NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2017

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

Contents

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REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

Opinion

We have audited the accompanying financial statements of New Providence Life Insurance Company Limited which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of New Providence Life Insurance Company Limited as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in The Bahamas, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements as at 31 December 2017. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and the auditor does not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements (cont)

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.

Auditors' Responsibilities for the Audit of the Financial Statements

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

A further description of the auditors' responsibilities for the audit of the financial statements is located in an Appendix to this report. This description forms part of our auditors' report.

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

BDO

Chartered Accountants
Nassau Bahamas
10 April 2018

APPENDIX TO THE AUDITORS' REPORT

Detailed Description of Our Responsibilities

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

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, designed 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.

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

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

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017
(Expressed in Bahamian Dollars)

	Note	2017 $	2016 $
FIXED ASSETS	5	179,920	213,501
NOTE RECEIVABLE	6	1,063,561	1,190,474
CURRENT ASSETS			
Cash and cash equivalents		1,792,122	1,063,719
Investments	7	6,260,408	5,912,204
Reinsurance ceded assets	9	544,164	469,182
Reinsurance assumed assets	10	1,258,590	1,048,306
Prepaid income tax		86,037	--
Note receivable – current portion	6	126,914	118,358
Other receivables and prepayments	11	275,889	152,993
		10,344,124	8,764,762
CURRENT LIABILITIES			
Accounts payable and accruals		85,519	91,668
Due to administrator	8	768,615	341,415
Unearned premium	12	391,599	368,019
Advanced premium	13	74,664	46,654
Dividend payable		800,000	--
Taxes payable		--	34,758
Provision for unpaid claims	14	2,299,452	2,482,055
		4,419,849	3,364,569
NET CURRENT ASSETS		5,924,275	5,400,193
		$7,167,756	$6,804,168
EQUITY			
Share capital	15	3,000,000	3,000,000
Preference shares	16	2,000,000	2,000,000
Contributed surplus	15	500,000	500,000
Fair value reserve		5,652	(150,720)
Accumulated profit		1,662,104	1,454,888
		$7,167,756	$6,804,168

The statements were approved by the board of directors and authorised for issue on 10 April 2018, and are signed on its behalf by:

Director   Director

The Notes on pages 8 to 41 form an integral part of these Financial Statements.

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 $	2016 $
UNDERWRITING INCOME			
Net premiums written	17	5,056,192	5,121,194
Net reinsurance premium ceded	18	(889,289)	(908,969)
Net direct premiums earned		4,166,903	4,212,225
REINSURANCE PREMIUM ASSUMED	19	4,430,804	6,196,005
INSURANCE BENEFITS AND CLAIMS			
Claims paid	20	3,682,807	3,537,185
(Gain)/loss adjustment expense - net	21	(184,784)	1,052,313
Insurance claims recovered from reinsurers	18	(369,858)	(178,618)
		3,128,165	4,410,880
EXPENDITURE			
Commission expense	22	3,140,369	3,660,887
Administrator fee		561,988	572,804
Administrative and marketing expenses	23	569,244	435,088
Salaries and other employee benefits		406,869	291,251
Depreciation		33,581	33,581
		4,712,051	4,993,611
Net underwriting income		757,491	1,003,739
OTHER INCOME			
Consulting income	24	--	500,000
Interest and investment income		340,983	346,030
Other income		173,386	196,312
		514,369	1,042,342
Profit before other comprehensive income and tax		1,271,860	2,046,081
Income tax expense	27	(104,644)	(341,379)
NET PROFIT FOR THE YEAR		1,167,216	1,704,702
OTHER COMPREHENSIVE INCOME			
Fair value gain/(loss) on investments		156,372	(150,720)
TOTAL COMPREHENSIVE INCOME		$1,323,588 =======	$1,553,982 =======

The Notes on pages 8 to 41 form an integral part of these Financial Statements.

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital	Preference shares	Contributed surplus	Fair value reserve	Accumulated profit	Total
	$	$	$	$	$	$
1 January 2016	3,000,000	2,000,000	500,000	--	710,186	6,210,186
Dividends paid – preference shares	--	--	--	--	(160,000)	(160,000)
Dividends paid – common shares	--	--	--	--	(800,000)	(800,000)
Net profit for the year	--	--	--	--	1,704,702	1,704,702
Other comprehensive income:						
Fair value loss on investments	--	--	--	(150,720)	--	(150,720)
Total comprehensive income	--	--	--	(150,720)	1,704,702	1,553,982
31 December 2016	3,000,000	2,000,000	500,000	(150,720)	1,454,888	6,804,168
Dividends paid – preference shares	--	--	--	--	(160,000)	(160,000)
Dividends declared – common shares	--	--	--	--	(800,000)	(800,000)
Net profit for the year	--	--	--	--	1,167,216	1,167,216
Other comprehensive income:						
Fair value gain on investments	--	--	--	156,372	--	156,372
Total comprehensive income	--	--	--	156,372	1,167,216	1,323,588
31 December 2017	$3,000,000	$2,000,000	$500,000	$5,652	$1,662,104	$7,167,756
	=======	=======	======	====	=======	=======

The Notes on pages 8 to 41 form an integral part of these Financial Statements.

