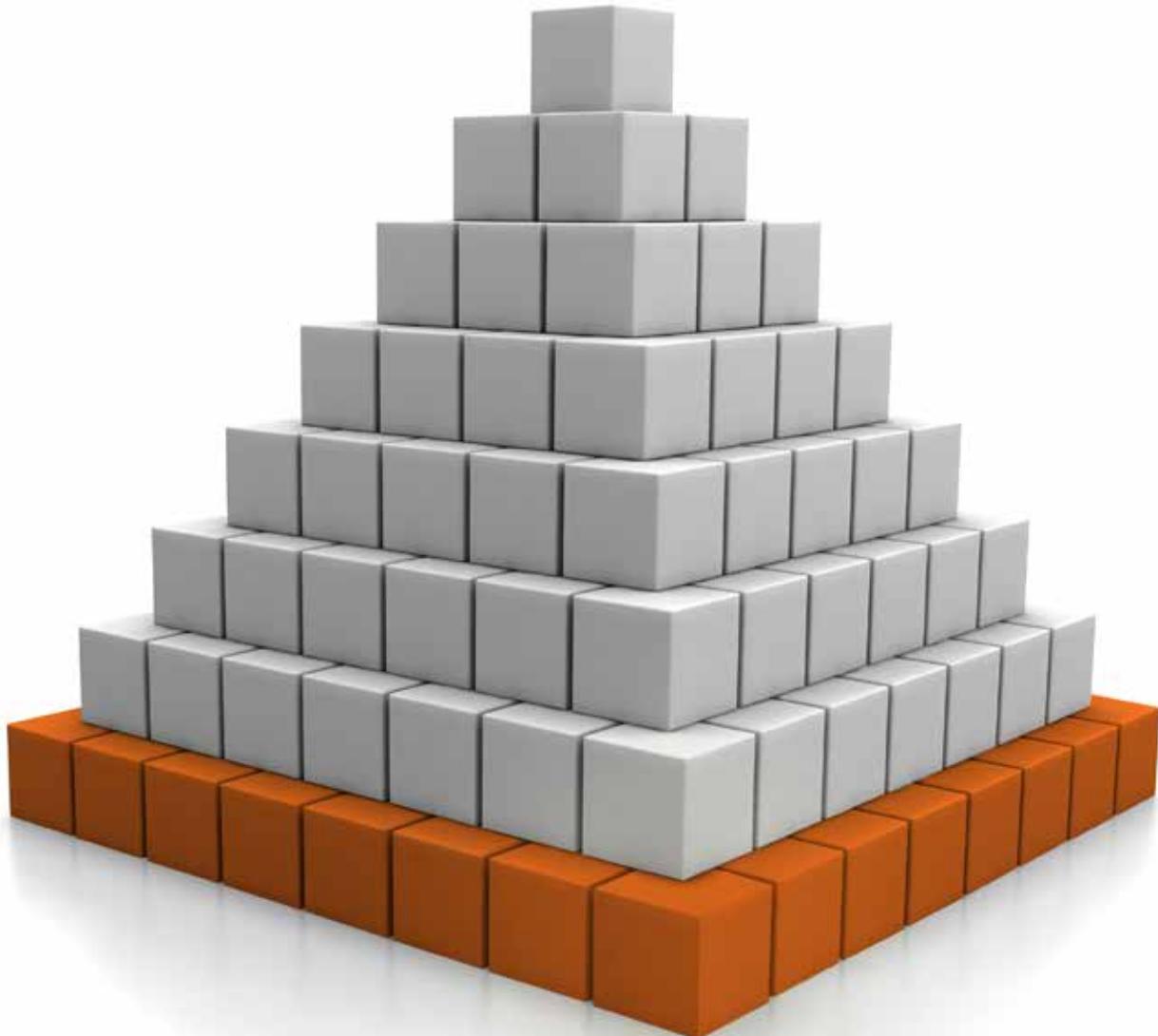
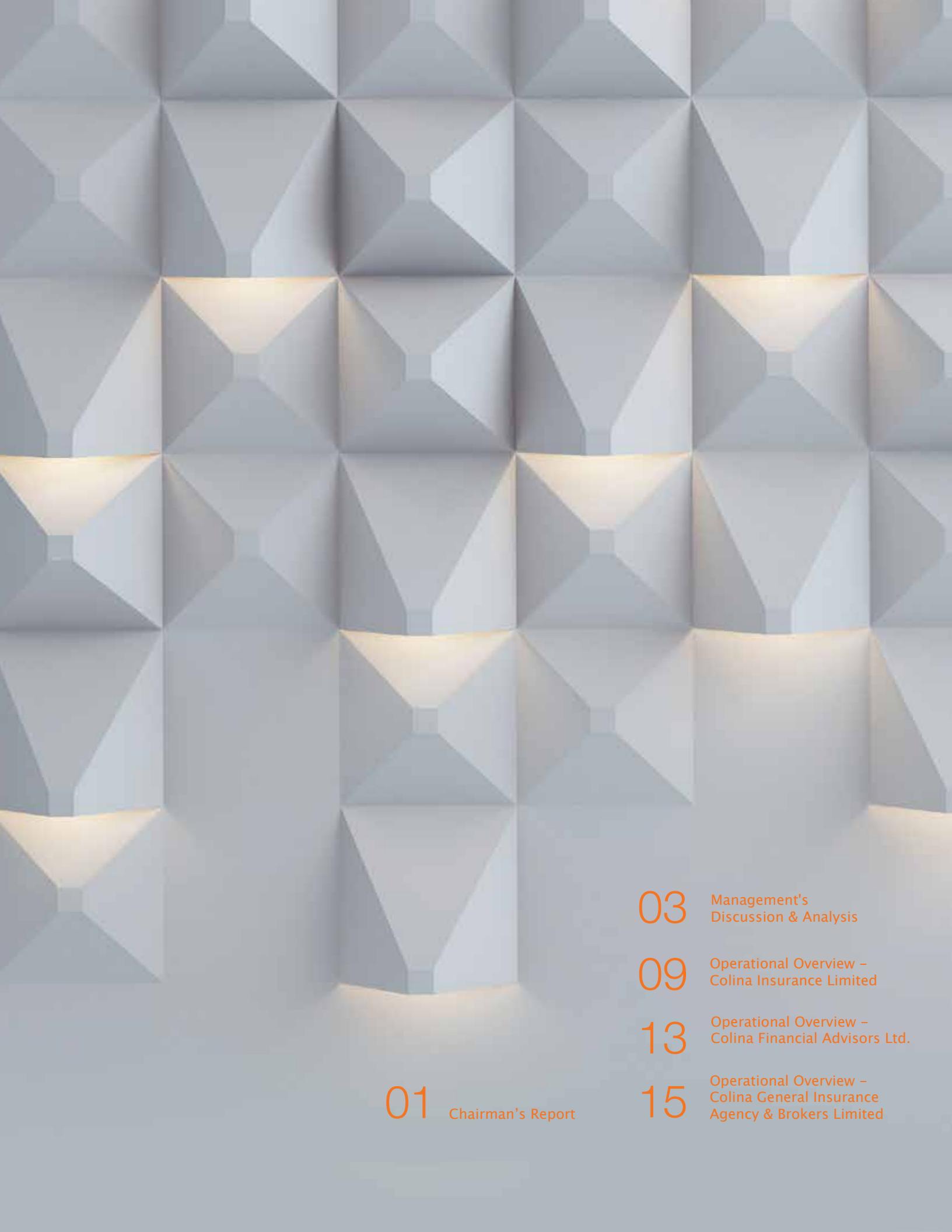


strength in our foundation



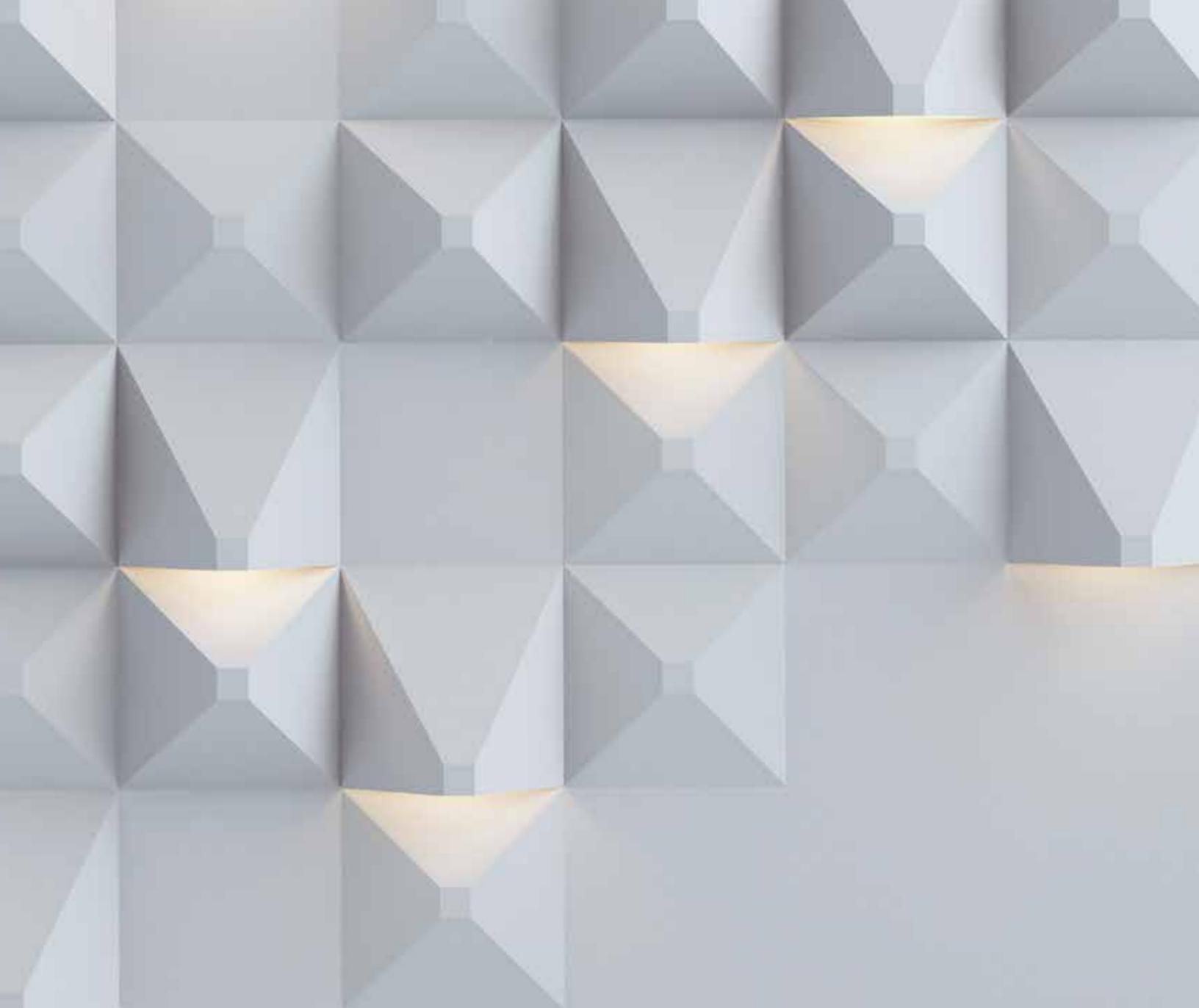
2016 ANNUAL REPORT

 **COLINA**  
HOLDINGS BAHAMAS LIMITED



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**Terence Hilts** Chairman,  
Colina Holdings Bahamas Limited

# CHAIRMAN'S report

By all indications, 2016 was projected to be a year of subdued growth for the Bahamian economy, mostly fuelled by minimal to modest gains in key performance areas within the local market. Colina Holdings Bahamas Limited's (CHBL) robust capital and reserve base provided the Company with both the strength and flexibility to withstand the figurative headwinds from economic change as well as the more literal impact of Hurricane Matthew. As a result, we have another consecutive year of growth and profitability.

The combined financial strength of CHBL's principal subsidiary companies; Colina Insurance Limited (Colina), Colina Financial Advisors Ltd. (CFAL), and Colina General Insurance Agents & Brokers Limited (CGIA) have collectively reaffirmed CHBL's emergent position as a major financial services provider with a

broad spectrum of product offerings.

2016 is proof of the group's synergy with overall increases in its key indicators including net income, equity, and assets – enabling dividend distributions of \$5.4 million to our ordinary shareholders after payment of preference dividends of \$2.6 million to CHBL's preference shareholders.

## Financial Foundation

- Net income attributable to equity shareholders increased to \$16.4 million compared to \$15.6 million in 2015.
- Earnings per ordinary share totalled \$0.55 in 2016 compared to \$0.53 in 2015.

- Total assets increased by \$15.7 million to \$726.6 million compared to \$710.9 million in the prior year.
- Total equity grew to \$181.4 million at December 31, 2016, up from \$169.8 million at December 31, 2015.
- The Company continued to honour its commitment to its policyholders paying over \$88.5 million in benefits in 2016. Payments to policyholders represented over 67% of gross premiums.

### External Factors

CHBL's commitment to its policyholders and shareholders alike is proven with its continued excellent ranking by A.M. Best; the oldest and most widely recognized provider of ratings, financial data and news with an exclusive insurance industry focus. For the 13th consecutive year, A.M. Best reaffirmed Colina Insurance Limited's issuer credit rating and financial strength rating of "A-" (Excellent). The 'excellent' rating clearly speaks to Colina's ability to meet its financial obligations as well as honour its longterm commitment to its policyholders.

Colina's market share puts it in a firm position to positively contribute to the discourse on National Health Insurance (NHI). We will continue to monitor the programme's phased roll out in 2017. As a leading provider of health insurance in the country, we will not only adapt to the changes that NHI will inevitably bring to our business but will continue to foster good dialogue between the Government of The Bahamas and the insurance industry. We firmly believe that together, we can achieve a successful universal healthcare strategy that is rooted in a well-defined plan to provide healthcare to ordinary Bahamian citizens and residents.

In 2016, the greatest impact to CHBL's business came from the change in the Bahamian Prime Rate from 4.75% to 4.25%. With the announcement of the

expected reduction in Prime announced in December 2016, Colina ensured the impact of this change was reflected in its 2016 financial statements. The reduction in the Prime rate required Colina, as a long term insurer, to increase actuarial reserves to support future policyholder benefits. In addition, the downward movement in Prime will also significantly affect future investment earnings on floating rate instruments. However, as a company, Colina has been very cognizant of the risk exposure associated with the uncertainty of projected interest rates. Over the past several years, Colina has strategically increased its investments in fixed rate instruments, which partially mitigated the impact of prime rate reductions like the one in December 2016.

### The Right People on the Ground

The success of CHBL is a culmination of many factors, led primarily by a highly competent and well qualified team of professionals who place our clients and our shareholders as a top priority. At CHBL we continue to look for ways to grow our talent pool by promoting continued professional development. Over 82% of the staff at CGIA were engaged in professional development, over 50 team members at Colina received professional industry designations in 2016, and the team at CFAL have completed additional professional designations in investment and financial planning.

Further, the Company has continued to source top talent. We are delighted to have Mr. Philip Smallwood on board as the new Director of Sales. He joins Colina following an extensive career in the financial services industry in the United Kingdom, having gained substantial experience progressing through senior sales and marketing positions in that country's insurance industry.

It also gives me pleasure to announce the appointment of a new Director to

the CHBL Board. Mr. Andrew Alexiou was appointed to the Board in August 2016. An attorney-at-law, Andrew's expertise is in financial services, mergers & acquisitions, trust and other commercial dealings. Andrew is also presently the Deputy Managing Director of Ansbacher (Bahamas) Ltd.

### An Emerging Strength

In 2017 CFAL celebrates 20 years in business. What a success story. CFAL started out in 1997 with just over \$2.5 million dollars in assets under management. Since then, the pension, financial services, and investment company has seen its assets under management increase exponentially, growing to over \$1.6 billion. I would be remiss if I didn't single out CFAL's President Anthony Ferguson and his outstanding team for their substantial success to date. Since 2013 CFAL has been a strong contributor to CHBL's overall success and its financial performance to date makes CFAL poised for continued growth.

### Continuing to Build

It's certainly not by happenstance that our theme this year is, 'Strength in our Foundation'. Our successes are firmly tied to the solid foundation we have at CHBL. We have a strong and unblemished commitment to our stakeholders driven by sound financial investments. As we look at 2017 and beyond, CHBL's future in a very dynamic environment will be partially based on our ability to adapt quickly to change. We must and we will continue to look for ways to streamline and modernize our operations so that we can continue to deliver to our customers the best that CHBL has to offer. We remain confident that by delivering the best value to our customers, we maximize the value of the Company for the benefit of our shareholders.



Terence Hilts | Chairman



## FORWARD-LOOKING STATEMENTS

Colina Holdings Bahamas Limited (“CHBL” or “the Company”) is a holding company incorporated in 1993. CHBL subsidiaries provide financial services solutions through the production, distribution, and administration of insurance and investment products. CHBL’s subsidiaries include Colina Insurance Limited (“Colina”), Colina General Insurance Agency & Brokers Limited (“CGIA”), and Colina Financial Advisors Ltd. (“CFAL”). Colina is a wholly-owned life and health insurer whose principal operations are conducted largely in The Bahamas and which is also registered to operate in the

Cayman Islands and The Turks and Caicos Islands. CGIA is a general insurance agent and broker. CFAL is an investment advisory firm, established to provide financial services including investment management, pension management and administration, corporate advisory services, escrow, registrar and transfer agent services. All references to financial information presented are in relation to the consolidated financial statements of the Company and its subsidiaries (collectively, “The Group”), unless otherwise identified.

Colina Holdings Bahamas Limited  
Management Discussion & Analysis  
For the period ended December 31, 2016

This MD&A is dated March 29, 2017



## **BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES:**

The Consolidated Financial Statements of the Company, on which the information presented in this report is based, have been prepared in accordance with International Financial Reporting Standards. This report should be read in conjunction with the annual consolidated financial statements and accompanying note disclosures.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES:**

The Group's accounting policies require the use of judgments relating to a variety of assumptions and estimates that affect amounts reported in the Consolidated Financial Statements. In particular, with respect to insurance related assumptions and estimates, these include expectations of current and future mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. Management has also applied judgement in its assessment of valuations of real estate and goodwill which include assumptions and estimates in relation to rates such as discount, growth, vacancy, and inflation. In applying its accounting policies, management makes subjective and complex judgments that frequently estimate matters which are inherently uncertain. Many of these policies are common in the insurance and financial services industries; others are specific to the Group's business and operations. Due to the inherent uncertainty of using the assumptions and estimates, the effect of certain accounting policies under different conditions or assumptions could be materially different from those reported in the consolidated financial statements. A discussion of the most significant accounting policies follows:

### **Provision for future policy benefits**

The establishment of adequate actuarial reserves to meet the Group's obligations to its policyholders involve estimating liabilities for future policy benefits on life and health insurance policies and requires the use of assumptions such as those relative to future investment yields, mortality, morbidity, longevity, persistency, expenses, and other applicable assumptions based on historical

experience modified as necessary to reflect anticipated trends and to include margins for risk and possible adverse deviation.

### **Goodwill and Other Intangible assets**

Intangible assets on the Company's consolidated balance sheet include goodwill and other intangible assets. The assessment of goodwill requires an annual estimate of the future cash flows of the respective cash-generating units. Revisions to the estimates that result in the impairment of the carrying value of these assets cause the amounts to be expensed in the reporting period in which the revisions are made. Other intangible assets include acquired computer software licenses which are capitalized on the basis of the costs incurred for its acquisition and implementation. Management reviews the carrying amounts annually to determine if there are any indications that these assets are impaired at which time, the impairment losses are recognized.

### **Revaluation of property and equipment, investment properties, and other real estate holdings**

The Group carries investment properties at fair value with changes in fair value recognized in the consolidated statement of income. Land and buildings are measured at their revalued amounts with changes in fair value recognized in the revaluation reserve. Other real estate holdings such as land held for development and properties assumed under mortgage default are held at the lower of cost or realizable value. The valuation of real estate for impairment and changes in fair value are assessed annually by management with reference to periodic appraisals obtained from independent appraisers in intervening periods. Management assessment of the appropriateness of the carrying amounts are carried out using a number of valuation methodologies including the discounted cash flow (DCF) model which requires the use of assumptions including capitalization rates, vacancy rates, rental and expense growth rates.

### **CHANGES IN ACCOUNTING POLICIES:**

A description of changes in accounting policies and disclosures is included in Note 2 to the Consolidated Financial Statements.

# OVERALL PERFORMANCE

For the year ended December 31, 2016

**Colina Holdings Bahamas Limited** Statistical Financial Reporting Data  
(All data in B\$000s with the exception of \$ per share amounts)

	2016	2015	2014
<b>Net income for the year</b>	\$ 17,258	\$ 16,192	\$ 14,126
<b>Net income for equity shareholders</b>	\$ 16,352	\$ 15,569	\$ 14,521
<b>Net income for ordinary shareholders</b>	\$ 13,696	\$ 13,037	\$ 11,988
<b>Gross premium revenue</b>	\$ 131,924	\$ 139,418	\$ 141,326
<b>Net premium revenue</b>	\$ 118,779	\$ 126,877	\$ 128,460
<b>Net commission income</b>	\$ 3,242	\$ 3,058	\$ 2,909
<b>Investment management and other fees</b>	\$ 13,739	\$ 9,651	\$ 11,551
<b>Total revenues</b>	\$ 166,637	\$ 174,006	\$ 170,005
<b>Total assets</b>	\$ 726,580	\$ 710,876	\$ 633,413
<b>Total invested assets</b>	\$ 573,968	\$ 587,964	\$ 535,777
<b>Total ordinary shareholders' equity</b>	\$ 118,152	\$ 108,153	\$ 99,454
<b>Total equity</b>	\$ 181,372	\$ 169,793	\$ 157,680
<b>Return as % of total assets</b>	2.4%	2.3%	2.2%
<b>Return on total opening ordinary equity</b>	12.7%	13.1%	13.1%
<b>Earnings per ordinary share</b>	\$ 0.55	\$ 0.53	\$ 0.49
<b>Cash dividends declared per share by class</b>			
<b>Class A Preference Shares</b>	\$ 0.06	\$ 0.06	\$ 0.06
<b>Class A Ordinary Shares</b>	\$ 0.22	\$ 0.20	\$ 0.20

## Summary of Financial Performance

The Company was able to exceed its financial performance targets achieving over \$17 million in total net income for 2016. While total revenues were lower than prior year due largely to a decrease in premium revenues from its participation in reinsurance facilities, loss ratios have remained within expected levels and administrative spending reduced as a result of operational improvements.

Net income after non-controlling interests was \$16.4 million compared to \$15.6 million in the prior year, an increase of \$0.8 million or 5.0%.

Gross premium revenues decreased by \$7.5 million or 5.4%, totalling \$131.9 million for the 12 months ended December 31, 2016 compared to \$139.4 million in the prior year. \$7.3 million of the decrease in gross premium revenues is attributable to reduced reinsurance premiums from the Company's participation in reinsurance facilities.

