statement of financial position	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**18,480**

6. Capital management and regulatory compliance

The Group's policy is to maintain a strong consolidated capital base. The Group manages its capital to ensure its continued ability to provide an adequate return to shareholders, exceed insurance regulatory capital requirements, provide flexibility to take advantage of growth opportunities, maintain a strong credit rating, and to support the risks associated with the business of the Group. The Group's capital base is defined as shareholders' equity as disclosed in the consolidated statement of financial position.

The Bermuda Monetary Authority ("BMA") is the regulator of the Group. Under the laws and regulations of Bermuda, the Group must maintain a minimum amount of statutory capital and surplus based on the enhanced capital requirement. As at 31 December 2022, the Group exceeded the minimum requirement.

Management monitors the adequacy of the Group's capital from the perspective of the Bermuda insurance regulations and The Bermuda Companies Act (1981) as well as the regulatory requirements of the other jurisdictions in which it operates. The Group's practice is to maintain the capitalisation of its regulated operating subsidiaries at a level that will exceed the relevant minimum regulatory capital requirements within the various jurisdictions.

The Group's investment policies emphasise the preservation of capital and the maintenance of a diversified investment portfolio, which together serve to minimise the risk that investment activities pose to the Group's capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares.

The regulatory requirements for jurisdictions with significant activities are as follows:

A. Bermuda

Under The Insurance Act 1978 (Bermuda) ("the Act"), amendments thereto and the Insurance Account Rules 2016 ("the Legislation"), the Group and the Group's Bermuda-based insurance subsidiaries are required to annually prepare and file a statutory financial return, a capital and solvency return and audited financial statements prepared under Generally Accepted Accounting Principles. In addition, the Group submits a quarterly financial return. The Bermuda Solvency and Capital Requirement ("BSCR") is the prescribed form of capital and solvency return in Bermuda. The BSCR includes a standardised model for assessing the minimum capital required to be held by a company based on a measure of risk associated with an insurance company's assets, liabilities, premiums and catastrophe risk exposure. The BMA requires all Groups and insurers to maintain their minimum statutory capital and surplus at a level which is 120% of the amount calculated in accordance with the BSCR.

The Act also requires the Group's Bermuda based insurance subsidiaries which write general business, to meet minimum liquidity ratios whereby defined relevant assets must exceed 75% of defined relevant liabilities.

The Act limits the maximum amount of annual dividends and distributions that may be paid by the Group's insurance subsidiaries. These insurance subsidiaries are prohibited from declaring or paying any dividend of more than 25% of its total statutory capital and surplus, as shown in the previous year statutory balance sheet, unless at least seven days before payment of the dividend it files with the BMA an affidavit that it will continue to meet its minimum capital requirement as described above. In addition, the subsidiaries must obtain the BMA's prior approval before reducing its total statutory capital, as shown in the previous financial year statutory balance sheet, by 15% or more.

In addition, The Bermuda Companies Act (1981) limits the Group's ability to pay dividends and distributions to shareholders if there are reasonable grounds for believing that the Group would be unable to pay its liabilities as they become due or if the realisable value of its assets would be less than the aggregate of its liabilities, issued share capital and share premium accounts.

B. Cayman Islands

The Cayman Islands Monetary Authority ("CIMA") has statutory powers that enable it to use its discretion to require the Group to conduct its Cayman operations in accordance with general or specific conditions which may be imposed by CIMA or may be agreed between CIMA and IHIC. IHIC is required to maintain capital in excess of the greater of approximately $300 for domestic insurers or $1,000 for external insurers, and an amount determined as per a prescribed formula set out in legislation. The formula prescribes the minimum capital requirements for IHIC's assets and liabilities on a risk basis and also provides for a margin for catastrophe risk. IHIC holds both a domestic insurer license and an external insurer Class A license. Additionally, IHIC has regulated insurance operations in several other jurisdictions throughout the Caribbean. As at 31 December 2022, IHIC was in compliance with regulatory requirements as an external insurer.

7. Segmental information

Management has determined the operating segments based on a combination of factors, including products, geographical areas and reports reviewed by the Group Chief Executive Officer ("CEO") used to make strategic decisions. All the operating segments meet the definition of a reportable segment.

Health, life, annuity and pension

This operating segment includes group and individual health and accident, life, disability, annuity and pension products offered in Bermuda, Bahamas and Cayman. A block of business within this segment was classified as held for sale in 2021, refer to Note 4.

Property and casualty (Bermuda)

This operating segment includes the following products: personal and commercial fire, windstorm, burglary, public liability, marine, special types, personal automobile, personal auto-cycle, workmen's compensation and commercial vehicles.

Real estate (Bermuda)

This operating segment includes the Group's real estate operations in Bermuda. The Group currently holds ownership in three buildings, with full ownership of two buildings and a majority ownership in the other. The Group occupies one of the fully owned buildings and the other two are leased principally to non-related parties.

Barbados operations

This operating segment was identified by its geographical location. Insurance coverage included motor, property, marine, miscellaneous accident, group and individual health, group and individual life, and pension business. This operating segment was disposed of in 2020, refer to Note 4.

Cayman Islands and other Caribbean operations

This operating segment is identified by its geographical location. Insurance coverage includes motor, property, marine, and casualty business.

Corporate and other

Corporate operations consist of corporate level income and expenses and returns from investments not allocated to any operating segments. It also represents the combined operations of a holding company, a management company, and an investment management company. The Group manages shared services centrally with most costs allocated based on either net assets, head count, expenses or revenues. Some central costs are not allocated and remain within the corporate Group.

Measurement basis

The accounting policies of the segments are generally the same as those for the Group as a whole, adjustments are made at the Group level where differences exist. The Group evaluates performance of operating segments on the basis of profit or loss from operations before tax.

Intersegment income is recorded at management's estimate of current market prices.

Notes to Consolidated Financial Statements

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

The segmental information provided to the CEO for the reportable segments for the year ended 31 December 2022 is as follows:

Segments	Health, life, annuity, and pension 2022 $	Property and casualty 2022 $	Real estate 2022 $	Cayman and other Caribbean operations 2022 $	Corporate and other 2022 $	Total 2022 $
Income earned from external customers	122,807	27,568	1,930	51,710	760	204,775
Investment result	(58,536)	(4,807)	–	(3,805)	642	(66,506)
Total income	64,271	22,761	1,930	47,905	1,402	138,269
Insurance contracts benefits and expenses	49,240	7,435	–	8,341	–	65,016
Commission and acquisition expense	1,231	2,495	–	27,009	–	30,735
Operating expenses	25,451	16,308	892	15,749	(730)	57,670
Amortisation expense	1,351	8,057	1,257	365	1,560	12,590
Interest expense	–	–	–	16	84	100
Income taxes	–	–	–	373	301	674
Non-controlling interest	–	–	84	–	–	84
Shareholders' net loss	3,895	(11,444)	503	(4,314)	2,512	(8,848)
Impairment (gains) / losses recognised in income *	(1,291)	5,428	–	–	227	4,364
Assets	1,751,466	134,098	28,624	220,989	32,017	2,167,194
Fixed asset and intangible expenditures	109	135	1,467	618	4,888	7,217
Liabilities	1,630,017	66,999	1,373	151,496	14,042	1,863,927

**The table on the following page summarises impairment (gains) / losses by asset type.*

Segments	Health, life, annuity, and pension 2022 $	Property and casualty 2022 $	Corporate and other 2022 $	Total 2022 $
Mortgages	(1,291)	–	–	(1,291)
Intangible assets	–	5,428	227	5,655
Total	**(1,291)**	**5,428**	**227**	**4,364**

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

The segmental information provided to the CEO for the reportable segments for the year ended 31 December 2021 is as follows:

Segments	Health, life, annuity, and pension 2021 $	Property and casualty 2021 $	Real estate 2021 $	Barbados operations 2021 $	Cayman and other Caribbean operations 2021 $	Corporate and other 2021 $	Total 2021 $
Income earned from external customers	123,074	26,971	2,744	–	52,052	1,563	206,404
Investment result	(1,545)	4,418	–	–	475	837	4,185
Total income	121,529	31,389	2,744	–	52,527	2,400	210,589
Insurance contracts benefits and expenses	82,039	5,814	–	–	8,951	–	96,804
Commission and acquisition expense	1,048	2,886	–	–	25,939	–	29,873
Operating expenses	24,202	15,145	1,310	–	13,478	512	54,647
Amortisation expense	1,752	3,935	1,164	–	377	955	8,183
Interest expense	–	1	–	–	18	64	83
Income taxes	–	–	–	–	264	247	511
Gain from discontinued operations	–	–	–	(595)	–	–	(595)
Non-controlling interest	–	–	497	–	–	–	497
Shareholders' net income	14,826	5,473	694	595	1,573	2,012	25,173
Impairment losses recognised in income*	–	5	–	–	–	6	11
Assets	2,040,719	141,711	30,394	–	232,013	34,219	2,479,056
Fixed asset & intangible expenditures	58	50	204	–	21	737	1,070
Liabilities	1,927,141	55,215	983	–	154,383	21,605	2,159,327

**The table below summarises impairment losses by asset type:*

Segments	Property and casualty 2021 $	Corporate and other 2021 $	Total 2021 $
Intangible assets	5	6	11
Total	**5**	**6**	**11**

8. Fair value measurements

A. Fair value methodologies and assumptions

Management has assessed that the carrying values of cash and cash equivalents, and regulatory assets approximate their fair values.

