



CUNA Caribbean Insurance Jamaica Limited

Financial Statements

31 December 2022

(Expressed in Jamaican Dollars unless otherwise indicated)

CUNA Caribbean Insurance Jamaica Limited

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Shaping Tomorrow's Solutions

**CUNA CARIBBEAN INSURANCE JAMAICA LIMITED
REPORT OF THE APPOINTED ACTUARY
AS AT DECEMBER 31, 2022**

REPORT OF APPOINTED ACTUARY

I have examined the financial condition and valued the policy benefit liabilities of CUNA Caribbean Insurance Jamaica Limited for its balance sheet as at 31 December, 2022 and the corresponding change in the policy liabilities in the statement of operations for the year then ended. I meet the appropriate qualification standards and am familiar with the valuation and solvency requirements applicable to life insurance companies in Jamaica. I have relied upon Rayon Kirby, Vice President – Finance & Corporate Governance, CCIJ for the substantial accuracy of the in force records and information concerning other liabilities, as certified in the attached statement.

In my opinion:

- (i) The methods and procedures used in the verification of the valuation data are sufficient and reliable and fulfil acceptable standards of care;
- (ii) The valuation of actuarial and other policy liabilities has been made in accordance with generally accepted actuarial practice with such changes as determined and directions made by the Commission;
- (iii) The methods and assumptions used to calculate the actuarial and other policy benefit liabilities are appropriate to the circumstances of the company and the said policies and claims;
- (iv) The amount of the policy benefit liabilities represented in the balance sheet of CUNA Caribbean Insurance Jamaica Limited makes proper provision for the future payments under the companies' policies and meet the requirements of the Insurance Act and other appropriate regulations of Jamaica;
- (v) A proper charge on account of these liabilities has been made in the statement of operations;
- (vi) There is sufficient capital available to meet the solvency standards as established by the Commission.

Kyle Rudden
Fellow of the Institute and Faculty of Actuaries

Name of Appointed Actuary

A handwritten signature in blue ink, appearing to read 'Kyle Rudden', is written over a horizontal line.

Signature of Appointed Actuary

March 27, 2023

Date



Independent auditor's report

To the Members CUNA Caribbean Insurance Jamaica Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of CUNA Caribbean Insurance Jamaica Limited (the Company) as at 31 December 2022 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act.

What we have audited

The Company's financial statements comprise:

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

Basis for opinion

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

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

Independence

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



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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

Chartered Accountants
Kingston, Jamaica
28 March 2023

CUNA Caribbean Insurance Jamaica Limited

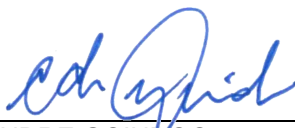
Statement of Financial Position 31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

		As at 31 December	
	Notes	2022 \$	2021 \$
Assets			
Intangible assets	9(a)	280,092,985	299,952,676
Property, plant and equipment	9(b)	46,787,561	58,363,318
Retirement benefit asset	10	12,647,000	33,179,000
Deferred tax asset	21(c)	63,360,623	65,389,374
Investment securities	11	2,267,623,757	1,815,323,882
Loans on policies		--	23,710,824
Other assets	12	214,257,448	121,139,714
Taxation recoverable	21(d)	73,142,521	143,513,297
Due from ultimate parent company	13	--	178,818,319
Due from other related parties	13	6,606,151	167,400
Cash and cash equivalents	14	552,431,366	441,492,092
Total assets		<u>3,516,949,412</u>	<u>3,181,049,896</u>
Equity and liabilities			
Equity			
Stated capital	15	167,294,598	167,294,598
Contributed capital	15	494,442,850	494,442,850
Reserves	16	6,020,142	84,189,716
Retained earnings		1,947,968,882	1,609,581,379
Total equity		<u>2,615,726,472</u>	<u>2,355,508,543</u>
Liabilities			
Insurance contracts	17	578,729,857	605,763,061
Reinsurance payable	13	18,929,666	18,093,510
Accounts payable and unallocated premium	18	188,819,642	130,875,385
Lease liabilities	22	23,117,060	32,008,960
Due to ultimate parent company	13 (b) (ii)	60,368,078	24,156,353
Due to related other parties	13 (b) (ii)	31,258,637	14,644,084
Total liabilities		<u>901,222,940</u>	<u>825,541,353</u>
Total equity and liabilities		<u>3,516,949,412</u>	<u>3,181,049,896</u>

The notes on pages 5 to 57 are an integral part of these financial statements.

Approved for issue on behalf of the Board of Directors on 23 March 2023 and signed on its behalf by:



ANDRE GOINDOO Director



COLIN MAXWELL Director

CUNA Caribbean Insurance Jamaica Limited

Statement of Comprehensive Income 31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

		Year ended 31 December	
	Notes	2022 \$	2021 \$
Revenue			
Gross premium income		3,711,379,739	3,556,764,677
Reinsurance expense	13(b)(i)	<u>(74,264,924)</u>	<u>(71,124,463)</u>
Net premium income		3,637,114,815	3,485,640,214
Investment income		75,224,660	110,366,874
Commission		433,596	1,557,654
Other income		2,202,633	2,167,376
Gain on disposal of property, plant & equipment		820,119	--
		3,715,795,823	3,599,732,118
Policyholders' benefits			
Claims and other benefits	19	(2,470,835,988)	(2,918,634,969)
Reinsurance recoveries	13(b) (ii)	<u>--</u>	<u>433,223,864</u>
Net claims and other benefits		(2,470,835,988)	(2,485,411,105)
Change in reserve for future policyholders' benefits	17	<u>(11,820,436)</u>	<u>(192,870,674)</u>
Total policyholders' benefits		(2,482,656,424)	(2,678,281,779)
Other expenses			
Management and operating expenses	20	(517,709,204)	(509,088,835)
Policy administrative fees		<u>(341,455,689)</u>	<u>(342,196,149)</u>
		<u>(3,341,821,317)</u>	<u>(3,529,566,763)</u>
Profit before taxation		373,974,506	70,165,355
Taxation	21	<u>(97,297,934)</u>	<u>(6,128,180)</u>
Net profit for the year		<u>276,676,572</u>	<u>64,037,175</u>
Other comprehensive income			
Items that will not be recognised in profit or loss			
Remeasurement of retirement benefit plan, net of tax	16	<u>(16,319,250)</u>	<u>933,750</u>
Total comprehensive income for the year		<u>260,357,322</u>	<u>64,970,925</u>

The notes on pages 5 to 57 are an integral part of these financial statements.

CUNA Caribbean Insurance Jamaica Limited

Statement of Changes in Equity 31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

	Share capital \$	Contributed capital \$	Reserves \$	Retained earnings \$	Total \$
Balance as at 1 January 2021	167,294,598	494,442,850	83,618,210	1,545,544,204	2,290,899,862
Net profit	--	--	--	64,037,175	64,037,175
Other comprehensive income	--	--	933,750	--	933,750
Movement in COVID-19 Corporate Social Responsibility Fund	--	--	(362,244)	--	(362,244)
Year ended 31 December 2021	167,294,598	494,442,850	84,189,716	1,609,581,379	2,355,508,543
Net profit	--	--	--	276,676,572	276,676,572
Other comprehensive income	--	--	(16,319,250)	--	(16,319,250)
Movement in COVID-19 Corporate Social Responsibility Fund	--	--	(139,393)	--	(139,393)
Transfer of COVID-19 Fund To retained earnings	--	--	(61,710,931)	61,710,931	--
Year ended 31 December 2022	<u>167,294,598</u>	<u>494,442,850</u>	<u>6,020,142</u>	<u>1,947,968,882</u>	<u>2,615,726,472</u>

The notes on pages 5 to 57 are an integral part of these financial statements.

CUNA Caribbean Insurance Jamaica Limited

Statement of Cash Flows

31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

		Year ended 31 December	
	Notes	2022 \$	2021 \$
Cash flows from operating activities			
Profit before taxation		373,974,506	70,165,355
Adjustments to reconcile profit before taxation to net cash from operating activities:			
Amortisation	9(a)	42,534,881	39,121,763
Depreciation	9(b)	20,280,394	22,359,047
Retirement benefit (income)/expense		(1,227,000)	--
Foreign exchange loss on investments		5,574,434	--
COVID-19 support fund investment income		(139,393)	--
		(75,224,660)	(110,366,874)
Gain on disposal of property, plant & equipment		(820,119)	--
Change in insurance contracts		(11,820,436)	192,870,674
Change in accounts payable and unallocated premium		57,944,257	32,456,360
Change in unearned premium revenue-Direct Life		171,459	1,191,110
Change in policyholders' dividend & other amounts on deposit		(15,384,227)	1,054,264
Change in retirement benefit asset		--	(2,359,000)
Change in other assets		(58,846,541)	34,126,177
Change in due to ultimate parent company		36,211,724	7,521,605
Change in due to other related parties		16,614,553	(9,844,397)
Change in due from ultimate parent company		178,818,319	(178,818,319)
Change in due from other related parties		(6,438,751)	(87,367)
Change in due to reinsurer		836,156	869,354
Tax withheld at source		(12,270,634)	(5,314,158)
Tax paid		(7,188,023)	(307,835,694)
Net cash generated from/(used in) operating activities		<u>543,600,899</u>	<u>(212,890,100)</u>
Cash flows from investing activities			
Purchase of intangible assets	9(a)	(22,675,188)	(43,923,080)
Purchase of property, plant and equipment	9(b)	(8,704,637)	(6,423,688)
Proceeds from sale of property, plant and equipment		820,119	--
Change in short term deposits		(597,137,165)	(37,998,427)
Purchase of bonds		(220,493,842)	(124,452,846)
Investment income received		50,710,165	100,302,069
Redemption of bonds		350,000,000	261,700,000
Loans on policies granted, net of repayments		<u>23,710,823</u>	<u>(777,012)</u>
Net cash (used in)/ generated from investing activities		<u>(423,769,725)</u>	<u>148,427,016</u>
Cashflows from financing activities			
Lease payments		(8,891,900)	--
<i>Net cash (used in)/generated from financing activities</i>		<u>(8,891,900)</u>	<u>--</u>
Net increase/ (decrease) in cash and cash equivalents for the year		110,939,274	(64,463,084)
Cash and cash equivalents, beginning of year		<u>441,492,092</u>	<u>505,955,176</u>
Cash and cash equivalents, end of year		<u>552,431,366</u>	<u>441,492,092</u>
Cash and cash equivalents represented by:			
Cash in hand and at bank	14	552,431,366	422,927,278
Fixed deposits classified as cash and cash equivalent		--	18,564,814
		<u>552,431,366</u>	<u>441,492,092</u>

The notes on pages 5 to 57 are an integral part of these financial statements.

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements

31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

1 Incorporation and principal activities

CUNA Caribbean Insurance Jamaica Limited (the Company) was incorporated in Jamaica on June 11, 2013 and is a wholly-owned subsidiary of CUNA Caribbean Holdings St. Lucia Limited, which is incorporated in St. Lucia, under the International Business Corporation Act of 1999. The ultimate parent company is CUNA Mutual Holding Company which is incorporated in the United States of America. The Company is domiciled in Jamaica and its registered office is located at 2A Manhattan Road, Kingston 5.

The Company is licenced by the Financial Services Commission (FSC) to conduct ordinary life insurance business.