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 $	2016 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before tax	1,271,860	2,046,081
Adjustment for:		
Depreciation	33,581	33,581
Interest income	(287,977)	(269,965)
Operating income before working capital changes	1,017,464	1,809,697
(Increase)/decrease in reinsurance ceded assets	(74,982)	181,338
Increase in reinsurance assumed assets	(210,284)	(618,336)
Decrease/(increase) in other receivables and prepayments	1,665	(49,314)
Decrease in accounts payable and accruals	(6,149)	(30,019)
Net movement in due to administrator	427,200	465,088
Increase in unearned premium	23,580	95,380
Increase/(decrease) in advanced premium	28,010	(66,955)
(Decrease)/increase in provision for unpaid claims	(182,603)	1,054,930
Cash provided by operations	1,023,901	2,841,809
Interest received	287,977	269,965
Income tax paid	(350,000)	(140,000)
Net cash provided by operating activities	961,878	2,971,774
CASH FLOWS FROM INVESTING ACTIVITIES		
Note receivable repayment	118,357	110,379
Net movement in investments	(191,832)	(1,278,075)
Net cash used by investing activities	(73,475)	(1,167,696)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid – preference shares	(160,000)	(160,000)
Dividends paid – common shares	--	(800,000)
Net cash used by financing activities	(160,000)	(960,000)
Net increase in cash and cash equivalents	728,403	844,078
Net cash and cash equivalents at beginning of the year	1,063,719	219,641
Net cash and cash equivalents at end of the year	$1,792,122	$1,063,719
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The Notes on pages 8 to 41 form an integral part of these Financial Statements.

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. INCORPORATION AND ACTIVITIES

New Providence Life Insurance Company Limited (formerly Star Bahamas General Insurance Company Limited) ("Company") was incorporated under the Companies Act, 1992 of the Commonwealth of the Bahamas on 17 November 2001. On 8 May 2013, the name of the Company was changed to its current name. Effective 20 February 2014, license was granted to the Company to act as an insurance carrier by the Insurance Commission of the Bahamas ("ICB"). The Company has been inactive in the years before the license was granted. The Company's principal activity is writing life, disability and health insurance policies.

Effective 1 January 2014, the Company's issued and outstanding shares were owned by AMFirst Insurance Company Inc. (a company incorporated in Oklahoma, USA), OIC Holdings Inc.(a company incorporated in Mississippi, USA) and Star General Investments (G.B.) Limited (a company incorporated in the Bahamas) having ownership percentages of 58%, 17% and 25%, respectively. Prior to that date, the Company is a wholly owned subsidiary of Star General Investments (G.B.) Limited.

The Company's registered office is Corporate Legal Services, Pickstock Place, Robinson Road, Nassau, Bahamas. The main place of business is RoyalStar House, John F. Kennedy Drive, Nassau, Bahamas.

Morgan White Administrators International, Inc. (a company incorporated in Mississippi, USA) functions as "Administrator" performing accounting services and premiums and claims processing on behalf of the Company.

2. BASIS OF PREPARATION

These financial statements are prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRS). The financial statements have also been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results can differ from those estimates.

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

2. BASIS OF PREPARATION (cont)

Critical accounting estimates and judgements

Provision for unpaid claims

There are several sources of uncertainty that were considered by the Company in estimating the provision for unpaid claims. The uncertainty arises because all events affecting the ultimate settlement of claims have not taken place and may not take place for some time. Changes in the estimate of the provision can be caused by receipt of additional claim information, changes in judicial interpretation of contracts, or significant changes in severity or frequency of claims from historical trends. The estimates are mainly based on the Company's historical and industry experience.

Unearned premium calculation

The Company estimates 55% of the gross premium to be the portion related to recovery of cost or acquisition cost of insurance contract. The remaining 45% is the portion related to insurance protection. In the event that insurance policies are cancelled, the portion related to recovery of cost will not be refunded thus considered as earned immediately. Only the portion related to insurance protection is considered in the calculation of unearned premium.

3. ACCOUNTING POLICIES

Fixed assets

Fixed assets are carried at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follow:

Leasehold improvements	15 years
Office furniture and equipments	5 years

Subsequent additions are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probably that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

3. ACCOUNTING POLICIES (cont)

Fixed assets (cont)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in profit or loss.

Financial assets

Financial assets are recognised on the statements of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss is recognised through profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

The Company has the following financial assets:

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at cost. Gains and losses are recognised through profit of loss when the loans and receivables are derecognised or impaired.

3. ACCOUNTING POLICIES (cont)

Financial assets (cont)

Available-for-sale investments

Available-for-sale (AFS) investments are non-derivatives that are either designated in this category or not classified in any of the other categories. AFS investments are those intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

AFS investments are initially recognised and subsequently carried at fair value. Gains and losses arising from changes in the fair value are recognised in other comprehensive income (equity). When securities classified as AFS are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in profit or loss.

Interest on AFS debt instruments is calculated using the effective interest method and is recognised through profit or loss. Dividends on AFS equity instruments are recognised through profit or loss when the entity's right to receive payment is established.

Impairment of financial assets

The Company assesses at each statement of financial position date whether there is any objective evidence that a financial asset is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised through profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

3. ACCOUNTING POLICIES (cont)

Impairment of financial assets (cont)

Assets carried at amortised cost (cont)

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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

Assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Available-for-sale investments

The Company assesses, at each statement of financial position date, whether there is objective evidence that a financial asset is impaired. In the case of AFS equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If evidence of impairment exists, the cumulative loss previously recognised in other comprehensive income (equity) is removed from other comprehensive income (equity) and recognised in profit or loss. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

3. ACCOUNTING POLICIES (cont)

Cash and cash equivalents

Cash and cash equivalents include demand deposits and other short-term highly liquid investments with original maturities of three months or less.

Financial liabilities

Financial liabilities within the scope of IAS 39 are recognised on the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities (except for financial guarantee) are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Revenue and expenses recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recognised when earned and expenses are recognised when incurred on an accrual basis.