The fair value of fixed income securities which are carried at FVTPL is determined using quoted prices in active markets for identical or similar securities. When quoted prices in active markets are not available, fair value is determined using 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.

The fair value of equity and fund securities is determined using quoted prices in active markets for identical or similar securities. When quoted prices in active markets are not available, fair value is determined using equity valuation models, which include discounted cash flow analysis and other techniques that involve benchmark comparison. Valuation inputs primarily include projected future operating cash flows and earnings, dividends, market discount rates, and earnings multiples of comparable companies.

For disclosure purposes, the fair value for fixed income securities classified as either held to maturity or loans and receivables, and mortgages and loans classified as loans and receivables is determined by discounting the expected future cash flows using a current market interest rate applicable to financial instruments with a similar yield, credit quality and maturity characteristics. Valuation inputs typically include benchmark yields and risk-adjusted spreads from current lending activities or loan issuances. For impaired mortgages, fair value reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

Fair values for investment properties and residential and commercial properties held-for-sale are assessed annually and reviewed quarterly for material changes. The fair value is assessed using the most recently available reports from qualified external appraisal services. Investment properties are appraised externally at least once every three years. Two of the three Bermuda properties were externally valued as at 30 September 2020, and one in November 2021. Values are estimated using 1) the income approach to estimate the present value of discounted projected future cash flows using current rental values, assessed rental values or market rental values at a market discount rate; or 2) determined having regard to recent market transactions for similar properties in similar locations or where such information is not readily available, other valuation techniques such as the income capitalisation model are used. The methodologies and inputs used in these models are in accordance with real estate industry valuation standards. Valuation inputs include estimated rental value, rental growth rates, vacancy rates, discount rates, future operating expenses and terminal growth rates. Changes in valuation inputs can have a significant impact on fair value assessed.

The fair value of investments for accounts of segregated fund holders is determined using quoted prices in active markets or independent valuation information provided by investment managers. The fair value of direct investments within investments for accounts of segregated fund holders, such as short-term securities and government and corporate debt securities, is determined according to valuation methodologies and inputs described above in the respective asset type sections.

The methodologies and assumptions for determining the fair values of investment contract liabilities are included in Note 2 O(ii).

B. Fair value hierarchy

The Group categorises its fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs used by the Groups valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to fair value measurement in its entirety.

The three levels of the fair value hierarchy are defined as follows:

i) Level 1

Fair value is based on quoted market prices for identical assets and liabilities in an active market at the consolidated 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 services, 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 Group is the current bid price.

ii) Level 2

Fair value for level 2 are inputs, other than quoted prices included within level 1, that are observable for the asset or liability either directly or indirectly. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. These inputs include the following:

- Quoted prices for similar assets and liabilities in an active market.
- Quoted prices for identical or similar assets in a market that is not active, the prices are not current, or price quotations vary substantially over time or for which little information is released publicly.
- Inputs other than quoted prices that are observable for the asset or liability such as interest rates and yield curves.

iii) Level 3

If one or more of the significant inputs is not based on observable market data, the financial assets are included in level 3. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models using market observable data where possible. A transfer from level 2 to level 3 would occur primarily due to decreased observability of inputs in the valuation methodology. Conversely, transfers out of level 3 would primarily occur due to increased observability of inputs.

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

C. Assets and liabilities measured at fair value

The following table presents the Group's assets and liabilities measured at fair value in the consolidated statement of financial position, categorised by level under the fair value hierarchy:

31 December 2022	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Cash and cash equivalents	75,847	–	–	75,847
Regulatory assets	12,214	12,462	–	24,676
Financial assets at FVTPL				
Fixed income securities	72,997	424,786	–	497,783
Equities	46,878	81,324	–	128,202
Available for sale financial assets				
Residential properties	–	–	323	323
Segregated fund assets	1,046,538	81,953	–	1,128,491
Total assets measured at fair value	**1,254,474**	**600,525**	**323**	**1,855,322**
Liabilities				
Investment contract liabilities	–	298,205	–	298,205
Segregated fund liabilities	–	1,128,491	–	1,128,491
Total liabilities measured at fair value	**–**	**1,426,696**	**–**	**1,426,696**

31 December 2021	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Cash and cash equivalents	103,192	–	–	103,192
Regulatory assets	12,266	12,517	–	24,783
Financial assets at FVTPL				
Fixed income securities	79,026	503,150	–	582,176
Equities	56,671	51,499	–	108,170
Available for sale financial assets				
Residential properties	–	–	323	323
Segregated fund assets	1,244,271	105,521	–	1,349,792
	1,495,426	672,687	323	2,168,436
Assets held for sale	–	–	–	73,516
Total assets measured at fair value	**1,495,426**	**672,687**	**323**	**2,094,920**
Liabilities				
Investment contract liabilities	–	308,075	–	308,075
Segregated fund liabilities	–	1,349,792	–	1,349,792
Total liabilities measured at fair value	**–**	**1,657,867**	**–**	**1,657,867**

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

The following table presents the change in Level 3 instruments (residential properties held for sale):

	2022 $	2021 $
Opening balance	323	796
(Sales) / purchases	–	(484)
Gains / (losses) recognised in income	–	11
Total	**323**	**323**

Residential properties are assets carried at fair value on a recurring basis that are categorised as level 3. Significant unobservable inputs include sale proceeds, costs to sell, and timing of sale. A decrease in expected sale proceeds would result in a decrease in fair value. A decrease in either costs to sell or time to sale would result in an increase in fair value.

D. Assets and liabilities not measured at fair value

For assets and liabilities not measured at fair value in the consolidated statement of financial position, the following table discloses fair value information categorised by level in the preceding hierarchy: :

31 December 2022	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Held-to-maturity financial assets				
Fixed income securities	–	966	–	966
Loans and receivable financial assets				
Mortgages	–	–	32,514	32,514
Policyholder loans	–	–	4,294	4,294
Corporate loan	–	–	11,825	11,825
Investment properties	–	–	36,800	36,800
Total assets not measured at fair value	**–**	**966**	**85,433**	**86,399**

31 December 2021	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Held-to-maturity financial assets				
Fixed income securities	–	1,071	–	1,071
Loans and receivable financial assets				
Mortgages	–	–	35,043	35,043
Policyholder loans	–	–	4,307	4,307
Corporate loan	–	–	12,000	12,000
Investment properties	–	–	36,800	36,800
	–	1,071	88,150	89,221
Assets held for sale	–	–	–	4,307
Total assets not measured at fair value	**–**	**1,071**	**88,150**	**84,914**

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

9. Cash and cash equivalents

	2022 $	2021 $
Cash at bank and in hand	68,155	93,535
Short-term bank deposits	7,692	10,066
	75,847	103,601
Assets held for sale	–	409
Total	**75,847**	**103,192**

10. Regulatory assets

	2022 $	2021 $
Regulatory assets	24,676	24,783
Total	**24,676**	**24,783**

Regulatory assets represent cash and fixed income security amounts placed on deposit with banks and government bodies to satisfy licensing criteria in certain jurisdictions in which the Group operates. These assets cannot be removed nor the accounts reduced without the prior written consent of the relevant regulator.