The Company's invested asset portfolio has delivered returns of \$25.3 million in 2016, down from \$30.7 million in the prior year – in addition to the normal fluctuations in net unrealized gains and losses on the portfolio, the decrease is also attributable to some impairment adjustments on certain equity holdings. The Company continued to achieve its objective of

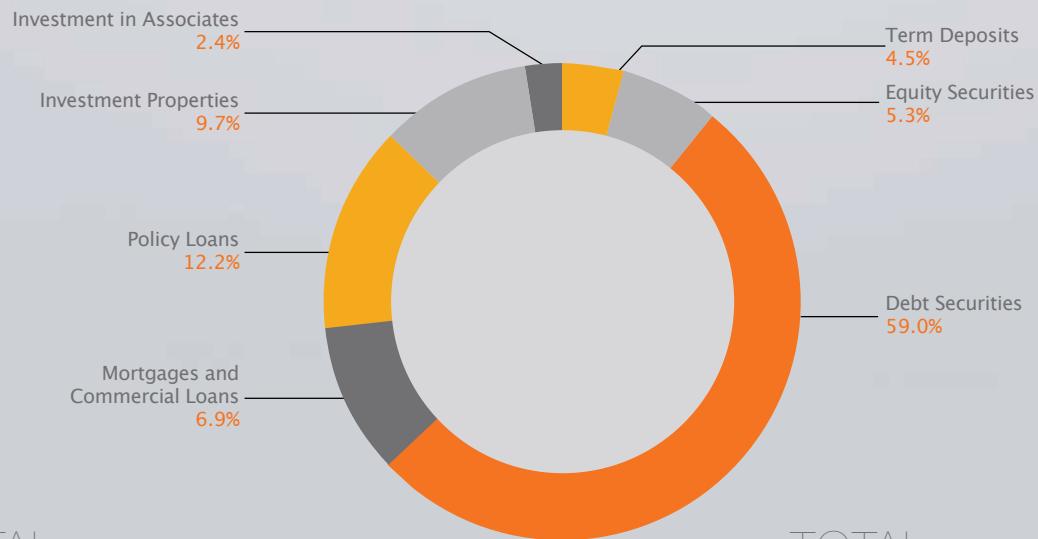
balance sheet growth, increasing total assets by \$15.7 million to \$726.6 million at December 31, 2016, representing a 2.2% increase over total assets as at December 31, 2015. The Company continued to direct the majority of this asset growth to additional investments in high-quality, fixed income securities during the year.

The Company continues to invest in technology and administrative system improvements aimed at reducing recurring costs over the long term and which will enhance overall service delivery to its clients. Its administrative spending has been conservative, with administrative expense ratios in 2016 and 2015 comprising 21.6% and 21.7% of total revenues respectively.

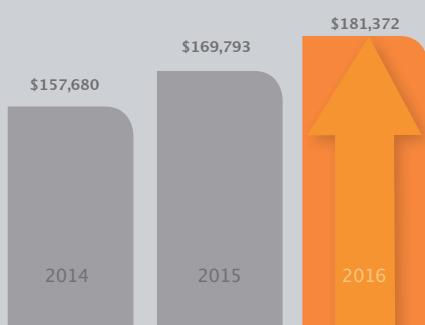
The Company divides its operating segments into three classifications of Life, Health and Other. The Life and Health divisions include the Company's Individual Life Insurance and Individual and Group Health Insurance business respectively. Results from the Company's reinsurance and other subsidiary and associate operating activities are captured in "Other".

# INVESTED ASSETS COMPOSITION

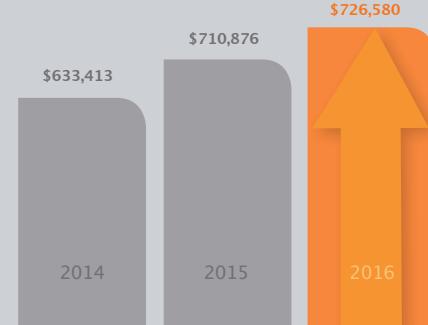
As at December 31, 2016



**TOTAL  
EQUITY**  
(B\$000s)



**TOTAL  
ASSETS**  
(B\$000s)



**Colina Holdings Bahamas Limited**

Quarterly Financial Information

(All data in B\$000s with the exception of \$ per share amounts)

	2016				2015			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net premium revenue	\$ 29,563	\$ 29,461	\$ 29,714	\$ 30,041	\$ 23,720	\$ 28,258	\$ 31,776	\$ 35,025
Total revenue	\$ 40,582	\$ 42,496	\$ 42,316	\$ 41,243	\$ 31,686	\$ 42,488	\$ 44,199	\$ 48,264
Net Earnings by Quarter								
Total Net income	\$ 3,993	\$ 3,466	\$ 4,242	\$ 5,557	\$ 6,020	\$ 3,966	\$ 2,191	\$ 5,081
Net income attributable to equity shareholders	\$ 3,811	\$ 3,105	\$ 4,009	\$ 5,427	\$ 5,307	\$ 3,908	\$ 2,161	\$ 4,976
Net income attributable to ordinary shareholders	\$ 3,147	\$ 2,441	\$ 3,345	\$ 4,763	\$ 4,549	\$ 3,275	\$ 1,529	\$ 4,343
Quarterly Earnings per Ordinary Share	\$ 0.13	\$ 0.10	\$ 0.14	\$ 0.19	\$ 0.18	\$ 0.13	\$ 0.06	\$ 0.18

### Liquidity Analysis

The Company's current and short-term cash needs are adequately funded through cash generated from its regular operations. Cash in excess of short-term needs are invested in a managed portfolio where the Company also maintains adequate levels of liquid investments in accordance with established liquidity margin requirements as per the Company's investment mandate. At December 31, 2016, the Company held cash and liquid short-term investments of \$44.7 million (\$74.2 million in 2015). The Company and its subsidiaries held over \$338 million in fixed income securities, 83% of which were investments in government and sovereign debt with the majority invested in Bahamas Government Registered Stock. The Company maintains a sufficient amount of liquid assets to meet unanticipated cash flow requirements prior to their maturity.

An analysis of the maturity profile of the financial liabilities of the Company based on remaining contractual obligations on an undiscounted cash flow basis is summarized in Note 34 to the Consolidated Financial Statements.

### Off-Balance Sheet Arrangements

As at December 31, 2016, the Company did not provide any guarantees to third parties. Included, however, in term deposits and investment securities are \$2.2 million and \$2.2 million, respectively, in restricted balances held in favour of various regulatory bodies.

Other contingent liabilities and commitments are discussed in Note 23 to the Consolidated Financial Statements.

### Financial Instruments and other Instruments

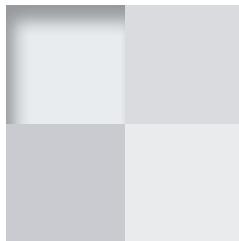
Risk exposures that arise as a result of the financial instruments that the Company invests in – such as financial, interest rate, credit and liquidity risks – are discussed in Note 34 to the Consolidated Financial Statements. The Group's activities also include trading activities which introduce settlement risk exposures which are also discussed in Note 34.

### Transactions with Related Parties

In the normal course of business, the Company has entered into transactions with related parties and affiliates. These balances and transactions are identified and discussed in Note 33 to the Consolidated Financial Statements.

### Capital Management

The Company's total equity base has grown by 6.8% to \$181.4 million at December 31, 2016 from \$169.8 million in the prior year. The growth in retained earnings as a result of the fiscal performance in 2016 enabled the Company to declare dividends to the Class "A" Ordinary Shareholders of \$5.4 million or \$0.22 / share after dividend distributions to the Class "A" Preference Shareholders of \$2.7 million. Ordinary shareholders' equity has increased by \$10.0 million to \$118.2 million from \$108.2 million as at December 31, 2015.



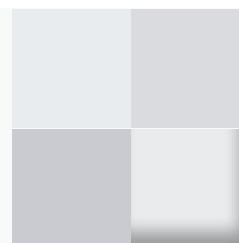
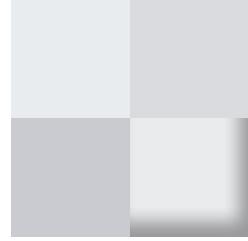
**Emanuel M. Alexiou**  
Executive Vice Chairman, CHBL;  
Chief Executive Officer, Colina



**Anthony R. Ferguson**  
President, CFAL



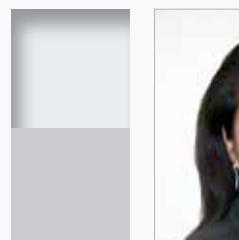
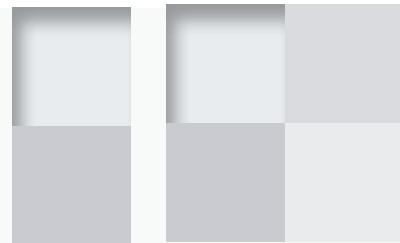
**Steve Haughey**  
Chief Operating Officer, CHBL



**Tatjana Jancic-Turner**  
Chief Group Internal Auditor,  
CHBL



**Emmanuel Komolafe**  
Chief Risk & Compliance Officer,  
CHBL



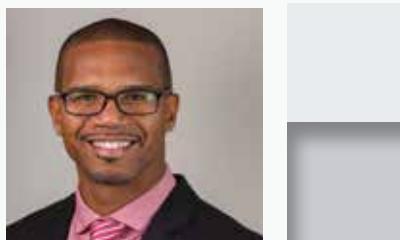
**Catherine Williams**  
Vice President, Finance, Colina



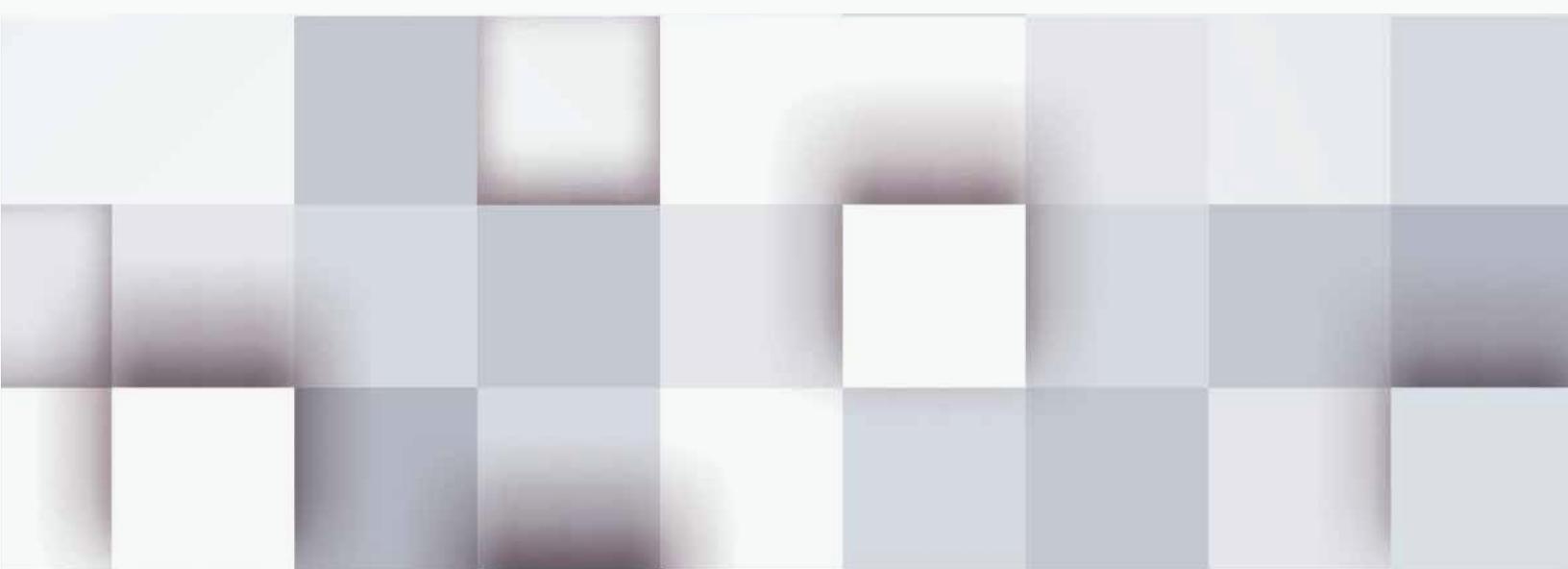
**DeAndrea R. Lewis**  
Vice President, Life Operations,  
Colina



**Wendy Butler**  
Vice President, Group & Health  
Benefits, Colina



**Marcus J. Bosland**  
Resident Actuary, Colina



# colina

## INSURANCE LIMITED (COLINA)



**Nickara Roberts** Manager, IT Systems,  
Colina



**Enrique Pyfrom** Manager, IT Operations,  
Colina



**Charles Nevins III** General Manager,  
CMCO



**Charlene Rodgers** Assistant Vice  
President, Group and Health Benefits,  
Colina



**Ken Donathan** President, CREFL



**Angela Taylor** Director of Underwriting  
and New Business, Colina

### Company Foundation

Colina Insurance Limited is a diversified financial services company offering a wide range of comprehensive life and health insurance solutions. Colina was built on a firm foundation of trust, integrity and responsibility, evolving over the years to become the country's largest life and health insurer, with a solid reputation for providing insurance and related financial services products that help clients prepare for life's unexpected events.

### Financial Strength

Throughout 2016 and at the fiscal year end, Colina exceeded both the statutory margin requirement and the minimum ratio requirement of qualifying to admissible assets as set by the Insurance Commission of The Bahamas.

Colina also measures its solvency ratio using Canadian reserving methodologies and solvency standards as measured by the Minimum Continuing Capital and Surplus Requirement (MCCSR). The Canadian Insurance regulator has set a MCCSR supervisory target of 150% and at December 31, 2016, Colina's MCCSR exceeded the target.

### Life Division

The Company's Life Division offers a wide range of whole life and term insurance, pension, annuity, and savings and investment products.

The life division contributed \$3.8 million to the Company's operating profit, down from the prior year's divisional contribution of \$5.2 million. As a significant proportion of net investment income is allocated to this division, the decrease in net investment income in 2016 compared to 2015 has impacted the divisional profit.

Claims experience remained within expected range with claims and reserves comprising 66.7% of revenues in 2016 compared to 65.7% in 2015.

### Health Division

The Company's Health Division offers a wide range of comprehensive individual medical and group life and medical insurance.

The health division contributed \$8.4 million to total net income in 2016 compared to \$8.8 million in 2015.

The Company has continued to fulfill its obligations and commitments to ensure that medical claims payments for its policyholders were paid with policyholder benefits comprising over 57.9% of divisional revenues in 2016 compared to 54.1% in 2015.

Mindful of the volatility of claims, the Company continues to rigorously assess renewals of existing business to ensure that they adequately reflect perceived risk exposure and changes in claims experience. The Company will maintain this discipline as it has proven to be effective over the long-term and has enabled the Company to limit losses in high claims years.

During the calendar year, Colina Insurance Limited focused on several key areas of its business to improve client services.

**Essential to 80+:** As a company, Colina responds well to its clients' needs. In 2016, Colina launched EssentialLife to 80 plus which is an expansion of our EssentialLife to 80 Term Life insurance. This is the perfect option for those who need life insurance for a long time and desire a more affordable alternative to a whole life policy. For a premium that is guaranteed never to go up, EssentialLife to 80 ensures life insurance coverage right up to the age of 80, while providing the freedom to convert to a whole life policy by age 65.

What's great about EssentialLife to 80 plus is that Colina is working to meet the demands of a population with a higher life expectancy. Customers who choose the 80 plus plan can receive 20% of the coverage amount back on their 80th birthday. Now customers have the assurance that their assets are protected for the time they need and without the higher premium and they have money available at a time when they usually need it.

### E-Claims:

In May 2016, Colina launched the e-claims phase of our provider e-services portal. The e-claims initiative is designed to simplify and streamline the claims experience for our healthcare providers by allowing them to submit claims electronically to Colina via a secure portal. The benefits and features that e-claims offer include:

- Shorter claims processing time and increased accuracy
- Faster claim payments
- Online claims status check
- View claim payment history
- Reduction in the number of claim denials
- Online estimated Explanation of Payment (EOP)

### Our customers are our foundation:

Colina Insurance Limited also looked at ways to impact its customers directly and to show the Company's appreciation as their insurer of choice. In December, Colina got into the holiday spirit by hosting a Customer Appreciation Day. Clients entering Colina customer service centres in New Providence and its Family Island locations were welcomed with goodie bags filled with wonderful treats. As the Company is in the business of protecting its client's health, health screenings were set up at several locations and patrons had the opportunity to have blood pressure and glucose screening tests. For those clients lucky enough there were several winners in Colina's prize raffle.



# Building the Team



**Vendryes Braham** Manager,  
Application Development, Colina



**Richard Coleby** Manager,  
Properties, Colina



**Beverley Ferguson** Manager,  
Credit Collections, CMCO



**Paula-Maria Hospedales**  
Reinsurance Administration  
Manager, Colina



**Simone Coakley** Financial  
Reporting Officer, Colina



**Karen Hawkins** Manager,  
Accounts Payable, Colina



**Charmaine Parker** Manager,  
Premium Accounting, Colina



**Antoinette Moxey** Financial  
Controller, Colina



**Todney Marsh** New Business  
Manager and Senior Underwriter  
Colina



**Sapna Chatlani** Actuary, Colina



**Clothie Lockhart** Manager,  
Sales Training, Colina



**Karen Sweeting** Manager,  
Sales Training, Colina



**Leah Major** Actuary, Colina



**Leotha Nixon** Manager, Human  
Resources, Colina



**Arnette Ingraham** Director of  
Corporate Communications,  
Colina



**Sandra Thomas** Manager,  
Administration and Claims,  
Group and Health Benefits,  
Colina



**Julie Dean** Manager, Customer  
Services, Colina



**Lavaugh Fernander** Manager,  
Customer Services, Colina



**Millicent Wong** Manager, Life  
Claims, Colina

## LOMA Awards:

Colina once again displayed its commitment to education and development earning the LOMA Education Achievement Award for Latin America and the Caribbean. In 2016, Colina earned the LOMA (Life Office Management Association) Education Achievement Award for Latin America and Caribbean for the 6th consecutive year. Colina achieved 112 designations– the highest in its history in one calendar year. LOMA is one of the most recognized and respected professional education institutions in the world.

## General Agents & Managers Association (GAMA) Awards:

Colina prides itself on its stellar team that continues to get international accolades. In 2016, four branch leaders were recognized by GAMA International which is a global organization that fosters the development of leaders in the insurance, investment, and financial services industry. Colina's team members were recognized in two award areas; Front Line Managers (FLA) and International Managers (IMA) Awards.

**Kino McCartney** – FLA Bronze & IMA Silver  
**Yvonne Sands** – FLA Bronze & IMA Bronze  
**Sandra Walkes** – FLA Bronze & IMA Bronze  
**Elrod Outten** – FLA Bronze and IMA Bronze.

The group was recognized at the GAMA Leadership and Management Program (LAMP) conference in Las Vegas, Nevada in March 2017.



Yvonne Sands Kino McCartney



Sandra Walkes Elrod Outten

## Sales Leadership



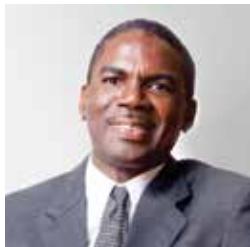
**Philip Smallwood**, Director of Sales, Colina



**Jeffrey Randall**, Branch Manager, Centreville, Colina



**Yvonne Sands**, Sales Manager, Centreville, Colina



**Joseph Sweeting** Sales Manager, Centreville, Colina



**Kino McCartney** Branch Manager, Collins, Colina



**Sandra Walkes** Asst. Branch Manager, Collins, Colina



**Bridgette Sands** Sales Manager, Collins, Colina



**Elrod Outten** Northern Branch Manager, Colina

As an employer, Colina continued to enjoy high marks. In the December independent employee satisfaction survey, Colina received a commendable 89% satisfaction rate for employees and an 86% satisfaction rate for salespersons.

The Company also extended its assistance to employees in the aftermath of Hurricane Matthew. The Company made financial donations and offered interest free loans to salespersons and employees impacted by the storm.

### Employees of the Year for 2016



**Nathania Lewis & Ian McKinney**  
Customer Service

### 2016 Salespersons of the Year



**Executive Salesperson of the Year**  
Sandradee Henfield  
Admiral Club



**Seasoned Salesperson of the Year**  
Veoshe Johnson  
Northern Branch



**Genesis Salesperson of the Year**  
Darnell Jones  
Collins Branch

# cfal

## COLINA FINANCIAL ADVISORS LTD. (CFAL)



**Tamara Evans**  
Manager, Settlements, CFAL



**Pamela Q. Musgrove**  
Vice President, Investments, CFAL



**Sophia Thurston**  
Vice President, Operations & Pension  
Administration, CFAL



**Jeanelle Francis**  
Manager, Brokerage & Trading, CFAL



**Tiffany Smith**  
Manager, Investments, CFAL

### Company Foundation

CFAL was added to CHBL's complement of financial service entities in September 2013. CFAL is a leading independent investment and advisory firm based in Nassau, Bahamas with a long and proven record of financial stability and integrity in all economic climates. CFAL provides innovative financial planning solutions for institutions and individuals and advises clients both internationally and in The Bahamas on a range of services:

### Investment Management

Our experienced and knowledgeable investment team is able to design an appropriate mix of fixed income and equity securities that provides a portfolio consistent with the risk and return objectives of each institutional client.

### Brokerage Services

CFAL provides a comprehensive array of brokerage services to investors. Our combination of competitive rates and outstanding professional service set us apart from other brokerage firms.

### Mutual Funds

Your CFAL Advisor can help you choose from a suite of professionally managed funds as part of an investment strategy that is individually tailored to your investment profile, investment approach or risk appetite.

### Retirement Planning & Pension Consulting

We provide extensive pension consultation to ensure companies are able to provide employees the kind of retirement they've worked so hard to achieve.

### Corporate Advisory

This team comprises experienced investment advisors who assist companies in achieving their strategic goals, whether through mergers, acquisitions, IPOs, debt financing or equity investments.

## Financial Strength

### Assets under Management and Administration

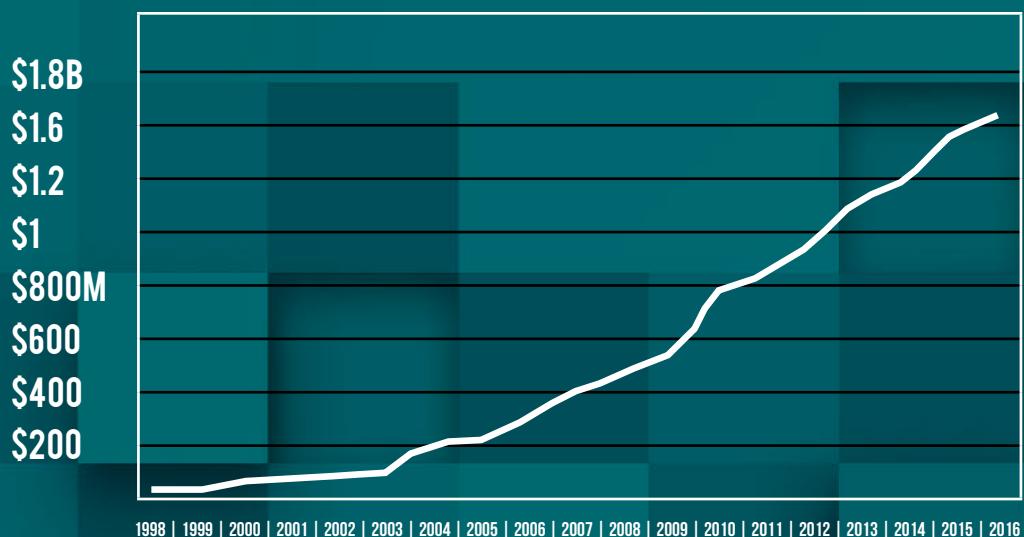
CFAL has, over the years, developed the financial strength and capital resources to boost and implement its strategic goals while executive management simultaneously remains focused on growing the company's asset base and developing the core business. CFAL has seen its Assets under Management grow from \$2.6 million

in 1997 to over \$1.6 billion in 2017, which comprises Pension and Investment Assets.

CFAL's revenue base has increased by 10.8% compared to the previous year, largely driven by growth in assets under management relative to 2015.

CFAL continues to manage its administrative costs carefully, with overall costs remaining within acceptable levels relative to revenue generated.