3. ACCOUNTING POLICIES (cont)

Premiums written and reinsurance premiums ceded

Premiums written and reinsurance premiums ceded are recognised on a pro rata basis over the period of the policies. Premiums are stated gross of commissions. Any change in unearned or deferred portion at the statement of financial position date is transferred to unearned premiums and reinsurance premiums ceded in profit or loss.

Provision for unpaid claims

Provisions are made for adjustment expenses, changes in reported claims and for claims incurred but not reported, based on past experience, industry experience and business in force. The estimates are regularly reviewed and updated, and any resulting adjustments are included in profit or loss. Assumptions and estimates used are also evaluated by an independent actuary.

Premium tax

Premium tax is incurred at a rate of 3% of gross premiums written in The Commonwealth of the Bahamas and is recognised when the Company's obligation to make payment has been established. Premium tax is remitted quarterly in accordance with the Insurance Commission of the Bahamas regulation.

Foreign currency translation

The financial statements are presented in Bahamian dollars, which is the Company's functional and presentation currency, as it represents the currency of the primary economic environment in which the Company operates.

Foreign currency transactions are translated into the functionally currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

3. ACCOUNTING POLICIES (cont)

Employee benefits

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

Income taxes

Income taxes are recognised for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Section 953(d) of the U.S. Internal Revenue Code allows a controlled foreign corporation engaged in the insurance business to elect to be treated as a U.S. corporation for U.S. tax purposes. A controlled foreign corporation that makes this election will be subject to tax in the United States on its worldwide income but will not be subject to the branch profits tax or the branch-level interest tax imposed by section 884. Further, the excise tax imposed under section 4371 on policies issued by foreign insurers will not apply. The Company has elected to be treated as a U.S. Company for U.S. Tax purposes.

Value added tax

On 1 January 2015, the Value Added Tax (VAT) Act became effective in the Commonwealth of the Bahamas with 3 categories for goods and services: tax at 7.5%, exempt and zero-rated.

In accordance with the Act, the Company's insurance premiums written are VAT exempt for the period from 1 January to 30 June 2015. Starting 1 July 2015, insurance premiums written are subject to 7.5% VAT rate.

4. NEW AND AMENDED STANDARDS

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

Amendment to IAS 12 Income Taxes (Recognition of Deferred Tax Assets for Unrealised Losses

The amendment to IAS 12 clarifies the accounting for deferred tax assets related to debt instruments measured at fair value but are not deemed to be impaired (for example, an investment in a fixed rate bond where the fair value has declined due to changes in interest rates, but the asset is not considered to have become impaired in value). Deductible temporary differences arise from unrealised losses on debt instruments measured at fair value. This is regardless of whether the instrument is recovered through sale, or by holding it to maturity. Therefore, entities are required to recognise deferred taxes for temporary differences from unrealised losses of debt instruments measured at fair value if all other recognition criteria for deferred taxes are met.

This amendment had no significant impact to the Company's financial statement.

Amendment to IAS 7 – Disclosure Initiative

This amendment aims to improve information about an entity's debt, including movements in that debt. Disclosures are required to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. One way to provide this disclosure would be to provide a reconciliation of the opening and closing carrying amounts for each item for which cash flows have been or would be classified as financial activities. The reconciliation would include:

- Opening balance
- Movements in the period including:
    - Changes from financing cash flows;
    - Changes arising from obtaining or losing control of subsidiaries or other businesses;
    - Other non-cash exchanges (e.g. changes in foreign exchange rates, new finance leases and changes in fair value); and
- Closing balance.

4. NEW AND AMENDED STANDARDS (cont)

Amendment to IAS 7 – Disclosure Initiative (cont)

Adoption of the above amendment did not have significant impact on the Company's financial statements.

Annual Improvements to IFRSs (2014-2016 Cycle): IFRS 12 Disclosure of Interests in Other Entities

The scope of IFRS 12 was clarified to make it clear that the disclosure requirements in this Standard, except for those in paragraphs B10 - B16, apply to interests irrespective of whether they are classified as held for sale, as held for distribution to owners or as discontinued operations in accordance with IFRS 5. The IASB noted that the disclosure objective of IFRS 12 *Disclosure of Interest in Other Entities* is relevant to interests in other entities regardless of whether or not they are classified as held for sale, as held for distribution to owners or as discontinued operations.

Adoption of the above amendment did not have significant impact on the Company's financial statements.

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial years ended 31 December 2017. They have not been adopted in preparing the financial statements and are expected to affect the entity in the period of initial application. In all cases the entity intends to apply these standards from application date as indicated below.

IFRS 9 (issued November 2009 and amended October 2010 and July 2014)

This standard amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in IAS 39 have been eliminated.

Under IFRS 9, there are three categories of financial assets:
- Amortised cost
- Fair value through profit or loss
- Fair value through other comprehensive income

4. NEW AND AMENDED STANDARDS (cont)

IFRS 9 (issued November 2009 and amended October 2010 and July 2014)(cont)

IFRS 9 also requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the fair value of a financial liability that is designated at fair value through profit or loss (using the fair value option) that relate to changes in the reporting entity's own credit risk are normally recognised in other comprehensive income.

The changes are to be applied prospectively from the date of adoption. The effective date of the amendments is 1 January 2018.

In 2016, the IASB advanced its project to replace IFRS 4 Insurance Contract which is expected to have a mandatory effective date of 1 January 2021. As a result, the IASB amended IFRS 4 to address concerns raised related to IFRS 9 and the new insurance standard having different effective dates. These concerns relate mainly to the potential for insurers to produce financial statements that contain two very significant changes in accounting in a short period of time, and volatility that might arise in financial statements during the period between the effective date of IFRS 9 and the new insurance standard, due to changes in measurement requirements. The amendments permit either the deferral of the adoption of IFRS 9 for entities whose predominant activity is issuing insurance contracts or an approach which moves the additional volatility created by having non-aligned effective dates from profit or loss to other comprehensive income.