11. Investments

A. Carrying amount and fair value of investments

Investments comprise:

	2022		2021	
31 December	**Carrying amount $**	**Fair value $**	**Carrying amount $**	**Fair value $**
At fair value through profit and loss				
Fixed income securities	497,783	497,783	582,176	582,176
Equities	128,202	128,202	108,170	108,170
Held-to-maturity				
Fixed income securities	1,000	966	1,000	1,071
Loans and receivables				
Mortgages	33,904	32,514	34,897	35,043
Corporate Loan	12,000	11,825	12,000	12,000
Policyholder loans	4,294	4,294	4,307	4,307
	677,183	**675,584**	**742,550**	**742,767**
Available for sale				
Residential properties	323	323	323	323
	323	**323**	**323**	**323**
	677,506	675,907	742,873	743,090
Assets held for sale	–	–	77,823	77,823
Total	**677,506**	**675,907**	**665,050**	**665,267**

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

The fair value of the assets that pass the SPPI test but are neither managed or have their performance evaluated on a fair value basis are as follows:

	2022			2021		
31 December	Total fair value $	SPPI $	Non-SPPI $	Total fair value $	SPPI $	Non-SPPI $
Held-to-maturity						
Fixed income securities	966	966	–	1,071	1,071	–
Loans and receivables*						
Mortgages	32,514	32,514	–	35,043	35,042	–
Corporate loan	11,825	11,825	–	12,000	12,000	–
Policyholder loans	4,294	4,294	–	4,307	4,307	–
Total	**49,599**	**49,599**	**–**	**52,420**	**52,420**	**–**

** Loans and receivables are unrated.*

B. Investment result

	2022 $	2021 $
Interest income		
Fixed income securities – at FVTPL	14,388	13,871
Mortgages and loans	2,463	2,397
Bank deposits and policyholder loans	704	429
	17,555	16,697
Dividend income		
Equities – at FVTPL	964	866
	964	866
Net realised (losses) / gains on sale of investments		
Equities – at FVTPL	54	1,402
Fixed income securities – at FVTPL	(1,780)	2,222
Regulatory assets – at FVTPL	(26)	(28)
Residential properties – available for sale	–	11
	(1,752)	3,607
Change in fair value arising from		
Fixed income securities	(72,216)	(19,732)
Equities	(9,482)	5,787
Regulatory assets	(813)	(973)
	(82,511)	(14,918)
Impairments and deductions reversal		
Impairment reversal on mortgages and loans	1,291	–
Less: Crediting interest on guaranteed contracts for the account of customers	(2,053)	(2,067)
	(762)	(2,067)
Total investment result	**(66,506)**	**4,185**

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

12. Insurance receivables and other assets

	2022 $	2021** $
Insurance receivables*	80,556	74,801
Accounts receivable	6,769	6,481
Accrued investment income	4,125	3,883
Tenant allowances	769	476
	92,219	85,641
Assets held for sale	–	938
Total	**92,219**	**84,703**

**Insurance receivables are net of provisions for bad debt of $2,416 (2021 – $2,126).*

***2021 balance of $476 tenant allowance was reclassified from investment properties.*

13. Deferred acquisition costs

A reconciliation of the change in deferred acquisition costs is shown below:

	2022 $	2021 $
At 1 January	12,080	11,019
Recognised deferred acquisition costs	30,918	30,034
Amortisation charge through income	(29,641)	(28,973)
At 31 December	**13,357**	**12,080**

14. Reinsurance assets

Reinsurance assets are comprised of the following:

	2022 $	2021 $
Short-term insurance contracts:		
Claims reported and adjustment expenses	20,622	17,817
Unearned premiums ceded	72,512	68,458
Claims incurred but not reported	11,873	12,175
Total short-term insurance contracts	**105,007**	**98,450**
Life and health insurance contracts:		
Participating		
Individual life	(1,652)	(2,383)
Non-participating		
Individual life	(3,446)	(4,761)
Individual and group annuities		
Group life	1,059	1,146
Total life and health insurance contracts	**(4,039)**	**(5,998)**
	100,968	92,452
Liabilities held for sale	**–**	**7,144**
Total reinsurance assets	**100,968**	**99,596**

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

15. Investment properties

	2022 $	2021* $
Cost	37,422	36,157
Accumulated depreciation	(15,591)	(14,578)
Net book value	**21,831**	**21,579**
Year ended 31 December		
At beginning of year	21,579	20,712
Net additions and capital improvements	1,240	1,769
Depreciation	(988)	(902)
Closing net book value	**21,831**	**21,579**

**2021 balance of $476 additions was reclassified to insurance receivables and other assets.*

Investment properties located in Bermuda consist of 30 Woodbourne, owned by Scarborough, a 60% owned subsidiary, and Exchange House, owned by Barr's Bay, a wholly-owned subsidiary. The Group has entered into non-cancellable operating leases on space within several of the Group's office buildings as a lessor.

At 31 December 2022, investment properties with a net book value of $21,831 (2021 – $21,579) were estimated to be valued at $36,800 (2021 – $36,800) on the basis of their estimated open market value for existing use. During the years ended 31 December 2022 and 2021, there were no impairments of investment properties for continuing operations.

Rental income generated from these investment properties during the year amounted to $1,929 (2021 – $2,744). Operating expenses incurred in support of generating rental income from investment properties were $34 (2021 – $718).

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

16. Property and equipment

A. Property and equipment comprises:

	Land and buildings $	Furniture, equipment and leasehold improvements $	Computer hardware $	Motor Vehicles $	Total $
At 1 January 2021					
Cost	16,894	4,045	5,433	126	26,498
Accumulated amortisation	(3,525)	(3,237)	(3,177)	(109)	(10,048)
Net book value	**13,369**	**808**	**2,256**	**17**	**16,450**
Year ended 31 December 2021					
Additions	188	178	227	–	593
Revised terms on right-of-use assets	–	(52)	–	–	(52)
Disposals	–	(59)	(55)	–	(114)
Disposals – accumulated amortisation	–	39	–	–	39
Amortisation charge	(597)	(210)	(836)	(12)	(1,655)
Effect of movement in exchange rates	7	1	12	–	20
Closing net book value	**12,967**	**705**	**1,604**	**5**	**15,281**
At 31 December 2021					
Cost	17,088	4,114	5,618	126	26,946
Accumulated amortisation	(4,121)	(3,409)	(4,014)	(121)	(11,665)
Net book value	**12,967**	**705**	**1,604**	**5**	**15,281**
Year ended 31 December 2022					
Additions	3,761	790	169	–	4,720
Disposals	(1,411)	(464)	(2,724)	–	(4,599)
Disposals – accumulated amortisation	525	454	2,719	–	3,698
Amortisation charge	(622)	(232)	(568)	(5)	(1,427)
Effect of movement in exchange rates	(61)	(1)	(63)	–	(125)
Closing net book value	**15,159**	**1,252**	**1,137**	**–**	**17,548**
At 31 December 2022					
Cost	19,342	4,417	2,827	126	26,712
Accumulated amortisation	(4,183)	(3,165)	(1,690)	(126)	(9,164)
Total net book value	**15,159**	**1,252**	**1,137**	**–**	**17,548**

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

B. Leases:

This note provides information for leases where the Group is a lessee. For leases where the Group is a lessor, see Note 15.

i) Amounts recognised in the consolidated statement of financial position:

	2022 $	2021 $
Right-of-use assets		
Land and buildings	3,745	1,381
Furniture, equipment and leasehold improvements	164	165
	3,909	**1,546**
Lease liabilities		
Other liabilities	3,967	1,637
	3,967	**1,637**

Additions to the right-of-use assets during the year were $3,535 (2021 – $162).

ii) Amounts recognised in the consolidated statement of income:

	2022 $	2021 $
Amortisation charge of right-of-use assets		
Land and buildings	222	205
Furniture, equipment and leasehold improvements	43	39
	265	**244**
Interest expense	**100**	**83**
Expenses relating to short-term leases (included in operating expenses)	105	83
Expenses relating to leases of low-value assets (included in operating expenses)	72	–

The total cash outflow for leases was $409 (2021 – $355).

iii) The maturity profile of lease liabilities at 31 December 2022 is as follows:

	Within 1 year $	1 to 5 years $	Over 5 years $	Total $
Lease liabilities	159	793	3,015	3,967

The maturity profile of right-of-use liabilities at 31 December 2021 is as follows:

	Within 1 year $	1 to 5 years $	Over 5 years $	Total $
Lease liabilities	225	1,009	403	1,637

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

17. Income taxes

Income tax is calculated and payable on the profits of BF&M Canada, and IHIC which operate in jurisdictions with corporate tax requirements. The rest of the Group operates in jurisdictions with no corporate tax.