2 Statement of compliance and basis of preparation

a. *Statement of compliance*

The financial statements as at and for the year ended 31 December 2022 (the reporting date) are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Standards Interpretations Committee (IFRIC) and comply with the provisions of the Jamaican Companies Act.

b. *Basis of preparation*

The financial statements are prepared on the historical cost basis, except as modified for insurance contract liabilities and retirement benefit plan obligations, where carrying values are determined by actuarial methods, and retirement benefit plan assets measured at fair value.

c. *Functional and presentation currency*

The financial statements are presented in Jamaican dollars, which is the Company's functional currency.

d. *Use of estimates and judgement*

The preparation of the financial statements in conformity with IFRS requires management to make estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts could differ from those estimates. Management is also required to make critical judgements in applying accounting policies.

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

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed in Note 8.

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements (continued)

31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

2 Statement of compliance and basis of preparation (continued)

e. *Impact of COVID-19*

In March 2020, the World Health Organization declared the novel coronavirus, COVID-19, a global pandemic. As at the date of these financial statements, there has been a significant decline in the number of COVID-19 cases world-wide and measures initially implemented to control the spread of the virus have been lifted in most parts of the world. As such, disruptions to economic and social activities, both locally and globally, are not as significant as in the height of the pandemic.

As a result of the significant decline in cases, both locally and globally, the Company has experienced a significant decline in claims payments resulting from deaths related to COVID-19, when compared to prior year.

3 Significant accounting policies

Unless otherwise stated, the Company has consistently applied the accounting policies as set out below to all periods presented in these financial statements.

a. *Foreign currency*

Transactions denominated in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date.

Foreign exchange differences resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

b. *Financial instruments*

Consistent with the provisions of IFRS 4, revised, the Company has deferred the adoption of IFRS 9 until the adoption of IFRS 17 in 2023, and continues to use IAS 39 to account for its financial instruments. The Company classifies its financial assets into the following categories: loans and receivables, and held-to-maturity. The classification is determined by management at initial recognition and depends on the purpose for which the instruments were acquired.

For the purpose of these financial statements, financial instruments comprise term deposits, government bonds, loans on policies, premiums receivable, due from/to the ultimate parent company, due from/to other related parties, cash balances, reinsurance assets and liabilities, accounts payable, and policy liabilities.

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

(i) *Recognition and initial measurement*

A financial asset or financial liability is measured at fair value plus transaction costs that are directly attributable to its acquisition or issue, except for financial assets classified as held for trading where transaction costs are expensed as incurred.

The Company initially recognises loans on policies on the date on which they are originated. All other financial assets and liabilities are initially recognised on the settlement date at which the Company becomes a party to the contractual provisions of the instrument.

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements (continued)

31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

3 Significant accounting policies (continued)

b. Financial instruments (continued)

(ii) Classification

Financial assets

(a) Loans and receivables

Loans and receivables include financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as available-for-sale. Loans on policies are fully secured by the cash surrender value of the related policies.

Interest on financial assets classified as loans and receivables is recognised in the Statement of Comprehensive Income as part of investment income.

(b) Held-to-maturity financial assets

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the Company's management has the positive intent and ability to hold to maturity. These include certain debt investments.

Interest on held-to-maturity investments calculated using the effective interest method is recognised in the Statement of Comprehensive Income as part of investment income. When a held-to-maturity asset is purchased at a premium or discount, the Company reduces or increases the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the premium or discount as interest costs or interest income.

Financial liabilities

The Company recognises its financial liabilities at fair value and subsequently measures them at amortised cost.

(iii) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in the Statement of Comprehensive Income.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as an asset or liability in the Statement of Financial Position.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expired.

CUNA Caribbean Insurance Jamaica Limited
Notes to the Financial Statements (continued)
31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

3 Significant accounting policies (continued)

b. Financial instruments (continued)

(iv) Offsetting

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Company has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

(v) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

c. Intangible assets

Costs associated with developing or maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

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

Directly attributable costs that are capitalised as part of the software include an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use, at rates of 10% - 33 1/3%.

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements (continued)

31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

3 Significant accounting policies (continued)

d. *Property, plant and equipment*

(i) *Owned assets*

Items of property, plant and equipment are stated at cost less accumulated depreciation (Note 3(d) (iv)) and impairment losses (see accounting policy Note 3(e) (ii)).

(ii) *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the Statement of Comprehensive Income.

(iii) *Disposal*

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with their carrying amounts and are recognised in the Statement of Comprehensive Income.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if appropriate.

(iv) *Depreciation*

Depreciation is calculated on the depreciable amount, which is the cost of an asset less its residual value. Depreciation is charged to the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of items of property, plant and equipment.

The rates of depreciation for the current period are as follows:

Office furniture and equipment	10% - 16 2/3%
Computer equipment	20% - 33 1/3%
Leasehold improvements	Over the period of the lease
Right-of-use assets	Over the period of the lease

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements (continued)

31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

3 Significant accounting policies (continued)

e. *Impairment of assets*

(i) *Financial assets at amortised cost*

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It becomes probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company, including:
 - adverse changes in the payment status of issuers or debtors in the company; or
 - national or local economic conditions that correlate with defaults on the assets in the Company.

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

If there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to-maturity investments carried at amortised cost, 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 (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. 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 Statement of Comprehensive Income.

If a held-to-maturity investment or a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements (continued)

31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

3 Significant accounting policies (continued)

e. *Impairment of assets (continued)*

(i) *Financial assets at amortised cost (continued)*

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the Statement of Comprehensive Income.

(ii) *Impairment of other non-financial assets*

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(iii) *Reversals of impairment*

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that an asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

f. *Leases*

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements (continued)

31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

3 Significant accounting policies (continued)

f. Leases (continued)

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the Statement of Financial Position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as part of property, plant and equipment in the Statement of Financial Position. The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements (continued)

31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

3. Significant accounting policies (continued)

g. *Receivables and payables related to insurance contracts*

Insurance receivables are carried at cost less impairment losses (Note 3(e)). Bad debts are written-off when identified.

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

h. *Cash and cash equivalents*

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash balances, and short-term highly liquid investments with original maturities of three months or less from the acquisition date.

i. *Insurance contracts – classification*

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk.

(i) *Long-term contracts*

These contracts insure events associated with human life over a long duration. Premiums are recognised as revenue when they become receivable from the contract holder. Premiums are shown before deduction of commission.

Benefits are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. Typically, the liability is determined as the sum of the expected discounted value of the benefit payments less the expected discounted value of the theoretical premiums that would be required to meet the benefits based on the valuation assumptions used (the valuation premiums). In particular, the liability is based on assumptions as to mortality and investment income that are established at the time the contract is issued. A margin for adverse deviations is included in the assumptions.

The liabilities are actuarially recalculated at each Statement of Financial Position date and the change in the liability is recognised as an expense in the Statement of Comprehensive Income.

(ii) *Outstanding claims*

Provision for outstanding claims and the related costs of settlement are based on incidents reported before the end of the financial year. These financial statements also include appropriate provisions for claims incurred but not yet reported. Estimates are continually revised as more information becomes available and for the effect of anticipated inflation. Adjustments arising on these revisions are included within the change in reserve for future policyholders' benefits in the current year. The historical claims experience and corresponding reserves have been disclosed in note 4(b)(iii).

(iii) *Policyholders' benefits*

Death and disability claims and surrenders are recognised in the financial statements in the year in which they are incurred.

Differences between the estimated claims and subsequent settlements are included in the Statement of Comprehensive Income in year of settlement.

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements (continued)

31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

3 Significant accounting policies (continued)

i. Insurance contracts – classification (continued)

(iv) Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers. Short-term balances are included in current financial assets. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Company assesses its reinsurance assets, for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the Statement of Comprehensive Income. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated following the same method used for financial assets. These processes are described in accounting policy 3(e).

(v) Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from contract holders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the Statement of Comprehensive Income.

j. Accounts payable and accrued liabilities

Liabilities for accounts payable and accrued liabilities are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

k. Future policyholders' benefits

The provision for future policy benefits represents the amount which, in the judgment of the Actuary, together with future premiums and investment income, is required to provide for benefits, administrative expenses and taxes on insurance and annuity policies. The amount is calculated using the Policy Premium Method (PPM), as required by the provisions of the Insurance Regulations 2001, which considers mortality and other assumptions considered to be appropriate to provide for the liabilities of the Company under the terms of its policies in force.

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements (continued)

31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

3 Significant accounting policies (continued)

l. Revenue recognition

Premium income

Premium income is recognised in the period in which the insured risk is covered.

Investment income

Investment income is accounted for on the accruals basis that takes into account the effective yield of the asset and is shown net of direct investment expenses incurred in relation thereto.

m. Retirement benefit plans

The Company maintains both a defined benefit and a contribution retirement benefit plan for its employees.

Prior to 1 January 2016, the defined benefit plan operated under CMFG Life Insurance Company Limited and, upon transfer of the insurance business effective 1 January 2016, the employees of CMFG Life Insurance Company Limited became employees of the new Company. Effective 31 December 2016, the defined benefit plan was closed to new members.

The plans are governed by trust/fund deeds and rules and are administered in accordance with the laws of Jamaica. Responsibility for the governance of the plans, including investment strategies, lies with the Board of Trustees.

A defined benefit plan is a retirement benefit plan that defines an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a retirement benefit plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods.

The asset or liability recognised in the Statement of Financial Position in respect of defined benefit retirement benefit plans is the present value of the defined benefit obligation at the Statement of Financial Position date less the fair value of plan assets. Plan assets exclude any insurance contracts issued by the Company.

For defined benefit plans, the retirement benefit accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing retirement benefits is charged to the Statement of Comprehensive Income so as to spread the regular cost over the service lives of employees in accordance with the advice of a qualified actuary, who carries out full valuations of the plans every year. The retirement benefit obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability.

Re-measurements of the net defined benefit liability, which comprises actuarial gains and losses and the return on plan assets (excluding interest), are recognised immediately through other comprehensive income in the Statement of Comprehensive Income and are included in reserves in the statement of changes in equity and in the Statement of Financial Position.

The defined benefit plan mainly exposes the Company to actuarial risks such as investment risk, interest rate risk and longevity risk.

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements (continued)

31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

3 Significant accounting policies (continued)

n. *Taxation*

Tax charges recognised for the period include current tax and deferred tax. Tax is recognised in the profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In those cases, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax charge is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Irrecoverable general consumption tax and asset tax are included as part of management and operating expenses.

Income tax for the Company is charged annually at 25% on chargeable income.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the financial statements.

o. *Dividend distribution*

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

p. *New, revised and amended standards and interpretations that became effective in 2022 and have been adopted by the Company in the accounting period*

Certain new standards, amendments and interpretations to existing standards have been published that became effective during the current financial year. Management has reviewed these new standards, amendments and interpretations to existing standards and has determined that these amendments do not have a significant impact on these financial statements and therefore require no new disclosures.

