NAGICO ARUBA NV
Aruba

Financial statements
December 31, 2023

Fast, Fair & Always There nagico.com

Financial statements

Table of content

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Independent Auditors' Report

To the shareholder of Nagico Aruba N.V

Opinion

We have audited the financial statements of Nagico Aruba N.V, which comprise the statement of financial position as at 31 December 2023, statement of comprehensive income and statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year ended, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for opinion

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

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

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

Deloitte.

Independent Auditors' Report (continued)

To the shareholder of Nagico Aruba N.V

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

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

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

Other Matter

The financial statements of the Company for the year ended 31, December 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 19 June 2023.

This report is intended solely for the information and use of the shareholder, directors, management and the Central Bank of Aruba and is not intended to be and should not be used by anyone except the specified parties.

Orginal has been signed by:

Deloitte & Touche

drs. AJ Kernkamp RA

23 September 2024

Statement of financial position as at December 31, 2023

Assets	Note	December 31 2023	December 31 2022	As at January 1, 2022
(in Aruban Florins)			*(restated)*	*(restated)*
Current assets				
Cash and cash equivalents	2	8,164,877	9,845,584	6,085,112
Investment securities - short term	3	6,281,516	7,882,516	22,032,362
Prepayments and other current assets	4	755,142	681,933	640,012
Reinsurance contract assets	5	4,934,868	5,051,088	4,115,336
Current account affiliated companies	6	3,380,620	2,859,233	7,441,300
		23,517,023	26,320,354	40,314,122
Non-current assets				
Investment securities - long term	3	14,480,501	16,405,301	-
Right-of-use assets	7	569,238	616,527	300,835
Property and equipment	8	94,480	143,956	211,600
Intangible assets	9	4,565	4,565	4,565
Deferred tax asset	10	1,059,563	558,151	32,951
		16,208,347	17,728,500	549,951
TOTAL ASSETS		**39,725,370**	**44,048,854**	**40,864,073**

Liabilities and equity	Note	December 31 2023	December 31 2022	As at January 1, 2022
(in Aruban Florins)			*(restated)*	*(restated)*
Liabilities				
Current tax payable	10	-	-	343,196
Accounts payable and accrued liabilities	11	3,838,552	5,117,087	1,912,546
Current account affiliated companies	6	292,243	1,067,914	348,983
Insurance contract liabilities	5	12,766,063	11,812,651	10,896,826
Reinsurance payable	5	7,225,838	8,341,265	8,205,106
Lease liabilities	7	610,723	643,769	313,718
		24,733,419	26,982,686	22,020,375
Equity				
Share capital	12	1,800,000	1,800,000	1,800,000
Other components of equity	12	57,466	-	-
Retained earnings		13,134,485	15,266,168	17,043,698
Total equity		*14,991,951*	*17,066,168*	*18,843,698*
TOTAL LIABILITIES AND EQUITY		**39,725,370**	**44,048,854**	**40,864,073**

These financial statements were approved by the Supervisory Board of Directors and signed on its behalf by:

Director

Director

Statement of comprehensive income for the year ended December 31, 2023

(in Aruban Florins)	Note	2023	2022 *(restated)*
Insurance revenue	13	23,381,373	24,111,132
Insurance service expense	14	(11,617,565)	(12,524,640)
Insurance sevice result from insurance contracts issued		11,763,808	11,586,492
Net expenses from reinsurance contracts held	15	(8,515,000)	(6,298,892)
Insurance service result		3,248,808	5,287,600
Interest revenue calculated using the effective interest method	16	*850,378*	*706,197*
Other investment revenues and expenses	16	-	(480,566)
Net impairment loss on financial assets		(195)	
Net investment income		850,183	225,631
Net insurance and investment result		4,098,991	5,513,231
Other expenses	17	(7,724,742)	(8,638,088)
Other income			
Other income	18	996,612	893,180
Total other income		*996,612*	*893,180*
Net loss before taxation		**(2,629,139)**	**(2,231,677)**
Taxation	10	501,412	454,147
Net loss after taxation		**(2,127,727)**	**(1,777,530)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss		57,467	-
Comprehensive loss for the year		**(2,070,260)**	**(1,777,530)**

Statement of changes in equity for the year ended December 31, 2023

	Share capital	Retained Earnings	Other components of equity	Total
(in Aruban Florins)				
Balance as at 31 December 2021, as previously reported	**1,800,000**	**16,965,502**	**-**	**18,765,502**
Impact of initial application IFRS 17	**-**	**78,196**	**-**	**78,196**
Restated balance as at January 1, 2022	**1,800,000**	**17,043,698**	**-**	**18,843,698**
Net loss after taxation	**-**	**(1,777,530)**	**-**	**(1,777,530)**
	-	**(1,777,530)**	**-**	**(1,777,530)**
Balance as at December 31, 2022	**1,800,000**	**15,266,168**	**-**	**17,066,168**
Impact of initial application IFRS 9	**-**	**(3,956)**	**-**	**(3,956)**
Restated balance as at January 1, 2023	**1,800,000**	**15,262,212**	**-**	**17,062,212**
Other comprehensive income:				
Fair value through OCI investments	**-**	-	**57,466**	**57,466**
Net loss after taxation	**-**	**(2,127,727)**	-	**(2,127,727)**
	-	**(2,127,727)**	**57,466**	**(2,070,261)**
Balance as at December 31, 2023	**1,800,000**	**13,134,485**	**57,466**	**14,991,951**

Refer to note 12 for additional disclosures regarding these equity components.