A. Income tax

The income tax expense comprises:

	2022 $	2021 $
Current tax	694	482
Deferred tax	(20)	29
Total income tax expense	**674**	**511**

The taxation charge on taxable income differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2022 $	2021 $
BF&M Canada and IHIC's (loss) / income before corporation tax	(2,902)	2,663
Tax calculated at effective rates of 29% and 9.5% respectively	713	355
Prior year adjustments	–	21
Income not subject to tax	(32)	(34)
Expenses not deductible for tax	–	4
Tax under accrual	(7)	165
Income tax expense	**674**	**511**

B. Deferred taxes

The deferred tax asset and deferred tax liability relate to the following items:

	2022 $	2021 $
Deferred tax assets:		
Net unearned premium	158	158
Deferred ceding commissions	407	407
Outstanding claims	16	16
Tax charge related to components of other comprehensive income	485	485
Deferred tax asset	**1,066**	**1,066**
Deferred tax liabilities:		
Accelerated tax depreciation	(66)	(88)
Deferred acquisition cost	(690)	(690)
Deferred tax liability	**(756)**	**(778)**
Net deferred tax asset	**310**	**288**

Notes to Consolidated Financial Statements

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

C. Tax recoverable

	2022 $	2021 $
Tax recoverable at beginning of year	1,245	1,256
Tax payments made	–	44
Current tax recovered for year	–	(25)
Tax under accrual	(2)	(30)
Total tax recoverable at end of year	**1,243**	**1,245**
Tax payable at beginning of year	(240)	(227)
Tax payments made	509	483
Current tax expense for year	(694)	(261)
Tax over accrual	(18)	(203)
Other	(13)	(32)
Total tax payable at end of year	**(456)**	**(240)**
Net tax recoverable	**787**	**1,005**

D. Impact to other comprehensive income / (loss)

The tax credit / (charge) relating to components of OCI is as follows:

	2022		
	Before tax $	Tax (charge) / credit $	After tax $
Re-measurements of retirement benefit obligations	383	–	383
Currency translation differences	(731)	301	(430)
Total other comprehensive income	**(348)**	**301**	**(47)**

	2021		
	Before tax $	Tax (charge) / credit $	After tax $
Re-measurements of retirement benefit obligations	970	–	970
Currency transaction differences	(238)	247	9
Total other comprehensive income	**732**	**247**	**979**

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

18. Goodwill and intangible assets

The carrying amounts of intangible assets are as follows:

	Customer relationships and contracts $	Distribution channels $	Brands $	Software development costs $	Goodwill $	Total $
At 1 January 2021						
Cost	9,370	14,500	2,040	46,548	5,607	78,065
Accumulated amortisation	(5,456)	(12,688)	(2,040)	(30,706)	–	(50,890)
Net book value	**3,914**	**1,812**	**–**	**15,842**	**5,607**	**27,175**
Year ended 31 December 2021						
Additions	–	–	–	477	–	477
Asset transfer	–	–	–	167	–	167
Impairment reversal	–	–	–	492	–	492
Disposals	–	–	–	(27)	–	(27)
Disposals – accumulated amortisation	–	–	–	22	–	22
Amortisation	(1,172)	(1,450)	–	(2,969)	–	(5,591)
Adjustment for change in estimate	–	–	–	(167)	–	(167)
Impairment losses	–	–	–	(11)	–	(11)
Closing net book value	**2,742**	**362**	**–**	**13,826**	**5,607**	**22,537**
At 31 December 2021						
Cost	9,370	14,500	2,040	47,652	5,607	79,169
Accumulated amortisation	(6,628)	(14,138)	(2,040)	(33,826)	–	(56,632)
Net book value	**2,742**	**362**	**–**	**13,826**	**5,607**	**22,537**
Year ended 31 December 2022						
Additions	–	–	–	1,257	–	1,257
Disposals	–	–	–	(15,659)	–	(15,659)
Disposals – accumulated amortisation	–	–	–	15,658	–	15,658
Amortisation	(918)	(362)	–	(3,204)	–	(4,484)
Impairment losses	–	–	–	(255)	(5,400)	(5,655)
Closing net book value	**1,824**	**–**	**–**	**11,623**	**207**	**13,654**
At 31 December 2022						
Cost	9,370	14,500	2,040	32,995	207	59,112
Accumulated amortisation	(7,546)	(14,500)	(2,040)	(21,372)	–	(45,458)
Total net book value	**1,824**	**–**	**–**	**11,623**	**207**	**13,654**
Remaining weighted average amortisation period in years	1.9			3.5	n/a	

Impairment losses and the amortisation charge on goodwill and intangibles assets are included in amortisation expense in the consolidated statement of income.

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

A. Goodwill

Goodwill primarily represents the excess of the cost of IHIC at acquisition over the fair value of the net assets acquired. The goodwill at acquisition was allocated to the IHIC operation which is identified as a separate Cash Generating Unit "CGU". Goodwill is assessed for impairment as per the accounting policy described in Note 2.J, by comparing the carrying amount of the CGU against its recoverable amount. The recoverable amount of the CGU has been determined based on a value-in-use calculation, which is the discounted present value of future cash flows expected to be derived from the CGU. These calculations use pre-tax cash flow projections based on the 2023 financial business plan approved by management and estimates of cash flows for the subsequent five years to which a terminal value is then calculated. The plans reflect management's best estimate of future profits based on both historical experience and target growth rates. A discount rate of 14.95% (2021 – 12.75%) was applied reflecting the nature of the environment for the CGU and the evolution of the business post acquisition. A terminal growth rate of 2.00% (2021 – 2.50%) was used which represents the estimated long-term nominal growth rate of the economy.

As a result of numerous economic factors including an increase in discount rates and lower terminal growth rates due to worldwide market volatility, as well as anticipated pricing and capacity changes in the property catastrophe reinsurance market, management has reassessed its future expectations, resulting in an impairment charge with respect to goodwill. For the year ended 31 December 2022, the Group has recorded an impairment charge of $5,400, fully eliminating the goodwill balance it had been carrying for IHIC.

B. Software development costs

Costs associated with the development of information systems are deferred, to the extent that the cost satisfies the criteria under IAS 38 – Intangible assets, until such time that management determines that a component is available for use in the manner expected and then it is amortised over its expected useful life. Annually, the Group reviews its software development costs available for use, for evidence of impairment. The Group impaired software development costs of $255 in 2022 (2021 – $11). Annually in accordance with IAS 36, the Group reviews whether there is any indication that an impairment loss previously recognised for an asset either not longer exists or has decreased. The amount of any reversal that can be recognised is restricted to the carrying value that would have been recognised if the original impairment had not occurred. In the prior year due to a change in the market circumstances of previously impaired assets, the Group reversed impairment costs of $492. For significant software development costs not available for use, management performs an impairment assessment annually in accordance with IAS 36, using the methodology described in Note 2(J)(ii).

19. Segregated funds

The Group's segregated funds net assets were comprised entirely of mutual funds for both the 2022 and 2021 years.

Segregated funds – consolidated statements of changes in net assets

	2022 $	2021 $
Segregated funds assets – beginning of year	1,349,792	1,171,424
Additions:		
Pension contributions	159,887	164,551
Net realised and unrealised gains	–	149,442
Total additions	**159,887**	**313,993**
Deductions:		
Payments to policyholders and their beneficiaries	(120,736)	(123,157)
Management fees	(11,456)	(12,468)
Net realised and unrealised losses	(248,996)	–
Total deductions	**(381,188)**	**(135,625)**
Net (deductions) / additions to segregated funds	**(221,301)**	**178,368**
Total segregated funds assets – end of year	**1,128,491**	**1,349,792**

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

20. Other liabilities

	2022 $	2021 $
Advances from reinsurers	1,550	707
Insurance balances payable	59,635	61,757
Payables and accrued expenses	21,517	44,016
Deferred commission income	14,762	13,391
Policyholder dividends payable	5,169	5,084
Lease liabilities	3,967	1,637
Dividends payable	2,466	2,403
	109,066	128,995
Liabilities held for sale	–	5,389
Total	**109,066**	**123,606**

Insurance balances payable include amounts payable to reinsurers and brokers.