- Amendments to IFRS 3 - Reference to the Conceptual Framework (Effective 1 January 2022).
- Amendments to IAS 16 - Property, plant and Equipment- Proceeds before Intended Use (Effective 1 January 2022).
- Amendments to IAS 37 - Onerous Contracts- Cost of Fulfilling a Contract (Effective 1 January 2022)
- Annual Improvements to IFRS Standards 2018-2020

q. *New, revised and amended standards and interpretations not yet effective and have not been early adopted by the Company.*

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which were not effective at the Statement of Financial Position date, and which the Company has not early adopted. The Company has assessed the relevance of all such new standards, interpretations and amendments and has determined that the following will be relevant to its operations and has concluded as follows:

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements (continued)

31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

3 Significant accounting policies (continued)

- q. *New, revised and amended standards and interpretations not yet effective and have not been early adopted by the Company (continued)*

Amendments to IAS 1- Classification of Liabilities as Current or Non-Current Liabilities (Effective 1 January 2024)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the Statement of Financial Position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Amendments IAS1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies (Effective 1 January 2023).

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

Amendment to IAS 8 – Definition of Accounting Estimates (Effective 1 January 2023).

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Effective 1 January 2023).

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

Management has reviewed these amendments to the existing standard and has determined that these amendments will not have a significant impact on these financial statements.

IFRS 17, 'Insurance contracts' (effective for annual periods beginning on or after 1 January 2023).

Scope, Definition & Effective Date

The IASB issued IFRS 17 'Insurance Contracts' in 2017, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements (continued)

31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

3 Significant accounting policies (continued)

- q. *New, revised and amended standards and interpretations not yet effective and have not been early adopted by the Company (continued)*

IFRS 17, 'Insurance contracts' (continued)

The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

An entity shall apply IFRS 17 to:

- Insurance contracts, including reinsurance contracts, it issues;
- Reinsurance contracts it holds; and
- Investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts.

It becomes effective for periods beginning on or after 1 January 2023 and, for the Company, this will be its date of initial application.

There is no substantial change in IFRS 17 compared to IFRS 4 with regards to which contracts fall within the scope of the standard. It is expected that all the Company's contracts currently in scope of IFRS 4 will be in scope of IFRS 17.

IFRS 17 includes new requirements to separate any distinct investment and service components from the host insurance contracts and account for these in accordance with IFRS 9 and IFRS 15 respectively. It has been assessed that Company's insurance contracts do not contain material distinct non-insurance components requiring separation.

IFRS 17 requirements for reinsurance contracts issued (assumed) are the same as requirements for insurance contracts issued directly. A reinsurance contract is defined as "An insurance contract issued by one entity (the reinsurer) to compensate another entity for claims arising from one or more insurance contracts issued by that other entity (underlying contracts).

IFRS 17 requirements for reinsurance contracts held (ceded) follow the same principles as requirements for insurance contracts issued but adapted to reflect the different characteristics of reinsurance contracts held. The reinsurance contracts held will always be in different portfolios than insurance contracts issued because they are not subject to similar risks.

Transition Approach

IFRS 17 requires the full retrospective approach unless impracticable, in which case entities have the option of using either the modified retrospective approach or the fair value approach. The drivers for impracticability for retrospective application relate to a lack of required data and the use of hindsight, consistent with the principles of IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. The Company expects to apply the full retrospective approach at transition as described in IFRS 17.

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements (continued)

31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

3 Significant accounting policies (continued)

- q. *New, revised and amended standards and interpretations not yet effective and have not been early adopted by the Company (Continued)*

IFRS 17, 'Insurance contracts' (Continued)

Significant Accounting Policies, Judgements and Estimates

Choice of Measurement Model

The Company has elected to apply the Premium Allocation Approach ("PAA") for its Group Life insurance contracts and related reinsurance contracts held. The PAA simplifies the measurement of insurance contracts in comparison with the general model in IFRS 17.

The Company has elected to not discount the liability for incurred claims (LIC) where settlement is expected within 1 year, which is a policy choice when applying the PAA and settlement is expected within one year or less of being incurred. The Group Life/Health products issued by the Company are monthly or annually renewable and all contracts have cancellation and re-pricing terms which support an IFRS 17 contract boundary of 1 year or less.

The Company has also chosen to expense acquisition cash flows as incurred, and the risk adjustment is projected initially to approximate provisions for adverse deviations (PFADs) used for IFRS reporting.

Under the PAA, there is no requirement to quantify the separate "building blocks" (i.e. future cash flows, discounting, risk adjustment, and CSM) used in the General Measurement Model (GMM).

For non-onerous groups of contracts measured under the PAA, there is no explicit calculation of fulfilment cash flows required and, hence, no requirement to explicitly calculate the risk adjustment. However, if at any time during the coverage period, facts and circumstances indicate that a group of contracts measured under the PAA has become onerous, the entity is required to estimate fulfilment cash flows to compare to the LRC under the PAA. The fulfilment cash flows are estimated as required by the GMM, including the associated requirements for the RA. This comparison is used to determine whether the LRC determined using the PAA approach needs to be increased, with a corresponding loss recognized in profit or loss.

It was determined that CUNA's Group Life products are eligible for the Premium Allocation Approach by virtue of the coverage period for these policies being less than one year.

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements (continued)

31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

3 Significant accounting policies (continued)

- q. *New, revised and amended standards and interpretations not yet effective and have not been early adopted by the Company (Continued)*

IFRS 17, 'Insurance contracts' (Continued)

Significant Accounting Policies, Judgements and Estimates (continued)

Choice of Measurement Model (continued)

Level of Aggregation

Under IFRS 17, insurance contracts are aggregated into groups for measurement purposes. The grouping of insurance contracts determines the 'unit of account' to be used when applying IFRS 17. Among other things, the grouping of insurance contracts affects the allocation of Contractual Service Margin (CSM) to insurance revenue and the level at which onerous contracts are identified. Accordingly, these requirements can affect how performance will be reported in the financial statements of the Company.

The grouping requirements of IFRS 17 arrange insurance contracts into buckets based on two stages or levels:

- (i) Portfolio level: by risk type and way of management
- (ii) Group level:
 - a. by time of issuance (one year issuing period); and
 - b. by degree of profitability.

(i) Portfolio level

IFRS 17 requires an entity to identify portfolios of contracts subject to similar risks and being managed together. The IFRS 17 portfolio identified for the Company is Group Life.

(ii) Group level

IFRS 17 requires a portfolio of contracts to be divided into annual 'cohorts' or shorter time buckets. A group may not include contracts issued more than one year apart. The Company intends to allocate to annual cohorts based on calendar year.

IFRS 17 requires an entity to further divide cohorts of insurance contracts into a minimum of: (A) a group of contracts that are onerous at initial recognition, if any; (B) a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and (C) a group of the remaining contracts in the portfolio, if any.

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements (continued)

31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

3 Significant accounting policies (continued)

- q. *New, revised and amended standards and interpretations not yet effective and have not been early adopted by the Company (Continued)*

IFRS 17, 'Insurance contracts' (Continued)

Historically, the Group Life blocks for the Company have been consistently underwritten on a profitable basis. Based on the Company's current product pricing strategy, it is not expected that any set of insurance contracts will be onerous at initial recognition.

Contract Boundary

IFRS 17 uses the concept of contract boundary to identify cash flows included in the measurement of the liability for remaining coverage (LRC) of insurance contracts. It was determined that the boundary of the Company's Group Life policies ends within one year. This assessment is based on the termination and re-pricing clauses included in the language of these policies and management's assessment that there are no significant factors restricting their practical ability to execute these clauses.

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements (continued)

31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

3 Significant accounting policies (continued)

- q. *New, revised and amended standards and interpretations not yet effective and have not been early adopted by the Company (continued)*

IFRS 17, 'Insurance contracts' (continued)

Contract Service Margin (CSM)

Under IFRS 17, the contract service margin represents the unearned profit that an entity expects to earn as it provides insurance services. The Company has determined that the CSM at the reporting period will represent the profit in the group of insurance contracts that has not yet been recognized in profit or loss, because it relates to future service to be provided.

For a group of insurance contracts, the carrying amount of the CSM of the group at the end of the reporting period equals the carrying amount at the beginning of the reporting period adjusted, as follows:

- The effect of any new contracts added to the group
- Interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition
- The changes in fulfilment cash flows relating to future service, except to the extent that:
 - Such increases in the fulfilment cash flows exceed the carrying amount of the CSM, giving rise to a loss, or
 - Such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage.

Onerous contracts

IFRS 17 requires the identification of groups of onerous contracts. When these groups are identified, the Company is required to recognize a loss immediately in profit (loss) along with an increase in the insurance contract liability known as a loss component. Where the Company has reasonable and supportable information to conclude that a set of contracts will all be in the same profitability group for IFRS 17, these contracts are evaluated together based on aggregate expected profitability to determine if the onerous contracts are onerous in the reporting period in which they are first effective. The Company has identified no groups of onerous contracts to date.

Expense Classification

IFRS 17 requires operating expenses (including commission expenses) to be classified into one of the following three categories:

1. Directly attributable acquisition expenses;
2. Directly attributable maintenance expenses; or
3. Non-directly attributable expenses.

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements (continued)

31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

3 Significant accounting policies (continued)

- q. *New, revised and amended standards and interpretations not yet effective and have not been early adopted by the Company (continued)*

IFRS 17, 'Insurance contracts' (continued)

IFRS 17 does not provide detailed guidance or clarification on what kinds of cost are considered “directly attributable”. The Company has interpreted this to mean costs that relate directly to the acquisition and/or fulfilling/servicing of contracts.

Directly attributable expenses form part of the measurement of fulfilment cash flows under IFRS 17 and as a result must be allocated down to the IFRS 17 group level. Although non-directly attributable expenses are excluded from the measurement of insurance contracts, it is important to note that such costs are generally considered in the pricing of insurance contracts.

The standard provides a choice to insurers with contracts measured under the PAA to recognise acquisition expenses as incurred rather than deferred provided that all contracts in the IFRS 17 group are 12 months or less. The Company has decided to recognise directly attributable acquisition expenses as incurred when such a situation exists.

Future Cashflows

Liability for incurred claims (LIC)

With the exception of the requirement to allocate cash flows into IFRS 17 groups, the requirements for estimating future undiscounted cash flows for claims incurred up to the valuation date under IFRS 17 are similar in many respects to the current IFRS 4 requirements.

Discounting

The liability for incurred claims under the PAA follows the same approach as under GMM, as the requirements for the Risk Adjustment component of the LIC for insurance contracts issued are identical to those set out under GMM. Under PAA the discounting and the effect of financial risk can be ignored if claims are expected to be fully paid within one year or less of being incurred. Unless there is specific regulatory requirement to applying discounting, the Company will not be adjusting the LIC for the time value of money if the claim is expected to be paid in one year or less.

Risk Adjustment

IFRS 17 does not prescribe methods for determining the risk adjustment for non-financial risk. Therefore, judgement is necessary to determine an appropriate risk adjustment technique to use.

Two possible approaches are currently being considered for the estimation of a confidence interval

- (i) The actuary determined margin is used and disclosure is made of the equivalent confidence level
- (ii) Management determines a target confidence level (e.g. 75%, as required in Australia), and the IBNR risk margin adjusted accordingly.

The Company has also chosen to expense acquisition cash flows as incurred, and the risk adjustment is projected initially to approximate provisions for adverse deviations (PFADs) used for IFRS reporting.