## CFAL Assets Under Management (AUM)



# colina general

## INSURANCE AGENCY & BROKERS (CGIA)



**Ednol Farquharson**  
Chief Executive Officer, CGIA



**Anthony Lowe**  
Financial Controller, CGIA



**Zania Arthur**  
Operations Manager, CGIA



**Carlton Adderley**  
Asst. Operations Manager/Human  
Resources Manager, CGIA



**Jacqueline Gardiner**  
Manager, Underwriting, CGIA

### Company Foundation

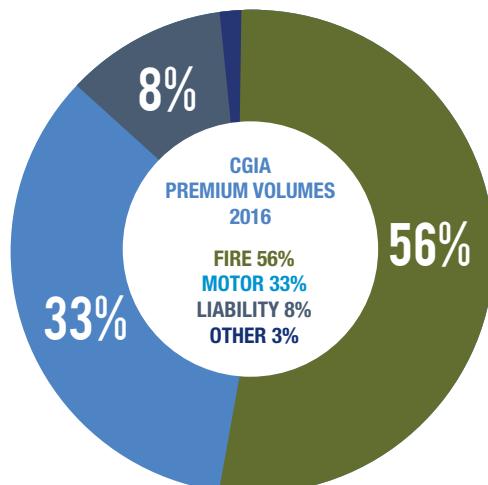
CGIA is a fully registered insurance broker and agent, providing general insurance coverage for home, auto, marine, and business. CGIA's primary objective is to offer its clients access to products that best safeguard their financial wellbeing by providing general insurance solutions that suit their needs and financial position.

CGIA recorded another year of positive results and continues to contribute to CHBL's overall returns since its acquisition in December 2011. In November 2012, CGIA became registered as an insurance broker and subsequently changed its name to Colina General Insurance Agency & Brokers Limited in December 2012.

### Financial Strength

CGIA's operating results are included in the "Other" category of CHBL's segmented information.

CGIA's commission income (before profit commission) has increased by 6.4% over the prior year. The increase has been attributed to premium growth in all classes of business:

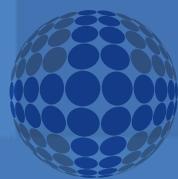


CGIA continues to build relationships with reputable sub-agents and has focused on key strategies to expand customer reach and improve service delivery. As a result CGIA has been able to achieve/ facilitate the following for its clientele:

- An adequate spread of coverage options
- Access to competitive premium rates
- Favorable claims settlement response time (as demonstrated in the aftermath of Hurricane Matthew)

In 2016, CGIA re-set its growth initiative which involved entering into a strategic alliance with "Our Carmichael Community Network" and its sister company, Colina Insurance Limited's sales team's marketing campaigns.

The impact of these campaigns boosted productivity and converted production channels and their clients to become advocates of CGIA's brand in the market place. Additionally, these synergistic relationships continue to show signs of generating positive customer experiences to the wider market and invariably improving CGIA top and bottom-line results.



**COLINA**  
GENERAL INSURANCE  
AGENTS & BROKERS LIMITED

# CORPORATE governance

## Board Composition

The composition of the Board has been designed to include individuals with a broad range of skills, expertise, knowledge and valuable experience to ensure effective oversight of the Company's business. Directors are also expected to possess high standards of integrity, honesty and loyalty to the Company.

### Philosophy

It is the philosophy of the Board that good corporate governance is a pre-requisite to the achievement of the Company's goals and objectives. The Directors remain committed to the upholding of high standards of corporate governance in the execution of their duties and in the delivery of sustainable value to shareholders.

### Leadership

The roles of the Chairman of the Board and Executive Vice Chairman ("EVC") are distinct and clearly defined to ensure appropriate balance and to dilute the powers of decision between both offices. The Chairman is responsible for the long-term strategic development of the Company as well as the leadership and governance of the Board. The EVC is responsible for the development of business plans, the management of the daily affairs of the Company and the implementation of the Board's strategy. The EVC is advised and assisted in the discharge of his duties as delegated by the Board by an executive management team which comprises functional specialists and professionals.

Terence Hilts Chairman



Emanuel M. Alexiou  
Executive Vice Chairman



Anthony Ferguson Director



Sandra J. Knowles Director



Macgregor Robertson Director



Glenn V. Bannister Director



Ednol Farquharson Director



Earle Bethell Director



### Role of the Board

The Board is responsible for the stewardship of the Company, including supervising its activities and managing its investments and affairs. The management of the daily operations of the Company in this regard is done by proxy through the EVC and the executive management team. However, the Board's Charter sets out matters that are exclusively and specifically reserved to it for decision to ensure that the Board exercises effective control over the affairs of the Company. These matters include but are not limited to, the approval of dividend payments, annual and interim financial results, significant transactions, material changes, strategic plans and matters affecting the Company's share capital.

Willie A. Moss Director



Lloyd Steinke Director



Andrew Alexiou Director



# BOARD committees

In order to effectively discharge its duties and fulfil its mandate, the Board has established the following standing Committees to oversee and debate important issues of policy outside of main Board meetings:

## Audit & Finance Committee

Chaired by Macgregor Robertson, the Committee's principal role is to assist the Board of Directors in its oversight of the integrity of the Company's financial statements, strategy and objectives. This Committee supervises the qualification, independence and performance of the external auditor and internal auditors of the Company.

## Compensation, Nominating and Corporate Governance Committee

Chaired by Terence Hilts, the Committee's principal role is to assist in the review and oversight of the evaluation of the performance of the executives of the Company, including setting their compensation (including benefits, compensation plans, policies and programmes) and succession planning. The Committee annually reviews the Board's performance

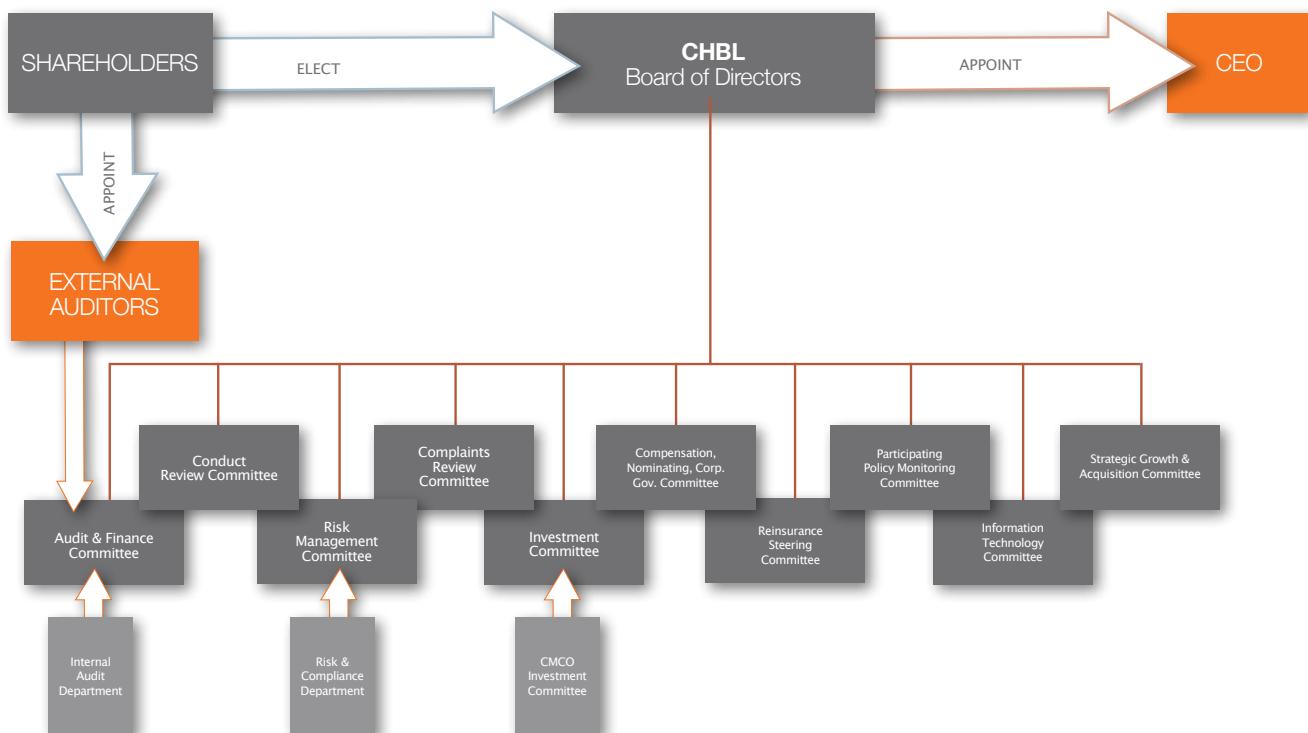
and develops criteria for selecting new Board members and identifying and considering candidates.

## Complaints Review Committee

Chaired by Emanuel M. Alexiou, the Committee reviews and approves policies and procedures concerning customer complaints, and reviews trends identified in relation to complaints received with a view to recommending and implementing corrective actions. The Committee oversees the investigation of any discrepancies, complaints and regulatory concerns emanating from customer complaints or grievances.

## Conduct Review Committee

Chaired by Macgregor Robertson, the Committee's principal role is to ensure management establishes procedures for identifying transactions with related parties of the Company that may have a material effect on the stability or solvency of the Company. The Committee is charged with reviewing established procedures to ensure compliance with rules on related party transactions. The Committee ensures compliance with the provisions of the Insurance (General)



Regulations 2010 (in relation to related party transactions) and the Company's Related Party Transactions Policy.

### Information Technology Committee

Chaired by Anthony Ferguson, the Committee serves as an oversight committee on matters of Information Technology and is responsible for setting the Company's overall IT strategic direction. The Committee is charged with recommending and reviewing company wide IT policies, procedures and standards for operational efficiency and System security. The Committee assumes responsibility for developing and approving an effective and robust IT Risk Management Framework and reviews IT risk assessments as conducted by management or external consultants. The Committee also determines priorities for the implementation of applications and capital requests.

### Investment Committee

Chaired by Emanuel M. Alexiou, the Committee establishes the Company's policies, standards and procedures, and reviews, approves and monitors the Company's investment strategy, portfolio and results. The Investment Committee designates an Investment Manager(s) and is responsible for the Investment Manager's compliance with the investment policy at all times.

### Participating Policy Monitoring Committee

Chaired by Emanuel M. Alexiou, the Committee is mandated to review and approve policies governing participating policies issued or proposed by the Company, periodically reviewing the rate of premium for participating policies as approved by the Company's actuary for participating policies. The Company's dividend policy, vis-à-vis participating policies, is also reviewed by this Committee, which oversees the investigation of any discrepancies, complaints and regulatory concerns affecting participating policies issued by the Company.

### Risk Management Committee

Chaired by Anthony Ferguson, the Committee is charged with identifying and monitoring the key risks to which the Company is exposed (including operational, credit, liquidity, regulatory, legal and reputational risk) and assessing the Company's business strategies and plans from a risk perspective. The Committee approves risk management policies that establish the appropriate approval levels for decisions and other checks and balances to manage risk.

### Strategic Growth & Acquisition Committee

Chaired by Lloyd Steinke, the Committee provides guidance on initiatives that will best support sustainable growth of the Company. Committee members work to identify potential growth opportunities for the Company within The Bahamas and to research and prioritize potential external market entry. The Committee reviews the structure of the Company and evaluates current holdings or businesses and recommends changes as needed.

### Reinsurance Steering Committee

Chaired by Emanuel M. Alexiou, the Committee is charged with oversight over all reinsurance matters pertaining to individual products, group products, and assumed reinsurance. The Committee assesses and monitors retention levels and reinsurance arrangements on a regular basis.

All Board Committees operate within defined terms of reference as contained in the Company's Corporate Governance Manual. The Chairpersons of the aforementioned Committees reported to the Board at regular intervals during the year. Additionally, minutes of the Committees' meetings were readily available to all members of the Board for review.

The full remit of each Committee of the Board is available for review on the Company's website [www.colina.com](http://www.colina.com).

## Board Meeting Attendance

The Board and its Directors meet regularly, operating to an agreed timetable of scheduled meetings. The attendance of Directors at Board meetings held in 2016 is shown in the following table:

No. of Meetings	4
Terence Hilts	4
Emanuel M. Alexiou	4
Anthony Ferguson	3
Sandra J. Knowles	4
Macgregor Robertson	3
Glenn V. Bannister	4
Ednol Farquharson	4
Willie A. Moss	4
Earle Bethell	3
Lloyd Steinke	4
Andrew Alexiou	4

## THE DIRECTORS

### Terence Hilts (Chairman) <sup>2(c),6,11</sup>

Retired Banking Executive  
New Providence, Bahamas  
Director since 2004

### Emanuel M. Alexiou (Executive Vice Chairman) <sup>2,3(c),6(c),7(c),9,10(c)</sup>

CEO, Colina  
Partner, Alexiou, Knowles & Co.  
Publisher, The Nassau Guardian (1844) Ltd  
New Providence, Bahamas  
Director since 2002

### Anthony R. Ferguson <sup>2,3,5(c),8(c)</sup>

President, CFAL  
Executive Vice Chairman, Ansbacher (Bahamas) Limited  
New Providence, Bahamas  
Director since 2002

### Sandra J. Knowles <sup>8</sup>

Chairperson, Cable Cares Foundation  
New Providence, Bahamas  
Director since 2004

### Glenn V. Bannister <sup>1,2,4,6</sup>

Retired Executive  
New Providence, Bahamas  
Director since 2005

### Ednol Farquharson <sup>3,</sup>

President, CGIA  
New Providence, Bahamas  
Director since 2005

### Macgregor Robertson <sup>1(c),4(c)</sup>

Retired Chartered Accountant  
New Providence, Bahamas  
Director since 2005

### Earle Bethell <sup>3,5</sup>

General Manager, Hope Town Harbour Lodge  
Abaco, Bahamas  
Director since 2006

### Willie A. Moss <sup>1,4,7</sup>

Partner, Graham, Thompson & Co.  
Grand Bahama, Bahamas  
Director since 2007

### Lloyd Steinke <sup>9(c)</sup>

Executive Consultant  
Toronto, Canada  
Director since 2012

### Andrew Alexiou <sup>1,4,6,8,9,10</sup>

Corporate Secretary  
Deputy Managing Director,  
Ansbacher (Bahamas) Limited  
New Providence, Bahamas  
Director since 2016

## Board Committees

- 1 Audit & Finance Committee
- 2 Compensation, Nominating & Corporate Governance Committee
- 3 Complaints Review Committee
- 4 Conduct Review Committee
- 5 Information Technology Committee
- 6 Investment Committee

- 7 Participating Policy Committee
- 8 Risk Management Committee
- 9 Strategic Growth & Acquisition Committee
- 10 Reinsurance Steering Committee
- 11 Chairman of the Board of Directors  
(c) Committee Chairman



# about Colina

## HOLDINGS BAHAMAS LIMITED

CHBL comprises three principal subsidiary operating companies:

### Colina Insurance Limited

#### Life Division (Life Insurance, Retirement and Investment Planning Products)

Life products include Whole Life, Term and Endowment plans that meet a variety of needs over one's lifetime and which can be built into one's financial plan for final expenses, income protection, investments or retirement.

#### Health Division (Individual & Group Health Coverage)

Colina's flexible and cost effective comprehensive health plans offer individuals and groups access to vital medical services, preventative care, prescription drugs and the country's largest overseas health network to guarantee access to top medical facilities in The Bahamas and North America. Restore Group Critical Illness coverage is the first of its kind in The Bahamas.

#### Colina Mortgage Corporation (Residential Mortgage Lending)

A wholly owned subsidiary of Colina Insurance Limited, Colina Mortgage Corporation's mortgage specialists can tailor a competitive residential loan solution or home equity refinancing option to help clients make their dream of owning a home a reality.

### Colina General Insurance Agents & Brokers Limited (Property & Casualty)

CGIA is a wholly owned subsidiary of CHBL which offers general insurance coverage for home, auto, marine and business and safeguards the financial wellbeing of its clients by providing insurance solutions that best suit their needs and financial position.

### Colina Financial Advisors Ltd. (Pensions, Investments, Brokerage, Corporate Advisory)

CFAL is a leading investment and advisory firm and the largest pension provider in The Bahamas, with a long and proven record of financial stability and integrity in all economic climates. CFAL provides innovative financial planning solutions for institutions and individuals and advises clients both internationally and in The Bahamas on a range of services including pension management, brokerage and investment management accounts.

### 1899

Imperial Life Assurance Company of Canada establishes agency in The Bahamas.

### 1965

Insurance Company of North America (INA) (later CIGNA International), begins operations in The Bahamas.

### 1997

Colina Insurance Company Limited is purchased from CIGNA by Bahamian consortium INVESCO.

### 2002

Colina merges with Global Life Assurance Bahamas Limited. The newly formed Colina Holdings Bahamas Limited (CHBL) is registered on the Bahamas International Stock Exchange (BISX).

### 2004

Colina's intended acquisition of The Bahamas operations of Imperial Life Financial is announced. Colina finalizes acquisition of Canada Life insurance Company. The Company earns an A- (Excellent) rating from A.M. Best Company.

### 2005

Colina and Imperial Life Financial merge, forming the largest life and health insurer in The Bahamas - Colinalmperial Insurance Limited.

### 2009

The name "Imperial" is retired. The Company is now known as Colina Insurance Limited and adopts a new logo.

### 2010

Colina acquires majority interest in RND Holdings Limited, which later changed its name to Colina Real Estate Fund Ltd. (CREFL).

### 2011

CHBL acquires all issued and outstanding shares in Colina General Insurance Agency Limited ("CGIA").

### 2012

Colina General Insurance Agency Limited ("CGIA") changes its name to Colina General Insurance Agents & Brokers Limited.

### 2013

CHBL acquires all issued and outstanding shares of Colina Financial Advisors Ltd. ("CFAL") and its wholly owned subsidiary CFAL Securities Ltd.

# shareholder INFORMATION

As required by the Company's Corporate Governance guidelines, CHBL and its subsidiaries review its relationships with key service providers on an annual basis and from time to time may rotate appointments.

CHBL's key professional relationships are summarized below:

## Corporate Headquarters

308 East Bay Street  
Second Floor  
PO Box N-4728  
Nassau, Bahamas

## General Enquiries

242.396.2000  
[info@colina.com](mailto:info@colina.com)  
[www.colina.com](http://www.colina.com)

## Listing

Bahamas International Securities Exchange (BISX)  
Symbol: CHL

## Registrar and Transfer Agent

Bahamas Central Securities Depository Ltd.  
202 British Colonial Hilton  
PO Box N-9307  
Nassau Bahamas

## Auditors

KPMG Chartered Accountants

## Legal Counsel

Alexiou Knowles & Co.

## Bankers

CIBC FirstCaribbean International Bank Ltd.  
Citibank, N.A.

## Reinsurers

Munich Reinsurance Company Canada Branch (Life)  
International Reinsurance Managers, LLC  
Swiss Re Life and Health Canada  
Optimum Re Insurance Company  
RGA Life Reinsurance Company of Canada  
Pacific Services Canada Limited  
Custom Disability Solutions

## Actuarial Consultants

Oliver Wyman

## Communication with Shareholders

The following reports are available on our website  
[www.colina.com](http://www.colina.com)  
Annual Report  
Quarterly Reports

## Annual General Meeting

The Annual General Meeting of the Company will be held at 5:30pm on Tuesday, May 30, 2017 at the JW Pinder Centre at the Colina complex at 21 Collins Avenue. The Notice of the meeting, detailing the business of the meeting, is sent to all shareholders.



# CONSOLIDATED **financial statements**

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

Independent Auditor's Report

Report of the Appointed Actuary

Consolidated Statement of Financial Position

Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Changes in Equity

Consolidated Statement of Cash Flows

Notes to Consolidated Financial Statements



**KPMG**  
PO Box N-123  
Montague Sterling Centre  
East Bay Street  
Nassau, Bahamas

Telephone +1 242 393 2007  
Fax +1 242 393 1772  
Internet [www.kpmg.com.bs](http://www.kpmg.com.bs)

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of Colina Holdings Bahamas Limited

### Report on the Audit of the Consolidated Financial Statements

#### *Opinion*

We have audited the consolidated financial statements of Colina Holdings Bahamas Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, including significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016, and its consolidated financial performance and its consolidated 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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key Audit Matters*

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

<i>Provision for future policy benefits (\$404,115,806, see note 18)</i>	
<i>The risk</i>	<i>Our response</i>
<p>Significant estimates are made in valuing the Group's provision for future policy benefits. The key valuation assumptions are disclosed in note 18. When making these assumptions the Group takes independent actuarial advice relating to their appropriateness.</p> <p>The valuation is considered to be a significant risk as small changes in the assumptions can have a material financial impact on the consolidated financial statements.</p>	<p>In this area, our audit procedures included inspecting the Group's actuarial reports and challenging the key assumptions used, including mortality and morbidity, policy lapse rates, investment yields, medical claims costs and expenses by comparing with externally derived data, with the support of our own actuarial specialists. We assessed whether the reserve estimation approach is in accordance with actuarial standards of practice; assessed the appropriateness of methodology and underlying assumptions; and tested the outcomes for reasonableness.</p> <p>We also considered the adequacy of the Group's disclosures in respect of the sensitivity to key assumptions in note 18.</p>

<i>Investment properties (\$55,720,002, see note 12)</i>	
<i>The risk</i>	<i>Our response</i>
<p>Significant unobservable inputs are used in valuing the Group's investment properties. The key unobservable inputs used are disclosed in note 12. The Group uses independent appraisers with experience in the local market as well as management's valuations for investment properties where appraisals are not obtained.</p> <p>The valuation is considered to be a significant risk as small changes in the inputs can have a material financial impact on the consolidated financial statements.</p>	<p>In this area, our audit procedures included assessing the independent appraisal reports and management's valuation reports for reasonableness of the valuations, challenging the key inputs used, including discount rates, capitalization rates, growth rates and inflation rates by comparing them against externally derived data, with the support of our own valuation specialists.</p> <p>We also considered the adequacy of the Group's disclosures in respect of the significant unobservable inputs in note 12.</p>

<i>Investment securities and other financial assets (\$368,797,947, see note 9)</i>	
<i>The risk</i>	<i>Our response</i>
<p>The Group has a significant portfolio of investment securities and other financial assets in its investment portfolio, comprising equity and debt securities.</p> <p>The valuation and disclosure of investment securities are considered to be a key audit area due to the material financial impact of this asset class on the Group's consolidated financial statements.</p>	<p>In this area, our audit procedures included obtaining confirmations from investment managers and/or custodians and comparing the Group's valuations of the portfolio of investments to independent valuations thereof.</p> <p>We also considered the adequacy of the Group's disclosures in respect of the fair value hierarchy in note 9.</p>

<i>Premium revenue (\$131,923,594, see note 25)</i>	
<i>The risk</i>	<i>Our response</i>
<p>Premium revenue is the Group's primary source of revenues.</p> <p>The existence and accuracy of premium revenue are considered to be a key audit area due to the material financial impact of this asset class on the Group's consolidated financial statements.</p>	<p>In this area, our audit procedures included reviewing the internal controls and testing the key controls surrounding the premium revenue process and testing samples of premium revenue items to verify that they are recorded correctly.</p>

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

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

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

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

***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated financial statements.



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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

#### *Other information*

We expect to receive other information from the Group on April 3, 2017, which will comprise the information to be included in the Group's annual report, but does not include the consolidated financial statements and our auditors' report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether there are indications that the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we determine that there is a material misstatement of this other information, we would be required to report that fact.

The engagement partner on the audit resulting in this independent auditors' report is Lambert Longley.