21. Retirement benefit obligations

A. Defined contribution pension plan

The Group has established a defined contribution pension plan for eligible qualifying employees. Contributions by the Group to the defined contribution plan are subject to certain vesting requirements and are generally a set percentage of an employee's annual income and matched against employee contributions. The cost of the defined contribution pension plan is not reflected in the tables below. An expense of $1,191 (2021 – $1,162) equating to the service cost for the year for these employees was reported during the year.

B. Post-retirement medical plan

The Group sponsors a post-retirement medical benefit plan for its Bermuda employees. The main benefit provided is for health care. Prior to 1 January 2012, the Group paid 50% of the total premiums paid to the insurer and the pensioner paid the balance. Retirees after 31 December 2011 pay 100% of their premiums if they want to continue to be covered by the plan. This change reduced the number of current employees who will be prospectively entitled to benefits. The plan is closed to new entrants from employees hired after 1999.

Cash contributions to the plan by the Group during 2022 were $197 (2021 – $200).

C. Defined benefit pension plan

The Group also sponsors a defined benefit pension plan for eligible employees in Bermuda, which follows the National Pension Scheme (Occupational Pensions) Act 1998 regulatory framework. The plan is closed to new entrants for employees hired after 1999. The defined benefit plan is administered by a separate fund that is legally separated from the Group. Responsibility for governance of the plan including investment and contributions lies jointly with the Group and the Trustees of the pension fund.

Under the plan, the pension amount at retirement is based on an employee's final average earnings. The scheme is generally funded through payments determined by periodic actuarial calculations. Cash contributions to the plan by the Group during 2022 were $nil (2021 – $nil).

The Group measures the fair value of assets and the accrued benefit obligations as of 31 December. The most recent actuarial valuation of the plan's assets and the present value of the defined benefit obligation were carried out as of 31 December 2022

The following table provides a summary of the defined benefit pension and post-retirement medical plans' estimated financial position at 31 December 2022 and 2021:

	2022 $	2021 $
Defined benefit pension plan ((asset) / liability)	(1,038)	(1,367)
Medical benefit plan ((asset) / liability)	1,678	2,320
Total retirement benefit obligations	**640**	**953**

Notes to Consolidated Financial Statements

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

Changes in benefit obligation	Defined benefit pension plan 2022 $	Defined benefit pension plan 2021 $	Medical benefit plan 2022 $	Medical benefit plan 2021 $
Balance – beginning of year	40,644	40,528	2,320	3,188
Current service cost	200	244	–	–
Interest expense	967	795	50	46
Actuarial (gains) and losses due to changes in:				
Experience	(245)	414	(267)	(570)
Economic assumption changes	(6,769)	(2,617)	(228)	(144)
Changes in asset ceiling, excluding amounts included in interest expense	1,779	3,324	–	–
Benefits paid	(2,091)	(2,044)	(197)	(200)
Total benefit obligation – end of year	**34,485**	**40,644**	**1,678**	**2,320**

Change in plan assets	Defined benefit pension plan 2022 $	Defined benefit pension plan 2021 $	Medical benefit plan 2022 $	Medical benefit plan 2021 $
Fair value – beginning of year	42,011	41,921	2,320	–
Return on plan assets	(4,348)	2,193	–	–
Employer contributions	–	–	197	200
Plan expenses	(49)	(60)	–	–
Benefits paid	(2,091)	(2,043)	(197)	(200)
Total fair value of plan assets – end of year	**35,523**	**42,011**	–	**–**
Net (benefit) liability recognised in the consolidated statement of financial position	**(1,038)**	**(1,367)**	**1678**	**2,320**

Amounts recognised in respect of these plans:

Net benefit cost recognised in consolidated statement of income	Defined benefit pension plan 2022 $	Defined benefit pension plan 2021 $	Medical benefit plan 2022 $	Medical benefit plan 2021 $
Current service cost	200	244	–	–
Interest expense	967	795	50	46
Expected return on plan assets	(1,085)	(817)	–	–
Administrative expense	49	60	–	–
Interest on effect of asset ceiling	88	–	–	–
Total net benefit cost	**219**	**282**	**50**	**46**

Re-measurement effects recognised in OCI	Defined benefit pension plan 2022 $	Defined benefit pension plan 2021 $	Medical benefit plan 2022 $	Medical benefit plan 2021 $
Return on plan assets (excluding amounts included in interest income)	5,433	(1,376)	–	–
Actuarial gains and losses due to change in:				
Experience	(245)	414	(267)	(570)
Financial assumptions	(6,767)	(2,617)	(228)	(144)
Adjustments for restrictions on the defined benefit asset	1,691	3,323	–	–
Total re-measurements effects	**112**	**(256)**	**(495)**	**(714)**

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

Asset allocation and fair values of the plan assets by major category for the defined benefit pension plan is as follows:

	2022			2021		
	Quoted $	Unquoted $	Total $	Quoted $	Unquoted $	Total $
Equity and fund instruments	16,016	–	16,016	19,323	–	19,323
Fixed income instruments	18,377	–	18,377	20,972	–	20,972
Real estate	–	623	623	–	1,156	1,156
Other	–	507	507	–	560	560
Total asset allocation	**34,393**	**1,130**	**35,523**	**40,295**	**1,716**	**42,011**

Plan assets include the Group's ordinary shares with a fair value of $1,176 (2021 – $1,288).

Risk

Through its defined benefit pension plan and post-employment medical plan, the Group is exposed to a number of risks, the most significant are detailed below:

Changes in bond yields – A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the fair value of the plans' bond holdings.

Life expectancy – The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities. This is particularly significant where inflationary increases result in higher sensitivity to changes in life expectancy.

Inflation risk – The pension obligation is linked to inflation, and higher inflation will lead to higher liabilities. The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with equities inflation, meaning that an increase in inflation will also increase the deficit of the plan or reduce the surplus of the plan.

As the Group's defined benefit plan is closed to new entrants, the volatility associated with future service accruals for active members has been limited and will decline over time.

Actuarial assumptions

	Defined benefit pension plan		Medical benefit plan	
	2022 %	2021 %	2022 %	2021 %
Benefit cost during the year:				
Discount rate	4.80	2.65	4.50	2.25
Compensation increase	3.30	1.15	–	–
Medical claims inflation	–	–	5.00	4.50
Defined benefit obligation at end of year:				
Discount rate	4.80	2.65	4.50	2.25
Compensation increase	4.30	2.15	–	–
Medical claims inflation	–	–	5.00	4.50

The significant weighted-average assumptions as of 31 December 2022 and 2021 are:

The expected return on assets assumption for pension cost purposes is the weighted average of expected long-term asset return assumptions by asset class and is selected from a range of possible future asset returns.

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience. As the defined benefit plan is closed to new entrants, these assumptions translate into an average life expectancy in years for a pensioner who retired at age 65:

	Defined benefit pension plan		Medical benefit plan	
	2022 in years	**2021 in years**	**2022 in years**	**2021 in years**
Male	20.53	20.46	20.53	20.46
Female	22.54	22.50	22.54	22.50

Significant judgment is used in setting the assumptions used to calculate the Group's retirement benefit obligations. The sensitivity analysis has been determined based on reasonably possible changes of the significant assumptions occurring at the end of the reporting period. Changes in trend rate assumptions by 1% in either direction will change the retirement benefit obligation as follows:

	Defined benefit pension plan		Medical benefit plan	
	Increase 2022 $	**Decease 2022 $**	**Increase 2022 $**	**Decease 2022 $**
Discount rate	2,614	3,103	107	121
Compensation increase	106	101	n/a	n/a
Average life expectancy	884	1,610	109	104

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur, and a change in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised in the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

For the funded plan, the Group ensures that the investment positions are managed with an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension scheme. The Group's ALM objective is to match assets to the pension's obligation by investing in long-term fixed interest securities with maturities that match the benefits payments as they fall due.

The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Group has not changed the process used to manage its risk from previous periods. Investments are well diversified, such that failure of any single investment would not have a material impact on the overall level of assets.

The funding requirements are based on a local actuarial measurement framework. In this framework the discount rate is set on a risk-free rate. Furthermore, premiums are determined on a current salary base. Additional liabilities stemming from past service due to salary increases should be paid immediately to the fund.

Expected contributions to post-employment benefit plans for the year ending 31 December 2023 are $185.

The weighted average duration of the defined benefit obligation is 9.73 years. The weighted average duration of the medical plan obligation is 6.80 years.