CUNA Caribbean Insurance Jamaica Limited
Notes to the Financial Statements (continued)
31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

3 Significant accounting policies (continued)

- q. *New, revised and amended standards and interpretations not yet effective and have not been early adopted by the Company (continued)*

Impact of IFRS 17 on the Company's financial statements

IFRS 17 will introduce expanded disclosure requirements and changes in classification and presentation for both the Statement of Financial Position and the Statement of Comprehensive Income. These are expected to change the nature and extent of the Company's disclosures around revenue, insurance contracts and reinsurance particularly in the year of the adoption of the new standard. It will also impact when and how the profits from insurance contracts are recognized and the methodology and assumptions for the measurement approach of liabilities. This may give rise to adjustments to the Company's retained earnings on transition.

The Company is adopting IFRS 17 retrospectively to its 2022 comparatives as required by the standard. At the date of approval of these financial statements, the Company continues the preparation of the comparative period financial information based on the requirements of IFRS 17, for the year ended 31 December 2022, which will include transition to IFRS 9 (Note 3(r)). At this date, it is not practicable to reliably quantify the effects of adopting IFRS 17 on the financial statements at the transition date of 1 January 2022, nor for the year ended 31 December 2022.

The Company's initial assessment is that IFRS 17 is not expected to have a material impact on the policyholders in terms of available products, coverages offered, claims administration, and pricing. The Company continues to work with its actuarial partners and consultants to finalize this assessment.

Implementation Project Structure and Status

The Company engaged the services of an external consultant for gap analysis and implementation of software to assist with IFRS 17 calculations. As part of the consultation, the Company conducted a gap analysis with regards to the requirements of IFRS 17 and its impact on the Company. From this gap analysis, the Company assessed and determined its accounting policies with respect to IFRS 17, including options and actuarial methods associated with level of aggregation, estimate of future cash flows, discount rates, risk adjustment, deferred acquisition costs, as well as premium allocation approach measurement. The Company has also delivered training to staff on IFRS 17.

Currently, the Company is in the final stages of the implementation phase where a review of the results and disclosure notes from the software is being carried out by the implementation team. The Company is also in the process of updating the chart of accounts to include new accounts for the IFRS 17 calculations that will produce the IFRS 17 financial statements

IFRS 9, Financial Instruments (effective for annual periods beginning on or after 1 January 2018).

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The financial assets held by the Company including debt instruments and deposits currently classified as held-to-maturity and measured at amortised cost have passed the Solely Payments of Principals and Interest (SPPI) assessment and therefore meets the conditions under IFRS 9 for classification at amortised cost.

Accordingly, the Company does not expect the new requirements to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Company does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements (continued)

31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

3 Significant accounting policies (continued)

- q. *New, revised and amended standards and interpretations not yet effective and have not been early adopted by the Company. (continued)*

IFRS 9, *Financial Instruments (continued)* The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses, as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income (FVOCI), contract assets under IFRS 15 Revenue from Contracts with customers, lease receivables, loan commitments and certain financial guarantee contracts.

In its ECL modeling, management has considered a broad range of macroeconomic and economic inputs such as, Real GDP Growth rate, Inflation and Debt to GDP Ratio, in its future scenarios, and has determined that the impact of this new model will not be material on overall financial performance. Probability weighted future scenarios were considered to incorporate forward-looking information. Point estimates of PD and LGD were used to represent the Base Scenario, two adverse scenarios were included.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures around its financial instruments particularly in the year of the adoption of the new standard. The Company has exercised the option to adopt the temporary exemption from applying IFRS 9 until 2023 given to companies whose activities are predominantly connected with insurance due to the amendment to IFRS 4 'Insurance contracts', as discussed below.

IFRS 9, Solely Payments of Principal and Interest (SPPI) Assessment

This is an assessment of a financial instrument's contractual cash flows characteristic to determine whether contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding on specified dates i.e., the contractual cash flows are consistent with a basic lending arrangement. The SPPI test is one of the criteria that must be met for a debt instrument to be subsequently measured at amortised cost. The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. The Company undertakes a comprehensive review of financial asset documentation and the terms of securities to assess what the entity is being compensated for and whether there is a basic amortization arrangement. As such, both Government and Term Deposits are recorded at amortized cost having satisfied the SPPI criteria.

Amendments to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments'.

The Company has exercised the option for exemption from applying IFRS 9 until 2023, included in the amendments to IFRS 4 'Insurance contracts'. Based on the analysis performed as of 31 December 2016, the Company was eligible to apply the temporary exemption from the adoption of IFRS 9 for reporting entities that had not previously applied any version of IFRS 9 and whose activities are predominantly related to insurance, as the predominance ratio reflecting the share of liabilities connected with insurance to total liabilities exceeded 90 percent. No reassessment of eligibility was required during subsequent annual periods up to and including 2022 as there has been no significant change in the activities performed by the Company.

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4 Management of insurance risk

The Company issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Company manages them.

a. Insurance risk

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

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

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

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

b. Long-term insurance contracts

(i) Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or wide spread changes in lifestyle, such as eating, smoking and exercise habits resulting in earlier or more claims than expected. The historical claims experience and corresponding reserves for group life products have been disclosed in note 4(b)(iii).

The Company manages these risks through its underwriting and reinsurance arrangement. The Company uses an excess over loss reinsurance arrangement for its products.

(ii) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behavior.

In calculating the estimated cost of unpaid claims (both reported and IBNR), the Company's estimation techniques are a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a particular financial year in relation to such claims) and an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes.

(iii) Process used to decide on assumptions

For long-term insurance contracts with fixed and guaranteed terms, estimates are made in two stages. At inception of the contract, the Company determines assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses.

These assumptions are used to calculate the liabilities during the life of the contract. A margin for risk and uncertainty is added to these assumptions. These assumptions are 'locked in' for the duration of the contract.

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Notes to the Financial Statements (continued)
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4 Management of insurance risk (continued)

b. Long-term insurance contracts (Continued)

(iii) Process used to decide on assumptions (continued)

Subsequently, new estimates are developed at each reporting date to determine whether the liabilities are adequate in the light of the latest current estimates. The initial assumptions are not altered if the liabilities are considered adequate. If the liabilities are not considered adequate, the assumptions are 'unlocked' to reflect the current estimates. The sensitivity of the liabilities to changes in key assumptions are included in note 4(b)(v).

The following table illustrates the PPM best estimate assumptions and Margins for Adverse Deviation (MfADs) that were applied to the Individual Life business for 2021. The company took the decision in 2022 to exit the Individual Life portfolio of business, thereby making payments to remaining policy holders and removing any liability from the portfolio. As a result, no provision for adverse deviation is required.

	Best Estimate Valuation Assumption	MfAD
Interest Rates	2021: 6.80% in 2021, falling to 5.61% over 23 years and remaining at 5.61% thereafter	-0.5% at all terms
Expense Inflation	2021: 5.20% in 2021, falling to 4.00% over 6 years and constant thereafter	-0.5% at all terms
Expense Level	2021: JM\$1,400 per policy in 2021	+10% of best estimate, including inflation.
Mortality	2021: 125% CIA 8692 M/F	+15 per 1,000 of sum assured divided by curtate expectation of life.
Lapses	2021: 5% % per year at all terms and durations	-20% of best estimate.

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Notes to the Financial Statements (continued)

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(Expressed in Jamaican dollars unless otherwise indicated)

2 Management of insurance risk (continued)

b. Long-term insurance contracts (Continued)

(iii) Process used to decide on assumptions (continued)

There are no assumptions included for the current year as the Individual Life line of business was discounted during the year.

Group Life products include FIP, Loan Protection and Life Savings (LP and LS), Golden Harvest (GH) and Group Term Life/Directors and Employees (GTL D&E). Group Life reserves were estimated using the following approaches, involving a claim runout triangle. The same methodology was used in the prior year valuation.

- Completion Factor Method
- Claim Cost Method
- Historical Runout Method
- Number of Months Method

IBNR Reserving Methods

Data for the LP and LS products were aggregated to enhance data credibility. In all three methods, monthly in-force coverage was used as an exposure base to take growth into account in the calculations.

The Completion Factor Method is the traditional approach to setting IBNR reserves. Paid claims were arranged into a lag triangle by month incurred and month of payment. The completion factors were then calculated using standard link ratio methods. These factors were applied to recent claims to estimate the ultimate amount of claims expected to be paid. The difference between the expected ultimate claims and the actual amount paid to date is the Claims reserve. Actual data was considered when determining ultimate claim levels to help reduce the volatility which naturally occurs when using “early duration” completion factors.

The Claims Reserves estimate for more recent incurred “early duration” months is also partly based on an expectation approach (Claim Cost Method). An assumed average claim cost (expected claims per \$1,000 of coverage in force) was applied to the coverage for each month to determine the ultimate estimate for that period. This expectation approach provides an ultimate claim estimate that is independent of historic claim developments. If the portfolio’s risk characteristics are stable but settlement patterns are volatile, the expectation approach provides more reliable estimates than completion factors.

The Historical Runout Method is based on the same claims data from the first method. For each evaluation date, the Company calculated the amount of claims incurred prior to that date and paid after that date was calculated. This was added to the outstanding Claims Reserves at each evaluation date. The historical runout amounts were used to estimate the runout expected for the current valuation period. This represents the third estimate of the Claims Reserves.

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2 Management of insurance risk (continued)

b. *Long-term insurance contracts (Continued)*

(iii) *Process used to decide on assumptions (continued)*

The Number of Months Method uses the same completion factors from the first method to estimate the number of months of average claims which are outstanding at a given time. For example, if 1% of claims incurred in a month are paid in that same month, then that implies that 99% of that month's claims are paid in later months. Similarly, if after two months, 5% of the ultimate claims have been paid, that indicates that 95% of that month's claims are still outstanding. The number of months of claims outstanding at a given time, multiplied by the average monthly claim amount, provides the fourth estimate of the Claims Reserve

The final Claims Reserves is the weighted average of Claims Reserves estimates from the four methods. Possible reasons for adjusting these weightings would be anomalies in the data, changes in payment patterns due to operations, or other events which might otherwise skew the results.

The Company applied weightings to the different Claims Reserves estimates for individual months incurred for both FIP and LP and LS. This approach was unchanged from 2021.

For LP and LS, more weightig was given to the expectation approach for claims occurring in the most recent 6 months incurred (2021: 9 months). Otherwise, the approach was unchanged this year. For older month, more emphasis was placed on the other methods.

For FIP, the expectation approach was used for the most recent quarter only. This ensured that the resulting Claims Reserves estimate made sufficient provision for the expected level of claims arising from the most open quarter. This approach was unchanged from 2021.

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Notes to the Financial Statements (continued)
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4 Management of insurance risk (continued)

b. Long-term insurance contracts (continued)

(iii) Process used to decide on assumptions (continued)

The 2022 FIP reserves include a margin of safety of 15% (2021: 15%). The equivalent LPLS margin is 20% (2021: 20%). These margins allowed for the additional uncertainty over the risks faced and claim reporting patterns as a result of the COVID-19 pandemic.

It has been assumed that current tax legislation and rates continue unaltered.

Management reviews the assumptions and changes in assumptions outlined above on an annual basis. The sensitivity of the liabilities to changes in key assumptions are included in note 4(b)(v).

Claims experience

The following table illustrates the historical claims experience of the Group Life products.