The Company will review the classification of its financial assets and financial liabilities upon the future adoption of this standard. The Company will also evaluate the effect of deferring the adoption of IFRS 9 to 1 January 2021 to be in line with the mandatory adoption of IFRS 4.

IFRS 15 – Revenue from Contracts with Customer (issued May 2014 and amended September 2015)

This standard establishes a single and comprehensive framework which sets out how much revenue is to be recognized, and when. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The core principle is that a vendor should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the vendor expects to be entitled in exchange for those goods or services. Revenue will now be recognized by a vendor when control over the goods or services is transferred to the customer.

4. NEW AND AMENDED STANDARDS (cont)

IFRS 15 – Revenue from Contracts with Customer (issued May 2014 and amended September 2015)(cont)

The application of the core principle in IFRS 15 is carried out in five steps:

- Step 1: Identify the contract
- Step 2: Identify separate performance obligations
- Step 3: Determine the transaction price
- Step 4: Allocate transaction price to performance obligations
- Step 5: Recognize revenue as or when each performance obligation is satisfied.

The standard is effective for annual periods commencing on or after 1 January 2018.

The effect of IFRS 15 is still being assessed, as this new standard may have a significant effect on the Company's future financial statements.

Amendment to IFRS 2 – Classification and Measurement of Share Based Payment Transactions – effective 1 January 2018

This amendment addresses the classification and measurement of share-based payment transactions for a number of situations where existing guidance is not clear. The following is a summary of the clarifications and additional guidance:

- The effects of vesting and non-vesting conditions on the measurement of a cash-settled share-based payment transaction are accounted for in accordance with the guidance for equity-settled share-based payments.
- Share-based payment transactions with certain net settlement features are classified as equity-settled if they would have been classified as equity settled without the net settlement feature. This applies to certain arrangements where an employer is required to withhold an amount for an employee's tax obligation related to a share-based payment, and pays the tax authority in cash.
- Accounting for a modification that changes the classification of a share-based payment agreement from cash-settled to equity-settled has been clarified with regard to the measurement of, and accounting for, the replacement equity-settled share-based payment, derecognition of the liability, and accounting for any difference between the carrying amount of the liability and the amount recognised for the equity-settled award (these amounts will reflect the extent to which goods and services have been received at the date of modification).

The amendment will not have a significant effect on the Company's future financial statements.

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

4. NEW AND AMENDED STANDARDS (cont)

Amendment to IAS 40 – Transfer of Investment Property – effective 1 January 2018

This amendment clarifies that a transfer of a property to, or from, investment property is made when, and only when, there is a change in use. It also clarifies that the following scenarios in IAS 40.57 are examples of evidence that may support a change in use and not the only possible circumstances in which there is a change in use:

- Commencement of owner-occupation, or of development with a view to owner-occupation, for a transfer from investment property to owner-occupied property;
- Commencement of development with a view to sale, for a transfer from investment property to inventories;
- End of owner-occupation, for a transfer from owner-occupied property to investment property; and
- Commencement inception of an operating lease to another party, for a transfer from inventories to investment property.

The amendment will not have a significant effect on the Company's future financial statements.

Annual Improvements to IFRSs 2014-2016 Cycle

There were three amendments as part of the 2014-2016 Annual Improvements Cycle. These were made to IFRS 1, IFRS 12 and IAS 28.

- IFRS 1 – effective 1 January 2018

  A number of short–term exemptions in IFRS 1 First Time Adoption of International Financial Reporting Standards were deleted. The reliefs provided by these exemptions were no longer applicable.

- IAS 28 – effective 1 January 2018

  IAS 28 Investments in Associates and Joint Ventures, permits an investment in an associate or joint venture to be measured at fair value through profit or loss, instead of the equity method being applied, if the investment is held directly or indirectly through a venture capital organisation, unit trust or similar entities. IAS 28 was amended to specify that a qualifying entity may elect to measure investments in associates and joint ventures at fair value through profit or loss on an investment-by-investment basis, upon initial recognition.

4. NEW AND AMENDED STANDARDS (cont)

Annual Improvements to IFRSs 2014-2016 Cycle (cont)

The Company has already adopted amendment to IFRS 12 and will assess the future impact of IFRS 1 and IAS 28 although neither amendment indicates a significant future impact.

IFRIC Interpretation 22 – Foreign Currency Transactions and Advance Consideration – effective 1 January 2018

IFRIC 22 addresses how to determine the date of transaction for the purpose of determining the spot exchange rate used to translate foreign currency transactions on initial recognition in circumstances when an entity pays or receives some or all of the foreign currency consideration in advance of the recognition of the related asset, expense or income.

The interpretation states that the date of the transaction, for the purpose of determining the spot exchange rate used to translate the related asset, expense or income (or part of it) on initial recognition, is the earlier of:
(a) The date of initial recognition of the non-monetary prepayment asset or the non monetary deferred income liability; and
(b) The date that the asset, expense or income (or part of it) is recognised in the financial statements.

The Company will review its recognition policy upon future adoption of this interpretation.

IFRS 16 – Leases (issued January 2016)

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 contains a single lessee accounting model, which eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease, other than short term leases and leases of low value items for which a lessee has the option not to apply the measurement and presentation requirements of IFRS 16, will be recorded in the statement of financial position with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. For many entities the effect of bringing all leases on the statement of financial position will be very significant and will require careful planning, including for commercial effects.

4. NEW AND AMENDED STANDARDS (cont)

IFRS 16 – Leases (issued January 2016)(cont)

In the statement of profit or loss and other comprehensive income, the application of IFRS 16 will result in a depreciation charge (within operating expenses) and an interest expense.