Statement of cash flows for the year ended December 31, 2023

	Note	2023	2022
(in Aruban Florins)			*(restated)*
Cash flows from operating activities:			
Net loss before taxation		(2,629,139)	(2,231,677)
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property and equipment	8	56,909	107,453
Depreciation from right-of-use assets	7	47,289	47,288
Interest and other expense from lease liability	7	39,614	39,731
Expected credit loss	17	(5,166)	(60,602)
Working capital movements:			
Prepayments and other current assets		(891,671)	(860,382)
Due to reinsurers		(999,207)	(799,593)
Insurance liabilities		1,012,088	976,427
Accounts payable and accrued liabilities		(1,278,535)	3,204,541
Current account affiliated companies		(1,297,058)	5,300,998
		(3,315,737)	7,955,861
Interest received		818,462	818,462
Profit tax paid	10	-	(414,249)
		818,462	404,213
Net cash flows (used in) / provided by operating activities		(5,126,414)	6,128,397
Cash flows from investing activities:			
Purchase of property and equipment	8	(7,433)	(39,810)
Purchase of right-of-use assets		-	(362,980)
Proceeds from sale and maturity of investment securities		3,525,800	(2,255,455)
Net cash flows provided by investing activities		3,518,367	(2,658,245)
Cash flows from financing activities:			
Repayment of lease liability		(72,660)	290,320
Net cash flows (used in) / provided by financing activities		(72,660)	290,320
Net (decrease) / increase in cash and cash equivalents		**(1,680,707)**	**3,760,472**
Cash and cash equivalents at January 1	2	9,845,584	6,085,112
Cash and cash equivalents at December 31		**8,164,877**	**9,845,584**

(1) Other general information and summary of significant accounting policies

CORPORATE AND GROUP INFORMATION

Corporate information

Nagico Aruba N.V., (the "Company") was incorporated on April 2, 2008 under the laws of Aruba. The Company's registered office address is Seroe Blanco 4, Oranjestad, Aruba.

The Company was a wholly-owned subsidiary of National General Insurance Co. (NAGICO) N.V. ("Nagico N.V.") which is incorporated in St. Maarten ("the parent") up till 30 September 2023. Effective 1 October 2023 the Company is a wholly-owned subsidiary of Nagico Dutch Caribbean B.V., incorporated in St. Maarten. The ultimate parent is NAGICO Holdings Limited, which is incorporated in Anguilla. All transactions and balances described as group relate to NAGICO Holdings Limited, its subsidiaries and affiliates.

The Company's principal activity is the offering of property and casualty insurance including fire, motor, public liability, marine and health insurance. A significant portion of the Company's casualty insurance business is reinsured.

Approval of the financial statements

The financial statements were approved by the Board of Directors on September 20, 2024.

BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS Accounting Standards) as issued by the International Accounting Standards Board (IASB), under the historical cost convention unless otherwise stated.

Going Concern basis of accounting

Management continues to have a reasonable expectation that the Company has adequate resources to continue in operation for at least the next 12 months and that the going concern basis of accounting remains appropriate.

For the year ended 31 December 2023, the Company recognised a comprehensive loss of AFL 2.14 million. The Company's net assets as at 31 December 2023 were AFL 15.03 million.

The most severe downside case scenario, which is considered to be prudent but plausible, would have a significant adverse impact on sales, margin and cash flows. In response, management has the ability to take the following mitigating actions to reduce costs, optimise the Company's cash flow and preserve liquidity:

- reducing non-essential capital expenditure and deferring or cancelling discretionary spending; and
- reducing marketing expenditure

The Board of Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis after considering the financial forecasts.

Basis of preparation (continued)
Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Company's accounting policies, management has made various judgments. Those which management has assessed to have the most significant effect on the amounts recognized in the financial statements have been disclosed in the individual notes of the related financial statement line items.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Revaluation of property and equipment and investment properties

The Company carries its investment properties at fair value, with changes in fair value being recognized in the statement of profit or loss. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognized in the statement of other comprehensive income (OCI).

Determining the lease term of contracts with renewal and termination options – as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Company included the renewal period as part of the lease term for leases of buildings. The Company typically exercises its option to renew for these leases because there will be a significant negative effect on its operations. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

The value of the right-of-use asset and a lease liability are particularly sensitive to changes in the term of the lease. Since the lease held by the Company is on a perpetual method, Management has decided to take the median of the maximum useful life for a building (10-25 years), which is 18 years, as the term of the lease. The analysis below shows the impact to the right-of-use asset, lease liability, depreciation expense and interest expense when using the higher end and lower end of the useful life for a building.

Basis of preparation (continued)
<u>Significant accounting judgments, estimates and assumptions (continued)</u>
Determining the lease term of contracts with renewal and termination options – as lessee (Continued)

(in Aruba florins)	**Right-of-use asset**	**Lease liability**	**Depreciation expense**	**Interest Expense**
25 year lease term	*186,202*	*214,383*	*(9,673)*	*13,056*
10 year lease term	*(286,391)*	*(299,773)*	*8,354*	*(18,257)*

Determining the incremental borrowing rate to measure lease liabilities

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the Company's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as stand-alone credit rating).