Product	Year	Claims (‘000)	Year-end Reserves/ 3-year average
			Monthly claims
FIP	2020	1,827,112	1.46
	2021	2,595,176	1.89
	2022	2,158,820	1.68
LPLS	2020	235,282	7.28
	2021	304,998	9.85
	2022	297,101	10.34
GH	2020	5,054	8.40
	2021	4,727	8.92
	2022	2,804	10.01
GTL D&E	2020	6,417	1.17
	2021	9,304	1.06
	2022	7,428	1.17
FIP CI Rider	2020	3,500	35.09
	2021	3,000	21.87
	2022	2,000	25.15
FCIP	2020	--	339.51
	2021	--	376.76
	2022	--	N/A
APP	2020	--	N/A
	2021	--	N/A
	2022	--	N/A

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements (continued)

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(Expressed in Jamaican dollars unless otherwise indicated)

4 Management of insurance risk (continued)

b. Long-term insurance contracts (continued)

(iv) Change in assumptions

In managing its insurance risk, the Company made some changes to its assumptions for the insurance contracts disclosed in this Note. These changes are disclosed in note 4(b)(iii) and the impact of same in note 17.

(v) Sensitivity analysis

For liabilities under long-term insurance contracts with fixed and guaranteed terms, changes in assumptions will not cause a change to the amount of the liability, unless the change is severe enough to trigger a liability adequacy test adjustment. In practice, this is unlikely to occur.

The tables below show the sensitivity of the liabilities under long-term contracts to changes in assumptions:

Group Life

	Calculated	Change from reported
Reported Reserves	578,729,857	--
Increase mortality by 10%	621,494,496	56,499,500
Decrease mortality by 10%	508,495,497	(56,994,997)

(vi) Liability adequacy test

For the Group Life business, reported IBNR claim reserves include a margin of safety as required under Jamaican legislation.

As such, no additional reserves were required.

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Notes to the Financial Statements (continued)

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5 Financial risk management

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and reinsurance liabilities.

Introduction and overview

The Company has adopted risk management policies and has set appropriate limits and controls to manage and mitigate against financial risk. The Company has exposure to the following risks arising from its use of financial instruments and from foreign currency transactions.

- Market risk (note 5(i))
- Credit risk (note 5(ii))
- Liquidity risk (note 5(iii))
- Operational risk (note 5(iv))

(i) *Market risk*

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

The Company has approximately 81% of its investments denominated in Jamaican dollars thus hedging against significant exchange rate fluctuations. The Company has only invested in fixed rate bonds and short-term deposits that allows it to mitigate the effects of interest rate fluctuations.

(a) *Interest rate risk*

Exposure to interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of changes in market interest rates.

The following table summarises carrying amounts of the Statement of Financial Position assets and liabilities in order to arrive at the Company's interest rate exposure:

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Notes to the Financial Statements (continued)
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5 Financial risk management (continued)

(a) Interest rate risk (continued)

	Up to one year \$	One to five years \$	Over five years \$	Non-interest bearing \$	Total \$
As at 31 December 2022					
Assets					
Investments	1,108,498,237	413,459,578	745,665,942	--	2,267,623,757
Other assets	--	--	--	214,257,449	214,257,449
Due from ultimate parent	--	--	--	--	--
Due from other related	--	--	--	6,606,151	6,606,151
Cash and cash equivalents	552,431,366	--	--	--	552,431,366
Total assets exposed to interest rate risk	1,660,929,603	413,459,578	745,665,942	220,863,600	3,040,918,723
Liabilities					
Insurance contracts	--	--	--	578,729,857	578,729,857
Reinsurance payable	--	--	--	18,929,666	18,929,666
Lease liabilities	--	--	--	23,117,060	23,117,060
Accounts payable and unallocated premium	--	--	--	188,819,643	188,819,643
Due to ultimate parent	--	--	--	60,368,077	60,368,077
Due to other related parties	--	--	--	31,258,637	31,258,637
Total liabilities exposed to interest rate risk	--	--	--	901,222,939	901,222,939
Interest rate gap	1,660,929,603	413,459,578	745,665,942	(680,359,339)	2,139,695,784
Rolling Interest rate gap	1,660,929,603	2,074,389,181	2,820,055,122	2,139,695,784	

CUNA Caribbean Insurance Jamaica Limited
Notes to the Financial Statements (continued)
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5 Financial risk management (continued)

Introduction and overview (continued)

(i) *Market risk (continued)*

(a) *Interest rate risk (continued)*

Exposure to interest rate risk (continued)

	Up to one year \$	One to five years \$	Over five years \$	Non-interest bearing \$	Total \$
As at 31 December 2021					
Assets					
Investments	622,450,182	536,182,963	656,690,737	--	1,815,323,882
Loans on policies	23,710,824	--	--	--	23,710,824
Other assets	--	--	--	121,139,714	121,139,714
Due from ultimate parent	--	--	--	178,818,319	178,818,319
Due from other related	--	--	--	167,400	167,400
Cash and cash equivalents	441,492,092	--	--	--	441,492,092
Liabilities					
Insurance contracts	--	--	--	605,763,061	605,763,061
Reinsurance payable	--	--	--	18,093,510	18,093,510
Lease liabilities	--	--	--	32,008,960	32,008,960
Accounts payable and unallocated premium	--	--	--	130,875,385	130,875,385
Due to ultimate parent company	--	--	--	24,156,353	24,156,353
Due to other related parties	--	--	--	14,644,084	14,644,084
Total liabilities exposed to interest rate risk	--	--	--	825,541,353	825,541,353
Interest rate gap	1,087,653,098	536,182,963	656,690,737	(525,415,920)	1,755,110,878
Rolling Interest rate gap	1,087,653,098	1,623,836,061	2,280,526,798	1,755,110,878	

Sensitivity analysis

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. For financial instruments and insurance contracts described in this note, the sensitivity is solely associated with the former, as the carrying amounts of the latter are not directly affected by changes in market risks.

There is no exposure to interest rate movement as the Company did not hold any variable rate instruments as at the reporting date. In addition, the Company's assets are at carried amortised cost therefore there is no fair value risk.

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements (continued)

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(Expressed in Jamaican dollars unless otherwise indicated)

5 Financial risk management (continued)

Introduction and overview (continued)

(i) Market risk (continued)

(b) Currency risk

Foreign currency risk is the risk that the market value of, or cash flows from, financial instruments will fluctuate because of changes in foreign exchange rates.

The Company is exposed to foreign currency risk on transactions that are denominated in currencies other than the Jamaica dollar. The currency giving rise to this risk is primarily the United States dollar, however, there are other transactions denominated in Trinidad and Tobago and Eastern Caribbean dollars. At the reporting date, the foreign currency balances were as follows:

	JMD	TTD	2022 XCD	USD	Total
Assets:					
Cash and cash equivalents	552,431,366	--	--	--	552,431,366
Other assets					
premiums receivable	110,284,759	--	--	--	110,284,759
Held-to-maturity Investments	1,837,345,530	--	--	430,278,227	2,267,623,757
Other assets					
Due from related parties	--	--	6,606,151	--	6,606,151
Liabilities:					
Insurance contracts	(578,729,857)	--	--	--	(578,729,857)
Accounts payable & unallocated premiums	(188,819,643)	--	--	--	(188,819,643)
Due to ultimate parent Company	--	--	--	(60,368,077)	(60,368,077)
Due to related party	--	(31,258,637)	--	--	(31,258,637)
Net assets/(liabilities)	1,732,512,155	(31,258,637)	6,606,151	369,910,150	2,077,769,819

	JMD	TTD	2021 XCD	USD	Total
Assets:					
Cash and cash equivalents	441,492,092	--	--	--	441,492,092
Other assets					
premiums receivable	72,375,461	--	--	--	72,375,461
Held-to-maturity Investments	1,374,978,311	--	--	440,345,571	1,815,323,882
Loans on policies	23,710,824	--	--	--	23,710,824
Other assets	46,973,237	--	--	--	46,973,237
Due from ultimate parent company	--	--	--	178,818,319	178,818,319
Due from related parties	--	111,600	55,800	--	167,400
Liabilities:					
Insurance contracts	(605,763,061)	--	--	--	(605,763,061)
Accounts payable & unallocated premiums	(130,875,385)	--	--	--	(130,875,385)
Due to ultimate parent Company	--	--	--	(42,249,863)	(42,249,863)
Due to related party	--	(14,644,084)	--	--	(14,644,084)
Net assets/(liabilities)	1,222,891,479	(14,532,484)	55,800	576,914,027	1,785,328,822

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Notes to the Financial Statements (continued)

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(Expressed in Jamaican dollars unless otherwise indicated)

5 Financial risk management (continued)

Introduction and overview (continued)

(i) Market risk (continued)

(b) Currency risk (continued)

The exchange rates for the Jamaica dollar, in terms of the US\$, EC\$ and TT\$, as at 31 December 2022, were J\$151.09 = US\$1.00 (2021: J\$153.06 = US\$1.00); J\$56.14 = XCD\$1.00 (2021: J\$55.84 = XCD\$1.00); J\$22.32 = TT\$1.00 (2021 J\$22.93 = TT\$1.00).

Sensitivity analysis

A 5% strengthening of the US\$, EC\$ and TT\$ against the J\$ at 31 December 2022 could result in a net impact of \$16 million on the Company's assets and the Statement of Comprehensive Income. This analysis assumes that all other variables, in particular interest rates, remain constant.

(ii) Credit risk

The Company is exposed to credit risk, which is the risk that a customer or counterparty will not be able to meet its obligations.

Key areas where the Company is exposed to credit risk are:

- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from insurance contract holders;
- Amounts due from loans and receivables;
- Amounts due from debt securities; and
- Amounts due from cash positions.

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements (continued)

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5 Financial risk management (continued)

Introduction and overview (continued)

(ii) *Credit risk (continued)*

Other Assets – Premiums receivable

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.

Management has a credit policy in place and exposure to credit risk is monitored on an on-going basis. The Company does not require collateral in respect of financial assets.

At the reporting date, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of the financial asset in the Statement of Financial Position.

The Company mitigates its credit risk by maintaining a three (3) month accrual policy for its Group Life policies. All balances for Group Life policies which are outstanding for more than 90 days are fully provided for. The table below shows the aging of the premiums receivable balance as at the end of the period. Amounts overdue for more than 90 days relate primarily to Individual Life policies.

Currently the Premium Due stands at 3% (2021: 2%) of Premium Income in 2022.

	Total	0-30 days	31-60 days	61-90 days	>90days
2022	110,284,759	71,902,774	28,838,387	8,762,497	781,101
2021	72,375,461	43,392,282	18,575,590	4,925,628	5,481,961

Loans on policies

During the year, the Company made the decision to exit the Individual Life portfolio resulting in the Policy Loans being closed off on the books.

Reinsurance

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. Currently, all reinsurance contracts are with the Ultimate Parent.

Debt securities, and cash positions

Debt securities, mutual funds and cash positions are placed with financial institutions having sound credit rating.

Maximum exposure to credit risk before collateral held or other credit enhancements:

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Notes to the Financial Statements (continued)

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5 Financial risk management (continued)

Introduction and overview (continued)

(ii) Credit risk (continued)

	2022 \$	2021 \$
Debt securities:		
Held to maturity:		
- Listed securities	430,278,227	440,345,571
- Unlisted securities	1,226,408,158	1,073,262,085
- Term deposits	610,937,372	301,716,225
Loans and receivables, at amortised cost:		
Insurance receivables	110,284,759	72,375,461
Loan on policies	--	23,710,824
Other	109,147,897	46,973,237
Due from ultimate parent company (Note 13b)	--	178,818,319
Cash and cash equivalents	<u>552,431,366</u>	<u>441,492,092</u>
Total assets bearing credit risk	<u>3,039,487,779</u>	<u>2,578,693,814</u>

The above table represents a worst case scenario of credit risk exposure to the Company at 31 December 2022 and 2021, without taking account of any collateral held or other credit enhancements attached.