The accounting requirements from the perspective of the lessor remains largely in line with previous IAS 17 requirements.

IFRS 16 has an effective date of 1 January 2019, with early application permitted only if IFRS 15 has also been adopted. The Company will review any contract that meets the definition of a lease upon future adoption of this standard.

IFRS 17 – Insurance Contracts (issued May 2017- effective 1 January 2021)

IFRS 17 Insurance Contracts, was issued in May 2017 and lays out a fundamentally new way of measuring and presenting insurance contracts and related financial statement items for entities that issue insurance contracts. Some of the key aspects of IFRS 17 include new models for insurance liabilities, changes to discounting and the rate being used to discount claims liabilities, and changes to deferred premium acquisition costs. The technical aspects of IFRS 17 are complex and will require specific consultation on the situation to determine the exact impact.

The effective date for IFRS 17 is January 1, 2021, with the requirement to restate comparative figures. The Company is in the process of evaluating the impact of the new standard.

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

5. FIXED ASSETS

	Leasehold improvements	Office furniture and equipment	Total
	$	$	$
COST			
1 January and 31 December 2017	196,510	102,403	298,913
DEPRECIATION			
1 January 2017	32,736	52,676	85,412
Charge for the year	13,101	20,480	33,581
31 December 2017	45,837	73,156	118,993
NET BOOK VALUE			
31 December 2017	$150,673	$29,247	$179,920
31 December 2016	$163,774	$49,727	$213,501

6. NOTE RECEIVABLE

Loan receivable comprise of:

	2017	2016
	$	$
Note receivable	1,190,475	1,308,832
Less: Current portion	(126,914)	(118,358)
	$1,063,561	$1,190,474

On 28 May 2015, the Company granted a promissory note to JDR Mississippi LLC, which is owned by a Director of the Company, ("Borrower") for a principal amount of $1,480,129 in order for the Borrower to settle its bank loan. The loan accrues interest of 7% per annum and is to be repaid through blended principal and interest payment of $17,186 per month beginning 28 June 2015 until 28 May 2025 at which time the remaining indebtedness and accrued interest shall be due and payable. The loan is secured by a Deed of Trust on a property located in the First Judicial District of Hinds County Mississippi with a value of $1,775,000 based on the appraisal performed by a third party appraiser dated 31 March 2006.

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

7. INVESTMENTS

All of the Company's investments are considered to be AFS investments. The Company's investments are ranked into Levels 1 to 3, based on the degree to which the fair value is observable:

Level 1 - Fair value measures are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 - Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Company's assets that are measured at fair value as at 31 December 2016. The Company does not have financial liabilities at fair value.

	Fair Value Measurements			
	Level 1	**Level 2**	**Level 3**	**Total**
2017	**$**	**$**	**$**	**$**
Equities	294,806	--	--	294,806
Exchange traded funds	500,970	--	--	500,970
Corporate bonds	--	437,404	--	437,404
Government bonds	--	3,351,866	--	3,351,866
Preferred stock	1,077,050	500,000	--	1,577,050
Private equity	--	--	98,312	98,312
	$1,872,826	$4,289,270	$98,312	$6,260,408
2016				
Equities	90,890	--	--	90,890
Exchange traded funds	1,017,400	--	--	1,017,400
Government bonds	--	3,276,742	--	3,276,742
Preferred stock	928,860	500,000	--	1,428,860
Private equity	--	--	98,312	98,312
	$2,037,150	$3,776,742	$98,312	$5,912,204

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

7. INVESTMENTS (cont)

The private equity investment of $98,312 pertains to 1.82% ownership on a limited liability company which is in the process of constructing a hotel. The project has recently commenced construction in the prior year and is expected to be completed during the fourth quarter of 2018. The year-end market value is considered to be the initial amount invested as construction of the hotel is still ongoing.

During the year, the Company recognised a fair value reserve through other comprehensive income of $156,372 (2016: $(150,720)) related to the available for sale investments.

8. DUE TO ADMINISTRATOR

A balance due from Administrator pertains to premium payments received from insurance policy holders less commissions and administrative expenses held by the Administrator on behalf of the Company. In the current and prior year, there is a balance due to Administrator since payments made by the Administrator on behalf of the Company exceeded the funds held. The payable balance was unsecured, interest free and has no fixed terms of repayment.

9. REINSURANCE CEDED ASSETS

Reinsurance ceded assets comprise of:

	2017	2016
	$	$
Deferred reinsurance premium	442,214	435,950
Receivable from reinsurance recoveries	96,570	30,033
Reinsurers' share of provision for unpaid claims	5,380	3,199
	$544,164	$469,182
	======	======

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

10. REINSURANCE ASSUMED ASSETS

Reinsurance assumed assets comprise of:

	2017 $	2016 $
Assumed reinsurance premium receivable	9	525
Due from Standard Life and Accident Reinsurance Company	104,259	49,657
Due from AmFirst Insurance Company, Ltd. (Bermuda)	5,518	2,287
Due from TPM Life Insurance Company	1,148,804	995,837
	$1,258,590	$1,048,306
	=======	=======

The balances due from Standard Life and Accident Reinsurance Company, AmFirst Insurance Company, Ltd. and TPM Life Insurance Company pertains to outstanding assumed reinsurance premium less assumed claims, commissions and administrative expenses on reinsurance. The receivable balances were unsecured, interest free and has no fixed terms of repayment.

During the prior year, the Company's majority shareholder, AMFirst Insurance Company Inc., issued a standby letter of credit in favor of the Company up to a maximum of $2 million as guarantee for the balance due from TPM Life Insurance Company. The standby letter of credit is for a period of 1 year and extended for successive 1 year periods unless withdrawn by AMFirst Insurance Company Inc. The Company has extended the letter of credit for the current year.

11. OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments comprise of:

	2017 $	2016 $
Interest receivable	83,090	125,152
Prepayments	12,995	22,598
Deferred tax asset	126,804	2,243
Others	53,000	3,000
	$275,889	$152,993
	======	======

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

12. UNEARNED PREMIUM

	2017 $	2016 $
Gross premiums written - direct	5,248,620	5,262,415
Premiums earned - direct	(4,959,424)	(5,008,086)
Unearned premium direct, end of year	289,196	254,329
Add: Unearned reinsurance premium assumed	102,403	113,690
	$391,599	$368,019

The Company estimates 55% of the gross premium to be the portion related to recovery of cost or acquisition cost of insurance contract. The remaining 45% is the portion related to insurance protection. In the event that insurance policies are cancelled, the portion related to recovery of cost will not be refunded thus considered as earned immediately. Only the portion related to insurance protection is considered in the calculation of unearned premium.

13. ADVANCED PREMIUM

This balance represents the premiums received in advance of the Company's next annual insurance policy billing including the assumed advanced premium on reinsurance. The balance remains an advance until the respective policy renewal has been issued by the Company and is earned over the term of the policy.

14. PROVISION FOR UNPAID CLAIMS

Provision for unpaid claims is comprised of:

	2017 $	2016 $
Claims reserve	1,160,822	1,312,370
Life policy reserve	1,087,327	1,109,359
Loss adjustment expense reserve	51,303	60,326
	$2,299,452	$2,482,055

15. SHARE CAPITAL

	2017	2016
Authorised, issued and fully paid		
3,000,000 ordinary shares of $1 each	$3,000,000	$3,000,000
	=======	=======

Effective 1 January 2014, Star General Investments (G.B.) Limited ("Seller") sold all of the Company's issued and outstanding shares to AMFirst Insurance Company Inc. and OIC Holdings Inc. ("Purchasers") for $3,500,000 which was applied as $3,000,000 in share capital and $500,000 as contributed surplus. The Purchasers then agreed to resell 750,000 shares at $1 each to the Seller.

Ownership of the Company's issued share capital follows:

	No. of Shares	
	2017	2016
AMFirst Insurance Company Inc.	1,732,500	1,732,500
OIC Holdings Inc.	517,500	517,500
Star General Investments (G.B.) Limited	750,000	750,000
	3,000,000	3,000,000
	=======	=======

16. PREFERENCE SHARES

	2017	2016
Authorised		
2,000,000 8% Redeemable preference shares of $1 each	$2,000,000	$2,000,000
	=======	=======
Issued and fully paid		
2,000,000 8% Redeemable preference shares of $1 each	$2,000,000	$1,000,000
	=======	=======

The Board of Directors has resolved and the Insurance Commission of the Bahamas ("ICB") has authorized the offering of $2,000,000 Series A 8% Redeemable Preference Shares. The preference shares pay cash dividend semi-annually in December and June each year subject to the declaration of the Directors. Should the Directors make the decision not to pay the dividend, the dividend would not be cumulative.

16. PREFERENCE SHARES (cont)

The preference shares have no maturity date but may be redeemed at the option of the Company with 90 days written notice to the preference shareholders at any time after the fifth anniversary of the Closing Date, with the prior approval of the ICB.

If the Company liquidates, dissolves, winds-up, or sell more than 50% of the value of the Company's assets other than in the ordinary course of the Company's business, holders of the preference shares will have the right to redeem their preference shares, being the right to receive the return of the par value plus any premium paid thereon plus any unpaid declared dividends on the preference shares to the date of that liquidation, dissolution, winding-up, or reduction or decrease in assets before any distribution is made to any subordinated class of shares, including the Company's ordinary shares, but after the distribution on any of the Company's indebtedness, including policy holder and creditor claims, ranking senior to the preference shares. The Company will not be required to pay any dividends after the date of such liquidation, dissolution, winding-up or sale.

The preference shares will rank with respect to the payment of dividends and payments upon liquidation: (1) senior to the Company's ordinary shares; (2) pari-passu with any class of preference shares hereafter issued by the Company and (3) subordinate to any bonds, debentures, debt obligations, or policy holder claims currently of which the Company may enter into.

The preference shares are not secured by any specific collateral. The preference shares will have no voting rights.

17. NET PREMIUMS WRITTEN

Net premiums written comprise of:

	2017 $	2016 $
Gross premiums written	5,248,620	5,262,415
Premium tax	(157,561)	(159,531)
	5,091,059	5,102,884
(Increase)/decrease in unearned premium	(34,867)	18,310
	$5,056,192	$5,121,194
	=======	=======

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

18. NET REINSURANCE PREMIUMS CEDED

Net reinsurance premiums ceded comprise of:

	2017 $	2016 $
Reinsurance premiums ceded	925,282	904,636
Ceding commission	(29,729)	(25,583)
(Increase)/decrease in deferred reinsurance premium ceded	(6,264)	29,916
	$889,289	$908,969

The Company has the following reinsurance agreements:

Reinsurer	Coverage
Health Insurance	
AMFirst Insurance Company Ltd. (Bermuda)	- 50% of losses between $50,000 and $200,000
AMFirst Insurance Company (Oklahoma)	- 50% of losses between $50,000 and $200,000
Certain Underwriting Members of Lloyds London	- All losses in excess of $200,000 up to $800,000 per person each and every loss. Maximum amount recoverable of $2,400,000
Personal Accident and/or Sickness	
Pembroke 4000	- Maximum $1,000,000 anyone person. Monthly benefit 1% of sum insured payable for a maximum of 9 months excess of 90 days each and every loss.
Personal Critical Accident and/or Sickness	
Pembroke 4000	- Maximum $1,000,000 anyone person. Monthly benefit 1% of sum insured payable for a maximum of 36 months excess of 90 days each and every loss.