Nassau, Bahamas  
March 29, 2017

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Jacques Tremblay FCIA, MAAA, FSA  
Partner



Oliver Wyman  
120 Bremner Boulevard,  
Suite 800  
Toronto, ON M5J 0A8  
Canada  
Tel: +1 416 868 7071  
jacques.tremblay@oliverwyman.com

March 29, 2017

**Subject: 2016 Certification of actuarial liabilities**

I have valued the actuarial liabilities of Colina Holdings Bahamas Limited for its consolidated balance sheet as of December 31, 2016, for a total amount of \$404,115,806 and their change in the consolidated statement of operations for the year then ended in accordance with accepted actuarial practice, the Canadian Institute of Actuaries' Standards of Practice (for Life companies), and the Canadian valuation method ("CALM"), all of which are accepted in The Bahamas, including selection of appropriate assumptions and methods.

In my opinion, the amount of the actuarial liabilities reported above makes appropriate provision for all future policyholder obligations, and the consolidated financial statements of Colina Holdings Bahamas Limited present fairly the results of the valuation.

Respectfully submitted,

A handwritten signature in black ink that reads 'Jacques Tremblay'.

Jacques Tremblay FCIA, MAAA, FSA,

Fellow of Canadian Institute of Actuaries, Member of the American Academy of Actuaries,  
Fellow of Society of Actuaries

Appointed Actuary for Colina Insurance Limited

**COLINA HOLDINGS BAHAMAS LIMITED**  
**Consolidated Statement of Financial Position**

 At December 31, 2016 with corresponding figures at December 31, 2015  
 (Expressed in Bahamian dollars)

	Notes	2016	2015
<b>ASSETS</b>			
Term deposits	8	\$ 25,940,507	\$ 44,905,119
Investment securities and other financial assets	9	368,797,947	363,193,466
Mortgages and commercial loans	10	39,534,099	42,504,002
Policy loans	11	70,053,596	70,138,729
Investment properties	12	55,720,002	55,155,393
Investment in associates	13	<u>13,921,852</u>	<u>12,067,214</u>
Total invested assets		573,968,003	587,963,923
Cash and demand balances	8	18,766,968	29,309,126
Receivables and other assets	14	98,612,207	56,609,050
Property and equipment	15	18,589,716	19,787,836
Goodwill	16	13,371,374	13,469,916
Other intangible assets	17	<u>3,272,110</u>	<u>3,735,805</u>
<b>Total assets</b>		<b>\$ 726,580,378</b>	<b>\$ 710,875,656</b>
<b>LIABILITIES</b>			
Provision for future policy benefits	18	\$ 404,115,806	\$ 387,181,176
Policy dividends on deposit		<u>27,896,992</u>	<u>27,783,495</u>
Total policy liabilities		432,012,798	414,964,671
Repurchase agreement	19	28,000,000	35,000,000
Other liabilities	20	<u>85,195,297</u>	<u>91,117,762</u>
<b>Total liabilities</b>		<b>545,208,095</b>	<b>541,082,433</b>
<b>EQUITY</b>			
Ordinary shares	21	24,729,613	24,729,613
Treasury shares	21	(50,549)	(50,549)
Contributed capital		5,960,299	5,960,299
Revaluation reserve	22	12,492,293	10,753,156
Retained earnings		<u>75,020,518</u>	<u>66,760,641</u>
Total ordinary shareholders' equity		118,152,174	108,153,160
Preference shares	21	<u>42,500,000</u>	<u>42,500,000</u>
Total shareholders' equity		160,652,174	150,653,160
Non-controlling interests		<u>20,720,109</u>	<u>19,140,063</u>
<b>Total equity</b>		<b>181,372,283</b>	<b>169,793,223</b>
<b>Total liabilities and equity</b>		<b>\$ 726,580,378</b>	<b>\$ 710,875,656</b>

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

Approved by the Board of Directors on March 29, 2017 and signed on its behalf by:

T. Hiltz - Chairman

E. M. Alexiou – Executive Vice-Chairman

**COLINA HOLDINGS BAHAMAS LIMITED**  
**Consolidated Statement of Income**

For the Year Ended December 31, 2016 with corresponding figures for the Year Ended December 31, 2015  
 (Expressed in Bahamian dollars)

	Notes	2016	2015
<b>Revenues:</b>			
Premium revenue		\$ 131,923,594	\$ 139,418,170
Less: Reinsurance premiums	25	<u>(13,144,772)</u>	<u>(12,541,266)</u>
Net premium revenue	25	118,778,822	126,876,904
Net investment income	26	25,343,794	30,664,307
Share of net gain of associates	13	1,854,638	1,388,640
Net commission income		3,241,993	3,058,440
Investment management and other fees		13,739,094	9,650,758
Other income and fees		<u>3,678,612</u>	<u>2,366,799</u>
Total revenues		<u>166,636,953</u>	<u>174,005,848</u>
<b>Benefits and expenses:</b>			
Policyholders' benefits		88,519,841	94,715,700
Less: Reinsurance recoveries	27	<u>(8,422,359)</u>	<u>(8,367,197)</u>
Net policyholders' benefits	27	80,097,482	86,348,503
Changes in provision for future policy benefits	18	16,934,630	17,487,382
General and administrative expenses	28	35,993,278	37,692,372
Commission expense		10,112,581	10,142,002
Premium and other tax expense		3,562,795	3,757,906
Finance costs and interest	29	2,579,797	2,335,504
Impairment of goodwill	16	<u>98,542</u>	<u>50,000</u>
Total benefits and expenses		<u>149,379,105</u>	<u>157,813,669</u>
<b>Net income for the year</b>		<b><u>\$ 17,257,848</u></b>	<b><u>\$ 16,192,179</u></b>
Net income attributable to:			
Equity shareholders of the Company	30	\$ 16,352,248	\$ 15,568,912
Non-controlling interests		<u>\$ 905,600</u>	<u>\$ 623,267</u>
<b>Net income for the year</b>		<b><u>\$ 17,257,848</u></b>	<b><u>\$ 16,192,179</u></b>
<b>Basic earnings per ordinary share</b>	30	<b><u>\$ 0.55</u></b>	<b><u>\$ 0.53</u></b>

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

**COLINA HOLDINGS BAHAMAS LIMITED**  
**Consolidated Statement of Comprehensive Income**

For the Year Ended December 31, 2016 with corresponding figures for the Year Ended December 31, 2015  
 (Expressed in Bahamian dollars)

	<b>2016</b>	<b>2015</b>
<b>Net income for the year</b>	\$ 17,257,848	\$ 16,192,179
<b>Other comprehensive income:</b>		
Reclassification during the year to profit and loss	1,452,447	(357,534)
Change in available-for-sale financial assets	286,690	962,181
<b>Other comprehensive income for the year</b>	<u>1,739,137</u>	<u>604,647</u>
<b>Total comprehensive income for the year</b>	<b><u>\$ 18,996,985</u></b>	<b><u>\$ 16,796,826</u></b>
<b>Attributable to:</b>		
Equity shareholders of the Company	\$ 18,091,385	\$ 16,173,559
Non-controlling interests	905,600	623,267
<b>Total comprehensive income for the year</b>	<b><u>\$ 18,996,985</u></b>	<b><u>\$ 16,796,826</u></b>

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

**COLINA HOLDINGS BAHAMAS LIMITED**  
**Consolidated Statement of Changes in Equity**

For the Year Ended December 31, 2016 with corresponding figures for the Year Ended December 31, 2015  
 (Expressed in Bahamian dollars)

	<b>Ordinary Share Capital</b>	<b>Treasury Shares</b>	<b>Share Premium</b>
Balance, December 31, 2014	24,729,613	(50,549)	5,960,299
Net income for the year	-	-	-
Net gain on remeasurement of available-for-sale securities to fair value	-	-	-
Reclassification during the year to profit and loss	-	-	-
Changes in non-controlling interests	-	-	-
Issuance of preference share capital	-	-	-
Dividends paid to ordinary shareholders (Note 30)	-	-	-
Preference share dividends (Note 30)	-	-	-
Balance, December 31, 2015	24,729,613	(50,549)	5,960,299
Net income for the year	-	-	-
Net gain on remeasurement of available-for-sale securities to fair value	-	-	-
Reclassification during the year to profit and loss	-	-	-
Changes in non-controlling interests	-	-	-
Dividends paid to ordinary shareholders (Note 30)	-	-	-
Preference share dividends (Note 30)	-	-	-
Balance, December 31, 2016	<b>\$ 24,729,613</b>	<b>\$ (50,549)</b>	<b>\$ 5,960,299</b>

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

Revaluation Reserve	Preference Share Capital	Retained Earnings	Non-controlling Interests	Total Equity
10,148,509	40,500,000	58,665,932	17,726,016	\$ 157,679,820
-	-	15,568,912	623,267	16,192,179
962,181	-	-	-	962,181
(357,534)	-	-	-	(357,534)
-	-	-	790,780	790,780
-	2,000,000	-	-	2,000,000
-	-	(4,941,926)	-	(4,941,926)
-	-	(2,532,277)	-	(2,532,277)
10,753,156	42,500,000	66,760,641	19,140,063	169,793,223
-	-	16,352,248	905,600	17,257,848
286,690	-	-	-	286,690
1,452,447	-	-	-	1,452,447
-	-	-	674,446	674,446
-	-	(5,436,121)	-	(5,436,121)
-	-	(2,656,250)	-	(2,656,250)
<b>\$ 12,492,293</b>	<b>\$ 42,500,000</b>	<b>\$ 75,020,518</b>	<b>\$ 20,720,109</b>	<b>\$ 181,372,283</b>

**COLINA HOLDINGS BAHAMAS LIMITED**  
**Consolidated Statement of Cash Flows**

For the Year Ended December 31, 2016 with corresponding figures for the Year Ended December 31, 2015  
 (Expressed in Bahamian dollars)

	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 17,257,848	\$ 16,192,179
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Change in unrealized losses/(gains) on fair value through profit or loss securities	4,863,604	(2,614,402)
Increase in provision for future policy benefits	16,934,630	17,487,382
Changes in loss provisions for loans and receivables	1,575,818	(1,008,745)
Depreciation and impairment/amortization charges	2,433,022	2,376,764
Net realized (gains)/losses on fair value through profit or loss securities	(161,507)	378,356
Net realized gains on sale of available-for-sale securities	130,568	13,049
Interest income	(31,255,507)	(28,528,086)
Dividend income	(2,066,257)	(2,014,030)
Net fair value gains on investment properties	(555,320)	(888,777)
Finance costs and interest	2,579,797	2,335,504
Proceeds on disposal of property and equipment, net	<u>10,033</u>	<u>8,276</u>
Operating cash flows before changes in operating assets and liabilities	11,746,729	3,737,470
<b>Changes in operating assets and liabilities:</b>		
Increase in other assets	(47,155,094)	(4,668,912)
Decrease in other liabilities	<u>(1,854,338)</u>	<u>(731,565)</u>
Net cash used in operating activities	<u>(37,262,703)</u>	<u>(1,663,007)</u>

*(Continued)*

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

**COLINA HOLDINGS BAHAMAS LIMITED**  
**Consolidated Statement of Cash Flows**

 For the Year Ended December 31, 2016 with corresponding figures for the Year Ended December 31, 2015  
 (Expressed in Bahamian dollars)

	<b>2016</b>	<b>2015</b>
<b>Cash flows from investing activities:</b>		
Decrease/(increase) in term deposits with original maturities greater than 90 days	19,013,888	(27,930,353)
Fair value through profit or loss securities purchased	(35,889,117)	(32,845,429)
Proceeds on disposal of fair value through profit or loss securities	28,195,846	19,289,832
Available-for-sale securities purchased	(11,317,374)	(15,402,610)
Proceeds on disposal of available-for-sale securities	8,860,189	12,297,551
Issuance of loans and receivables	-	(35,000,000)
Reclassification during the year to profit and loss	1,452,447	(357,534)
Net decrease/(increase) in loans to policyholders	114,417	(504,871)
Loan to SBL Ltd.	5,000,000	(15,000,000)
Net decrease in mortgages and commercial loans	2,714,251	5,755,309
Additions to investment property	(9,289)	(101,181)
Interest received	27,737,946	27,400,872
Dividends received	2,066,257	2,014,030
Additions to property and equipment	<u>(217,288)</u>	<u>(436,312)</u>
Net cash provided by/(used in) investing activities	<u>47,722,173</u>	<u>(60,820,696)</u>
<b>Cash flows from financing activities:</b>		
Changes in non-controlling interests	674,446	790,780
Interest paid on other contracts	(2,579,797)	(2,335,504)
Proceeds from repurchase agreement	(7,000,000)	35,000,000
Proceeds from borrowings	(5,000,000)	15,000,000
Net proceeds of preference share offering	-	2,000,000
Dividends paid to ordinary shareholders	(5,436,121)	(4,941,926)
Dividends paid to preference shareholders	<u>(2,656,250)</u>	<u>(2,532,277)</u>
Net cash (used in)/provided by financing activities	<u>(21,997,722)</u>	<u>42,981,073</u>
Net decrease in cash and cash equivalents	<u>(11,538,252)</u>	<u>(19,502,630)</u>
Cash and cash equivalents, beginning of year	<u>29,321,317</u>	<u>48,823,947</u>
Cash and cash equivalents, end of year (Note 8)	<u><u>\$ 17,783,065</u></u>	<u><u>\$ 29,321,317</u></u>

(Concluded)

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

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**COLINA HOLDINGS BAHAMAS LIMITED**  
**Notes to Consolidated Financial Statements**

For the Year Ended December 31, 2016 with corresponding figures for the Year Ended December 31, 2015  
(Expressed in Bahamian dollars)

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**1. Corporate Information**

Colina Holdings Bahamas Limited ("the Company") was incorporated under the laws of the Commonwealth of The Bahamas on July 6, 1993.

The Company acts principally as a holding company of its principal subsidiaries, Colina Insurance Limited ("Colina"), a wholly-owned life and health insurer incorporated in The Bahamas; Colina General Insurance Agency & Brokers Limited ("CGIA"), a wholly-owned general insurance agent and broker; and Colina Financial Advisors Ltd. ("CFAL"), a wholly-owned financial services company.

Colina is registered to operate as a life and health insurer in The Bahamas, The Cayman Islands, and The Turks and Caicos Islands. CGIA holds a dual registration as a general insurance broker and agent for operations in The Bahamas. CFAL is licensed as a broker dealer in The Bahamas.

The ordinary shares of the Company are listed on the Bahamas International Securities Exchange. At December 31, 2016, approximately 58.1% (2015: 58.1%) of the Company's issued ordinary shares were owned by AF Holdings Ltd. ("AFH") and 41.9% (2015: 41.9%) by the Bahamian public. All significant balances and transactions with AFH and parties related to AFH are disclosed as related party transactions in these consolidated financial statements (See Note 33).

The registered office of the Company is located at Trinity Place Annex, Frederick and Shirley Streets, P.O. Box N-4805, Nassau, The Bahamas and its principal place of business is located at 308 East Bay Street, P.O. Box N-4728, Nassau, The Bahamas.

The consolidated financial statements of the Company and its subsidiaries (collectively, "the Group") for the year ended December 31, 2016 were authorized for issue in accordance with a resolution of the Company's Board of Directors on March 29, 2017.

**2. Changes in Accounting Policies and Disclosures**

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The following accounting policies were applicable to the Group and were adopted in the year commencing January 1, 2016:

- Disclosure Initiative (Amendments to IAS 1);
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12, and IAS 28);
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28);
- Equity Method in Separate Financial Statements (Amendments to IAS 27); and
- Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38).

The adoption of the above accounting policies has not had any material impact on the amounts reported for current and prior years but may affect the accounting for future transactions and arrangements.

**3. Standards Issued but not yet Effective**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Effective for annual periods beginning on or after January 1, 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

**COLINA HOLDINGS BAHAMAS LIMITED**  
**Notes to Consolidated Financial Statements**

For the Year Ended December 31, 2016 with corresponding figures for the Year Ended December 31, 2015  
(Expressed in Bahamian dollars)

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- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

Effective for annual periods beginning on or after January 1, 2019:

- IFRS 16 Leases

Management has not yet assessed the full impact of the relevant adoption of these standards and interpretations in future periods against the consolidated financial statements of the Group.

**4. Summary of Significant Accounting Policies**

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

**4.1 Statement of compliance**

The consolidated financial statements of the Group have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the consolidated statement of financial position date (current) and more than 12 months after the consolidated statement of financial position date (non-current) is presented in Note 34.

**4.2 Basis of preparation**

The consolidated financial statements of the Group have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and investment properties that are required to be remeasured at fair value. The Company, with the concurrence of The Insurance Commission of The Bahamas, uses actuarial practices generally accepted in Canada for the valuation of its provision for future policyholder benefits as no specific guidance is provided by IFRS for determining such provisions. The adoption of IFRS 4 – Insurance Contracts, permits the Group to continue with this valuation policy.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense will not be offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

**4.3 Significant accounting judgments and key sources of estimation uncertainty**

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, and the accompanying disclosures and the disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

(a) *Valuation of long term insurance contract liabilities and investment contract liabilities with a Discretionary Participation Feature (“DPF”)*

The liability for life insurance contracts and investment contracts with DPF is either based on current assumptions or on assumptions established at inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates, and discount rates. The Group bases mortality and morbidity rates on standard industry Canadian mortality tables which reflect historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements as well as wide ranging changes to life style, could result in significant changes to the expected future mortality exposure.

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**COLINA HOLDINGS BAHAMAS LIMITED**  
**Notes to Consolidated Financial Statements**

For the Year Ended December 31, 2016 with corresponding figures for the Year Ended December 31, 2015  
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Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation if appropriate.

Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders.

Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.

The carrying value at December 31, 2016 of long term insurance contract liabilities with DPF is \$214,595,297 (2015: \$213,409,439) and of investment contract liabilities with DPF is \$7,600,697 (2015: \$7,609,526) (See Note 18).

*(b) Accident and health insurance contract liabilities*

For medical insurance contracts, estimates have to be made for the expected ultimate cost of claims reported at the consolidated statement of financial position date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the consolidated statement of financial position date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for certain types of policies, IBNR claims form the majority of the consolidated statement of financial position liability for accident and health insurance.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence, ultimate claims costs.

The carrying value at the consolidated statement of financial position date of accident & health insurance contract liabilities is \$13,773,244 (2015: \$13,327,663) (See Note 18).

*(c) Goodwill impairment testing*

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

The carrying value of goodwill is \$13,371,374 (2015: \$13,469,916) (See Note 16).

*(d) Revaluation of property and equipment and investment properties*

The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statement of income. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognized in the revaluation reserve. The Group assesses its property holdings through the use of independent valuation specialists on a periodic basis, performing management assessments in the intervening years. For investment properties, a valuation methodology based on a discounted cash flow (DCF) model was used, as there is a lack of comparable market data due to the nature of the properties. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location, and the condition of the respective property. Key assumptions used to determine the fair value of the properties and sensitivity analysis are discussed in Note 12.

**4.4 Principles of consolidation**

The consolidated financial statements include the accounts of the Company and subsidiaries. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

**COLINA HOLDINGS BAHAMAS LIMITED**  
**Notes to Consolidated Financial Statements**

For the Year Ended December 31, 2016 with corresponding figures for the Year Ended December 31, 2015  
 (Expressed in Bahamian dollars)

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangements with the other vote holders of equity in the investee;
- Rights arising from other contractual arrangements; and
- The Company's voting rights and potential voting rights.

Where the Company has control, subsidiaries are fully consolidated from the date on which control is transferred to the Company and are de-consolidated from the date on which control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity. Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Non-controlling interests consist of the amount of those interests at the date of the original business combination (See Note 4.5) and the non-controlling interest's share of changes in equity since the date of the combination.

All material inter-company balances and transactions are eliminated on consolidation. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**4.5 Business combinations**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Company has an option to measure any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date and any resulting gain or loss is recognized through profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or a liability will be recognized as measurement period adjustments in accordance with the applicable IFRS. If the contingent consideration is classified as equity, it will not be remeasured and its subsequent settlement will be accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of the net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to an appropriate cash-generating unit that is expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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**COLINA HOLDINGS BAHAMAS LIMITED**  
**Notes to Consolidated Financial Statements**

For the Year Ended December 31, 2016 with corresponding figures for the Year Ended December 31, 2015  
(Expressed in Bahamian dollars)

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**4.6 Investment in associates**

The Group's investment in associates is accounted for using the equity method of accounting. An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associate. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. As goodwill relating to an associate forms part of the carrying amount of an investment in associate and is not separately recognized, it is neither amortized nor individually tested for impairment.

After application of the equity method, the Group assesses at each consolidated statement of financial position date whether there is any objective evidence that the entire carrying amount of the investment in associate is impaired by comparing its carrying value to its recoverable amount. Any impairment losses are recognized immediately in the consolidated statement of income.

The consolidated statement of income reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits or losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the relevant associate.

Upon loss of significant influence over an associate, the Group measures and recognizes any remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognized in profit or loss.

**4.7 Foreign currency translation**

The Group's functional and presentation currency is the Bahamian dollar. Monetary assets and liabilities denominated in currencies other than the Bahamian dollar are translated to Bahamian dollars using the rate of exchange prevailing at the consolidated statement of financial position date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Income and expense items denominated in foreign currencies are translated at a rate of exchange that approximates the actual rate prevailing at the time of the transaction. Resulting differences are recognized in income in the reporting period in which they arise.

**4.8 Cash and cash equivalents**

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise: cash on hand; demand deposits; term deposits with original maturities of 90 days or less; net of bank overdrafts.

**4.9 Financial assets**

*Classification*

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates the classification at every reporting date.

*Financial assets at fair value through profit or loss ("FVPL")*

Financial assets at FVPL has two sub categories - namely, financial assets held for trading, and those designated at fair value through the consolidated statement of income at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated at initial recognition as at FVPL, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets and liabilities or recognizing gains and losses on a different basis; or

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- The assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or that it has designated as at FVPL or available-for-sale. Balances that are included in this classification include: mortgages and commercial loans, policy loans, receivables arising from insurance contracts, and term deposits with maturities of greater than 90 days.

*Available-for-sale ("AFS") financial assets*

AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

*Recognition*

Regular way purchases and sales of financial assets are recognized on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus, in the case of all financial assets not carried at FVPL, transaction costs that are directly attributable to their acquisition.

*Derecognition*

Investments are derecognized when the rights to receive cash flows from the investments have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

*Measurement*

AFS financial assets and financial assets at FVPL are carried at fair value. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets classified in the FVPL category are included in the consolidated statement of income in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of financial assets classified as AFS are recognized in the revaluation reserve in the consolidated statement of changes in equity. When financial assets classified as AFS are sold or impaired, the difference between cost or amortized cost and estimated fair value is removed from the revaluation reserve and charged to the consolidated statement of income.

**4.10 Fair value measurement**

The Group measures financial instruments and non-financial assets such as investment properties at fair value at each balance sheet date. Fair value is defined under accounting guidance currently applicable to the Group to be the prices that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or;
- In the absence of a principal market, in the most advantageous and accessible market for the asset or liability.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

There have been no material changes in the Group's valuation techniques in the period represented in these consolidated financial statements.

**4.11 Impairment of financial assets**

*Financial assets carried at amortized cost*

The Group assesses at each consolidated statement of financial position 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 Group 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 becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- 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 flows from a group of financial assets since the initial recognition of those assets, though the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of issuers or debtors in the group; or
  - local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss has been incurred on loans and receivables carried at amortized 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 not been incurred) discounted at the financial asset's original effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

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### *Financial assets carried at fair value*

The Group assesses at each consolidated statement of financial position date whether there is objective evidence that an AFS financial asset is impaired, including in the case of equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost. If any evidence exists for AFS financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognized in profit or loss – is removed from equity and recognized in the consolidated statement of income. The impairment loss is reversed through the consolidated statement of income if in a subsequent period the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

## 4.12 *Investment properties*

Investment properties comprise freehold land and buildings, residential rental properties, and commercial properties that are held for long-term yields and capital appreciation. Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and exclude the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, such properties are measured at estimated fair value based on open market value determined periodically by external appraisers with management valuations in intervening periods. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of income in the year in which they arise.