The table below provides information regarding the credit risk exposure of the company by classifying financial assets according to the Standard & Poor's issued credit rating.

	A+ \$	B+ \$	NR \$	Total \$
As at 31 December 2022				
Term Deposits	--	150,000,000	460,937,371	610,937,371
Government Bonds	--	1,656,686,386	--	1,656,686,386
	--	1,806,686,386	460,937,371	2,267,623,757

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Notes to the Financial Statements (continued)
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5 Financial risk management (continued)

Introduction and overview (continued)

(ii) *Credit risk (continued)*

Debt securities, and cash positions (continued)

	A+ \$	B+ \$	NR \$	Total \$
As at 31 December 2021				
Term Deposits	101,159,315	--	200,556,910	301,716,225
Government Bonds	--	1,513,607,657	--	1,513,607,657
	<u>101,159,315</u>	<u>1,513,607,657</u>	<u>200,556,910</u>	<u>1,815,323,882</u>

(iii) *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities.

The Company manages its liquidity via prudent cash flow management, to allow it to meet all its financial obligations when they fall due.

The table below presents the cash flow payable by the Company for managing liquidity risk by remaining contractual maturities at the date of the Statement of Financial Position. The amounts disclosed in the table are the contracted undiscounted cash flows.

The table also provides an aggregation of the liquidity analysis on a Company level. The maturity analysis is illustrated in Note 5(i) above. All liabilities are presented on a contractual cash flow basis except for the insurance liabilities, which are presented with their expected cash flows.

	Payments due by period as at 31 December 2022				
	Carrying Amount \$	Total Undiscounted Amount \$	0-1 Year \$	2-5 Years \$	Over 5 Years \$
<i>Group Life Business</i>					
Insurance liabilities	564,994,997	564,994,997	411,857,183	150,594,700	2,543,114
Other liabilities and Payables	124,223,890	124,223,890	124,223,890	--	--
	<u>689,218,887</u>	<u>689,218,887</u>	<u>536,081,073</u>	<u>150,594,700</u>	<u>2,543,114</u>
<i>Other Contractual Obligations</i>					
Other liabilities and Payables	212,004,053	212,004,053	212,004,053	--	--
Total contractual Obligations	<u>901,222,940</u>	<u>901,222,940</u>	<u>748,085,126</u>	<u>150,594,700</u>	<u>2,543,114</u>

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5 Financial risk management (continued)

Introduction and overview (continued)

(iii) Liquidity risk (continued)

	Payments due by period as at 31 December 2021				
	Carrying Amount \$	Total Undiscounted Amount \$	0-1 Year \$	2-5 Years \$	Over 5 Years \$
<i>Individual Life Business</i>					
Insurance liabilities	30,902,689	55,625,979	3,704,533	12,444,993	39,476,453
Policyholders' deposits	15,384,227	15,384,227	--	15,384,227	--
Other liabilities and Payables	3,278,675	3,278,675	3,278,675	--	--
	49,565,591	74,288,881	6,983,208	27,829,220	39,476,453
<i>Group Life Business</i>					
Insurance liabilities	545,912,744	545,912,743	413,155,341	130,586,121	2,171,281
Other liabilities and Payables	93,956,036	93,956,036	93,956,036	--	--
	639,868,780	639,868,779	507,111,377	130,586,121	2,171,281
<i>Total Life Business</i>					
Insurance liabilities	576,815,433	601,538,722	416,859,874	143,031,114	41,647,734
Policyholders' deposits	15,384,227	15,384,227	--	15,384,227	--
Other liabilities and payables	97,234,711	97,234,711	97,234,711	--	--
	689,434,371	714,157,660	514,094,585	158,415,341	41,647,734
<i>Other contractual Obligations</i>					
Other liabilities and Payables	136,106,983	139,800,096	113,516,907	26,283,189	--
	825,541,354	853,957,756	627,611,492	184,698,530	41,647,734

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements (continued)

31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

5 Financial risk management (continued)

Introduction and overview (continued)

(iv) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations. The objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is effective.

6 Capital management

The Company's objectives when managing capital are:

- (i) To comply with capital requirements set by the regulators of the insurance industry within which the Company operates;
- (ii) To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits to other stakeholders; and
- (iii) To maintain a strong capital base to support the development of its business.

The Company's main regulator is the Financial Services Commission (FSC) which monitors the capital requirements for the Company. In implementing current capital requirements, the FSC requires the Company to maintain a minimum capital requirement of \$150,000,000. The Company is in compliance with externally imposed capital requirements. These requirements are monitored by the Finance function.

Minimum Continuing Capital Requirement (MCCSR)

The MCCSR percentage required to be held by insurance companies is 150%. At the end of the reporting period, the MCCSR percentage held by the Company was 571% (2021:514%).

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements (continued)

31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

7 Fair value of financial instruments

The fair value of financial assets and liabilities that are traded in active markets are based on quoted market prices or dealer quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

(i) Valuation models

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

There were no transfers of financial instruments between levels during the year, neither were there any changes in the categorization from the prior year.

(ii) Financial instruments measured at fair value – fair value hierarchy

At year end, there were no financial instruments measured at fair value.

(iii) Financial instruments not measured at fair value

All of the Company's financial assets and liabilities are classified in Level 3 of the fair value hierarchy, and have carrying values that approximate their fair values, except for held to maturity securities and loans on policy, as follows:

	Level 1 \$	Level 2 \$	Level 3 \$	Fair value \$	Total carrying amount \$
As at 31 December 2022					
Assets					
Held-to-maturity securities	766,133,342	888,896,752	610,937,371	2,265,967,465	2,267,623,757
As at 31 December 2021					
Assets					
Held-to-maturity securities	530,744,538	1,097,584,681	301,716,225	1,930,045,444	1,815,323,882
Loans on policy	--	--	23,710,824	23,710,824	23,710,824

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements (continued)

31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

7 Fair value of financial instruments (continued)

(iii) *Financial instruments not measured at fair value (continued)*

The fair value in the table above was determined using current market rates available as at year end. Despite the carrying value being more than the fair value, management has assessed that the instruments are not impaired as there has been no default or delinquency or any indication of such in payments by the Government of Jamaica.

Due to the short-term nature of the fixed deposits and repurchase agreements, their carrying amount of \$601,937,371 (2021: \$301,716,225) is considered to approximate their fair value. Cash, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

8 Significant estimates and judgments

Management discusses with the Audit Committee the development, selection and disclosure of the Company's critical accounting policies and their application, and assumptions made relating to major estimation uncertainties.

a. *Key sources of estimation uncertainty*

(i) *Estimate of future benefit payments and premiums arising from long-term insurance contracts*

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Company. Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk. The Company bases these estimates on standard mortality tables adjusted where appropriate to reflect the Company's own experience or expectations.

The main source of uncertainty is epidemics and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Company has significant exposure to mortality risk.

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments. The historical claims experience and corresponding reserves have been disclosed in note 4(b)(iii).

(ii) *Valuation method*

Group Life Reserves

Reserves for the Company's Group business as at 31 December, 2022 include the following:

- Unearned Premium Reserves ("UPR") in respect of premiums received for unexpired coverage.
- Incurred but Not Reported Reserves, including outstanding claims.

Changes to key assumptions have been disclosed in note 4b(iii) and the impact of these changes are disclosed in note 17(i).

CUNA Caribbean Insurance Jamaica Limited
Notes to the Financial Statements (continued)
31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

8 Significant estimates and judgments (continued)

a. Key sources of estimation uncertainty (continued)

(iii) Allowances for credit losses

The allowances for impairment are based upon management's best estimate of the cash flows expected to be received. In these estimates, judgments are made about the value of the counterparty's financial situation of any collateral. The Finance function approves these work-out strategies and cash flow estimates. Allowances for credit losses are made for individual exposures, not for groups of portfolios.

b. Critical judgements in applying accounting policies

(i) Determining fair values

Fair value reflects the present value of future cash flows associated with a financial asset or liability where an active market exists. Under normal circumstances, observable market prices or rates are used to determine fair value. For financial instruments with no active market or a lack of price transparency, fair values are estimated as the purchase cost; where there are no indicators that the financial asset is impaired. The assumptions and judgments applied here affect the derived fair value of the instruments.

(ii) Held-to-maturity investments

The Company follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires judgment. In making this judgment, the Company evaluates its intention and ability to hold such investments to maturity. If the Company fails to keep these investments to maturity other than for the specific circumstances - for example, selling other than an insignificant amount close to maturity - it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value, not amortised cost.

(iii) Impairment of assets

Judgment is required to determine whether there are indicators of impairment. If impairment is indicated then the amount is determined using the techniques described in accounting policy 3(e).

(iv) Retirement benefit plan

Estimates and judgements are used in determining the value of the Company's defined benefit plan assets and obligations. Assumptions used are disclosed in note 10.

(v) Income taxes

Judgements are required in determining the provision for income taxes. The tax liability or asset arising from certain transactions or event may be uncertain in the ordinary course of business. In cases of such uncertainty, the company recognises liabilities for possible additional taxes based on its judgement. Where, on the basis of a subsequent determination, the final tax outcome in relation to such matters is different from the amount that was initially recognised, the difference will impact the current and deferred income tax provisions in the period in which such determination is made.

(vi) Depreciation methods, useful lives and residual values

Depreciation methods, useful lives and residual values rely on judgement and estimates by management, one of which is that the relevant assets will continue to be used for their current purpose. In addition, useful lives and residual values vary between individual assets and are dependent upon continuation of the current level of maintenance. Should there be a change in the present use or level of maintenance this could change the charge for depreciation and net book value of property, plant and equipment within the next financial year.