Future benefit payments

The following table sets forth the expected future benefit payments of the defined benefit pension and medical plan.

	2023 $	**2024 $**	**2025 $**	**2026 $**	**2027-2038 $**
Defined benefit pension	2,271	2,273	2,446	2,566	31,693
Medical benefit plan	185	161	134	108	318
Total future payments	**2,456**	**2,434**	**2,580**	**2,674**	**32,011**

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

22. Investment contract liabilities

The composition of investment contract liabilities and the movement in liabilities are shown below:

Composition of investment contract liabilities	2022 $	2021 $
Guaranteed interest pension	297,112	306,802
Term certain annuities	1,093	1,273
Total Investment contract liabilities	**298,205**	**308,075**

Investment contract liabilities carried at fair value	2022 $	2021 $
At 1 January	308,075	314,637
Pension contributions	48,900	59,366
Net investment (loss)	(17,742)	(3,326)
Benefits paid	(37,469)	(47,291)
Management fees deducted	(4)	(184)
Net transfers out	(3,555)	(15,127)
Total at 31 December	**298,205**	**308,075**

23. Insurance contract liabilities

A. Composition of insurance contract liabilities

	2022			2021		
	Gross $	Reinsurance $	Net $	Gross $	Reinsurance $	Net $
Short term insurance contracts:						
Claims reported and loss adjustment expenses	33,603	(20,622)	12,981	29,860	(17,817)	12,043
Unearned premiums	101,738	(72,512)	29,226	95,254	(68,458)	26,796
Claims incurred but not reported	17,373	(11,873)	5,500	16,952	(12,175)	4,777
Total short-term insurance contracts	**152,714**	**(105,007)**	**47,707**	**142,066**	**(98,450)**	**43,616**
Life and health insurance contracts:						
Participating						
Individual life	26,487	1,652	28,139	37,450	2,383	39,833
Non-participating						
Individual life	19,892	3,446	23,338	28,249	4,761	33,010
Individual and group annuities	105,124	–	105,124	135,703	–	135,703
Group life	5,692	(1,059)	4,633	6,610	(1,145)	5,465
Health and accident	17,616	–	17,616	14,290	(1)	14,289
Total life and health insurance contracts	**174,811**	**4,039**	**178,850**	**222,302**	**5,998**	**228,300**
	327,525	(100,968)	226,557	364,368	(92,452)	271,916
Liabilities held for sale	–	–	–	**65,699**	**7,144**	**72,843**
Total insurance contract liabilities	**327,525**	**(100,968)**	**226,557**	**298,669**	**(99,596)**	**199,073**

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

B. Changes in short-term insurance contract liabilities

	2022			2021		
	Gross $	Reinsurance $	Net $	Gross $	Reinsurance $	Net $
At 1 January						
Claims and adjustment expenses	29,860	(17,817)	12,043	44,417	(34,173)	10,244
Claims incurred but not reported	16,952	(12,175)	4,777	20,953	(15,935)	5,018
Total at 1 January	46,812	(29,992)	16,820	65,370	(50,108)	15,262
Cash paid for claims settled in year	(25,325)	11,212	(14,113)	(49,980)	36,773	(13,207)
Increase in liabilities:						
Arising from current-year claims	29,927	(14,178)	15,749	26,717	(11,467)	15,250
Arising from prior-year claims	(438)	463	25	4,705	(5,190)	(485)
Total at 31 December	**50,976**	**(32,495)**	**18,481**	**46,812**	**(29,992)**	**16,820**
Claims and adjustment expenses	33,603	(20,622)	12,981	29,860	(17,817)	12,043
Claims incurred but not reported	17,373	(11,873)	5,500	16,952	(12,175)	4,777
Total at 31 December	**50,976**	**(32,495)**	**18,481**	**46,812**	**(29,992)**	**16,820**

The fair value of the net provision for claims and adjustment expenses of $18,482 (2021 – $16,820) is $17,610 (2021 – $16,429). The fair value is calculated by the Group's actuaries and represents the discounted value of the net provision.

C. Unearned premium liability

	2022			2021		
	Gross $	Reinsurance $	Net $	Gross $	Reinsurance $	Net $
At 1 January	95,254	(68,458)	26,796	87,309	(63,130)	24,179
Premium written during the year	243,824	(198,030)	45,794	237,602	(191,507)	46,095
Premium earned during the year	(237,340)	193,976	(43,364)	(229,657)	186,179	(43,478)
Total at 31 December	**101,738**	**(72,512)**	**29,226**	**95,254**	**(68,458)**	**26,796**
Movement during the year, net of acquisition costs	**(6,484)**	**4,054**	**(2,430)**	**(7,945)**	**5,328**	**(2,617)**

Notes to Consolidated Financial Statements

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

D. Changes in life and health insurance contract liabilities

	2022			2021		
	Gross $	Reinsurance $	Net $	Gross $	Reinsurance $	Net $
Provision for policy benefits	216,425	5,998	222,423	223,064	5,691	228,755
Claims payable	3,862	–	3,862	5,061	–	5,061
Provision for participating policyholders	2,015	–	2,015	1,208	–	1,208
Liabilities held for sale	(65,699)	(7,144)	(72,843)	–	–	–
Life and health insurance contract liabilities – 1 January	156,603	(1,146)	155,457	229,333	5,691	235,024
Transfer from liabilities held for sale	65,699	7,144	72,843	–	–	–
Change in provision for policy Benefit						
Aging and changes in balances on in-force policies	912	54	966	(1,204)	78	(1,126)
Changes in assumptions:						
Investment returns	(46,903)	(2,020)	(48,923)	(6,449)	253	(6,196)
Mortality	(162)	(5)	(167)	–	–	–
Lapse	5	–	5	18	–	18
Expense				125	(3)	122
Other	569	11	580	871	(21)	850
	20,120	5,184	25,304	(6,639)	307	(6,332)
Provision for policy benefits	170,846	4,039	174,885	216,425	5,998	222,423
Claims payable	1,992	–	1,992	3,862	–	3,862
Provision for participating policyholders	1,973	–	1,973	2,015	–	2,015
	174,811	4,039	178,850	222,302	5,998	228,300
Liabilities held for sale	–	–	–	65,699	7,144	72,843
Total life and health insurance contract liabilities – 31 December	**174,811**	**4,039**	**178,850**	**156,603**	**(1,146)**	**155,457**

The majority of the fair value of future policy benefits is determined by reference to the fair value of the assets supporting those liabilities. As assets supporting future policy benefits are reported at fair value in the consolidated statement of financial position, the change in the value of those assets would be largely offset by a change in the value of liabilities, where the duration of the assets and liabilities are closely matched, resulting in limited changes to surplus.

E. Composition of the assets supporting liabilities

The composition of the assets supporting life and health insurance contract liabilities is as follows:

31 December 2022	Fixed income securities $	Mortgages and loans $	Cash $	Total $
Participating				
Individual life	24,182	1,748	2,209	28,139
Non-participating				
Individual life	16,936	6,121	281	23,338
Individual and group annuities	76,643	27,701	780	105,124
Group life	1,298	470	2,865	4,633
Health and accident	1	–	17,614	17,615
Total	**119,060**	**36,040**	**23,749**	**178,849**

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

31 December 2021	Fixed income securities $	Mortgages and loans $	Cash $	Total $
Participating				
Individual life	35,193	2,090	2,550	39,833
Non-participating				
Individual life	25,507	5,646	1,857	33,010
Individual and group annuities	110,644	24,493	566	135,703
Group life	1,824	404	3,237	5,465
Health and accident	3	–	14,286	14,289
	173,171	32,633	22,496	228,300
Assets held for sale	–	–	–	72,843
Total	**173,171**	**32,633**	**22,496**	**155,457**

24. Equity

A. Share capital

	2022 $	2021 $
Authorised – 10,000,000 (2021 – 10,000,000) common shares of a par value of $1 each	10,000	10,000
Issued and fully paid – Common shares of a par value of $1 each	9,187	9,073

Common shares in issue in the Group rank pari passu with any new common shares issued in the Group. All the common shares in issue carry the same right to receive all dividends and other distributions declared, made or paid by the Group.