Assessment of significance of insurance risk

The Company applies its judgement in assessing whether a contract transfers to the issuer significant insurance risk. A contract transfers significant insurance risk only if an insured event could cause the Company to pay additional amounts that are significant in any single scenario and only if there is a scenario that has commercial substance in which the issuer has a possibility of a loss on a present value basis upon an occurrence of the insured event, regardless of whether the insured event is extremely unlikely. The assessment of whether additional amounts payable on the occurrence of an insured event are significant and whether there is any scenario with commercial substance in which the issuer has a possibility of a loss on a present value basis involves significant judgement and is performed at initial recognition on a contract-by-contract basis. The type of contracts where this judgement is required are those that transfer financial and insurance risk and result in the latter being the smaller benefit provided. The application of judgement in this area is aided by the Company's processes to filter contracts where the additional amounts referred to above are more than 5% but less than 10% of the amounts paid if the insured event does not occur. Additional amounts that are less than 5% are considered by the Company as insignificant. A specialist unit conducts all these judgemental classifications under IFRS 17 to maintain consistency across the Company. This assessment is performed after separation of non-closely related derivatives, distinct investment components and promises to transfer distinct goods and non-insurance services.

Combination of insurance contracts

Determining whether it is necessary to treat a set or series of insurance contracts as a single contract involves significant judgement and careful consideration. In assessing whether a set or series of insurance contracts achieve, or are designed to achieve, an overall commercial effect, the Company determines whether the rights and obligations are different when looked at together compared to when looked at individually and whether the Company is unable to measure one contract without considering the other.

Basis of preparation (continued)
Significant accounting judgments, estimates and assumptions (continued)

Separation of insurance components of an insurance contract

The Company issues some insurance contracts that combine protection for the policyholder against different types of insurance risks in a single contract. IFRS 17 does not require or permit separating insurance components of an insurance contract unless the legal form of a single contract does not reflect

the substance of its contractual rights and obligations. In such cases, separate insurance elements must be recognised. Overriding the 'single contract' unit of account presumption involves significant judgement and is not an accounting policy choice. When determining whether a legal contract reflects its substance or not, the Company considers the interdependency between different risks covered, the ability of all components to lapse independently, and the ability to price and sell the components separately.

Determination of the contract boundary

The measurement of a group of insurance contracts includes all the future cash flows arising within the contract boundary. In determining which cash flows fall within a contract boundary, the Company considers its substantive rights and obligations arising from the terms of the contract, from applicable law, regulation and customary business practices. Cash flows are considered to be outside of the contract boundary if the Company has the practical ability to reprice existing contracts to reflect their reassessed risks, and if the contract's pricing for coverage up to the date of reassessment only considers the risks until the next reassessment date. The Company applies its judgement in assessing whether it has the practical ability to set a price that fully reflects all the risks in the contract or portfolio. The Company considers contractual, legal and regulatory restrictions when making its assessment and applies judgement to decide whether these restrictions have commercial substance.

Identification of portfolios

The Company defines a portfolio as insurance contracts subject to similar risks and managed together. Contracts within the same product line are expected to be in the same portfolio as they have similar risks and are managed together. The assessment of which risks are similar and how contracts are managed requires the exercise of judgement. Where similar products are issued by different entities within a group, they are considered to be separate portfolios. Despite the oversight provided by management at the group level, the Company determines that these contracts are managed at the local issuing entity level. For some product lines, the group acquires insurance contracts as part of a business combination or a portfolio transfer. Unlike originally issued contracts, contracts acquired in a settlement phase transfer an insurance risk of adverse claims development. The Company considers such risk to be different from contracts it originally issues and aggregates such contracts in separate portfolios by product line.

Level of aggregation

The Company applies judgement when distinguishing between contracts that have no significant possibility of becoming onerous and other profitable contracts.

Assessment of directly attributable cash flows

The Company uses judgement in assessing whether cash flows are directly attributable to a specific portfolio of insurance contracts. Insurance acquisition cash flows are included in the measurement of a group of insurance contracts only if they are directly attributable to the individual contracts in a group, or to the group itself, or the portfolio of insurance contracts to which the group belongs. When estimating fulfilment cash flows, the Company also allocates fixed and variable overheads fulfilment cash flows directly attributable to the fulfilment of insurance contracts.

Basis of preparation (continued)
Significant accounting judgments, estimates and assumptions (continued)

Assessment of eligibility for PAA

For quota share home and motor reinsurance contracts with a coverage period extending beyond one year, the Company elects to apply the PAA if at the inception of the group, the Company reasonably expects that it will provide a liability for remaining coverage that would not differ materially from the General Model. The Company exercises judgement in determining whether the PAA eligibility criteria are met at initial recognition.

Assessment of significance of modification

The Company derecognises the original contracts and recognises the modified contract as a new contract, if the derecognition criteria are met. The Company applies judgement to assess whether the modified terms of the contract would result in the original contract meeting the criteria for derecognition.