CUNA Caribbean Insurance Jamaica Limited
Notes to the Financial Statements (continued)
31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

9 Non-financial assets and liabilities

a. *Intangible assets*

	2022	2021
	\$	\$
Year ended 31 December		
Opening net book value	299,952,677	295,151,359
Additions	22,675,188	43,923,080
Amortisation charge	<u>(42,534,881)</u>	<u>(39,121,763)</u>
Closing net book value	<u>280,092,984</u>	<u>299,952,676</u>
At 31 December		
Cost	450,032,601	427,693,834
Accumulated amortization	<u>(169,939,616)</u>	<u>(127,741,158)</u>
Net book value	<u>280,092,985</u>	<u>299,952,676</u>

b. *Property, plant and equipment (PPE)*

	Office furniture and equipment \$	Computer equipment improvements \$	Leasehold assets \$	Right-of-use \$	Total \$
Opening net book value	3,240,187	7,836,005	21,943,757	25,343,369	58,363,318
Additions to PPE	--	8,704,637	--	--	8,704,637
Depreciation charge	<u>(589,787)</u>	<u>(5,594,253)</u>	<u>(6,470,229)</u>	<u>(7,626,125)</u>	<u>(20,280,394)</u>
Closing net book value	<u>2,650,400</u>	<u>10,946,389</u>	<u>15,473,528</u>	<u>17,717,244</u>	<u>46,787,561</u>
At 31 December 2022					
Cost	18,821,797	52,490,048	46,299,239	52,731,756	170,342,840
Accumulated depreciation	<u>(16,171,397)</u>	<u>(41,543,659)</u>	<u>(30,825,711)</u>	<u>(35,014,512)</u>	<u>(123,555,279)</u>
Net book value	<u>2,650,400</u>	<u>10,946,389</u>	<u>15,473,528</u>	<u>17,717,244</u>	<u>46,787,561</u>
Opening net book value	3,737,433	7,682,354	28,629,107	31,043,114	71,092,008
Additions to PPE	136,625	5,843,020	444,043	--	6,423,688
Additions to right of use asset	--	--	--	3,206,669	3,206,669
Depreciation charge	<u>(633,871)</u>	<u>(5,689,369)</u>	<u>(7,129,393)</u>	<u>(8,906,414)</u>	<u>(22,359,047)</u>
Closing net book value	<u>3,240,187</u>	<u>7,836,005</u>	<u>21,943,757</u>	<u>25,343,369</u>	<u>58,363,318</u>
At 31 December 2021					
Cost	18,821,796	43,785,411	46,299,239	60,931,756	169,838,202
Accumulated depreciation	<u>(15,581,609)</u>	<u>(35,949,406)</u>	<u>(24,355,482)</u>	<u>(35,588,387)</u>	<u>(111,474,884)</u>
Net book value	<u>3,240,187</u>	<u>7,836,005</u>	<u>21,943,757</u>	<u>25,343,369</u>	<u>58,363,318</u>

During the year, a fully depreciated motor vehicle with original cost of \$8.2M was disposed of for \$820,119.

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements (continued)

31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

10 Retirement benefit plan assets

The following information explains the quantification of the assets and liabilities recognised in the Statement of Financial Position and the income for the year in accordance with the provisions.

	2022 \$	2021 \$
Funded status reconciliation at end of period		
Present value of the obligation	(63,533,000)	(105,636,000)
Fair value of plan assets	<u>140,069,000</u>	<u>138,815,000</u>
Over-funded obligation	76,536,000	33,179,000
Effect of asset ceiling	<u>(63,889,000)</u>	<u>—</u>
Asset recognized in Statement of Financial Position	<u>12,647,000</u>	<u>33,179,000</u>
Movements in net asset		
Opening net asset	33,179,000	30,820,000
Retirement benefit expense	(1,383,000)	(715,000)
Total remeasurements included in OCI	(21,759,000)	747,000
Employer's contributions	<u>2,610,000</u>	<u>2,327,000</u>
Closing net asset	<u>12,647,000</u>	<u>33,179,000</u>
The amount in the Statement of Comprehensive Income is made up as follows:-		
Expense recognised in profit or loss (P&L)		
Employer's current service cost	(3,599,000)	(3,080,000)
Interest cost on obligation	(8,306,000)	(8,326,000)
Interest income on plan assets	11,171,000	11,926,000
Interest on effect of asset ceiling	--	(614,000)
Administrative expenses	<u>(649,000)</u>	<u>(621,000)</u>
Components of defined benefit cost recognised in the P&L	<u>(1,383,000)</u>	<u>(715,000)</u>
Components of OCI (Remeasurements)		
Actuarial loss on obligation	53,054,000	(1,542,000)
Actuarial loss on plan assets	(10,924,000)	(5,151,000)
Change in effect of asset ceiling	<u>(63,889,000)</u>	<u>7,440,000</u>
Components of defined benefit cost/surplus recorded in OCI	<u>(21,759,000)</u>	<u>747,000</u>
Defined benefit cost	<u>23,141,000</u>	<u>32,000</u>

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements (continued)

31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

10 Retirement benefit plan assets (continued)

The movement in the fair value of retirement benefit plan assets of the year is as follows:

	2022 \$	2021 \$
Fair value of plan assets at beginning of period	138,816,000	132,353,000
Employees' contributions	2,662,000	2,371,000
Employer's contributions	2,610,000	2,327,000
Interest income	11,171,000	11,926,000
Benefits paid	(3,617,000)	(4,390,000)
Administrative expenses	(649,000)	(621,000)
Actuarial loss on plan assets	<u>(10,924,000)</u>	<u>(5,151,000)</u>
Fair value of plan assets at end of period	<u>140,069,000</u>	<u>138,815,000</u>

The movement in the obligation to plan members over the year is as follows:

Changes in the present value of the obligation		
Present value of obligation at beginning of period	105,636,000	94,708,000
Employer's current service cost	3,599,000	3,080,000
Employees' contributions	2,662,000	2,371,000
Interest cost	8,306,000	8,326,000
Benefits paid	(3,617,000)	(4,390,000)
Actuarial gain - experience adjustments	(18,419,000)	(1,486,000)
Actuarial (gain)/ loss – changes in financial assumptions	<u>(34,634,000)</u>	<u>3,027,000</u>
Present value of obligation at end of period	<u>63,533,000</u>	<u>105,636,000</u>

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements (continued)

31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

10 Retirement benefit plan assets (continued)

The principal actuarial assumptions used for accounting purposes were:

The economic assumptions adopted for the current and prior Measurement Dates are shown below.			
Measurement Date:	2022		2021
(1) Discount Rate (% p.a.)	13.00		8.0
(2) Salary Increases (% p.a.)	7.50		5.5
(3) Retirement Benefit Increases (% p.a.)	5.50		3.75
(4) Price inflation (% p.a.)	5.50		5.00
The following demographic assumptions are applicable for the valuation as at 31 December 2022.			
(1) Mortality in Service and Retirement	RP-2014 Employee and Healthy Annuitant Mortality Rates projected to the Measurement Date, using the Society of Actuaries' Scale MP-2014.		
	Specimen mortality rates (number of occurrences per 1,000 members) are given below:		
	Attained Age	Males	Females
	25	0.416	0.151
	30	0.395	0.199
	35	0.466	0.264
	40	0.547	0.354
(2) Withdrawal	45	0.835	0.576
	Withdrawal rates were adopted as follows:		
	Attained Age	Males	Females
	25	12.0%	8.0%
	30	8.0%	4.0%
	35	5.0%	2.5%
	40	5.0%	2.5%
	45	2.0%	1.0%
(3) Incapacity Retirement	50	2.0%	1.0%
	55	--	--
	Nil		
	(4) Retirement Rates		
	100% for persons at the Normal Retirement Age.		
	(5) Actuarial Value of the Fund		
Statement of Financial Position Value of the Fund.			
(6) Income Tax			
The Fund will continue to be tax exempt.			

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements (continued)

31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

10 Retirement benefit plan assets (continued)

Retirement benefit plan assets are comprised as follows:

Distribution Of Assets By Type Of Security				
	2022		2021	
	Market Value of Assets	Distribution of Assets	Market Value of Assets	Distribution of Assets
	\$'000	% Total	\$'000	% Total
J\$ Debentures	46,085	33%	36,090	26%
Investment Properties	31,114	22%	31,670	23%
Quoted Equities	31,081	22%	32,109	23%
US\$ Debentures	10,043	7%	18,295	13%
Repurchase Agreements	13,213	9%	12,404	9%
US\$ Certificates of Deposit	--	0%	1,156	1%
Unit Trusts	7,630	5%	7,388	5%
Real Estate Investment Trusts	1,731	1%	1,563	1%
Net Current Assets	(828)	1%	(1,860)	-1%
Total	140,069	100%	138,815	100%

The expected Employer's Contribution for the 2023 Fiscal Year is \$2.6 million, based on a contribution rate of 8% of pensionable salaries.

The average duration of the defined benefit plans obligation at the end of the reporting period is 6.0 to 14.3 years (2021: 9.0 to 19.5 years).

Shown below is the impact of the change in the Defined Benefit Obligation (DBO) of a one percent (1%) change in each of the key economic assumptions is shown. In determining the impact of each assumption, the others are held constant.

Sensitivity Analysis of Key Economic Assumptions (\$'000)				
Measurement date	2022		2021	
Assumption	+1%	-1%	+1%	-1%
Discount rate	(6,265)	8,072	(13,727)	17,442
Future salary increases	2,568	(2,179)	4,990	(4,324)
Future pension increases	4,863	(4,163)	11,083	(9,420)

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements (continued)

31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

10 Retirement benefit plan assets (continued)

Liability duration

The liability duration for each category of Member as at the current and prior measurement dates is shown below.

Category of participant	Liability duration (Years)	
	2022	2021
Active members	14.3	19.5
Deferred pensioners	18.3	20.5
Retirees	6.0	9.0
All participants	12.6	15.1

The effect on the Defined Benefit Obligation of an increase of one year in the life expectancy is about \$2.79 million (2020 \$2.44 million).

11 Investment securities

The Company's investment securities are summarised by measurement category in the table below:

	Carrying Value 2022 \$	Fair Value 2022 \$	Carrying Value 2021 \$	Fair Value 2021 \$
Held-to-maturity	2,267,623,757	2,265,967,465	1,815,323,882	1,930,045,444

Section 8(1) (b) of the Insurance Regulations 2001 requires the Company to pledge to the Financial Services Commission, investment securities with a minimum face value of \$90,000,000. The amount of \$127,232,721 (2021 - \$100,322,500) represents the fair value of these investment securities including interest receivable, pledged as at 31 December 2022.

The following table presents the changes in held-to-maturity securities for the periods ended 31 December 2022 and 31 December 2021:

	2022 \$	2021 \$
<i>Held-to-maturity</i>		
Opening balance 1 January	1,815,323,882	1,936,821,723
Acquisitions/Rollover	1,108,515,639	528,651,971
Maturities	(640,884,632)	(657,249,118)
Amortisation of premium	(9,756,698)	(22,859,710)
Foreign exchange (loss)/gain	(5,574,434)	29,959,016
Closing balance 31 December	<u>2,267,623,757</u>	<u>1,815,323,882</u>

All held-to-maturity investments are fixed rate instruments.

	2022 \$	2021 \$
Current	1,108,498,238	622,450,181
Non-Current	<u>1,159,125,519</u>	<u>1,192,873,701</u>
	<u>2,267,623,757</u>	<u>1,815,323,882</u>

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements (continued)

31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

12 Other assets

	2022 \$	2021 \$
Premiums receivable	110,284,759	72,375,461
Interest receivable	79,519,327	45,248,134
Prepayments	1,430,943	1,557,704
Other receivable	<u>23,022,419</u>	<u>1,958,415</u>
	<u>214,257,448</u>	<u>121,139,714</u>

13 Related parties

a. Identity of related party

The Company has a related party relationship with its parent, other group companies, directors and key management personnel.

A number of transactions have been entered into with related parties in the normal course of business.

b. Related party transactions and balances

(i) Transactions during the period

Management fees	113,690,456	103,364,650
Software development recharges	40,441,659	58,570,795
Acquisition of intangible assets	19,425,014	20,565,410
Reinsurance premiums	74,264,924	71,124,463
Reinsurance recoveries (a)	<u>--</u>	<u>433,223,864</u>
Directors' fees	<u>6,606,240</u>	<u>6,301,380</u>

(ii) Amounts due from/to ultimate parent, and related parties

Due from:		
Ultimate parent company- Reinsurance (b)	--	178,818,319
Other related parties	<u>6,606,151</u>	<u>167,400</u>
	<u>6,606,151</u>	<u>178,985,719</u>
Due to:		
Ultimate parent company- Reinsurance	18,929,666	18,093,510
Software upgrade		
– CMFG Life Insurance Company (c)	16,283,316	24,156,353
Other related parties	31,258,637	14,644,084
Reinsurance payable (c)	<u>44,084,762</u>	<u>--</u>
	<u>110,556,381</u>	<u>56,893,947</u>

The amounts payable to related parties are interest-free, unsecured and are repayable within three months.