A reconciliation of the number of shares outstanding at the beginning and at the end of the period is as follows:

	2022 # of shares	2021 # of shares
At 1 January	9,073,478	9,024,980
Shares issued under the employee share purchase plan	10,784	10,575
Shares issued under the equity incentive plan	7,437	8,550
Share grants issued under the equity incentive plan	106,164	90,100
Share grants forfeited under the equity incentive plan	(10,650)	(60,727)
Total at 31 December	**9,187,213**	**9,073,478**

B. Share premium and contributed surplus

Share premium comprises additional paid in capital in excess of the par value. This reserve is not ordinarily available for distribution. Contributed surplus represents additional paid in capital.

C. Share buy-back

In 2016, the Group's Board of Directors authorised a share repurchase program up to a maximum of 500,000 shares. As at 31 December 2022, the Group had repurchased 420,225 shares for a total of $8,279. The repurchased shares are held as treasury shares until reissued or cancelled. The current program expires in August 2023 and may be renewed at the discretion of the Group and upon approval by the Bermuda Stock Exchange. The repurchase of shares is at the discretion of the Group.

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

D. Treasury shares

Treasury shares are shares of BF&M Limited that are held by the Group primarily for the purpose of issuing shares under the employee share purchase scheme or the equity incentive plan. Shares were acquired through purchases on the Bermuda Stock Exchange.

	2022 $	2022 # of shares	2021 $	2021 # of shares
At 1 January	4,998	250,782	1,664	99,132
Acquisition of shares through share buy-back	232	10,000	3,334	151,650
Shares issued under the employee share purchase plan	(3)	(200)	–	–
Total at 31 December	**5,227**	**260,582**	**4,998**	**250,782**

E. Accumulated other comprehensive loss

This consists of translation adjustments arising from the consolidation of the BF&M Canada operations, and actuarial gains and losses on employee benefit plans.

F. Employee share purchase plan

During 2022, 10,984 (2021 – 10,575) shares were purchased by employees of the Group. The fair value of the shares was credited to either share capital or treasury shares depending on the source of the shares and share premium. The discount was charged to compensation expense.

Source of shares	Shares issued #	Share capital $	Treasury shares $	Share premium $	Compensation expense $
2022					
Share capital	10,784	11	–	235	37
Treasury shares	200	–	3	1	1
Total	**10,984**	**11**	**3**	**236**	**38**
2021					
Share capital	10,575	11	–	214	34
Treasury shares	–	–	–	–	–
Total	**10,575**	**11**	**–**	**214**	**34**

G. Shares held by the Group's defined benefit pension scheme

As at 31 December 2022, 55,992 (2021 – 55,992) shares of the Group were owned within the investment portfolio of the Group's defined benefit pension scheme.

25. Share based payments

Restricted share grants and restricted unit grants

During the year 106,164 (2021 – 90,100) common shares and 18,494 (2021 – 10,800) units were issued to certain employees in respect of restricted share grants and restricted unit grants. These are held by the Group and are restricted from sale or use by the employees for three years from the grant date. Restricted unit grants differ from restricted share grants in that no common shares are issued at the time of the grant; instead they are issued after the vesting date. The amount of the benefit to these employees totalled $2,416 (2021 – $2,036), excluding impact of dividends. This benefit was measured using the 20-day average share price prior to the grant date, and will be amortised through earnings over a three-year period with accelerated vesting for employees over 55 years of age and more than 10 consecutive years of service. The amount charged to compensation expense in the current year totalled $1,857 (2021 – $1,245). The carrying amount of the liability in respect of restricted unit grants, which is included in other liabilities, is $787 (2021 – $614).

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

The following table summarises information about the outstanding share and unit grants:

Restricted share and unit grants vesting	# of shares	# of share units
01 April 2023	56,467	8,150
01 April 2024	65,767	9,800
01 April 2025	101,114	18,494
Total	**223,348**	**36,444**

26. Commission and other income

The following tables present commission earned from reinsurers and fee income from service contracts by reporting segments as disclosed in Note 7.

Commission and other income	Health, life, annuity, and pension 2022 $	Property and casualty 2022 $	Cayman and other Caribbean operations 2022 $	Corporate and other 2022 $	Total 2022 $
Commission income from insurance contracts	200	16,006	19,489	–	35,695
Fees earned from management of insurance contracts	713	–	–	–	713
Fee income from service contracts:					
Pension administration asset-based income	9,437	–	–	–	9,437
Administrative services and other fees	497	(22)	726	2,286	3,487
Total commission and other income	**10,847**	**15,984**	**20,215**	**2,286**	**49,332**

Commission and other income	Health, life, annuity, and pension 2021 $	Property and casualty 2021 $	Cayman and other Caribbean operations 2021 $	Corporate and other 2021 $	Total 2021 $
Commission income from insurance contracts	228	16,144	19,102	–	35,474
Fees earned from management of insurance contracts	977	–	–	–	977
Fee income from service contracts:					
Pension administration asset-based income	11,100	–	–	–	11,100
Administrative services and other fees	639	(169)	702	2,973	4,145
Total commission and other income	**12,944**	**15,975**	**19,804**	**2,973**	**51,696**

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

27. Insurance contracts benefits and expenses

	2022 $	2021 $
Gross life and health claims and benefits paid	101,847	92,058
Reinsurance recoveries	(5,069)	(3,687)
Change in insurance contract liabilities	(45,578)	(6,639)
Change in reinsurance assets	(1,960)	307
Total life and health policy benefits	**49,240**	**82,039**
Gross short-term claim and adjustment expenses paid	25,325	49,980
Reinsurance recoveries	(11,212)	(36,771)
Change in insurance contract liabilities	4,164	(18,557)
Change in reinsurance assets	(2,501)	20,113
Total short-term claim and adjustment expenses	**15,776**	**14,765**
Total insurance contracts benefits and expenses	**65,016**	**96,804**

28. Operating expenses

	2022 $	2021 $
Wages and salaries	33,027	33,689
Professional and consulting fees	5,913	5,451
IT maintenance contracts	5,563	4,982
Advertising and business development	2,317	1,770
Bank charges and foreign currency purchase tax	1,896	1,743
Compliance, legal and regulatory	1,895	1,822
Share expense	1,857	1,245
Office rent, building and utilities costs	1,819	1,900
Post retirement benefit costs	1,459	1,490
Office and administration expenses	751	706
Travel	425	93
Bad debt	422	(716)
Memberships and subscriptions	217	231
Training and development	144	134
Other	(35)	–
Allocation of costs to discontinued operations	–	107
Total operating expenses	**57,670**	**54,647**

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

29. Components of accumulated other comprehensive loss

	2022 $	2021 $
Items that will not be subsequently reclassified to profit or loss		
Re-measurement of retirement benefit obligation		
Balance – beginning of year	(1,026)	(1,972)
Re-measurement of retirement benefit obligation	383	970
Non-controlling interest	(9)	(24)
Balance – end of year	(652)	(1,026)
Currency translation differences		
Balance – beginning of year	(205)	(214)
Unrealised foreign exchange (losses) / gains on translation of foreign operations	(430)	9
Balance – end of year	(635)	(205)
Total	**(1,287)**	**(1,231)**

30. Earnings per share

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2022			2021		
	Loss $	# of weighted average shares	Per share amount $	Income $	# of weighted average shares	Per share amount $
Net (loss) / earnings	(8,848)			25,173		
Basic earnings per share:						
(Loss) / income available to common shareholders	(8,848)	8,887,012	($1.00)	25,173	8,864,634	2.84
Effect of dilutive securities:						
Share options	–	–	–	–	–	–
Diluted earnings per share:						
(Loss) / income available to common shareholders and assumed conversions	(8,848)	8,887,012	($1.00)	25,173	8,864,634	2.84
(Loss) / income available to common shareholders – continuing operations	(8,848)	8,887,012	($1.00)	24,578	8,864,634	2.77
Income available to common shareholders – discontinued operations	–	–	–	575	8,864,634	0.07

There are no share options granted to employees of the Group and thus there is no dilutive or anti-dilutive impact on earnings per share.

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

31. Related parties

The Group has a significant shareholder, Lawrie (Bermuda) Ltd., incorporated in Bermuda, which owns 36.9% of the Group's shares. The remaining shares are widely held.

As disclosed in Note 2C(i), a number of the subsidiaries transacted with the Group during the year in the normal course of business. These transactions are eliminated on consolidation.