Level of aggregation for determining the risk adjustment for non-financial risk

IFRS 17 does not define the level at which the risk adjustment for non-financial risk should be determined. The level of aggregation for determining the risk adjustment for non-financial risk is not an accounting policy choice and requires judgement. The Company considers that the benefits of diversification occur at an issuing entity level and therefore determines the risk adjustment for non-financial risk at that level. The diversification benefit is then allocated to all groups of insurance contracts for which it has been considered in aggregate. The Company considers that the risk adjustment for non-financial risk allocated to any individual group, as the cost of uncertainty, cannot be negative. Accordingly, when determining the allocation, correlations of non-financial risk between groups are ignored. This is because they have already been considered as part of the diversification benefits in determining the overall entity-level risk adjustment. The Company allocates the total entity-level risk adjustment to groups based on the percentage of the group's expected fulfilment cash flows to the total expected fulfilment cash flows.

Selecting a method of allocation of coverage units

IFRS 17 establishes a principle for determining coverage units, not a set of detailed requirements or methods. The selection of the appropriate method for determining the amount of coverage units is not an accounting policy choice. It involves the exercise of significant judgement and development of estimates considering individual facts and circumstances. The Company selects the appropriate method on a portfolio-by-portfolio basis. In determining the appropriate method, the Company considers the likelihood of insured events occurring to the extent that they affect expected period of coverage in the group, different levels of service across the period and the quantity of benefits expected to be received by the policyholder.

Insurance contract assets and liabilities and reinsurance contract assets and liabilities

By applying IFRS 17 to measurement of insurance contracts issued (including investment contracts with DPF) and reinsurance contracts held, the Company has made estimations in the following key areas. They form part of the overall balances of insurance contract assets and liabilities and reinsurance contract assets and liabilities:

- Future cash flows
- Discount rates
- Allocation rate for insurance finance income or expenses
- Risk adjustment for non-financial risk
- Allocation of asset for insurance acquisition cash flows to current and future groups of contracts

Basis of preparation (continued)
Significant accounting judgments, estimates and assumptions (continued)
Insurance contract assets and liabilities and reinsurance contract assets and liabilities (continued)

Every area, including the Company's estimation methods and assumptions used and other sources of estimation uncertainty are discussed below. At December 31, 2023, the Company's total carrying amount of:

- Insurance contracts issued that are liabilities was nil (2022: nil)
- Insurance contracts issued that are liabilities was AFL 12.8 million (2022: AFL 11.8 million)
- Reinsurance contracts issued that are assets was AFL 5.9 million (2022: AFL 5.9 million)

Sensitivity analysis of carrying amounts to changes in assumptions:

	As at December 31, 2023		**As at December 31, 2022**	
	Change in assumption	Insurance contract liabilities	Change in assumption	Insurance contract liabilities
(in Aruban Florins)				
Parallell shift in discount rates in AFL	1%	(66,955)	1%	(75,767)
Parallell shift in discount rates in AFL	-1%	70,228	-1%	79,730

Technique for estimation of future cash flows

In estimating fulfilment cash flows included in the contract boundary, the Company considers the range of all possible outcomes in an unbiased way specifying the amount of cash flows, timing and probability of each scenario reflecting conditions existing at the measurement date, using a probability-weighted average expectation. The probability weighted average represents the probability-weighted mean of all possible scenarios. In determining possible scenarios, the Company uses all the reasonable and supportable information available to them without undue cost and effort, which includes information about past events, current conditions and future forecasts.

Cash flow estimates include both market variables directly observed in the market or derived directly from markets and non-market variables such as accident rates, average claim costs, probabilities of severe claims, policy surrender rates. The Company maximises the use of observable inputs for market variables and utilises internally generated group-specific data.

Method of estimating discount rates

In determining discount rates for different products, the Company uses the top-down approach for cash flows of non-participating contracts that do not depend on underlying items. Applying this approach, the Company uses the yield curve created by market rates of return implied in the fair value of a reference portfolio of assets and adjusts it to exclude the effects of risks present in the assets, but not in the insurance cash flows, except for the differences in liquidity, which need not be eliminated. One of the key sources of estimation uncertainty is estimating the market risk premiums for credit risk of the underlying items that are only relevant to assets included in the reference portfolio, but not to the non-participating contracts (and are accordingly excluded).

The Company looks to the market price of credit derivatives as a reference point. The key source of estimation uncertainty is determining discount rates beyond the last observable period for which credit derivatives are available. The other key source of estimation uncertainty is estimating the effect of the

Basis of preparation (continued)
Significant accounting judgments, estimates and assumptions (continued)
Method of estimating discount rates (continued)

differences in timing, amount, and uncertainty of the cash flows of items in the reference portfolio and the cash flows of the group of insurance contracts.

To derive the yield curve from the reference portfolio of items, the Company uses observable market inputs such as market prices in an active market. The Company exercises judgement to assess similarities between the characteristics of a reference portfolio of assets for which observable market information is available and the characteristics of the insurance contracts being measured.