(a) This balance comprises amounts recognised as reinsurance recoverable from CMFG Life Insurance Company, CCIJ's reinsurer for losses that exceeds 70 % of net premium income. The amount is interest free, unsecured and payable within three months.

(b) This balance comprise amount due from CMFG Life Insurance Company for remaining payment of reinsurance recoveries. See note (a) above. The amount is interest free, unsecured and payable within three months.

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements (continued)

31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

13 Related parties (continued)

b. Related party transactions and balances (continued)

(ii) Amounts due from/to ultimate parent, and related parties (continued)

- (c) This balance comprises amount owed to CMFG Life Insurance Company for excessreinsurance recoverable paid to CCIJ during the year.

c. Transactions with key management personnel

There were four (2021: four) key management personnel employed with the Company during the year. The key management personnel compensation is as follows:

	2022 \$	2021 \$
Long-term employee benefits	2,248,968	2,034,221
Short-term employee benefits	40,704,167	37,812,519
	<u>42,953,135</u>	<u>39,846,740</u>

14 Cash and cash equivalents

Cash in hand and at bank	552,431,366	422,927,278
Fixed deposits (maturing in less than three months)	--	18,564,814
	<u>552,431,366</u>	<u>441,492,092</u>

15 Stated capital

Authorised:

The Company has no limit on the number of shares that it is authorised to issue.

Issued and fully paid:

10,000 ordinary shares at no par value		
In issue at 31 December	<u>167,294,598</u>	<u>167,294,598</u>

During 2016, the parent paid \$494,442,850 into the Company, which was recorded as capital contribution. This has no fixed repayment terms and is expected to be capitalized as shares.

16 Reserves

Opening Balance	84,189,716	83,618,210
Defined Benefit Pension Plan	(16,319,250)	933,750
Movement in Corporate Social Responsibility Fund	(139,393)	--
COVID-19 Corporate Social Responsibility Fund	<u>(61,710,931)</u>	<u>(362,244)</u>
	<u>6,020,142</u>	<u>84,189,716</u>

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements (continued)

31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

16 Reserves (Continued)

These reserves comprise the actuarial remeasurement of the Defined Benefit Pension Plan and the resultant deferred tax on same, as well as a COVID-19 Corporate Social Responsibility Fund. During 2020, the Company established a COVID-19 Corporate Social Responsibility Fund, which was used to cover the monthly premiums (up to six months) for primary insured members who have become unemployed or, in the case of self-employment, were forced to close their business due to the pandemic. The Company ended the fund as at December 31, 2022 and amounts remaining on the fund were written back to retained earnings.

17 Insurance contracts

<i>Future policyholders' benefit</i>	2022 \$	2021 \$
- Individual Life (a)	--	30,902,689
- Group Life (b)	578,729,857	559,476,145
Policyholders' dividend and other amounts on deposits	--	15,384,227
	<u>578,729,857</u>	<u>605,763,061</u>
Net increase in reserve for policyholders' benefits	(11,820,436)	(192,870,674)
Net increase in reserve for unearned premiums	(7,433,276)	(1,191,110)
Amount transferred to other payables in relation to individual life	30,902,689	--
Net decrease/(increase) in reserve for policy holder dividends & other amounts on deposit	<u>15,384,227</u>	<u>(1,054,264)</u>
	<u>27,033,205</u>	<u>(195,116,048)</u>

(a) Individual life reserves

Liability as at January 1	30,902,689	28,864,759
Interest during the year	1,891,285	1,819,230
Valuation premiums	--	618,868
Expenses	(1,662,407)	(1,444,232)
Claims	(1,245,263)	(1,194,345)
Change in assumptions	--	1,366,433
Other	<u>(29,886,304)</u>	<u>871,976</u>
Liability as at 31 December	<u>--</u>	<u>30,902,689</u>

The Company discontinued the Individual Life product during the year. There are still some amounts due for payout to the policyholders and the remaining balances due are recorded in the accounts payable account (note 18).

The Company is in consultation with its legal consultants on the treatment of the payouts to be made to the policyholders who cannot be reached.

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements (continued)

31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

17 Insurance contracts (continued)

Future policyholders' benefits (i) (continued)

(b) *Group Life Reserves*

	2022			
	FIP	LP & LS	Other	Total
	\$	\$	\$	\$
Liability as at January 1	324,534,610	206,801,556	28,139,979	559,476,145
Add: Ultimate estimate for accident year 2021	(50,164,597)	(1,776,108)	(14,648,679)	(66,589,384)
Add: Ultimate estimate for Accident year 2022	2,215,483,632	336,684,980	30,260,454	2,582,429,066
Less: Payments made in 2022	(2,183,420,000)	(301,104,564)	(12,232,865)	(2,496,757,429)
Other	--	--	171,459	171,459
Liability as at December 31	<u>306,433,645</u>	<u>240,605,864</u>	<u>31,690,348</u>	<u>578,729,857</u>

18 Accounts payable and unallocated premium

	2022	2021
	\$	\$
Accounts payable	61,373,319	49,871,034
Unallocated premium and advanced premiums	72,954,221	25,586,781
Accrued expenses	<u>54,492,102</u>	<u>55,417,570</u>
	<u>188,819,642</u>	<u>130,875,385</u>

19 Claims and other benefits

There were no reinsurance recoveries on claims incurred in 2022.

Claims paid (death and disability)	2,469,804,307	2,917,204,387
Surrenders	993,567	1,370,536
Dividends to policyholders	<u>38,114</u>	<u>60,046</u>
	<u>2,470,835,988</u>	<u>2,918,634,969</u>

CUNA Caribbean Insurance Jamaica Limited
Notes to the Financial Statements (continued)
31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

20 Management and operating expenses

	2022	2021
	\$	\$
Depreciation expense	20,280,394	22,359,047
Amortisation expense	42,534,881	39,121,763
Maintenance expense for leases	16,877,503	17,378,626
Directors' fees	6,606,240	6,301,380
Employee-related expense (a)	153,312,434	140,841,976
Marketing and communication expense	41,603,464	34,232,240
Utilities expense	388,797	525,739
Audit fees	9,999,994	13,894,023
Professional services expense	33,620,452	39,653,890
Management fees	113,690,456	105,532,026
Other operating expenses	78,794,589	89,248,125
	<u>517,709,204</u>	<u>509,088,835</u>
a. Employee Related Expense		
Salaries and wages	119,088,086	106,635,363
Post retirement benefits	4,169,462	4,900,850
Insurance	5,404,233	4,878,135
Payroll taxes	12,874,238	13,895,276
Other employee benefits	11,776,415	10,532,352
	<u>153,312,434</u>	<u>140,841,976</u>

21 Taxation

a.	Taxation charge is based on the profit for the year adjusted for tax purposes and is made up as follows:	
	Current income tax expense	89,829,433
	Increase/(decrease) in deferred tax asset	28,752,092
	Increase in deferred tax liability	(23,026,912)
	<u>306,750</u>	<u>403,000</u>
	<u>97,297,934</u>	<u>6,128,180</u>
b. Reconciliation of effective tax rate		
	Profit before taxation	373,974,506
	Expected tax charge 25% (2021: 25%)	70,165,355
	Adjusted for:	
	Capital allowance less depreciation and amortisation	93,493,627
	Disallowed expenses and other capital adjustments	(2,688,875)
	Net effect of other allowances	(2,168,775)
	<u>2,545,335</u>	<u>2,238,248</u>
	<u>97,297,934</u>	<u>(11,482,632)</u>
	<u>97,297,934</u>	<u>6,128,180</u>

CUNA Caribbean Insurance Jamaica Limited
Notes to the Financial Statements (continued)
31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

21 Taxation (continued)

c. Deferred tax balances

	Property Plant and equipment \$	Intangible assets \$	Rightof- use- assets \$	Defined Benefit Obligation \$	Other \$	Total \$
Movements						
As 1 January 2021	(45,662)	59,807,371	3,230,128	(7,705,000)	(12,708,125)	42,578,712
(Charged)/credited to profit or loss	(442,440)	19,984,302	2,088,957	(403,000)	1,396,093	22,623,912
Credited to other comprehensive income	--	--	--	186,750	--	186,750
As 31 December 2021	(488,102)	79,791,673	5,319,085	(7,921,250)	(11,312,032)	65,389,374
As 1 January 2022	(488,102)	79,791,673	5,319,085	(7,921,250)	(11,312,032)	65,389,374
(Charged)/credited to profit or loss	(913,827)	1,934,912	384,964	(306,750)	(8,567,800)	(7,468,501)
Credited to other comprehensive income	--	--	--	5,439,750	--	5,439,750
As 31 December 2022	(1,401,929)	81,726,585	5,704,049	(2,788,250)	(19,879,832)	63,360,623

Deferred tax assets of \$87,430,634 (2021: \$85,110,758) and deferred tax liabilities of \$24,070,011 (2021: \$19,721,304) arising from temporary differences relating to the Company's assets and liabilities respectively have been recognised by the Company, as management believes that the asset will be realised in the foreseeable future.

d. Taxation recoverable

	2022 \$	2021 \$
Tax withheld at source	12,270,634	24,266,254
Overpayment of estimated tax liability	<u>60,871,887</u>	<u>119,247,043</u>
	<u>73,142,521</u>	<u>143,513,297</u>

CUNA Caribbean Insurance Jamaica Limited

Notes to the Financial Statements (continued)

31 December 2022

(Expressed in Jamaican dollars unless otherwise indicated)

22 Leases

(i) Amounts recognised in the Statement of Financial Position

	Notes	2022 \$	2021 \$
Right-of-use assets			
Buildings	9(b)	17,717,244	24,933,369
Motor vehicles		--	410,000
		<u>17,717,244</u>	<u>25,343,369</u>
Lease liabilities			
Current		8,902,306	11,052,817
Non-current		<u>14,214,754</u>	<u>20,956,143</u>
		<u>23,117,060</u>	<u>32,008,960</u>

Additions to the right-of-use assets during the 2022 financial year were nil (2021 – \$3,206,669).

(ii) Amounts recognised in the Statement of Comprehensive Income

Depreciation charge on right-of-use assets			
Buildings		7,216,124	7,266,414
Motor vehicles		<u>410,000</u>	<u>1,640,000</u>
	9(b)	<u>7,626,124</u>	<u>8,906,414</u>
Interest expense (included in management and operating expenses)			
	20	<u>2,653,124</u>	<u>3,294,013</u>
Maintenance costs related to leased buildings (included in management and operating expenses)			
	20	<u>14,224,182</u>	<u>14,084,613</u>

23 Subsequent events

There were no events subsequent to 31 December 2022 which resulted in required adjustments to the balances reported in these financial statements or a requirement for additional disclosures.

24 Contingent liabilities

The Company had no contingent liabilities as at 31 December 2022 (2021: Nil).