Investment properties are derecognized either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party, or completion of construction or development. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income.

#### **4.13 *Property and equipment***

Property and equipment, with the exception of certain Land improvements and Buildings, are carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged using the straight-line method to allocate the cost of the assets over their estimated useful lives, as follows:

- Furniture, fixtures and equipment 5 to 10 years
  - Computer hardware 3 to 5 years
  - Motor vehicles 4 to 5 years
  - Leasehold improvements 5 to 15 years, or shorter lease term
  - Land improvements and buildings 40 to 50 years

Land is not depreciated. The assets' useful lives are reviewed at each consolidated statement of financial position date and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

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Increases in the carrying amount arising on revaluation of land and buildings are credited to the revaluation reserve in equity.

Decreases that offset previous increases of the same asset are charged against the revaluation reserve directly in equity; all other decreases are charged to the consolidated statement of income and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

**4.14 Goodwill and other intangible assets**

*Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquiree at the acquisition date. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses related to goodwill cannot be reversed in future periods. Goodwill is allocated to Cash Generating Units ("CGUs") for the purpose of impairment testing. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For goodwill arising from the purchase of insurance related business, goodwill is allocated to CGUs identified according to the nature and type of insurance contract by major block of business.

For each CGU, the impairment charge is calculated by comparing the present value of the in force and projected new business at time of purchase and currently to determine how much the value has decreased relative to the original amount of goodwill recorded.

The Group's policy for goodwill arising on the acquisition of an associate is described in Note 4.6.

*Other intangible assets*

Other intangible assets include acquired computer software licenses which are capitalized on the basis of the costs incurred to acquire and implement the specific software. These costs are amortized using the straight-line method over the estimated useful life, not exceeding a period of three years and are included in general and administrative expenses in the consolidated statement of income. At each consolidated statement of financial position date, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

*Other intangible assets included in investment in associates*

These intangible assets include customer relationships, non-competitive agreement, trade name, and software and are carried at cost less accumulated amortization. Intangible assets included in investment in associates are amortized on a straight-line basis as follows:

Customer relationships	10 years
Non-competitive agreement	2 years
Trade name	5 to 9 years
Software	3 years

The carrying amount of intangible assets included in investment in associates is reviewed at each consolidated statement of financial position date to assess whether it is recorded in excess of its recoverable amount. Where the carrying value exceeds this estimated value the asset is written down to the recoverable amount.

**4.15 Insurance contracts**

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. Significant insurance risk is defined as the probability of paying significantly more on the occurrence of an insured event than if the insured event did not occur.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights

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and obligations are extinguished or expire. Investment contracts can however be reclassified as insurance contracts after inception if insurance risk becomes significant.

A number of insurance and investment contracts contain a DPF. This feature entitles the contract holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Group, and;
- that are contractually based on:
  - the performance of a specified pool of contracts or a specified type of contract;
  - realized and/or unrealized investment returns on a specified pool of assets held by the Group; or
  - the profit or loss of the Group, fund or other entity that issues the contract.

The amount and timing of the distribution to individual contract holders is at the discretion of the Group, subject to the advice of the Appointed Actuary.

Insurance contracts and investment contracts with and without DPF are classified into three main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

*Short-term insurance contracts*

Short duration life insurance contracts protect the Group's customers from the financial consequences of events (such as death, sickness, or disability). Benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the consolidated statement of financial position date even if they have not yet been reported to the Group. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims IBSR.

Individual health insurance premiums are recognized as revenue when received. Group life and health insurance premiums are recognized as revenue over the related contract periods.

*Long-term insurance and other contracts*

Long-term insurance and other contracts insure events associated with human life (for example death, or survival) over a long duration. Premiums are recognized as revenue when they become payable by 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 recognized. The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income that are reviewed annually. A margin for adverse deviations is included in the assumptions.

Long-term insurance and other contracts are further classified into the following sub-categories:

- with fixed and guaranteed terms;
- with fixed and guaranteed terms and with DPF;
- without fixed and guaranteed terms; and
- without fixed and guaranteed terms and with DPF.

The contracts containing DPF participate in the profits of the Group. As the Group declares the amount to be paid, it is credited to the individual policyholders.

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*Long-term investment contracts with DPF*

The fair value of these contracts is determined with reference to the fair value of the underlying financial assets and they are recorded at inception at their fair value.

**4.16 Provision for future policy benefits**

The provision for future policy benefits represents the amount required, in addition to future premiums and investment income, to provide for estimated future benefit payments, taxes (other than income taxes), commissions and policy administration expenses for all insurance and annuity policies in force with the Group. The Group's Appointed Actuary is responsible for determining the provision for future policy benefits.

The provision for future policy benefits is determined using accepted actuarial practices established by the Canadian Institute of Actuaries ("CIA"), which are accepted in The Bahamas. In accordance with these standards, the actuarial liabilities have been determined by the Appointed Actuary using the Canadian Asset Liability Method ("CALM") and the CIA Standards of Practice (Practice – Specific Standards For Insurers), Section 2300, Life and Health Insurance ("SOP").

CALM involves the projection of future interest rate scenarios in order to determine the amount of assets needed to provide for all future obligations. The method consists of four basic steps:

1. Determination of the period over which these projections are performed.
2. Projection of liability cash flows.
3. Projection of asset cash flows.
4. Performance of interest rate scenario testing under a variety of plausible economic conditions.

The Group maintains specific assets to back the policy liabilities by lines of business. The projection of liability and asset cash flows recognizes these specific assets. The projection period is chosen so as to include all insured events in the valuation process.

The actuarial liabilities for very small blocks of business have been set up as 100% of their annual premiums. IBNR reserves for group life, accident and health are computed as a percentage of related premiums based on experience studies. These bases are in accordance with CALM and SOP.

**4.17 Repurchase agreements**

Repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. The Group continues to recognize the securities in their entirety in the consolidated statement of financial position because it retains substantially all of the risks and rewards of ownership. The consideration received is recognized as a financial asset and a financial liability is recognized for the obligation to pay the repurchase price. Because the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement. Such transferred assets are included in "pledged financial assets at fair value through profit or loss" in Investment Securities and Other Financial Assets in Note 9.

**4.18 Commission expense**

Commission expenses comprise commissions earned by the Group's salespersons in respect of insurance and investment products sold. Commission expenses are recognized when payable.

**4.19 Pension business**

The pension business consists of third party pension plans with fund accumulations at rates of interest determined by the Group. There are no future interest or annuity rate guarantees. The liability established for future pension benefits for each of these plans is equal to the fund balance at the valuation date. Such third party pension liabilities are included in 'other liabilities,' see Note 20.

**4.20 Policy dividends on deposit**

Policy dividends on deposit comprise dividends declared on policies but not withdrawn from the Group, together with accrued interest.

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**4.21 Share capital**

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

Where any subsidiary purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the Company's equity holders, net of any directly attributable incremental transaction costs.

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Company's Board of Directors. Dividends for the year that are approved after the consolidated statement of financial position date are dealt with as an event after the consolidated statement of financial position date.

**4.22 Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment will be made. Revenue is measured at the fair value of the consideration received or receivable. Interest income for financial assets that are not classified as at FVPL is recognized using the effective interest method. Dividend income is recognized when the Group's right to receive payment is established – this is the ex-dividend date for equity securities. Commission income is earned on completion of the sale and is recognized at the effective date of writing the policy. Interest income on financing of premiums to customers is recognized over the financing period. The Group's policy for recognition of revenue from operating leases is described in Note 4.28. For the revenue recognition policies surrounding insurance contracts, see Note 4.15.

**4.23 Reinsurance**

In the normal course of business, the Group seeks to limit its exposure to loss on any single insured and to recover benefits paid, by ceding premiums to reinsurers under excess coverage contracts. Contracts entered into that meet the classification requirements of insurance contracts are classified as reinsurance contracts held. Amounts recoverable from reinsurers are estimated in a manner consistent with the policy liability associated with the reinsured and in accordance with the terms of each reinsurance contract.

Reinsurance liabilities are primarily premiums due for reinsurance contracts and are recognized as an expense when due.

An impairment review of recoverable amounts is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the consolidated statement of income.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for non-life insurance contracts. Premiums and claims on assumed reinsurance are recognized as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

**4.24 Defined contribution pension plan**

The Group's subsidiaries operate separate defined contribution pension plans. Contributions are made to the plans on a mandatory and voluntary basis. The Company has no further payment obligations once the contributions have been paid. The Company's portion of the contributions is charged to the consolidated statement of income as employee/salespersons' benefits expense in the year to which they relate.

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**4.25 Share-based payments**

The Group's subsidiaries operate separate Employee Share Ownership Plans ("ESOP"). Under these plans, eligible employees and salespersons can purchase common shares of the Company on the open market through regular payroll deductions up to a maximum of 10% of eligible earnings. Employee and salespersons' contributions are matched by the Company at rates ranging between 20% to 100% of eligible earnings. The Group's matching contribution fully vests to the employee or salesperson after a period of 1-4 years, subject to the individual plan requirements. These share-based payments to employees and salespersons are measured at the fair value of the equity instruments at the grant date. The cost of matching employee and salespersons' contributions amounted to \$32,159 in 2016 (2015: \$26,214) and is included in employee/salespersons' benefits expense.

**4.26 Taxation**

The Group is subject to tax on taxable gross premium income at the flat rate of 3% (2015: 3%). Premium taxes are included in premium and other tax expense in the consolidated statement of income. The Group is also subject to Value Added Tax (VAT) on taxable supplies at the standard rate of 7.5% (2015: 7.5%). The Group is eligible, however, for input tax credits to reduce its VAT liability based on an apportionment formula based on its proportion of standard rated taxable supplies to non-taxable supplies. VAT incurred by the Group in excess of input tax credits received are apportioned to the Group's general and administrative expenses. There are no other corporate, income or capital gains taxes levied on the Group in The Bahamas or in any other jurisdictions in which the Group operates.

**4.27 Segregated fund**

With the acquisition of Imperial Life in 2005, certain contracts were acquired which allow unit holders to invest in a segregated fund managed by the Group for their benefit. Substantially all risks and rewards of ownership accrue to the unit holders and, consequently, the assets held in the segregated fund account are excluded from the assets in the Group's general funds. As of December 31, 2016, these assets amounted to \$44.0 million (2015: \$44.5 million). The Group has entered into a sub-investment management agreement with Colina Financial Advisors Ltd. to manage a significant portion of these assets.

**4.28 Leases**

Rental income due from lessees on operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Where the Group is the lessee, leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

**4.29 Bank borrowings**

Bank borrowings are initially recognized at fair value, which is the cost of the consideration received, net of issue costs and any discount or premium on settlement. Subsequent to initial recognition, they are measured at amortized cost, using the effective interest rate method.

Borrowing costs are recognized as an expense when incurred.

**4.30 Other financial liabilities and insurance, trade and other payables**

These items are recognized when due and measured on initial recognition at the fair value of the consideration paid. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method.

Financial liabilities and insurance, trade and other payables are derecognized when the obligation under the liability is discharged, cancelled or expired. When the existing liability is replaced by another from the same lender on substantially different terms, or the terms of the 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 recognized in the consolidated statement of income.

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**4.31 Contingent liabilities**

Provisions for contingent liabilities are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**5. Responsibilities of the Appointed Actuary and Independent Auditors**

The Appointed Actuary is appointed by the Board of Directors and is responsible for carrying out an annual valuation of the Group's policy liabilities in accordance with accepted actuarial practice and reporting thereon to the Board of Directors. In performing the valuation, the Appointed Actuary makes assumptions as to the future rates of interest, asset default, mortality, claims experience, policy termination, inflation, reinsurance recoveries, expenses and other contingencies taking into consideration the circumstances of the Group and the policies in force. The Appointed Actuary's report outlines the scope of the valuation and the actuary's opinion.

The Independent Auditors have been appointed by the shareholders and are responsible for conducting an independent and objective audit of the consolidated financial statements in accordance with International Standards on Auditing. They report to the shareholders regarding the fairness of the presentation of the Group's consolidated financial statements in accordance with IFRS. In carrying out their audit, the Independent Auditors also make use of the work of the Appointed Actuary and the Appointed Actuary's report on the policy liabilities. The Independent Auditors' report outlines the scope of their audit and their opinion.

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**6. Subsidiaries**

Subsidiaries of the Company as of December 31, 2016 are as follows:

<b>Name</b>	<b>Place of Incorporation</b>	<b>Shareholding</b>
<b>Life and Health Insurance Company</b>		
Colina Insurance Limited ("Colina")	The Bahamas	100%
<b>Mortgage Company</b>		
Colina Mortgage Corporation Ltd. ("CMCO")	The Bahamas	100%
<b>Investment Property Holding Companies</b>		
Bay St. Holdings Ltd.	The Bahamas	100%
Colina Real Estate Fund Ltd.	The Bahamas	84%
Collmpco One Ltd.	The Bahamas	100%
Dax Limited	The Bahamas	100%
Goodman's Bay Development Company Limited ("GBDC")	The Bahamas	86%
IMPCO Properties (Bahamas) Limited	The Bahamas	100%
IMPCO Real Estate Holdings (Bahamas) Limited	The Bahamas	100%
NCP Holdings Ltd.	The Bahamas	100%
P.I. Investments Ltd.	The Bahamas	100%
Wednesday Holding Company Ltd.	The Bahamas	100%
<b>Investment Holding Companies</b>		
Fairway Close Development Company Ltd.	The Bahamas	100%
Partner Investment Ltd.	The Bahamas	100%
PRO Health Holdings Ltd.	The Bahamas	100%
Sharp Investment Ltd.	The Bahamas	100%
<b>Investment Funds</b>		
CFAL Global Bond Fund Ltd.	The Bahamas	91%
CFAL Global Equity Fund Ltd.	The Bahamas	31%
Ikonic Fund SAC Limited	The Bahamas	86%
<b>General Insurance Agency</b>		
Colina General Insurance Agency & Brokers Limited ("CGIA")	The Bahamas	100%
<b>Administrative and Corporate Services</b>		
Colina Corporate Services Limited	The Bahamas	100%
<b>Investment Brokerage and Advisory Services</b>		
Colina Financial Advisors Ltd. ("CFAL")	The Bahamas	100%
CFAL Securities Ltd.	The Bahamas	100%

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**7. Segment Information**

For management purposes, the Group is organized into business units based on its products and services and has three reportable operating segments as follows:

- Life Division - offers a wide range of whole life and term insurance, pension, annuity, and savings and investment products.
- Group and Health Division – offers a wide range of individual medical and group life and health medical insurance.
- Other – includes the Group's participation in International Reinsurance Managers, LLC (IRM) reinsurance facilities and the operations of its other subsidiary and associate companies.

Segment performance is evaluated based on profit or loss, which in certain respects is measured differently from profit or loss in the consolidated financial statements.

No inter-segment transactions occurred in 2016 or 2015. If any transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results would then include those transfers between business segments which would then be eliminated on consolidation.

The segment results for the period ended December 31 are as follows:

	<b>Life</b>	<b>Health</b>	<b>Other</b>	<b>Total</b>
<b>INCOME</b>				
Net premium revenue	\$ 54,997,497	\$ 53,191,078	\$ 10,590,247	\$ 118,778,822
Net investment income	25,136,347	400,953	1,661,132	27,198,432
Net commission income	-	-	3,241,993	3,241,993
Investment management and other fees	-	7,969,708	5,769,386	13,739,094
Other income and fees	237,040	2,031,699	1,409,873	3,678,612
Total revenues	80,370,884	63,593,438	22,672,631	166,636,953
<b>POLICYHOLDER BENEFITS</b>	53,603,877	36,876,243	6,551,992	97,032,112
<b>EXPENSES</b>	22,956,260	18,280,829	11,109,904	52,346,993
<b>NET INCOME</b>	<u>\$ 3,810,747</u>	<u>\$ 8,436,366</u>	<u>\$ 5,010,735</u>	<u>\$ 17,257,848</u>
<b>TOTAL ASSETS</b>	<u>\$ 583,956,538</u>	<u>\$ 96,293,476</u>	<u>\$ 46,330,364</u>	<u>\$ 726,580,378</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 492,670,345</u>	<u>\$ 32,896,688</u>	<u>\$ 19,641,062</u>	<u>\$ 545,208,095</u>

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	<b>2015</b>			
	<b>Life</b>	<b>Health</b>	<b>Other</b>	<b>Total</b>
<b>INCOME</b>				
Net premium revenue	\$ 56,496,879	\$ 52,494,517	\$ 17,885,508	\$ 126,876,904
Net investment income	30,395,936	483,596	1,173,415	32,052,947
Net commission income	-	-	3,058,440	3,058,440
Investment management and other fees	-	4,307,987	5,342,771	9,650,758
Other income and fees	558,922	868,030	939,847	2,366,799
Total revenues	87,451,737	58,154,130	28,399,981	174,005,848
<b>POLICYHOLDER BENEFITS</b>				
EXPENSES	57,496,798	31,465,566	14,873,521	103,835,885
	<u>24,737,234</u>	<u>17,913,785</u>	<u>11,326,765</u>	<u>53,977,784</u>
<b>NET INCOME</b>	<b><u>\$ 5,217,705</u></b>	<b><u>\$ 8,774,779</u></b>	<b><u>\$ 2,199,695</u></b>	<b><u>\$ 16,192,179</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 608,806,352</u></b>	<b><u>\$ 55,017,241</u></b>	<b><u>\$ 47,052,063</u></b>	<b><u>\$ 710,875,656</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 484,435,005</u></b>	<b><u>\$ 32,004,132</u></b>	<b><u>\$ 24,643,296</u></b>	<b><u>\$ 541,082,433</u></b>

**8. Cash and Cash Equivalents**

For the purposes of the consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	<b>2016</b>	<b>2015</b>
Term deposits	\$ 25,940,507	\$ 44,905,119
Less: Deposits with original maturities of greater than 90 days	<u>(25,619,368)</u>	<u>(44,633,256)</u>
Short-term deposits	321,139	271,863
Cash and demand balances	18,766,968	29,309,126
Less: Bank overdraft (See Note 20)	<u>(1,305,042)</u>	<u>(259,672)</u>
<b>Total cash and cash equivalents</b>	<b><u>\$ 17,783,065</u></b>	<b><u>\$ 29,321,317</u></b>

The carrying amounts disclosed above reasonably approximate fair value at the consolidated statement of financial position date.

As of the consolidated statement of financial position date, the weighted-average interest rate on short-term deposits is 0.2% (2015: 0.2%). These short-term deposits have an average maturity of 30 days (2015: 30 days). The weighted-average interest rate on deposits with original maturities greater than 90 days is 2.5% (2015: 1.7%).

Included in deposits with original maturities of greater than 90 days are restricted balances held in favour of regulatory bodies in the Turks & Caicos Islands and the Cayman Islands totalling \$2,229,793 (2015: \$826,522). No restricted amounts are included in cash and demand balances (2015: NIL).

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**9. Investment Securities and other Financial Assets**

Investment securities and other financial assets comprise equity and debt securities classified into the following categories:

	<b>2016</b>	<b>2015</b>
Equity securities		
Fair value through profit or loss	\$ 15,803,621	\$ 16,478,972
Available-for-sale	<u>14,560,998</u>	<u>14,418,530</u>
Total equity securities	<u>30,364,619</u>	<u>30,897,502</u>
Non-pledged debt securities		
Fair value through profit or loss	37,668,910	33,155,616
Available-for-sale	<u>214,042,284</u>	<u>211,571,445</u>
Loans and receivables	<u>35,000,000</u>	<u>35,000,000</u>
Total debt securities (non-pledged)	<u>286,711,194</u>	<u>279,727,061</u>
Pledged debt securities (See Note 19)		
Fair value through profit or loss	<u>51,722,134</u>	<u>52,568,903</u>
Total debt securities (pledged)	<u>51,722,134</u>	<u>52,568,903</u>
Total pledged and non-pledged debt securities	<u>338,433,328</u>	<u>332,295,964</u>
Total investment securities and other financial assets	<u>\$ 368,797,947</u>	<u>\$ 363,193,466</u>

Financial assets at fair value through profit or loss are comprised primarily of financial instruments in the Bahamas Investment Fund (See Note 32).

Included in investment securities and other financial assets are government debt securities which are mainly comprised of fixed rate and variable rate bonds tied to the Bahamian \$ Prime Rate issued by The Bahamas Government. These securities have interest rates ranging from 4.3% to 7.1% per annum (2015: from 4.3% to 7.1% per annum) and scheduled maturities between 2017 and 2065 (2015: between 2016 and 2065).

Included in debt securities classified as 'available-for-sale' is \$2,185,000 (2015: \$2,185,000) representing a restricted balance which is held in favour of the CILStatutory Trust (the "Trust"). The Trust was established in accordance with the Insurance Act, 2005 and Insurance (General) Regulations 2010 (as amended). The aforementioned legislation requires that a minimum of \$2,000,000 in assets be deposited in favour of the Insurance Commission of The Bahamas by registered insurers in respect of any entities which propose to carry on life and/or health insurance business.

The movements in the categories of investment securities are as follows:

	FVPL	Available-for-sale	Loans and receivables	Total
At December 31, 2014	\$ 86,411,848	\$ 221,935,784	\$ -	\$ 308,347,632
Additions	32,845,429	15,402,610	35,000,000	83,248,039
Disposals and maturities	(19,289,832)	(12,297,551)	-	(31,587,383)
Net fair value gains	<u>2,236,046</u>	<u>949,132</u>	<u>-</u>	<u>3,185,178</u>
At December 31, 2015	102,203,491	225,989,975	35,000,000	363,193,466
Additions	35,889,117	11,317,374	-	47,206,491
Disposals and maturities	(28,195,846)	(8,860,189)	-	(37,056,035)
Net fair value gains/(losses)	<u>(4,702,097)</u>	<u>156,122</u>	<u>-</u>	<u>(4,545,975)</u>
At December 31, 2016	<u>\$ 105,194,665</u>	<u>\$ 228,603,282</u>	<u>\$ 35,000,000</u>	<u>\$ 368,797,947</u>

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The following table shows an analysis of financial instruments recorded at fair value by level within the fair value hierarchy:

At December 31, 2016	Level 1	Level 2	Total Fair Value
<b><i>Financial assets designated at fair value through profit or loss:</i></b>			
<b><u>Non-Pledged Securities</u></b>			
Equity securities	\$ 9,857,473	\$ 2,436,780	\$ 12,294,253
Shares in investment funds	-	3,509,368	3,509,368
Government securities	-	23,921,521	23,921,521
Preferred shares	-	1,550,000	1,550,000
Other debt securities	-	<u>12,197,389</u>	<u>12,197,389</u>
Sub-total	<u>9,857,473</u>	<u>43,615,058</u>	<u>53,472,531</u>
<b><u>Pledged Securities (See Note 19)</u></b>			
Government securities	\$ -	\$ 47,910,601	\$ 47,910,601
Other debt securities	-	3,811,533	3,811,533
Sub-total	-	<u>51,722,134</u>	<u>51,722,134</u>
Total	<u>\$ 9,857,473</u>	<u>\$ 95,337,192</u>	<u>\$ 105,194,665</u>
<b><i>Available-for-sale financial assets:</i></b>			
Equity securities	\$ 6,659,680	\$ 3,740,194	\$ 10,399,874
Shares in investment funds	-	4,161,124	4,161,124
Government securities	-	175,194,338	175,194,338
Preferred shares	-	23,091,775	23,091,775
Other debt securities	-	<u>15,756,171</u>	<u>15,756,171</u>
Total	<u>\$ 6,659,680</u>	<u>\$ 221,943,602</u>	<u>\$ 228,603,282</u>
<b><i>Loans and receivables:</i></b>			
Sovereign debt	\$ -	\$ 35,000,000	\$ 35,000,000
Total	<u>\$ -</u>	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>

The Group did not have any financial instruments classified as Level 3 as at December 31, 2016.