The Company used the following yield curves to discount cash flows:

2023	**1 year**	**5 years**	**10 years**	**20 years**	**30 years**
(in Aruban Florins)					
2023	5.24%	5.25%	7.69%	7.37%	6.09%
2022	4.93%	5.01%	7.06%	6.76%	5.77%

Estimation of allocation rate for insurance finance income or expenses

The Company uses either the constant or crediting rate in the systematic allocation of insurance finance income or expenses. The constant rate used in a period is calculated applying the formula which uses three variables: the estimate of future cash flows at the end of the reporting period (not discounted), the present value of future cash flows brought forward discounted by the constant rate used in the previous period, and the expected duration of the group contracts. In determining the constant rate, the Company estimates the expected insurance finance income or expenses over the remaining duration of the group that is partly implicit in the estimated cash flows.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation the Company requires for bearing the uncertainty about the amount and timing of the cash flows arising from insurance risk and other non-financial risks such as lapse risk and expense risk. It measures the degree of variability of expected future cash flows and the Company-specific price for bearing that risk and reflects the degree of the Company's risk aversion. The Company determines the risk adjustment for non-financial risk at the entity level and then allocates it to all the groups of insurance contracts. In estimating the risk adjustment, the Company uses the cost of capital method. The method looks at estimating the additional amount of capital required for the amount of uncertainty, and then estimating the expected cost of that capital over the period of the risk. The expected cost of capital is determined at 8% per annum applied to the present value amount of projected capital relating to non-financial risk, which is calculated at 95% confidence level (2022: 95%). The resulting risk adjustment corresponds to an 80% confidence level (2022: 80%).

Non-financial risk factors, also referred to as underwriting variables, are the key sources of estimation uncertainty, as they impact estimates of future cash flows and their associated probabilities and affect the amount of projected capital required at 95% confidence level, which in turn impacts the overall amount of risk adjustment for non-financial risk.

Basis of preparation (continued)
Significant accounting judgments, estimates and assumptions (continued)

Allocation of asset for insurance acquisition cash flows to current and future groups of contracts

The Company allocates the asset for insurance acquisition cash flows to an associated group of contracts and to any future groups that include the contracts that are expected to arise from the renewals of the contracts in that group using a systematic and rational method. In doing so, the Company estimates the expected contracts to be included within a future group or the number of renewals that may arise from an original group when allocating the asset.

Significant increase in credit risk

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis based on the Company's experience, expert credit assessment and forward-looking information.

The Company primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

Whenever available, the Company monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Company also reviews changes in bond yields together with available press and regulatory information about issuers.

Where external credit ratings are not available, the Company allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of default (including but not limited to audited financial statements, management accounts and cash flow projections and available regulatory and press information about debtors) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned with external credit ratings.

The Company has assumed that the credit risk of a financial asset has not increased significantly since initial recognition if the financial asset has low credit risk at the reporting date. The Company considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company considers this to be BBB- or higher based on S&P Global ratings, which is equivalent to an internal risk grade of 4 or lower.

The Company identifies key drivers behind changes in credit risk for portfolios. Generally, a significant increase in credit risk is assessed on an individual instrument basis as described above. However, if the Company identifies a key driver that is not considered in the individual assessment on a timely basis, then the Company will evaluate whether there is reasonable and supportable information that enables it to make an additional assessment on a collective basis with respect to the whole or part of a portfolio. This may lead to the Company concluding that a segment or proportion of a portfolio has undergone a significant increase in credit risk.

Basis of preparation (continued)
Significant accounting judgments, estimates and assumptions (continued)

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the debtor.

Management overlays may be applied to the model outputs if they are consistent with the objective of identifying a significant increase in credit risk.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month expected credit loss (ECL). Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Company determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When the contractual terms of an asset have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred from 12-month ECL measurement (Stage 1) to credit-impaired (Stage 3); and
- there is no unwarranted volatility in loss allowance from transfers between 12-month (Stage 1) and lifetime ECL (Stage 2) measurements.

Modified financial assets

The contractual terms of a financial asset may be modified for a number of reasons, including changing market conditions and other factors not related to a current or potential credit deterioration of the debtor. An existing financial asset whose terms have been modified may be derecognised and the renegotiated asset recognised as a new financial asset at fair value plus eligible transaction costs. The new asset is allocated to Stage 1 (assuming that it is not credit-impaired at the date of modification).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects a comparison of:

- its remaining lifetime PD as at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

Basis of preparation (continued)
Significant accounting judgments, estimates and assumptions (continued)

Definition of default

The Company considers a financial asset to be in default when:
- the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

In assessing whether a debtor is in default, the Company considers indicators that are:
- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment of another obligation of the same debtor to the Company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

Forward looking information is incorporated through the use of credit rating outlooks (Positive, Stable, Negative) provided by credit rating agencies. The Company utilizes several recognised rating agencies for this purpose along with an internal model and proxies where applicable. For the purpose of calculating ECLs, credit risk is measured and mapped using an adjusted IFRS 9 rating which incorporates forward looking information. Investment securities with a negative outlook, will have their credit rating downgraded by one notch on the S&P scale. For example, an investment that is credit rated BB+ with a negative outlook will be classified as BB for IFRS 9 ECL purposes. Securities with Stable and Positive outlooks will remain unchanged.

Measurement of expected credit loss (ECL)

The key inputs into the measurement of ECL are the term structures of the following variables:

- probability of default (PD)
- loss given default (LGD); and
- exposure at default (EAD)

ECL for exposures in Stage 1 are calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL are calculated by multiplying the lifetime PD by LGD and EAD.

To determine lifetime and 12-month PDs, the Company uses the PD tables supplied by S&P based on the default history of obligors in the same industry and geographic region with the same credit rating. The Company adopts the same approach for unrated investments by mapping its internal risk grades to the equivalent external credit ratings. The PDs are recalibrated based on current bond yields and CDS prices adjusted to reflect forward-looking information as described above. Changes in the rating for a counterparty or exposure leads to a change in the estimate of the associated PD.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, loan-to-value ratios are a key parameter in determining LGD.