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

18. NET REINSURANCE PREMIUMS CEDED (cont)

The period of risk for each reinsurance agreement is considered to be for 2 years thus the reinsurance premium is amortised over the same duration.

Recoveries from reinsurers follow:

	2017 $	2016 $
AMFirst Insurance Company Ltd. (Bermuda)	184,929	89,309
AMFirst Insurance Company (Oklahoma)	184,929	89,309
	$369,858	$178,618
	======	======

19. REINSURANCE PREMIUM ASSUMED

The Company entered into the following quota share reinsurance agreements during the year:

Reinsured	Coverage
Standard Life and Accident Insurance Company	- 20% quota share of all gross liabilities and obligations arising out of the "Premium Saver" medical policies issued by the reinsured.
AMFirst Insurance Company, Ltd. (Bermuda)	- 10% quota share of all gross liabilities and obligations arising out of the Executive Disability policies issued by the reinsured excluding the cash value portion. - 100% share of all gross liabilities and obligations arising out of the Cash Value portion of the above policy.
TPM Life Insurance Company	- 100% quota share of all gross liabilities and obligations arising out of the medical policies including individual cancer, hospital and disability policies issued by the reinsured.

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

19. REINSURANCE PREMIUM ASSUMED (cont)

Reinsurance premium assumed comprise of:

	2017 $	2016 $
Gross reinsurance premium assumed	4,429,954	6,321,577
Premium tax assumed	(10,437)	(11,882)
	4,419,517	6,309,695
Decrease/(increase) in unearned reinsurance premium assumed	11,287	(113,690)
	$4,430,804	$6,196,005
	=======	=======

20. CLAIMS PAID

This pertains to payments made for claims of the insured against their insurance policies. This also includes payments made on assumed reinsurance claims from reinsured.

Claims paid comprise of:

	2017 $	2016 $
Claims paid on direct written policies	1,799,066	1,338,115
Reinsurance assumed claims paid	1,883,741	2,199,070
	$3,682,807	$3,537,185
	=======	=======

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

21. (GAIN)/LOSS ADJUSTMENT EXPENSE - NET

Loss adjustment expense - net is comprised of:

	2017 $	2016 $
Change in claims reserve	(155,682)	432,212
Change in loss adjustment expense reserve	(7,070)	16,318
Change in life policy reserve	(22,032)	603,783
	$(184,784)	$1,052,313
	======	=======

22. COMMISSION EXPENSE

Commission expense is comprised of:

	2017 $	2016 $
Commission paid on reinsurance assumed	1,846,407	2,352,741
Commission paid on premiums written	1,293,962	1,308,146
	$3,140,369	$3,660,887
	=======	=======

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

23. ADMINISTRATIVE AND MARKETING EXPENSES

	2017 $	2016 $
Bank charges	220,672	149,708
Actuarial expenses	71,515	23,350
Rent and common area maintenance	54,283	53,174
Directors and management expenses	49,500	45,000
Travel expenses	34,885	25,865
Professional fees	25,725	31,825
Marketing	20,595	11,766
Utilities	16,124	19,200
Office supplies	11,272	7,828
Computer and IT expense	10,111	6,320
License fees	7,882	26,160
Telephone	6,566	5,405
Postage and shipping	4,502	6,716
Dues and subscriptions	3,903	3,523
Repairs and maintenance	3,807	3,495
Insurance expense	2,769	2,769
Consulting fees	2,500	--
Others	22,633	12,984
	$569,244	$435,088

24. CONSULTING INCOME

In 2016, the Company had an agreement with London America Insurance Company (LAIC) wherein the Company would act as an independent contractor to provide consulting services to LAIC relative to the policy design, policy filings and general business reinsurance. The agreement commenced on 1 January 2014 for 1 year and is automatically renewed every year until terminated. Agreed consulting fee was $750,000 per year payable in quarterly.

In 2015, group management decided to reduce the fee to $500,000. The consulting agreement was not renewed for 2017.

LAIC is considered a related party by virtue of common ownership within the group.

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

25. LEASE AGREEMENT

The Company has a lease agreement with Royal Star Investment Ltd., for the use of office space. The lease agreement is for 5 years commencing 1 May 2014 to 30 April 2019.

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

	2017 $	2016 $
One year	10,707	32,120
Two years to five years	--	10,707
	$10,707	$42,827
	=====	=====

26. PENSION PLAN

The Company has a Participation Agreement with The Royal Fidelity Pension Plan ("the Plan"), a defined contribution pension plan in which all employees are required to be members. Under the Plan, the Company contributes an amount equivalent to the member's contribution up to a maximum of 4.00% of the employees' salaries. Total pension cost charged to operations amounted to $10,111 (2016: $5,706).

27. INCOME TAX

Income tax comprise of:

	2017 $	2016 $
Federal tax expense	229,205	344,876
Deferred tax	(124,561)	(3,497)
	$104,644	$341,379
	======	======

Reconciliation between the income tax and the product of accounting profit based on the statutory tax rate of 34% follows:

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

27. INCOME TAX (cont)

	2017 $	2016 $
Profit before tax	1,271,860	2,046,081
Tax at statutory rates	432,431	695,668
Tax effect of expenses not deductible for tax purposes	10,953	15,698
Tax effect of dividend received deduction	(3,751)	(15,320)
Tax effect of proration	563	--
Tax effect of SLICD	(264,118)	(417,628)
	176,078	278,418
Prior year return to provision difference	7,701	(1,184)
Alternative minimum tax adjustment	45,426	67,642
	$229,205	$344,876
	======	======

28. RELATED PARTY TRANSACTIONS

The Company's directors are regarded to be its key management personnel. The president and non-executive directors are paid an annual fee of $6,000 plus $500 for every board meeting and committee meeting attended.