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At December 31, 2015	Level 1	Level 2	Total	Fair Value
<b><i>Financial assets designated at fair value through profit or loss:</i></b>				
<b><u>Non-Pledged Securities</u></b>				
Equity securities	\$ 11,494,493	\$ 2,323,472	\$ 13,817,965	
Shares in investment funds	-	2,661,007	2,661,007	
Government securities	-	19,608,604	19,608,604	
Preferred shares	-	1,550,000	1,550,000	
Other debt securities	-	11,997,012	11,997,012	
Sub-total	<u>11,494,493</u>	<u>38,140,095</u>	<u>49,634,588</u>	
<b><u>Pledged Securities (See Note 19)</u></b>				
Government securities	\$ -	\$ 48,844,204	\$ 48,844,204	
Other debt securities	-	3,724,699	3,724,699	
Sub-total	-	52,568,903	52,568,903	
Total	<u>\$ 11,494,493</u>	<u>\$ 90,708,998</u>	<u>\$ 102,203,491</u>	
<b><i>Available-for-sale financial assets:</i></b>				
Equity securities	\$ 5,723,122	\$ 4,630,575	\$ 10,353,697	
Shares in investment funds	-	4,064,833	4,064,833	
Government securities	-	171,004,097	171,004,097	
Preferred shares	-	24,201,875	24,201,875	
Other debt securities	-	16,365,473	16,365,473	
Total	<u>\$ 5,723,122</u>	<u>\$ 220,266,853</u>	<u>\$ 225,989,975</u>	
<b><i>Loans and receivables:</i></b>				
Sovereign debt	\$ -	\$ 35,000,000	\$ 35,000,000	
Total	<u>\$ -</u>	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>	

The Group did not have any financial instruments classified as Level 3 as at December 31, 2015.

**10. Mortgages and Commercial Loans**

Mortgages and commercial loans are comprised of the following:

	2016	2015
Mortgages and commercial loans	\$ 43,179,831	\$ 45,894,082
Accrued interest	9,372,273	7,901,353
Subtotal	52,552,104	53,795,435
Less: Provisions	(13,018,005)	(11,291,433)
Mortgages and commercial loans, net	<u>\$ 39,534,099</u>	<u>\$ 42,504,002</u>

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Mortgages and commercial loans are classified into the following categories:

	<b>2016</b>	<b>2015</b>
Residential mortgages	\$ 25,042,001	\$ 27,004,942
Commercial mortgages	15,455,987	16,218,545
Commercial paper	<u>2,681,843</u>	<u>2,670,595</u>
Subtotal	43,179,831	45,894,082
Accrued interest	<u>9,372,273</u>	<u>7,901,353</u>
Total	<u><u>\$ 52,552,104</u></u>	<u><u>\$ 53,795,435</u></u>

The totals above represent the Group's gross exposure on mortgages and commercial loans. It is the Group's policy not to lend more than 75% of collateralized values pledged reducing the Group's overall net exposure.

Included in residential mortgages at December 31, 2016 are loans to employees and salespersons amounting to \$4,908,794 (2015: \$4,968,320).

Provisions on mortgages and commercial loans are as follows:

	<b>2016</b>	<b>2015</b>
Residential mortgages	\$ 1,886,558	\$ 1,653,246
Commercial mortgages	4,711,988	4,325,217
Accrued interest	<u>6,419,459</u>	<u>5,312,970</u>
Total provisions on mortgages and commercial loans	<u><u>\$ 13,018,005</u></u>	<u><u>\$ 11,291,433</u></u>

The movement in loan loss provisions is as follows:

	<b>2016</b>	<b>2015</b>
Balance, beginning of year	\$ 11,291,433	\$ 10,387,210
Increase in provisions	1,859,112	2,439,474
Provisions written back to income	<u>(132,540)</u>	<u>(1,535,251)</u>
Balance, end of year	<u><u>\$ 13,018,005</u></u>	<u><u>\$ 11,291,433</u></u>

As of the year-end reporting date, the approximate weighted average interest rates on mortgages and commercial loans are as follows:

	<b>2016</b>	<b>2015</b>
Residential mortgages	7.45%	7.49%
Commercial mortgages	9.15%	9.16%
Commercial paper	7.90%	7.90%

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**11. Policy Loans**

Policy loans are comprised of:

	<b>2016</b>	<b>2015</b>
Policy loans	\$ 66,241,929	\$ 66,356,346
Accrued interest on policy loans	<u>3,826,135</u>	<u>3,795,103</u>
Subtotal	70,068,064	70,151,449
Less: Provisions	<u>(14,468)</u>	<u>(12,720)</u>
Policy loans, net	<u><u>\$ 70,053,596</u></u>	<u><u>\$ 70,138,729</u></u>

Policy loans are secured by the cash surrender values of the policies on which the loans are made with the exception of \$14,468 (2015: \$12,720) in policy overloans. Policy overloans represent policy loans in excess of the cash surrender values of the policies on which the loans are made. These overloans are not secured by cash surrender values; however, the related policies remain in force. The policy overloans have been fully provided for at December 31, 2016. Interest is accrued on a monthly basis and the loans are settled on termination of the policy, if not repaid while the policy remains in force. The approximate effective interest rate on policy loans is 11.7% (2015: 11.6%).

**12. Investment Properties**

The Group's investment properties consist of land holdings, residential rental properties, and commercial office rental properties and are carried at fair value. All investment properties have been classified as Level 3 in the fair value measurement hierarchy and there were no transfers from or to Level 3 during the period. Movements in investment properties classified by category are as follows:

	Land	Residential	Commercial Office	Total
At December 31, 2014	4,025,000	650,000	49,490,435	\$ 54,165,435
Additions	-	-	101,181	101,181
Net gain/(loss) from fair value adjustments	<u>135,000</u>	<u>(20,000)</u>	<u>773,777</u>	<u>888,777</u>
At December 31, 2015	4,160,000	630,000	50,365,393	55,155,393
Additions	-	-	9,289	9,289
Net gain/(loss) from fair value adjustments	<u>(145,000)</u>	<u>-</u>	<u>700,320</u>	<u>555,320</u>
At December 31, 2016	<u><u>\$ 4,015,000</u></u>	<u><u>\$ 630,000</u></u>	<u><u>\$ 51,075,002</u></u>	<u><u>\$ 55,720,002</u></u>

During the period, certain of the individual properties were valued by independent appraisers from Aston Jones & Associates and Quantum Appraisal Services. All appraisers used are accredited independent appraisers with experience in the location and category of the investment property valued. In accordance with the Group's policy for the valuation of investment property holdings in intervening periods, the fair values of all properties at December 31, 2016 were based on valuations performed by management using the Discounted Cash Flow Method (DCF) and the Sales Comparison Method (SC). (2015: DCF, RC and SC).

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Significant unobservable inputs used in the valuations in 2016 were as follows:

<b>Property Classification</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Range (weighted average)</b>
Land and land lots	SC	Sales price / acre	\$13,500 - \$320,000 (\$14,927)
	DCF	Estimated rental rate / sq.ft. / p.a. Discount rate	\$3 10.5%
		Rent growth p.a. Expense inflation p.a. Capitalization rate for terminal value Vacancy rate	3% 3% 9.25% 0%
Residential	SC	Sales price / sq.ft.	\$330 (\$330)
Commercial office	DCF	Estimated rental rate / sq.ft. / p.a. Discount rate	\$9 - \$48 9.5%-10. 5%
		Rent growth p.a. Expense inflation p.a. Capitalization rate for terminal value Vacancy rate	1.6% - 3.0% 0% - 3.0% 8.25% - 9.9% 0% - 12.5%
	SC	Sales price / sq. ft.	\$12 (\$12)

Significant unobservable inputs used in the valuations in 2015 were as follows:

<b>Property Classification</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Range (weighted average)</b>
Land and land lots	SC	Sales price / acre	\$13,500 - \$320,000 (\$14,927)
Residential	SC	Sales price / sq.ft.	\$330 (\$330)
Commercial office	DCF	Estimated rental rate / sq.ft. /p.a. Discount rate	\$11 8.75% - 12.75%
		Rent growth p.a. Expense inflation p.a. Capitalization rate for terminal value Vacancy rate	3.0% 3.0% 8.75% - 11.0% 0% - 35.7%

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Commercial office (cont'd)	SC	Sales price / sq.ft.	\$12 (\$12)
	RC	Cost / sq.ft.	\$125 -\$350

Under the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. A market-derived discount rate is applied to establish the present value of the income streams associated with the property. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of the inflows and outflows are determined by events such as lease renewals, and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behavior that is a characteristic of the class of property. Periodic cash flows are typically estimated as gross rental income less vacancy, non-recoverable expenses, maintenance and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

The RC method bases the cost of replacing the subject property with a structure providing similar utility. The cost estimate may not be necessarily based on similar materials if considered appropriate by the appraiser based on current construction standards.

Under the SC method, fair value is determined by a comparison of recent property sales similar to the subject property. The prices for these properties provide the basis for estimating the value of the subject by comparison. Appropriate adjustments are made for the differences in the properties as they compare to the subject. The adjusted process yields various indicators of value which are analyzed and correlated to provide a value estimate for the subject property.

The CA method provides an analysis showing the fee simple value of the land, the value of site improvements and the cost to construct the building at current building rates. Physical depreciation is then deducted from the construction cost. Functional obsolescence and economic depreciation are also factored in the depreciation if applicable.

Significant increases (decreases) in estimated rental values and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the property. Significant increase (decrease) in long-term vacancy rates and discount rates in isolation would result in a significantly lower (higher) fair value. Increases/(decreases) in the capitalization rate would result in a significantly lower (higher) fair value.

Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate and an opposite change in the long term vacancy rate.

The Company has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment property for repair, maintenance and enhancement.

Investment properties, with carrying values totaling approximately \$13.2 million (2015: \$43.2 million), have been mortgaged in support of loans advanced to subsidiary companies by the Group – the referenced loans have been eliminated on consolidation. Income from investment properties, which amounted to \$4,563,755 (2015: \$4,504,576), is included in rental income in net investment income. Direct expenses related to generating rental income from investment properties, amounting to \$1,544,165 (2015: \$1,706,542), are included in general and administrative expenses.

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**13. Investment in Associates**

Investment in Associates is comprised of:

	<b>2016</b>	<b>2015</b>
Walk-In Holdings Limited	\$ 3,324,605	\$ 4,238,634
SBL Ltd.	<u>10,597,247</u>	<u>7,828,580</u>
<b>Total</b>	<b>\$ 13,921,852</b>	<b>\$ 12,067,214</b>

Gains and losses from the Group's investment in associates are comprised of the following:

	<b>2016</b>	<b>2015</b>
Share of profit of investment in associate		
Walk-In Holdings Limited	\$ 85,971	\$ 98,478
SBL Ltd.	2,768,667	1,790,162
Impairment of goodwill - WIHL	<u>(1,000,000)</u>	<u>(500,000)</u>
Share of net gain of associates	<u>\$ 1,854,638</u>	<u>\$ 1,388,640</u>

*Walk-In Holdings Limited*

In November 2007, the Group, through its wholly-owned subsidiary, PRO Health Holdings Ltd., acquired a 30% interest in Walk-In Holdings Limited ("WIHL"), a privately-held company incorporated in The Bahamas at a cost of \$3,402,631. WIHL owns and operates medical clinics in The Bahamas.

The investment in WIHL is comprised of the following:

	<b>2016</b>	<b>2015</b>
Total assets	\$ 8,794,600	\$ 9,253,996
Total liabilities	<u>(660,512)</u>	<u>(1,078,712)</u>
Net assets of WIHL	<u>\$ 8,134,088</u>	<u>\$ 8,175,284</u>
Company's share of WIHL's balance sheet	\$ 2,591,904	\$ 2,505,933
Goodwill	732,701	1,732,701
<b>Total investment in WIHL</b>	<b>\$ 3,324,605</b>	<b>\$ 4,238,634</b>

Management estimates that the carrying value of the investment in WIHL approximates its fair value at the consolidated statement of financial position date.

The Group's share of WIHL's net income is as follows:

	<b>12 Months Ended Dec. 31, 2016</b>	<b>12 Months Ended Dec. 31, 2015</b>
Total revenue	<u>\$ 6,861,018</u>	<u>\$ 6,460,311</u>
Total net income for the period	<u>\$ 277,319</u>	<u>\$ 317,669</u>
Share of WIHL's net income	<u>\$ 85,971</u>	<u>\$ 98,478</u>

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**SBL Ltd.**

In July 2009, the Company and Colina, purchased 7% and 12% of SBL Ltd. ("SBL") at a cost of \$3 million and \$5 million respectively. In considering the classification of its 19% equity holding in SBL, the Group has classified its investment in SBL as an investment in associate as two of the ten Board members of SBL are also Directors of the Company. In May 2009, SBL acquired the issued and outstanding shares of Ansbacher (Bahamas) Limited ("ABL") and in July 2009, merged ABL subsequently with Sentinel Bank & Trust Limited ("SBT") with the surviving entity retaining the name Ansbacher (Bahamas) Limited. ABL's principal activities comprise private and specialist banking, wealth protection and management, and fiduciary services.

During 2013, the Company and Colina made additional capital contributions of \$124,473 and \$213,382 respectively in SBL Ltd. The funds were used by SBL's subsidiary, ABL to partially fund the acquisition of Finter Bank and Trust (Bahamas) Limited. CHBL and Colina's percentage ownership in SBL Ltd. after the capital contribution remained at 7% and 12% respectively.

The Company made additional investments in SBL and ABL during 2015. However, these additional investments did not impact the Company's consolidated percentage ownership in SBL nor its classification as an investment in associate. In June 2015, the Company facilitated a \$15 million loan to SBL using proceeds received from bank borrowings (See Note 14). In December 2015, the Company purchased 1 Series B Preference Share of ABL with a par value of \$0.01 and Share Premium of \$4,999,999.99 for a total investment of \$5 million. The Preference Share was issued at the rate of 7% per annum and is cumulative and non-voting and is included in Investment Securities in the available-for-sale classification.

The investment in SBL is comprised of the following:

	<b>2016</b>	<b>2015</b>
Total assets	\$ 904,743,213	\$ 662,929,143
Total liabilities	<u>(844,519,152)</u>	<u>(622,020,563)</u>
Net assets of SBL	<u>\$ 60,224,061</u>	<u>\$ 40,908,580</u>
Company's share of SBL's balance sheet	\$ 10,370,648	\$ 7,489,249
Intangible assets	<u>226,599</u>	<u>339,331</u>
Total investment in SBL	<u>\$ 10,597,247</u>	<u>\$ 7,828,580</u>

Management estimates that the carrying value of the investment in SBL approximates its fair value at the consolidated statement of financial position date.

The Group's share of SBL's net income is as follows:

	<b>12 Months Ended Dec. 31, 2016</b>	<b>12 Months Ended Dec. 31, 2015</b>
Total revenue	\$ 34,602,349	\$ 26,071,254
Total net income for the period	<u>\$ 14,220,767</u>	<u>\$ 9,838,793</u>
Share of SBL's net income	<u>\$ 2,768,667</u>	<u>\$ 1,790,162</u>

The following table shows an analysis of goodwill and other intangible assets included in investment in associates for the years ending December 31, 2016 and 2015:

	<b>Other Intangible Assets</b>			<b>Total</b>
	<b>Goodwill</b>	<b>Assets</b>	<b>Total</b>	
Balance as of December 31, 2014	\$ 2,232,701	\$ 452,883	\$ 2,685,584	
Amortization	- -	(113,552)	(113,552)	
Impairment losses	<u>(500,000)</u>	-	<u>(500,000)</u>	
Balance as of December 31, 2015	1,732,701	339,331	2,072,032	
Acquired during the year	- -	352,678	352,678	
Amortization	- -	(465,410)	(465,410)	
Impairment losses	<u>(1,000,000)</u>	-	<u>(1,000,000)</u>	
Balance as of December 31, 2016	<u>\$ 732,701</u>	<u>\$ 226,599</u>	<u>\$ 959,300</u>	

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The gross carrying value and accumulated amortization by major category of other intangible assets as of December 31, 2016, is shown below.

	Other Intangible Assets		
	Gross Carrying Value	Accumulated Amortization	Total
Customer relationships	\$ 687,800	\$ (469,660)	\$ 218,140
Non-competitive agreement	86,260	(86,260)	-
Trade name	140,980	(140,980)	-
Software	1,045,058	(1,036,599)	8,459
<b>Total Other Intangible Assets</b>	<b>\$ 1,960,098</b>	<b>\$ (1,733,499)</b>	<b>\$ 226,599</b>

The useful life of intangible assets with finite lives ranges from 2 to 10 years, with a weighted average amortization period of 9 years. Expected amortization of the intangible assets is shown below:

	Other intangible assets included in Investment in Associates
2017	\$ 75,515
2018	72,487
2019	41,881
2020 and thereafter	36,716
	<b>\$ 226,599</b>

**14. Receivables and Other Assets**

Receivables and other assets are comprised of the following:

	2016	2015
Financial assets		
Premiums receivable	\$ 13,019,541	\$ 9,006,280
Less: Provision on premiums receivable	(2,080,091)	(2,116,044)
Reinsurance recoveries receivable	3,172,845	2,762,546
Net balances receivable on ASO plans	44,881,862	6,926,814
Agents' balances	1,202,641	1,323,190
Less: Provision on agents' balances	(1,196,084)	(1,312,633)
Accrued interest income	5,888,544	3,872,935
Loan to SBL Ltd. (See Note 20 and Note 33)	10,000,000	15,000,000
Receivables from related parties (See Note 33)	543,399	210,504
Participation in IRM reinsurance facilities	1,938,813	719,755
Non-financial assets		
Properties assumed under mortgage defaults	1,795,400	1,795,400
Land held for development	5,438,895	5,942,466
Prepayments and other assets	14,006,442	12,477,837
<b>Total receivables and other assets</b>	<b>\$ 98,612,207</b>	<b>\$ 56,609,050</b>

The carrying amounts disclosed above reasonably approximate fair value at the consolidated statement of financial position date.

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*Administrative Services Only (ASO) receivables*

Included in receivables and other assets are net amounts due from / (due to) groups to whom the Group provides administrative services only ("ASO").

*Loan to SBL Ltd.*

In June 2015, the Company entered into a senior term loan facility (the FCIB Loan) with FirstCaribbean International Bank (Bahamas) Limited for an amount totaling \$15 million US Dollars at the interest rate of 3M LIBOR plus 2% per annum with interest due quarterly. The proceeds of the FCIB Loan were immediately used by the Company to issue a loan on the exact same interest and repayment terms to its affiliate, SBL Ltd. in 2015 and is included in receivables and other assets as "Loan to SBL." The FCIB Loan is included in "other liabilities" as "Bank borrowings" (See Note 20). In accordance with the original terms of the agreement, a principal repayment was made prior to June 24, 2016 to reduce the principal balance to \$10 million US Dollars.

The FCIB Loan is collateralized by a pledge of assets owned by AFH along with guarantees by both AFH and SBL. The terms of the FCIB Loan include covenants to maintain a maximum loan to asset value ratio of 30% and a minimum total equity of \$150 million. Throughout the reporting period, the Company has complied with all financial covenants.

During 2016, the Company negotiated an "Amending Agreement" with FCIB, whose terms had been accepted in principle by all parties to the agreement. The revised terms require principal repayments to reduce the facility to \$8 million US Dollars by December 31, 2017 with the remaining principal balance on the facility due on December 31, 2019. (See Subsequent Events Note 35).

*Participation in IRM reinsurance facilities*

The Group participates in reinsurance facilities managed by International Reinsurance Managers, LLC ("IRM"), an underwriting management company domiciled in the United States of America which provides group health reinsurance services to small and medium sized insurance companies in the Caribbean and Latin America. The Group's participation in these facilities varies from 10% to 50% for differing underwriting years and its interest is included above. The underlying assets of the reinsurance facilities are principally comprised of US Treasury money market instruments.

**15. Property and Equipment**

	Land, land improvements and buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
<b>Cost:</b>					
At December 31, 2015	\$ 24,366,183	\$ 2,477,074	\$ 5,924,751	\$ 65,174	\$ 32,833,182
Additions	-	7,727	209,561	-	217,288
Disposals	-	-	(10,033)	-	(10,033)
At December 31, 2016	<u>\$ 24,366,183</u>	<u>\$ 2,484,801</u>	<u>\$ 6,124,279</u>	<u>\$ 65,174</u>	<u>\$ 33,040,437</u>
<b>Accumulated depreciation:</b>					
At December 31, 2015	\$ 6,527,882	\$ 1,706,166	\$ 4,749,673	\$ 61,625	\$ 13,045,346
Depreciation charge	709,044	160,579	532,203	3,549	1,405,375
At December 31, 2016	<u>\$ 7,236,926</u>	<u>\$ 1,866,745</u>	<u>\$ 5,281,876</u>	<u>\$ 65,174</u>	<u>\$ 14,450,721</u>
<b>Net book value:</b>					
At December 31, 2016	<u>\$ 17,129,257</u>	<u>\$ 618,056</u>	<u>\$ 842,403</u>	<u>\$ -</u>	<u>\$ 18,589,716</u>
At December 31, 2015	<u>\$ 17,838,301</u>	<u>\$ 770,908</u>	<u>\$ 1,175,078</u>	<u>\$ 3,549</u>	<u>\$ 19,787,836</u>

The opening balances have been adjusted for fully depreciated assets.

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The cost of land, land improvements and buildings is comprised of the following:

	2016	2015
Land and land improvements	\$ 6,035,523	\$ 6,035,523
Buildings	<u>18,330,660</u>	<u>18,330,660</u>
<b>Total cost</b>	<b>\$ 24,366,183</b>	<b>\$ 24,366,183</b>

Properties are stated at their revalued amounts, as assessed by qualified independent property appraisers or management valuation in intervening periods. The revalued amount is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses.

If land, land improvements and buildings were stated on a historical cost basis, the carrying amount would be approximately \$12.5 million (2015: \$13.1 million).

**16. Goodwill**

	2016	2015
Cost	\$ 17,244,032	\$ 17,244,032
Accumulated impairment charges	<u>(3,872,658)</u>	<u>(3,774,116)</u>
 Net book amount	 <u>\$ 13,371,374</u>	 <u>\$ 13,469,916</u>
 Balance, beginning of year	 <u>\$ 13,469,916</u>	 <u>\$ 13,519,916</u>
Impairment charge	<u>(98,542)</u>	<u>(50,000)</u>
 Balance, end of year	 <u>\$ 13,371,374</u>	 <u>\$ 13,469,916</u>

**17. Other Intangible Assets**

	2016	2015
Cost	\$ 10,384,019	\$ 10,384,019
Accumulated amortization	<u>(7,111,909)</u>	<u>(6,648,214)</u>
 Net book amount	 <u>\$ 3,272,110</u>	 <u>\$ 3,735,805</u>
 Balance, beginning of year	 <u>\$ 3,735,805</u>	 <u>\$ 4,243,694</u>
Amortization charge related to CFAL allocation	<u>(463,695)</u>	<u>(463,695)</u>
Amortization charge	<u>-</u>	<u>(44,194)</u>
 Balance, end of year	 <u>\$ 3,272,110</u>	 <u>\$ 3,735,805</u>

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The following table shows an analysis of other intangible assets for the years ending December 31, 2016 and 2015:

	From acquisitions	Other Intangible Assets	Total
Balance as of December 31, 2014	4,199,500	44,194	\$ 4,243,694
Amortization	(463,695)	(44,194)	(507,889)
Balance as of December 31, 2015	3,735,805	-	3,735,805
Amortization	(463,695)	-	(463,695)
Balance as of December 31, 2016	<u>\$ 3,272,110</u>	<u>\$ -</u>	<u>\$ 3,272,110</u>

Upon acquisition of CFAL in September 2013, the excess of the purchase price over total net assets acquired totalled \$5,879,167 and was recognised as goodwill. At the time of acquisition, the analysis to identify intangible assets for allocation purposes of purchase price over net assets acquired had not been completed.