Basis of preparation (continued)
Significant accounting judgments, estimates and assumptions (continued)

LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis using the effective interest rate as the discount rate.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is its gross carrying amount at the time of default.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, which include:

- instrument type;
- credit risk grade;
- collateral type
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

When ECL are measured using parameters based on collective modelling, a significant input into the measurement of ECL is the external benchmark information that the Company uses to derive the default rates of its portfolios. This includes the PDs provided in the S&P default study and the LGDs provided in the Moodys recovery studies.

Operating lease receivables

The ECL of operating lease receivables are determined at country level using a provision matrix. Loss rates are calculated with reference to days past due and actual credit loss experience over the past five years and are multiplied by scalar factors to incorporate forward-looking information.

Loss allowance

The following tables show reconciliations from the opening balance to the closing balance of the loss allowance by class of financial instrument.

Basis of preparation (continued)
Significant accounting judgments, estimates and assumptions (continued)
Loss allowance (continued)

31 December 2023	Stage 1	Stage 2	Stage 3	Total
(in Aruban Florins)				
Other debt securities at FVOCI				
Balance at 1 January	1,680	-	-	1,680
Net remeasurement of loss allowance	157	-	-	157
Balance at 31 December	1,837	-	-	1,837

31 December 2022	Stage 1	Stage 2	Stage 3	Total	IAS 39 (restated)
(in Aruban Florins)					
Other debt securities at FVOCI					
Balance at 1 January	-	-	-	-	-
Net remeasurement of loss allowance	1,680	-	-	1,680	1,680
Balance at 31 December	1,680	-	-	1,680	1,680

31 December 2023	2023	2022 - IFRS 9	2022 - IAS 39
	Stage 1	Stage 1	Restated
(in Aruban Florins)			
e. Other debt securities at amortised cost			
Balance at 1 January	15,711	-	15,711
Net remeasurement of loss allowance	40	15,711	15,751
New financial assets acquired	0	0	0
Financial assets derecognised	0	0	0
Effects of movements in exchange rates	0	0	0
Balance at 31 December	15,751	15,711	31,462

Determination of fair value

When measuring the fair value of an asset or liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs in the valuation techniques as follows:

- Level 1 – fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Basis of preparation (continued)
Significant accounting judgments, estimates and assumptions (continued)
Determination of fair value (continued)

Financial assets at fair value through profit or loss are valued using quoted prices in active markets when available. Market values were determined on the basis of available information at the end of the financial year, and therefore, did not take into account subsequent movements.

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities.

For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk free interest rates and credit risk.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. If the above criteria are not met, the market is regarded as being inactive.

In cases where the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less any impairments. Investments in government bonds are carried at amortised cost less any impairments.

The amortised costs less impairment provision of insurance receivables is assumed to approximate their fair value due to the short-term nature of these receivables.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments. The carrying amounts of trade payables and other current liabilities approximate fair values due to the short-term maturities of these liabilities.

Foreign currency translation

The Bahamian Dollar has been pegged to the Aruban Florins at a rate of USD 1 = ALF 1.8. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to BAH at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Basis of preparation (continued)

New and amended standards

The Company applied for the first time, certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2023. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective (unless otherwise stated).

Several other amendments and interpretations apply for the first time in 2023, but do not have an impact on the financial statements of the Company.

IFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)

The Company has adopted IFRS 17 and the related amendments for the first time in the current year. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The Company has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The Company has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

Standards issued but not yet effective

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

Basis of preparation (continued)

Standards issued but not yet effective (continued)

Amendments to IFRS 10 financial Statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the parent company anticipate that the application of these amendments may have an impact on the group's financial statements in future periods should such transactions arise.

Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current

The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted. The IASB has aligned the effective date with the 2022 amendments to IAS 1. If an entity applies the 2020 amendments for an earlier period, it is also required to apply the 2022 amendments early.

The directors of the Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk. The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information.

Basis of preparation (continued)

Standards issued but not yet effective (continued)

To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- the terms and conditions of the arrangements.
- the carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements.
- the carrying amount, and associated line items for which the suppliers have already received payment from the finance providers.
- ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement.
- liquidity risk information

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

Amendment to IFRS 16 Leases—Lease Liability in a Sale and Leaseback

The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

As part of the amendments, the IASB amended an Illustrative Example in IFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability, that arises from a sale and leaseback transaction that qualifies as a sale applying IFRS 15, is a lease liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. If a seller-lessee applies the amendments for an earlier period, it is required to disclose that fact.

A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16.

Presentation of the financial statements

These financial statements are presented in AFL, which is the Company's functional currency. All financial information presented in AFL has been rounded to the nearest dollar, except when otherwise indicated.

Summary of significant accounting policies

Property and equipment

Property and equipment, except for land, buildings and improvements, are stated at cost net of accumulated depreciation and impairment losses. Depreciation is determined on the straight-line basis based on the estimated useful life of the assets and an eventual residual value has been taken into consideration.