During the year, the key management personnel benefits totaled $49,500 (2016: $45,000).

The following reinsurers and reinsured companies are considered related parties by virtue of common ownership within the group.

Reinsurers
AMFirst Insurance Company Ltd. (Bermuda)
AMFirst Insurance Company (Oklahoma)

Reinsured
Standard Life and Accident Insurance Company
AMFirst Insurance Company, Ltd. (Bermuda)
TPM Life Insurance Company

29. MATURITIES OF FINANCIAL ASSETS AND LIABILITIES

All of the Company's current financial assets and liabilities are due within one year.

30. INTEREST RATE RISK

Except of the Company's note receivable and investment in bonds as disclosed in Note 6 and 7, no financial instruments have a significant exposure to interest rate risk.

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

32. FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk
- Insurance risk

This note presents information about the Company's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

32. FINANCIAL RISK MANAGEMENT (cont)

Credit risk

Credit risk is the risk of financial loss arising if a counter-party fails to meet its contractual obligations. The Company actively seeks to minimise this risk by placing its bank balances with first rate financial institutions. The majority of the Company's receivables are due from administrators and reinsurers thus there is no significant exposure to credit risk. The note receivable is secured by a Deed of Trust on a property located in the First Judicial District of Hinds County Mississippi with a value of $1,775,000 based on the appraisal performed by a third party appraiser dated 31 March 2006.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligation as they fall due. The Company's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The Company maintains adequate highly liquid assets in the form of cash and cash equivalents to assure necessary liquidity. Claim payments are funded by current operating cash flow including investment income.

Maturity profile of the Company's investments in Government Bonds follows:

	2017	2016
	$	$
One to five years	1,378,257	1,375,952
Five to ten years	110,550	50,250
More than ten years	2,309,245	1,850,540
	$3,798,052	$3,276,742
	=======	=======

Market risk

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

The Company is exposed to market risk on investments in that the Company may not be able to readily dispose of its holdings when it chooses and also that the price obtained on disposal is below that at which the investment is included in the Company's financial statements.

32. FINANCIAL RISK MANAGEMENT (cont)

Market risk (cont)

The Company's market risk is managed through regular monitoring by the Investment Committee of the Board of Directors and through diversification of the investment portfolio across a wide range of financial assets.

Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements as disclosed in Note 18.

Amounts recoverable from reinsurers are calculated in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The Company's primary business is accident and health ("A&H") covering individuals. The Company's blocks of business consist of the following:

- Individual Medical Expense Plans – These plans provide medical expense coverage for individuals.
- Individual Disability Income Plans – These coverages provide disability income for individuals.
- Individual Term Life – These plans provide coverage to an individual for a fixed period of time in which if the life insured dies during the defined period, a death benefit will be paid to the beneficiary.
- Group Term Life – These plans provide coverage to a group for a fixed period of time in which if a covered individual dies during the defined period, a death benefit will be paid to the beneficiaries.

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

32. FINANCIAL RISK MANAGEMENT (cont)

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

Medical

The medical coverages tend to settle quickly. Approximately 80% of the final claims are paid within three calendar months of incurral. A key reason for this quick settlement is contract provisions for a required 90-day claim reporting by the insured. Given the extremely short-tailed nature of loss and LAE claims for the medical lines of business, these reserves were predominantly estimated based strictly on the incurred-to-paid loss development method (completion factor approach). Under the completion factor method, the historical development of incurred-to-paid lags is tracked to establish average lag times and project ultimate losses. This procedure is done by incurral month and by line of business.

The Company uses an approximation to split the total loss and LAE reserve into two components. The LAE reserves are assumed to equal 5% of their respective total loss reserves.

Disability

For the minor disability coverages, loss reserves and contract reserves were developed via conservative expected loss ratio approach and one-year full preliminary term basis, respectively. As at year-end no existing disability claims are known.

Term Life

For the term life coverages, these are newly written policies and no existing claims are known. Life reserves were based on the 2001 CSO ALB mortality table valuated at 3.5%

33. CAPITAL

The Company's objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for its shareholder and benefits for other stakeholders and;
- To provide an adequate return to its shareholder by investing in securities that provide an acceptable return commensurately with the level of risk.

NEW PROVIDENCE LIFE INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

33. CAPITAL (cont)

In order to maintain the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or obtain funds from the shareholder.

The ICB has prescribed a minimum capital requirement of $2,000,000 for domestic insurance companies offering long term insurance policies. The Company considers its share capital, preference shares, contributed surplus to be its capital.

Additionally, the ICB has prescribed that there should be sufficient admissible assets to meet the minimum margin of solvency requirement of $2,000,000 plus 20% of gross written premiums. Admissible assets, which exclude any balance due from affiliated entities, are discounted based on rates prescribed in the Insurance (General) Regulations 2010.

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

34. IFRS TO GAAP RECONCILIATION

A reconciliation of net income, capital and contributed surplus per International Financial Reporting Standards (IFRS) to translate to US Generally Accepted Accounting Principles (GAAP) is as follows:

	2017		2016	
	Net profit	Equity	Net income	Equity
	$	$	$	$
Balances per IFRS	1,167,216	7,167,756	1,704,702	6,804,168
Adjustments	--	--	--	--
Balances per GAAP	1,167,216	7,167,756	1,704,702	6,804,168