During 2014, an independent valuation exercise was performed in order to determine this allocation at the valuation date of October 1, 2013. As a result of this, an amount of \$4,872,000 was allocated to intangible assets.

The gross carrying value and accumulated amortization by major category of other intangible assets from acquisitions as of December 31, 2016 is shown below:

	Other Intangible Assets		
	Gross Carrying Value	Accumulated Amortization	Total
Customer relationships	\$ 4,572,000	\$ (1,509,890)	\$ 3,062,110
Trade name	300,000	(90,000)	210,000
Total Other Intangible Assets	<u>\$ 4,872,000</u>	<u>\$ (1,599,890)</u>	<u>\$ 3,272,110</u>

Expected amortization of other intangible assets is shown below:

	Other Intangible Assets
2017	469,176
2018	469,176
2019	469,176
2020 and thereafter	1,864,582
	<u>\$ 3,272,110</u>

**18. Provision for Future Policy Benefits**

The provision for future policy benefits is calculated using expected future policy lapse rates, mortality, morbidity, investment yield and policy maintenance expense assumptions and any other relevant contingency.

The provisions for adverse deviation recognize uncertainty in establishing these best estimates and allow for possible deterioration in experience. As the best estimate assumption is realized, the provisions for adverse deviations will be released in future income to the extent that they are no longer required to cover adverse experience.

The assumptions used in determining the provision for future policy benefits are reviewed regularly, compared to emerging experience and updated when appropriate. The assumptions that are most sensitive to change are investment yields, expenses, policy lapse rates, and mortality and morbidity.

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*Margins for Adverse Deviation Assumptions*

The basic assumptions made in establishing provisions for future policy benefits are best estimates for a range of possible outcomes. To recognize the uncertainty in establishing these best estimates, to allow for possible deterioration in experience and to provide greater comfort that the provisions are adequate to pay future benefits, the Appointed Actuary is required to include a margin in each assumption.

The impact of these margins is to increase provisions and decrease the income that would be recognized on inception of the policy. The Canadian Institute of Actuaries prescribes a range of allowable margins. The Company uses assumptions which take into account the risk profiles of the business. The Closed Participating Fund ("Closed Par Fund"), discussed below, has the lowest margins, as the risk is passed back to the policyholders by dividend distributions.

*Investment yields*

The computation of provisions takes into account projected net investment income on assets supporting policy liabilities and income expected to be earned or forgone on reinvestment or financing of mismatched cash flows. Uncertainties exist with respect to projections of interest rates and the magnitude of losses from asset defaults. The Company accounts for such uncertainties by incorporating provisions for losses into projections of investment income. A margin for adverse deviation is calculated by interest rate scenario testing under the CALM methodology. The margin in the most adverse scenario can be interpreted as deducting 35 basis points from the current (Prime) rates immediately and assuming future interest rates remain at that level in the long term. If future interest rates were to differ by 100 basis points from that assumed in the valuation, without changing the policyholder dividend scale, the liability would increase by \$61.2 million or decrease by \$46.4 million.

*Expenses*

The administration expense assumption is based on an expense study conducted by the Company. The expenses are allocated by line of business using allocation factors developed by the Company. Such expense studies are conducted annually, and are subject to changes in the Company's cost structure as well as the rate of inflation. Best estimate expenses are assumed to increase with inflation of 2.11% in all years. Expenses are increased by a range of 0% to 6.25%, where the Closed Par Fund has no margin. If future expenses are to differ by 10% from that assumed, the liability would increase by \$6.4 million or decrease by \$6.4 million.

*Policy lapse rates*

Policyholders may allow their policies to lapse by choosing not to continue to pay premiums. The Company bases its estimate of future lapse rates on previous experience for a block of policies. A margin for adverse deviation is added by increasing or decreasing lapse rates, whichever is adverse, by a range of 5% to 20%. If future margins on lapse rates are to differ by 10% from that assumed, the liability would increase by \$9.4 million or decrease by \$9.0 million.

*Mortality and Morbidity*

Assumptions for life business are based on Company and industry experience. A margin is added for adverse deviation in the range of 4.0 to 11.25 per 1000 divided by the expectation of life for mortality, and between 15% and 20% for morbidity. The Closed Par Fund has the lowest margin added. If future mortality and morbidity are to differ by 10% from that assumed, the liability would increase by \$3.5 million or decrease by \$3.2 million.

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*Medical claims costs*

The principal assumption underlying the estimate of the medical claims reserve is the Company's past claims development experience and loss ratios. If the average claim costs were to increase by 10%, gross liabilities would increase by \$0.7 million, with the net liabilities increasing by \$0.7 million. If the average claim costs were to decrease by 10%, gross liabilities would decrease by \$0.9 million, with the net liabilities decreasing by \$0.9 million.

*Analysis of provision for future policy benefits*

The following is a summary of the provision for future policy benefits by product line:

	<b>2016</b>	<b>2015</b>
Life insurance	\$ 362,779,474	\$ 345,893,242
Annuities	19,962,391	20,350,745
Accident and health	13,773,244	13,327,663
Colina Investment Plan (See Note 32)	<u>7,600,697</u>	<u>7,609,526</u>
 Total provision for future policy benefits	 <u>\$ 404,115,806</u>	 <u>\$ 387,181,176</u>

The following is a summary of the provision for future policy benefits by contract category:

	<b>2016</b>	<b>2015</b>
Short-term insurance contracts	\$ 14,103,346	\$ 13,648,242
Long-term insurance and other contracts		
-with fixed and guaranteed terms	147,645,429	132,061,779
-with fixed and guaranteed terms and with DPF	198,882,824	196,775,170
-without fixed and guaranteed terms	20,171,037	20,452,190
-without fixed and guaranteed terms and with DPF	15,712,473	16,634,269
Long-term investment contracts with DPF	<u>7,600,697</u>	<u>7,609,526</u>
 Total provision for future policy benefits	 <u>\$ 404,115,806</u>	 <u>\$ 387,181,176</u>

*Analysis of change in provision for future policy benefits*

	<b>2016</b>	<b>2015</b>
Balance, beginning of year	\$ 387,181,176	\$ 369,693,794
Changes in discretionary participation features	(3,716,460)	(888,172)
Normal changes in policy liabilities	12,443,369	12,664,414
Changes in assumptions and refinement of estimates	<u>8,207,721</u>	<u>5,711,140</u>
 Balance, end of year	 <u>\$ 404,115,806</u>	 <u>\$ 387,181,176</u>

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*Closed Participating Fund*

Included in the provision for future policy benefits as of December 31, 2016 are actuarial reserves totaling \$33.4 million (2015: \$32.0 million) relating to Colina's commitment to maintain and operate a Closed Participating Fund ("Closed Par Fund") covering the individual participating business (both life and annuity) of the Canada Life portfolio of business acquired on January 1, 2004. The objective of this Closed Par Fund is to finance the participating policyholders' reasonable expectations that Colina will: (i) pay the benefits guaranteed by each participating policy according to its terms; (ii) pay dividends according to the current dividend scale provided that current experience continues; and (iii) make an equitable adjustment to the dividend scale in future years to reflect any deviations from the current experience, in accordance with the insurer's dividend policy as well as applicable actuarial standards. Future profits that may emerge within the Closed Par Fund are for the sole benefit of the participating policyholders.

The Appointed Actuary's valuation of the Closed Par Fund as of December 31, 2016 shows that it had the following asset mix:

	<b>2016</b>	<b>2015</b>
Government securities	53.7%	51.8%
Policy loans	22.9%	23.6%
Equity securities	10.0%	9.3%
Mortgage loans	6.5%	7.1%
Cash and equivalents	2.5%	3.6%
Preference shares	3.4%	3.4%
Corporate bonds	1.0%	1.2%

**19. Repurchase Agreement**

On December 7, 2015, Colina entered into a structured repurchase transaction with Deutsche Bank AG (DB), acting through its London Branch. On the initial exchange, DB funded Colina with an amount totaling US\$35 million at an annual fixed rate of 4.85% in exchange for delivery by Colina to DB of assets with face amounts totaling US\$47.5 million (the Pledged Bonds). The Pledged Bonds by Colina in respect of this transaction are bonds held by Colina through its interests in its subsidiary CFAL Global Bond Fund Ltd. (CGBF). Colina owns 100% of the issued shares in Class C of the CGBF and by agreement dated December 7, 2015, has been granted all rights and obligations over all assets and liabilities in Class C of the CGBF.

The repurchase agreement requires the funded amount by DB to Colina of US\$35 million to be repaid in 5 equal principal repayment instalments of US\$7 million. The first repayment was made on December 10, 2016 and are scheduled to continue annually until December 10, 2020.

If the value of the Pledged Bonds falls by more than US\$250,000, Colina will be required to post the shortfall with DB in cash or cash equivalents within 1 business day.

The table below shows the amount of collateral given in respect of the repurchase agreement:

	<b>2016</b>	<b>2015</b>
Payables under sale and repurchase agreements	\$ 28,000,000	\$ 35,000,000
Carrying amount of collateral provided in respect of above	\$ 51,722,134	\$ 52,568,903

Collateral provided includes securities transferred under the repurchase agreement. The Company continues to recognize these securities in the statement of financial position and presents them within pledged financial assets at fair value through profit or loss.

The repurchase transaction is scheduled to terminate on December 10, 2020.

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**20. Other Liabilities**

	2016	2015
Third party pension liabilities	\$ 25,516,562	\$ 24,866,860
Benefits payable to policyholders	14,206,191	14,237,806
Bank borrowings (See Note 14)	10,000,000	15,000,000
Accrued expenses and other liabilities	32,408,184	35,011,118
Bank overdraft (See Note 8)	1,305,042	259,672
Reinsurance payables	<u>1,759,318</u>	<u>1,742,306</u>
 Total other liabilities	 <u>\$ 85,195,297</u>	 <u>\$ 91,117,762</u>

The carrying amounts disclosed above reasonably approximate fair value at the consolidated balance sheet date.

**21. Share Capital**

	2016	2015
Authorized:		
45,000,000 Class "A" preference shares of B\$1.00 each (2015: 45,000,000)	\$ 45,000,000	\$ 45,000,000
30,000,000 Class "B" preference shares of B\$0.01 each (2015: 30,000,000)	\$ 300,000	\$ 300,000
35,000,000 Class "A" Ordinary shares of B\$1.00 each (2015: 35,000,000)	\$ 35,000,000	\$ 35,000,000
40,000,000 Class "B" Ordinary shares of B\$0.01 each (2015: 40,000,000)	\$ 400,000	\$ 400,000
 Issued and fully paid:		
42,500,000 Class "A" preference shares of B\$1.00 each (2015: 42,500,000)	\$ 42,500,000	\$ 42,500,000
24,709,631 Class "A" Ordinary shares of B\$1.00 each (2015: 24,709,631)	\$ 24,679,064	\$ 24,679,064

Treasury shares are stated at cost and at December 31, 2016, comprise 19,982 (2015: 19,982) ordinary shares of the Company that are held by Colina.

The Class "A" preference shares were authorized for issue on September 30, 2005, as non-voting and redeemable at the discretion of the Board of Directors at any time after September 30, 2006, upon 90 days' notice. The shares were issued with dividends payable quarterly at the Bahamian \$ Prime rate plus 2.25% per annum on the par value outstanding to shareholders of record on the record date.

The Company gave notice to the Class "A" preference shareholders on October 29, 2008 of its intention to retire all issued and fully paid Class "A" preference shares. Preference Shareholders of record on that date were provided with the first right of refusal to subscribe for an equivalent amount of Par Value of Class "A" preference shares which were issued at a dividend rate payable quarterly at the Bahamian \$ Prime rate plus 1.5% per annum. On January 31, 2009, all issued and fully paid Class "A" Preference Shares issued and fully paid on that date were issued at the new dividend rate. The Class "A" preference shares rank in priority to the ordinary shares in a winding up with respect to repayment of capital and any cumulative dividends in arrears. During 2015, an additional 2,000,000 of Class "A" Preference shares were issued.

At the Extraordinary Annual General Meeting of the Company held June 3, 2015, the shareholders approved resolutions to authorize an additional 30,000,000 of Class "B" preference share capital with a par value of \$0.01 each and an additional 40,000,000 of Class "B" ordinary voting share capital with a par value of \$0.01. At December 31, 2016, none of the Class "B" ordinary or preference share capital were issued.

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**22. Revaluation Reserve**

The revaluation reserve is comprised of the net gain/(loss) on remeasurement of available-for-sale securities to fair value and revaluation adjustments related to land and buildings. Also included in the revaluation reserve are unrealized gains related to the purchase of additional equity in a subsidiary company subsequent to the date control was first established.

	<b>2016</b>	<b>2015</b>
Balance, beginning of year	\$ 10,753,156	\$ 10,148,509
Net fair value gains during the year	286,690	962,181
Transfers to net income	1,452,447	(357,534)
 Balance, end of year	 <u>\$ 12,492,293</u>	 <u>\$ 10,753,156</u>

**23. Contingent Liabilities and Commitments**

The Group has the following contingent liabilities and commitments as of the year-end reporting date:

*Legal proceedings and regulations*

The Group operates in the insurance and financial services industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position.

The Group is also subject to insurance solvency regulations in all the jurisdictions in which it operates and has complied with all regulations. There are no contingencies associated with the Group's compliance or lack of compliance with such regulations.

*Contingent liabilities*

The Group may have contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material loss will arise from the contingent liabilities. Other than as disclosed in Note 14, as at December 31, 2016, the Group did not provide any guarantees to third parties in the ordinary course of business. (2015: NIL).

The Group, is from time to time, in connection with its normal operations, named as a defendant in actions for damages and costs allegedly sustained by the plaintiffs. The Board of Directors is of the opinion, based upon the advice of counsel, that the final outcome of such actions will not have a material adverse effect on the financial position of the Group.

*Commitments*

*Lending:* The company had no commitments to extend credit for mortgages and commercial loans at December 31, 2016 (2015: NIL).

*Purchase of property and equipment:* The Company had no commitments for the purchase of capital equipment or services at December 31, 2016 (2015: NIL).

*Leases:* The Group leases office and other space for use in its day-to-day business activities pursuant to the terms of non-cancelable operating leases. The expenditures related to these lease arrangements are not considered to be material. The future aggregate minimum lease payments under operating leases as of December 31, 2016 are as follows:

	<b>At December 31, 2016</b>
No later than 1 year	\$ 344,640
Later than 1 year and no later than 5 years	1,617,648
Later than 5 years	1,014,048
 Total	 <u>\$ 2,976,336</u>

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**24. Future Minimum Lease Payments Receivable**

The Group derives rental income from certain of its investment properties under non-cancellable rental agreements. The future minimum lease payments due to be received under these agreements as of December 31, 2016 are as follows:

	<b>At December 31, 2016</b>
No later than 1 year	\$ 2,927,563
Later than 1 year and no later than 5 years	<u>6,116,575</u>
<b>Total</b>	<b>\$ 9,044,138</b>

**25. Net Premium Revenue**

Net premium revenue is comprised of the following:

	<b>2016</b>	<b>2015</b>
Life and health insurance premiums	\$ 120,901,904	\$ 121,086,477
Less: Reinsurance premiums	<u>(13,144,772)</u>	<u>(12,541,266)</u>
<b>Subtotal</b>	<b>107,757,132</b>	<b>108,545,211</b>
Premiums from IRM reinsurance facilities (See Note 14)	<u>11,021,690</u>	<u>18,331,693</u>
<b>Net premium revenue</b>	<b>\$ 118,778,822</b>	<b>\$ 126,876,904</b>

Net premium revenues are classified in the following categories:

	<b>2016</b>	<b>2015</b>
Short-term insurance contracts	\$ 70,123,242	\$ 76,643,787
Long-term insurance and other contracts		
-with fixed and guaranteed terms	32,412,598	31,985,399
-with fixed and guaranteed terms and with DPF	20,147,860	20,710,996
-without fixed and guaranteed terms	59,349	68,351
-without fixed and guaranteed terms and with DPF	7,882,394	10,392,557
Long-term investment contracts with DPF	<u>1,298,151</u>	<u>(382,920)</u>
Total premium revenue arising from contracts issued	131,923,594	139,418,170
Premiums ceded to reinsurers	<u>(13,144,772)</u>	<u>(12,541,266)</u>
<b>Net premium revenue</b>	<b>\$ 118,778,822</b>	<b>\$ 126,876,904</b>

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**26. Net Investment Income**

Net investment income is classified as follows:

	<b>2016</b>	<b>2015</b>
Term deposits	\$ 714,520	\$ 667,595
Investment securities	9,298,547	15,666,718
Net fair value gains included in the revaluation reserve (See Note 22)	<u>286,690</u>	<u>962,181</u>
Net investment return on managed assets	10,299,757	17,296,494
Mortgages and commercial loans	2,636,636	2,433,605
Policy loans	7,735,574	7,695,698
Rental income	4,563,755	4,504,576
Net fair value gains on investment properties (See Note 12)	555,320	888,777
Fair value losses on property assumed under mortgage default	-	(826,000)
Other fees and income	<u>(160,558)</u>	<u>(366,662)</u>
Total return on invested assets	25,630,484	31,626,488
Less: Fair value gains in the revaluation reserve	<u>(286,690)</u>	<u>(962,181)</u>
Total net investment income recognized in income	<u><u>\$ 25,343,794</u></u>	<u><u>\$ 30,664,307</u></u>

There are no impairment charges included in net investment income from investment securities (2015: \$Nil).

**27. Net Policyholders' Benefits**

Net policyholders' benefits are comprised of the following:

	<b>2016</b>	<b>2015</b>
Life and health policyholder benefits	\$ 81,625,727	\$ 80,383,314
Less: Reinsurance recoveries	<u>(8,422,359)</u>	<u>(8,367,197)</u>
Subtotal	73,203,368	72,016,117
Benefits paid on IRM reinsurance facilities (See Note 14)	<u>6,894,114</u>	<u>14,332,386</u>
Total net policyholders' benefits	<u><u>\$ 80,097,482</u></u>	<u><u>\$ 86,348,503</u></u>

Included in life and health policyholder benefits is \$864,646 related to interest on policy dividends on deposit (2015: \$863,341).

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Policyholders' benefits for the year by contract classification were as follows:

	<b>2016</b>	<b>2015</b>
Short-term insurance contracts	\$ 45,940,639	\$ 48,337,177
Long-term insurance and other contracts		
-with fixed and guaranteed terms	10,646,040	13,982,446
-with fixed and guaranteed terms and with DPF	21,194,620	21,439,979
-without fixed and guaranteed terms and with DPF	1,855,298	2,130,317
-without fixed and guaranteed terms and with DPF	4,149,366	8,211,476
Long-term investment contracts with DPF	<u>4,733,878</u>	<u>614,305</u>
Total policyholders' benefits	88,519,841	94,715,700
Reinsurance recoveries	<u>(8,422,359)</u>	<u>(8,367,197)</u>
Net policyholders' benefits	<u><u>\$ 80,097,482</u></u>	<u><u>\$ 86,348,503</u></u>

**28. General and Administrative Expenses**

General and administrative expenses are comprised of:

	<b>2016</b>	<b>2015</b>
Salaries and employee/salesperson benefits	\$ 17,972,714	\$ 17,380,449
Fees, insurance and licences	5,283,229	5,040,666
IRM reinsurance facilities expenses (See Note 14)	2,501,516	2,803,309
Advertising and communications expense	3,533,094	3,340,835
Depreciation and amortization	1,869,070	2,213,212
Premises and maintenance	3,406,238	3,734,259
Underwriting fees	668,810	731,851
Other expenses	<u>758,607</u>	<u>2,447,791</u>
Total general and administrative expenses	<u><u>\$ 35,993,278</u></u>	<u><u>\$ 37,692,372</u></u>

**29. Finance Costs and Interest**

Finance costs and interest are comprised of:

	<b>2016</b>	<b>2015</b>
Interest on third party pension liabilities	\$ 1,191,681	\$ 1,172,121
Interest on liabilities due to ASO groups	1,044,264	824,217
Other interest costs	<u>343,852</u>	<u>339,166</u>
Total finance costs and interest	<u><u>\$ 2,579,797</u></u>	<u><u>\$ 2,335,504</u></u>

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**30. Earnings Per Share and Dividends Per Share**

Basic earnings per ordinary share is calculated by dividing net income attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares issued and outstanding during the year, excluding ordinary shares of the Company acquired by Colina and held as treasury shares.

	<b>2016</b>	<b>2015</b>
Net income attributable to equity shareholders	<u><u>\$ 16,352,248</u></u>	<u><u>\$ 15,568,912</u></u>
Net income attributable to ordinary shareholders	<u><u>\$ 13,695,998</u></u>	<u><u>\$ 13,036,635</u></u>
Weighted average number of ordinary shares outstanding	<u><u>24,709,631</u></u>	<u><u>24,709,631</u></u>
Basic earnings per ordinary share	<u><u>\$ 0.55</u></u>	<u><u>\$ 0.53</u></u>

Dividends to the Company's shareholders are recognized as a liability in the period in which they are declared by the Board of Directors. Dividends paid by the Company to the Class "A" ordinary shareholders in 2016 totalled \$5,436,121 (\$0.22 per share) (2015: \$4,941,926 (\$0.20 per share)).

Dividends paid by the Company to the Class "A" preference shareholders during 2016 totalled \$2,656,250 (2015: \$2,532,277).

The Company does not have any dilutive shares.

**31. Pension Plan**

The Group's subsidiaries operate various defined contribution plans for eligible administrative employees and salespersons which are administered by CFAL. Under the respective plans, eligible staff and salespersons contribute between 5% to 7.5% of pensionable earnings with the subsidiary Companies contributing between 5% to 7.5%. The subsidiary Group's matching contributions vest with the employee/salesperson on various scales but fully vest after five to ten years. Pension expense for the year was \$1,901,159 and is included in salaries and employee/salespersons' benefits expense (2015: \$838,669).

**32. Unit Linked Funds and Investment Plans**

Certain policy contracts allow the policyholder to invest in units in a notional fund called the Bahamas Investment Fund (the "BIF"). The value of the units is linked to the performance of the underlying assets of the BIF. These assets may be varied by the Company from time to time and neither the policyholder nor any other person who may be entitled to benefit has any legal or beneficial interest in the BIF or the units or any underlying assets, which are solely the property of the Group.

Certain policy contracts, obtained through the acquisition of the former Colina in 2002, allow the policyholder to acquire units in a notional investment fund known as the Colina Investment Plan (the "CIP"). The value of the units is based on the performance of the underlying assets of the CIP. These assets may be varied from time to time.

Depending on the issue date of their policy, the Group may have guaranteed investors in the CIP a minimum rate of return of either 4% or 4.5% per annum, payable at maturity. The liabilities in relation to these guarantees are included in the provision for future policy benefits.

Issuance of new CIP policies was discontinued in January 2001.