Depreciation is charged to the statement of profit or loss. Land is not depreciated. The estimated useful lives are as follows:

• buildings and leasehold improvements	10-50 years
• furniture and fixtures	5-10 years
• equipment	3-10 years
• vehicles	3-5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Land, buildings and improvements are measured on initial recognition at cost. Following initial recognition at cost, land, buildings and improvements are carried at revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and improvements and subsequent accumulated impairment losses. Impairment reviews are performed when there are indications that the carrying value may not be recoverable. A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation surplus in equity. Impairment losses are recognized in the statement of other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. Additional decrease as a result of revaluation shall be recognized in the statement of profit or loss and other comprehensive income.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on remeasurement is recognized in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognized in OCI and presented in the revaluation reserve. Any loss is recognized in profit or loss.

Impairment of non-financial assets

Under valuation model IFRS requires that non-financial assets are remeasured at the end of each reporting period, nevertheless based on management experience, the valuation of land and building included in this category does not significantly change on an annual bases, hence management has decided to perform valuations every three (3) years by an accredited external, independent appraiser, unless there are impairment indications, in which case valuation will be preform when such indication are identified. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples other available fair value indicators.

Summary of significant accounting policies (continued)

Financial assets and financial liabilities

Recognition and initial measurement
The Company recognises deposits with financial institutions and loans and borrowings on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for a financial asset or financial liability not measured at fair value through profit of loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

Classification and subsequent measurement

Financial assets not derecognised before 1 January 2023

Classification
On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income (FVOCI) or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are SPPI.

The Company elects to present changes in the fair value of certain equity investments that are not held for trading in OCI. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Company has designated certain debt investments in the participating and non-life segments as at FVTPL on initial recognition, because they relate to insurance contracts that are measured in a way that incorporates current information and all related insurance finance income and expenses are recognised in profit or loss. The assets would otherwise be measured at FVOCI.

Summary of significant accounting policies (continued)

Financial assets and financial liabilities (continued)
Classification and subsequent measurement (continued)
Financial assets not derecognised before 1 January 2023 (continued)

The Company's interests in some associates are underlying items of participating contracts. The Company has elected to measure these investments at FVTPL because it manages them on a fair value basis.

Business model assessment

The Company assesses the objective of the business model in which a financial asset is held for each portfolio of financial assets because this best reflects the way that the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

For a majority of debt investments, the objective of the Company's business model is to fund insurance contract liabilities. The Company undertakes significant buying and selling activity on a regular basis to rebalance its portfolio of assets and to ensure that contractual cash flows from the financial assets are sufficient to settle insurance contract liabilities. The Company determines that both collecting contractual cash flows as they come due and selling financial assets to maintain the desired asset profile are integral to achieving the business model's objective.

Certain debt securities are held in separate portfolios for long-term yield. These securities may be sold, but such sales are not expected to be more than infrequent. The Company considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows.

Portfolios of financial assets that are managed and whose performance is evaluated on a fair value basis, which include underlying items of participating contracts, and portfolios of financial assets that are held for trading are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are SPPI

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. However, the principal may change over time – e.g. if there are repayments of principal.

Summary of significant accounting policies (continued)

Financial assets and financial liabilities (continued)
Classification and subsequent measurement (continued)
Assessment of whether contractual cash flows are SPPI (continued)

Interest is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration for the time value of money (e.g. periodic reset of interest rates).

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. In addition, for a financial asset acquired at a premium or discount to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant on initial recognition.

Some prepayment features permit the debtor to prepay the debt instrument at an amount calculated as the remaining contractual cash flows discounted at the current market benchmark interest rate plus a fixed spread. The Company has determined that these prepayment features are consistent with the SPPI criterion. Because the Company would be compensated only for the change in the market benchmark interest rate and for lost interest margin, the prepayment penalty would not include any non-SPPI risks and may be seen as reasonable compensation.

Summary of significant accounting policies (continued)

Financial assets and financial liabilities (continued)
Classification and subsequent measurement (continued)

Subsequent measurement and gains and losses

Financial assets at FVTPL	Measured at fair value. Net gains and losses, including any interest or dividend income and foreign exchange gains and losses, are recognised in profit or loss, unless they arise from derivatives designated as hedging instruments in net investment hedges
Debt investments at FVOCI	Measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI and accumulated in the fair value reserve. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	Measured at fair value. Dividends are recognised as income in profit or loss when the Company's right to receive payment is established, unless they clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.
Financial assets at amortised cost	Measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss

Financial assets derecognised before 1 January 2023

Classification
The Company classified its financial assets into one of the following categories:

- financial assets at FVTPL, and within this category as:
  - held-for-trading;
  - derivative hedging instruments; or
  - designated as at FVTPL;
- held-to-maturity investments;
- loans and receivables; and
- available-for-sale financial asset

Subsequent measurement and gains and losses

Financial assets at FVTPL	Measured at fair value. Net gains and losses, including any interest or dividend income and foreign exchange gains and losses, were recognised in profit or loss, unless they arose from derivatives designated as hedging instruments in net investment hedges.
Held-to-maturity investments	Measured at amortised cost using the effective interest method.
Loans and receivables	Measured at amortised cost using the effective interest method.
Available-for-sale financial assets	Measured at fair value. Interest income calculated using the effective interest method, dividends, foreign exchange gains and losses and impairment were recognised in profit or loss. Other net gains and losses were recognised in OCI and accumulated in the fair value reserve. On derecognition, gains and losses accumulated in OCI were reclassified to profit or loss.