Key management personnel have been defined as the executive team and the Board of Directors of the Group. The following transactions were carried out with key management:

A. Sales of insurance contracts and other services

	2022 $	2021 $
Sales of insurance contracts and pension services – Key management	202	191
Purchase of services – Key management	134	188

B. Key management compensation

The following table shows compensation to key management:

	2022 $	2021 $
Salaries and other short-term employee benefits	3,528	3,861
Post-employment benefits	120	134
Termination benefits	–	281
Share based payments	781	633
Total	**4,429**	**4,909**

Pursuant to Regulation 6.8 (3) of Section 11A of the Bermuda Stock Exchange Listing Regulations, the total interests of all directors and officers of the Group in the common shares of the Group at 31 December 2022 were 298,529 (2021 – 255,084) shares. No rights to subscribe for shares in the Group have been granted to or exercised by any director or officer, other than those disclosed in Note 25.

C. Loans to related parties

Loans are extended to key management of the Group (and their families) and to companies related to key management. Mortgage terms are typically no more than 20 years in duration and interest rates are consistent with rates charged by the Group to non-related parties.

	2022 $	2021 $
At 1 January	3,527	1,563
Loans extended	271	1,863
Interest charges	503	101
Total at 31 December	**4,301**	**3,527**

D. Self-insurance

The Group self-insures their office buildings reported in property and equipment and in investment properties. The insured assets are reinsured through the Group's reinsurance programme and is subject to the same terms and conditions as other reinsured insurance contracts.

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

32. Subsidiaries with material non-controlling interest

Set out below is the summarised financial information for the aggregate of each subsidiary that has non-controlling interests that are material to the Group.

	Scarborough	
Summarised statement of financial position	**2022 $**	**2021 $**
Total assets	18,306	19,505
Total liabilities	1,761	1,692
Total net assets	**16,545**	**17,813**

	Scarborough / Barr's Bay*	
Summarised comprehensive income	**2022 $**	**2021 $**
Total income	1,267	2,439
Total benefits and expenses	1,057	1,195
Net income	**210**	**1,244**
Other comprehensive income		
Items that will not be reclassified to profit or loss	23	58
Total comprehensive income	233	1,302
Total income attributable to non-controlling interest	**84**	**497**

	Scarborough / Barr's Bay	
Summarised comprehensive income	**2022 $**	**2021 $**
Net cash generated from operating activities	838	2,678
Net cash used in investing activities	(1,217)	(2,230)
Cash dividends paid	(1,500)	(2,000)
Cash at date of acquisition of non-controlling interest	–	(2,762)
Net decrease in cash and cash equivalents	(1,879)	(4,314)
Cash and cash equivalents at beginning of year	2,656	6,970
Cash and cash equivalents at end of year	777	2,656

** Barr's Bay became a wholly-owned subsidiary in 2021, amounts above relate to the period up to the date of acquisition. Refer to Note 1.*

For the year ended 31 December 2022 (in thousands of Bermuda dollars)

33. Commitments and contingencies

A. Operating leases

i) Group as Lessor

The Group has entered into non-cancellable operating leases on space within several of the Group's office buildings. These agreements include an extension option and terminate between 2023 and 2033. The future minimum lease payments receivable are as follows:

	2022 $	2021 $
No later than 1 year	2,852	1,886
Later than 1 year and no later than 5 years	8,129	6,351
Later than 5 years	2,475	–
Total	**13,456**	**8,237**

B. Commitments

The Group has commitments made in the normal course of business that are to be disbursed upon fulfilment of certain contract conditions. $659 is payable in 2023 to fulfil contracts which have fixed and determinable amounts. For years 2023 and 2024, the Group has committed in principle to making donations to various local charities. The amount to be disbursed is unknown but will be determinable on an annual basis subject to contract terms. The Group also expects capital expenditures related to renovation work on its investment properties.

C. Contingencies

The Group and its subsidiaries are from time to time subject to legal actions arising in the normal course of business. It is inherently difficult to predict the outcome of any of these proceedings with certainty and it is possible that an adverse resolution could have a material effect on the consolidated financial statements of the Group.

34. Subsequent events

A. Dividends

On 24 March 2023, the Group, declared a dividend to be paid to shareholders of record at 31 March 2023. The dividend will be paid on or about 14 April 2023 at $0.24 per share.

B. Cayman Expansion

On 20 January 2023, IHIC received regulatory approval for the expansion of group life and disability insurance offerings in the Cayman Islands.

Directors and Officers

BF&M General Insurance Company Limited

Directors

Nancy L. Gosling, B.Comm., C.G.A., LLD, Chairman
Paul C. J. Markey, Deputy Chairman
Abigail Clifford, B.A., M.Sc.
Christopher Harris, B.Sc. (Hons.), MBA, CFA
Andrew Lo, BASc, P. Eng.
Caroline Mills-White, M.Sc., FCIP

Officers

Abigail Clifford, B.A., M.Sc., Group President and Chief Executive Officer
Stephanie Hanson, LL.B. (Hons.), Executive Vice President, Group Chief Operating Officer
Larenzo Ratteray, CPCU, AIC, Group Head of Consumer Solutions, Property & Casualty
Gemma Rochelle, LL.B. (Hons.), Group General Counsel and Chief Compliance Officer, and Corporate Secretary

BF&M Life Insurance Company Limited

Directors

Gordon Henderson, B.A. (Hons.), LL.B., Chairman
L. Anthony Joaquin, FCA, Deputy Chairman
Abigail Clifford, B.A., M.Sc.
Michelle Jackson
Conor O'Dea, FCA
Jennifer Reynolds, MBA, ICD.D

Officers

Abigail Clifford, B.A., M.Sc., Group President and Chief Executive Officer
Stephanie Hanson, LL.B. (Hons.), Executive Vice President, Group Chief Operating Officer
Michelle Jackson, Executive Vice President, Group Head of Life, Health & Pensions
Jody Power, CPA, CA, CFA, Head of IFRS-17–Life
Gemma Rochelle, LL.B. (Hons.), Group General Counsel and Chief Compliance Officer, and Corporate Secretary

BF&M Investment Services Limited

Directors

Christopher Harris, B.Sc. (Hons.), MBA, CFA, Chairman
Abigail Clifford, B.A., M.Sc.
Jennifer Reynolds, MBA, ICD.D

Officers

Abigail Clifford, B.A., M.Sc., Group President and Chief Executive Officer
Jason Cook, CFP, RICP, Group Head of Personal Risk and Retirement Solutions
Stephanie Hanson, LL.B. (Hons.), Executive Vice President, Group Chief Operating Officer
Gemma Rochelle, LL.B. (Hons.), Group General Counsel and Chief Compliance Officer, and Corporate Secretary

Directors and Officers

Island Heritage Insurance Company, Ltd.

Directors

Conor O'Dea, FCA, Chairman
Abigail Clifford, B.A., M.Sc.
Gordon Henderson, B.A. (Hons.), LL.B.
Paul C. J. Markey
Caroline Mills-White, M.Sc., FCIP, Executive Vice President, Group Head of Property & Casualty

Officers

Evelyn Tibbetts-Farrar, CPCU, ACII, Group Head of Producer Solutions, Property & Casualty
Barry Williams, Head of Compliance
Conyers, Corporate Secretary

Island Heritage Retirement Trust Company Ltd.

Directors

Conor O'Dea, FCA, Chairman
Abigail Clifford, B.A., M.Sc.

Officers

Michelle Jackson, Executive Vice President, Group Head of Life, Health & Pensions
Conyers, Corporate Secretary

BF&M Limited

Headquarters

112 Pitts Bay Road, Pembroke HM 08, Bermuda
P. O. Box HM 1007, Hamilton HM DX, Bermuda
T: +1 441 295 5566
F: +1 441 292 8831
W: bfm.bm

Subsidiary Companies

BF&M General Insurance Company Limited
BF&M Life Insurance Company Limited
Island Heritage Insurance Company, Ltd.
Island Heritage Retirement Trust Company Ltd.
BF&M Investment Services Limited
BF&M (Canada) Limited
BF&M Properties Limited
Barr's Bay Properties Limited
Scarborough Property Holdings Limited (60% ownership)
BF&M Brokers Limited
Island Heritage Insurance Company N.V.
Lawrence Boulevard Holdings Ltd.

BF&M Life I BF&M General

Island Heritage

THE BF&M GROUP OF COMPANIES

BF&M Limited Headquarters: 112 Pitts Bay Road, Pembroke HM 08, Bermuda
T: +1 441 295 5566   E: bfm@bfm.bm   W: bfm.bm