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The underlying assets of the BIF and CIP that are included in their respective categories in the consolidated statement of financial position at December 31, 2016 are as follows:

	Bahamas Investment Fund		Colina Investment Plan	
	2016	2015	2016	2015
Equities - listed	\$ 4,923,722	\$ 9,921,012	\$ 2,456,939	\$ 2,585,421
Equities - unquoted	66,894	66,894	15,000	15,000
Preferred shares - unquoted	550,000	550,000	318,000	318,000
Government securities	6,773,800	6,923,800	4,674,489	5,268,000
Debt securities - unquoted	507,144	517,858	35,715	39,287
Term deposits	253,056	576,437	-	623,398
Policy loans	-	-	780,206	803,959
Cash	50,494	103,917	45,830	148,585
Due to general fund	(128,134)	(5,113,641)	(725,482)	(2,192,124)
<b>Total assets</b>	<b>\$ 12,996,976</b>	<b>\$ 13,546,277</b>	<b>\$ 7,600,697</b>	<b>\$ 7,609,526</b>

**33. Related Party Balances and Transactions**

Related parties are entities or individuals where there is effective control or significant influence by the Company, its directors, AFH or its shareholders. All significant balances and transactions with AFH and entities or individuals controlled or significantly influenced by AFH or otherwise related to it, are disclosed in these consolidated financial statements as being with related parties.

*Transactions with related parties*

The following transactions were carried out with related parties:

	Other related parties			Total 2016	Total 2015
	AFH	Other affiliates	Other related parties		
<b>Revenues</b>					
Group medical insurance	\$ 27,792	\$ 926,273	\$ 773,646	\$ 1,727,711	\$ 1,807,578
Investment management and other fees	-	348,814	11,108	359,922	344,348
Interest and other income	-	-	907,096	907,096	400,000
<b>Total</b>	<b>\$ 27,792</b>	<b>\$ 1,275,087</b>	<b>\$ 1,691,850</b>	<b>\$ 2,994,729</b>	<b>\$ 2,551,926</b>
<b>Expenses</b>					
Management and consulting	\$ 108,555	\$ -	\$ -	\$ 108,555	\$ 353,240
Legal fees	-	237,706	-	237,706	324,540
Administration, Registrar and Transfer Agent fees	-	74,115	-	74,115	78,705
Property management fees	-	61,920	-	61,920	61,920
Advertising and marketing	-	277,409	-	277,409	259,118
Property rental	-	676,503	35,862	712,365	685,467
Medical lab expenses	-	-	482,746	482,746	545,644
Other	250,000	302,660	-	552,660	580,247
<b>Total</b>	<b>\$ 358,555</b>	<b>\$ 1,630,313</b>	<b>\$ 518,608</b>	<b>\$ 2,507,476</b>	<b>\$ 2,888,881</b>

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*Key management personnel compensation*

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and its subsidiaries, directly or indirectly, including any director (whether executive or otherwise) of the Group. Compensation for key management personnel for the year ended December 31, 2016 was \$4,178,357 (2015: \$3,878,801).

*Directors' fees*

Fees paid to Directors for services rendered on the Company's Board and Board Committees for the year ended December 31, 2016 totaled \$267,574 (2015: \$216,101).

*Year-end balances arising from sales/purchases of products and /or services*

The following related party amounts are included in the consolidated statement of financial position as at December 31:

	AFH	Other affiliates	Other related parties	Key Management /Directors	Total 2016	Total 2015
<b>Assets</b>						
Investment securities	\$	-	\$ 643,119	\$ 5,000,000	\$ -	\$ 5,643,119
Mortgages and and commercial loans, net	\$	-	\$ -	\$ -	\$ 1,080,639	\$ 1,080,639
Cash and bank balances	\$	-	\$ -	\$ 3,533,970	\$ -	\$ 3,533,970
Receivables and other assets	\$	74,115	\$ 170,615	\$ 10,298,669	\$ -	\$ 10,543,399
<b>Liabilities</b>						
Other liabilities	\$	-	\$ 77,562	\$ 5,833	\$ -	\$ 83,395

Included in "Investment securities" and "Receivables and other assets" in 2016 is the \$5 million investment in ABL Preference Shares (2015: \$5 million) and the \$10 million loan to SBL (2015: \$15 million) respectively (See Notes 13 and 14).

Loans advanced to related parties included in mortgages and commercial loans carry interest rates of 5.5% p.a. (2015: 5.5% p.a.).

**34. Risk Management**

*Governance Framework*

The primary objective of the Company's Corporate Governance framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognizes the critical importance of having efficient and effective risk management systems in place. The Group has a clear organizational structure with documented delegated authorities and responsibilities from the Board of Directors to executive management committees and senior managers.

*Regulatory Framework*

Regulators are primarily interested in protecting the rights of the policyholders and have established guidelines and regulations by which the Group is required to comply to ensure that the Group is satisfactorily managing affairs for their benefit. The operations of the Group are subject also to regulatory requirements in the foreign jurisdictions in which it operates. The Group's regulators are interested in ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from changes in the economic environment. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions to minimize the risk of default and insolvency on the part of insurance companies to meet unforeseen liabilities as they arise.

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*Insurance risk*

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount and timing of the resulting claim.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate 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 Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

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

*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. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

At present, these risks do not vary significantly in relation to the location of the risk insured by the Group. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The table below indicates the concentration of insured benefits across four bands of insured benefits per coverage insured rounded to the nearest thousand.

	2016 (in \$000s)	2015 (in \$000s)
\$0 to \$49,999	\$ 455,711	\$ 457,575
\$50,000 to \$99,999	936,857	939,826
\$100,000 to \$149,999	2,086,677	2,116,854
\$150,000 and over	<u>3,158,279</u>	<u>3,176,525</u>
 Total	 <u>\$ 6,637,524</u>	 <u>\$ 6,690,780</u>

The Group manages risks through its underwriting strategy and reinsurance arrangements. The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. Medical selection is also included in the Group's underwriting procedures with premiums varied to reflect the health condition and family medical history of the applicants. The Group limits the amount of loss on any one policy by reinsuring certain levels of risk in various areas of exposure with other insurers.

Generally, the Group has retention limits on insurance policies as follows:

	2016	2015
Individual life	\$ 50,000	\$ 50,000
Individual accidental death and dismemberment	\$ 50,000	\$ 50,000
Individual personal accident	\$ 50,000	\$ 50,000
Group accidental death and dismemberment	\$ 50,000	\$ 50,000
Individual and Group Medical	<u>\$ 250,000</u>	<u>\$ 250,000</u>

Reinsurance ceded does not discharge the Group's liability as the primary insurer and failure of reinsurers to honour their obligations could result in losses to the Group.

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*Financial risk*

The Group is exposed to financial risk through its financial assets, financial liabilities (investment contracts and borrowings), reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are interest rate risk, credit risk and liquidity risk.

These risks arise from open positions in interest rate and equity products, all of which are exposed to general and specific market movements. The risk that the Group primarily faces due to the nature of its investments and liabilities is interest rate risk.

The Group manages these positions within an asset liability management ("ALM") framework that has been developed to maximize long-term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of the Group's ALM is to match cash flows from assets to the liability cash flows arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. For each distinct category of liabilities, a separate portfolio of assets is maintained.

The Group's ALM is integrated with the management of the financial risks associated with the Group's other financial assets and liabilities not directly associated with insurance and investment liabilities.

*Interest rate risk*

The Group is vulnerable to periods of declining interest rates given that most of its investments in government bonds have floating interest rates tied to the Bahamian \$ Prime rate. The Group manages this risk by attempting to retain a level of assets to liabilities with similar principal values, effective interest rates and maturity dates.

The Group monitors interest rate risk by calculating the duration of the investment portfolio and the liabilities issued. The duration is an indicator of the sensitivity of the assets and liabilities to changes in current interest rates. The duration of the liabilities is determined by projecting expected cash flows from the contracts using best estimates of mortality, morbidity and terminations. No future discretionary supplemental benefits are assumed to accrue. The duration of the assets is calculated in a consistent manner. Any gap between the duration of the assets and the duration of the liabilities is minimized by means of buying and selling securities of different durations. The Group's sensitivity to interest rate risk is included in Note 18.

*Credit risk*

Credit risk arises from the failure of a counterparty to perform according to the terms of the contract. From this perspective, the Group's credit risk exposure is primarily concentrated in its deposits placed with other financial institutions, loans to policyholders and other clients, and amounts due from reinsurers and insurance contract holders.

The Group's deposits are primarily placed with well-known high quality financial institutions. Loans to policyholders are generally collateralized by cash surrender values of the respective policies. Mortgage loans are adequately secured by properly registered legal charges on real property. With respect to the Group's unsecured commercial paper loans and other material unsecured receivables, management is satisfied that the debtors concerned are both financially able and willing to meet their obligations to the Group except in those instances where impairment provisions have been made.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract. The Appointed Actuary advises management with respect to the Group's reinsurance placement policy and assists with assessing the creditworthiness of all reinsurers by reviewing credit grades provided by rating agencies and other publicly available financial information. The Group's main reinsurer is Munich Reinsurance Company Canada Branch (Life).

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The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Group's internal assessments of the credit ratings of counterparties. The table also includes an aging analysis of financial assets, providing information regarding the Group's exposures on amounts current, and past due:

December 31, 2016 (in \$000s)	Balances with no scheduled repayment dates		Current			Past due but not impaired		Total
	Investment Grade	Non- Graded	Unit Linked	30 - 90 days	>90 days			
Financial assets								
Term deposits	\$ -	\$ 25,688	\$ -	\$ 253	\$ -	\$ -	\$ -	\$ 25,941
FVPL securities	-	4,935	87,438	12,822	-	-	-	105,195
AFS securities	-	4,203	216,900	7,500	-	-	-	228,603
Loans and receivables	-	-	35,000	-	-	-	-	35,000
Mortgages and commercial loans	-	-	17,600	-	3,506	18,428	-	39,534
Policy loans	69,274	-	-	780	-	-	-	70,054
Cash and demand balances	18,671	-	-	96	-	-	-	18,767
Premiums receivable	-	-	3,049	-	874	7,016	-	10,939
Reinsurance receivables	-	-	1,273	-	1,636	264	-	3,173
Loan to SBL Ltd.	-	-	10,000	-	-	-	-	10,000
Other financial assets	2,489	5,889	44,882	-	-	-	-	53,260
Total financial assets	\$ 90,434	\$ 40,715	\$ 416,142	\$ 21,451	\$ 6,016	\$ 25,708	\$ 600,466	

December 31, 2015 (in \$000s)	Balances with no scheduled repayment dates		Current			Past due but not impaired		Total
	Investment Grade	Non- Graded	Unit Linked	30 - 90 days	>90 days			
Financial assets								
Term deposits	\$ -	\$ 43,705	\$ -	\$ 1,200	\$ -	\$ -	\$ -	\$ 44,905
FVPL securities	-	1,574	82,649	17,980	-	-	-	102,203
AFS securities	-	3,138	214,626	8,226	-	-	-	225,990
Loans and receivables	-	-	35,000	-	-	-	-	35,000
Mortgages and commercial loans	-	-	20,984	-	3,247	18,273	-	42,504
Policy loans	69,335	-	-	804	-	-	-	70,139
Cash and demand balances	29,056	-	-	253	-	-	-	29,309
Premiums receivable	-	-	2,115	-	1,245	3,530	-	6,890
Reinsurance receivables	-	-	1,359	-	1,404	-	-	2,763
Loan to SBL Ltd.	-	-	15,000	-	-	-	-	15,000
Other financial assets	942	3,873	6,927	-	-	-	-	11,742
Total financial assets	\$ 99,333	\$ 52,290	\$ 363,660	\$ 28,463	\$ 5,896	\$ 21,803	\$ 586,445	

Management's internal credit rating assessment allows for Government Securities and listed equity securities to be included in the 'Investment Grade' classification.

**Liquidity risk**

The Group is exposed to daily calls on its available cash resources, mainly from claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Management sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover maturities, claims and surrenders at unexpected levels of demand.

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The table below summarizes the maturity profile of the financial liabilities of the Group based on remaining contractual obligations (undiscounted cash flow basis):

December 31, 2016 (in \$000s)	Up to a year		1-5 years		Over 5 years		No Term	Not Classified	Total
	\$	6,983	\$	36	\$	61			
Insurance and Investment Contracts									
Short-term insurance contracts	\$	6,983	\$	36	\$	61	-	\$ 6,920	\$ 14,000
Long-term insurance and other contracts									
-with fixed and guaranteed terms		(11,320)		(20,679)		584,764	-	13,380	566,145
-with fixed and guaranteed terms, with DPF		10,254		48,991		524,845	-	4,443	588,533
-without fixed and guaranteed terms		1,806		6,732		18,816	-	408	27,762
-without fixed and guaranteed terms, with DPF		2,671		7,335		12,392	-	(1,055)	21,343
Long-term investment contracts with DPF		-		-		-	-	7,601	7,601
Financial Liabilities									
Policy dividends on deposit		-		-		-	27,897	-	27,897
Repurchase agreement		7,000		21,000		-	-	-	28,000
Other financial liabilities		-		-		-	85,195	-	85,195
<b>Total</b>	<b>\$</b>	<b>17,394</b>	<b>\$</b>	<b>63,415</b>	<b>\$</b>	<b>1,140,878</b>	<b>\$</b>	<b>113,092</b>	<b>\$ 31,697</b>

December 31, 2015 (in \$000s)	Up to a year		1-5 years		Over 5 years		No Term	Not Classified	Total
	\$	6,180	\$	(3)	\$	77			
Insurance and Investment Contracts									
Short-term insurance contracts	\$	6,180	\$	(3)	\$	77	-	\$ 7,289	\$ 13,543
Long-term insurance and other contracts									
-with fixed and guaranteed terms		(11,411)		(21,954)		567,837	-	13,642	548,114
-with fixed and guaranteed terms, with DPF		8,425		43,925		544,630	-	3,880	600,860
-without fixed and guaranteed terms		1,800		6,818		20,130	-	422	29,170
-without fixed and guaranteed terms, with DPF		2,806		7,967		13,143	-	(968)	22,948
Long-term investment contracts with DPF		-		-		-	-	7,610	7,610
Financial Liabilities									
Policy dividends on deposit		-		-		-	27,783	-	27,783
Repurchase agreement		7,000		28,000		-	-	-	35,000
Other financial liabilities		-		-		-	91,118	-	91,118
<b>Total</b>	<b>\$</b>	<b>14,800</b>	<b>\$</b>	<b>64,753</b>	<b>\$</b>	<b>1,145,817</b>	<b>\$</b>	<b>118,901</b>	<b>\$ 31,875</b>

Due to system limitations, certain balances were not able to be classified and have been included in the caption 'not classified'.

The table below summarizes the expected recovery or settlement of assets:

December 31, 2016 (in \$000s)	Current		Non-Current		Unit Linked		Total
	\$	25,687	\$	-	\$	253	
Term deposits	\$	25,687	\$	-	\$	253	\$ 25,940
Investment securities							
FVPL securities		-		92,373		12,822	105,195
AFS securities		-		221,103		7,500	228,603
Loans and receivables		-		35,000		-	35,000
Mortgages and commercial loans		1,323		38,211		-	39,534
Policy loans		-		69,274		780	70,054
Investment properties		-		55,720		-	55,720
Investment in associates		-		13,922		-	13,922
Cash and demand balances		18,671		-		96	18,767
Receivables and other assets		98,612		-		-	98,612
Property and equipment		-		18,590		-	18,590
Goodwill		-		13,371		-	13,371
Other intangible assets		-		3,272		-	3,272
<b>Total Assets</b>	<b>\$</b>	<b>144,293</b>	<b>\$</b>	<b>560,836</b>	<b>\$</b>	<b>21,451</b>	<b>\$ 726,580</b>

**COLINA HOLDINGS BAHAMAS LIMITED**  
**Notes to Consolidated Financial Statements**

 For the Year Ended December 31, 2016 with corresponding figures for the Year Ended December 31, 2015  
 (Expressed in Bahamian dollars)

December 31, 2015 (in \$000s)	Current	Non-Current	Unit Linked	Total
Term deposits	\$ 43,705	\$ -	\$ 1,200	\$ 44,905
Investment securities				
FVPL securities	-	84,223	17,980	102,203
AFS securities	-	217,764	8,226	225,990
Loans and receivables	-	35,000	-	35,000
Mortgages and commercial loans	3,502	39,002	-	42,504
Policy loans	-	69,335	804	70,139
Investment properties	-	55,155	-	55,155
Investment in associates	-	12,067	-	12,067
Cash and demand balances	29,056	-	253	29,309
Receivables and other assets	56,609	-	-	56,609
Property and equipment	-	19,788	-	19,788
Goodwill	-	13,470	-	13,470
Other intangible assets	-	3,736	-	3,736
<b>Total Assets</b>	<b>\$ 132,872</b>	<b>\$ 549,540</b>	<b>\$ 28,463</b>	<b>\$ 710,875</b>

*Price risk*

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group has a relatively small investment in local equities which are exposed to market price risk arising from uncertainties about the future values of the investment. A sensitivity analysis has therefore not been presented. Securities reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors and/or respective Board Committees review and approve equity investment decisions meeting thresholds established in each respective subsidiary's Investment guidelines.

*Settlement Risk*

The Group's trading activities may give rise to settlement risk. Settlement risk is the risk of loss due to the failure of counterparty to honor its obligations to deliver cash, securities, or other assets as contractually agreed.

For those transactions, the Group mitigates settlement risk by the simultaneous commencement of the payment and the delivery parts of the transaction.

*Operational risk*

Operational risk is the risk of loss resulting from inadequate or failed internal processes or systems. Internal processes include activities relating to accounting, reporting, operations, compliance and personnel management. Such risk manifests itself in various breakdowns, errors and business interruptions and can potentially result in financial losses and other damage to the Group.

The Group regularly assesses new systems which will better enable the Group to monitor and control its exposure to operational risk in order to keep operational risk at appropriate levels.

*Capital Management*

The Group manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Group's activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid or return of capital to the shareholders.

**COLINA HOLDINGS BAHAMAS LIMITED**  
**Notes to Consolidated Financial Statements**

For the Year Ended December 31, 2016 with corresponding figures for the Year Ended December 31, 2015  
(Expressed in Bahamian dollars)

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**Subsidiary Capital Requirements**

The Company and its subsidiaries fully complied with all externally imposed capital requirements during the reported financial period and no changes were made to the Company's capital base, objectives, policies and processes from the prior year. The following is a summary of capital requirements by principal subsidiary:

*Colina*

Externally imposed capital requirements for Colina are set and regulated by the Insurance Commission of The Bahamas. These requirements are put in place to ensure sufficient solvency margins. At December 31, 2016, Colina exceeded both the statutory margin requirement and the minimum ratio requirement of qualifying to admissible assets. Further objectives are set by management and the Board to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximize shareholders' value. For the purposes of assessing its capital position, Colina uses the capital on its consolidated statement of financial position excluding goodwill and with limitations placed on all but the strongest forms of capital.

In addition to the solvency margins as required by statute, Colina measures its solvency ratio using Canadian reserving methodologies and solvency standards as measured by the Minimum Continuing Capital and Surplus Requirement ("MCCSR"). The Canadian Insurance regulator has set a MCCSR supervisory target of 150%. At December 31, 2016, Colina's MCCSR exceeded the target.

*CFAL*

CFAL is required to have a minimum capital of \$25,000 calculated as per the Securities Act and was well in excess of the minimum requirement.

*CGIA*

CGIA's Board of Directors reviews its capital structure on an annual basis and considers the cost of capital and the risks associated with each class of capital.

**35. Other Subsequent Events**

*Dividends declared for Ordinary and Preference Shareholders*

The Board of Directors, by resolution dated March 1, 2017 authorized the payment of preference share dividends for the Class "A" Preference Shareholders of the Company for the quarter ended March 31, 2017 subject to any regulatory approvals.

The Board further approved an ordinary dividend of \$0.16 per share for all issued and outstanding Class "A" Ordinary Shareholders of record on April 30, 2017, subject to any regulatory approvals.

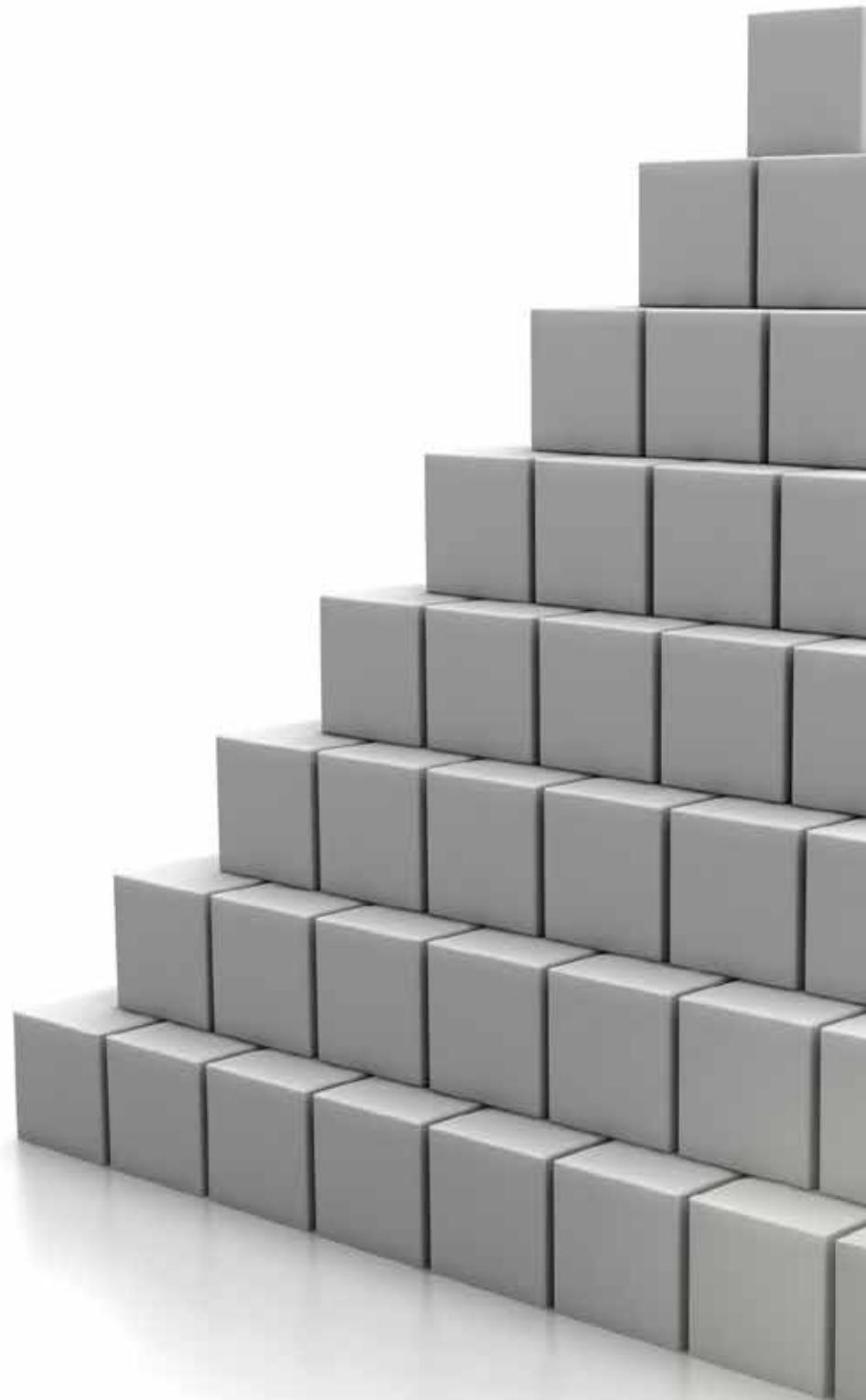
*Amending Agreement signed with FCIB*

The Company signed an "Amending Agreement" in March 2017 supplemental to a Loan Agreement dated June 24, 2015 between the Company and FCIB (See Note 14). The Amending Agreement requires that the principal balance on the loan be reduced to \$8 million US Dollars by December 31, 2017 with the remaining balance to be repaid on December 31, 2019.

# NOTES







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