Summary of significant accounting policies (continued)
Financial assets and financial liabilities (continued)

Classification and subsequent measurement (continued)

Financial assets not derecognised before 1 January 2023 (continued)
Subsequent measurement and gains and losses (continued)

Financial liabilities
Classification

The Company classifies its financial liabilities, other than financial guarantees (see (vii)), into one of the following categories:

- financial liabilities at FVTPL, and within this category as:
    - held-for-trading;
    - derivative hedging instruments; or
    - designated as at FVTPL; and
- financial liabilities at amortised cost.

The Company has designated investment contract liabilities and third-party interests in consolidated funds as at FVTPL on initial recognition. This is because these liabilities as well as the related assets are managed, and their performance is evaluated on a fair value basis.

All investment contract liabilities and third-party interests in consolidated funds have a unit-linking feature whereby the amount due to contract holders is contractually determined on the basis of specified assets. The effect of the unit-linking feature on the fair value of the liability is asset specific performance risk and not credit risk, and the liabilities are fully collateralised. The Company has determined that any residual credit risk is insignificant and has not had any impact on the fair value of the liabilities.

Subsequent measurement and gains and losses

Financial liabilities at FVTPL	Measured at fair value. Net gains and losses, including any interest expenses and foreign exchange gains and losses, are recognised in profit or loss, unless they arise from derivatives designated as hedging instruments in net investment hedges.
Financial liabilities at amortised cost	Measured at amortised cost using the effective interest method. Interest expenses and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Interest on financial instruments not derecognised before 1 January 2023

Interest income and expenses are recognised in profit or loss using the effective interest method. The effective interest rate is calculated on initial recognition of a financial instrument and is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

Summary of significant accounting policies (continued)
Financial assets and financial liabilities (continued)

Classification and subsequent measurement (continued)

Interest on financial instruments not derecognised before 1 January 2023 (continued)

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The gross carrying amount of a financial asset is its amortised cost before adjusting for any loss allowance.

Financial liabilities at FVTPL	If the financial asset is not credit-impaired, then interest income is calculated by applying the effective interest rate to the gross carrying amount of the asset. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the asset, but not ECL.
	If the financial asset has become credit-impaired subsequent to initial recognition, then interest income is calculated by applying the effective interest rate to the amortised cost of the asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.
Financial assets credit-impaired on initial recognition	Interest income is calculated by applying a credit-adjusted effective interest rate to the amortised cost of the asset. The credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.
Financial liabilities	Interest expenses are calculated by applying the effective interest rate to the amortised cost of the liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the liability.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest revenue calculated using the effective interest method and other finance costs presented in profit or loss include interest on financial assets and financial liabilities measured at amortised cost and debt investments measured at FVOCI.

Interest on financial instruments derecognised before 1 January 2023

Interest income and expenses were recognised in profit or loss using the effective interest method. The effective interest rate was the rate that exactly discounted the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimated future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate included transaction costs and fees and points paid or received that were an integral part of the effective interest rate. Transaction costs were incremental costs that were directly attributable to the acquisition or issue of a financial asset or financial liability.

Summary of significant accounting policies (continued)

Financial assets and financial liabilities (continued)

Classification and subsequent measurement (continued)

Interest on financial instruments derecognised before 1 January 2023 (continued)

Interest revenue calculated using the effective interest method and other finance costs presented in profit or loss included interest on financial assets and financial liabilities measured at amortised cost and available-for-sale financial assets.

Derivatives, including embedded derivatives

Derivatives, including embedded derivatives separated from their host contracts, are classified as held-for-trading, unless they form part of a qualifying net investment hedging relationship. They are measured at fair value with changes in fair value recognised in profit or loss.

Derivatives may be embedded in another contractual arrangement (a host contract). When the host contract is a financial asset in the scope of IFRS 9, the hybrid financial instrument as a whole is assessed for classification and the embedded derivative is not separated from the host contract.

A derivative embedded in a host insurance or reinsurance contract is not accounted for separately from the host contract if the embedded derivative itself meets the definition of an insurance or reinsurance contract.

For other contracts, the Company accounts for an embedded derivative separately from the host contract when:

- the hybrid contract is not measured at FVTPL;
- the terms of the embedded derivative would have met the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. In particular, an embedded derivative is closely related to a host insurance contract if they are so interdependent that the embedded derivative cannot be measured separately – i.e. without considering the host contract.

Impairment

Financial assets not derecognised before 1 January 2023

The Company recognises loss allowances for ECL on:
- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- lease receivables.

The Company measures loss allowances at an amount equal to lifetime ECL, except in the following cases, for which the amount recognised is 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) for which credit risk has not increased significantly since initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

Summary of significant accounting policies (continued)
Financial assets and financial liabilities (continued)
Classification and subsequent measurement (continued)
Impairment (continued)

Financial assets not derecognised before 1 January 2023 (continued)

Financial instruments for which 12-month ECL are recognised are referred to as 'Stage 1 financial instruments'. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Financial instruments for which lifetime ECL are recognised because of a significant increase in credit risk since initial recognition but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

Credit-impaired financial assets
At each reporting date, the Company assesses whether financial assets measured at amortised cost, debt investments at FVOCI and lease receivables are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or past-due event;
- the restructuring of an amount due to the Company on terms that the Company would not otherwise consider;
- the debtor entering bankruptcy or other financial reorganisation becoming probable; or
- the disappearance of an active market for a security because of financial difficulties.

A financial asset that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In assessing whether an investment in sovereign debt is credit-impaired, the Company considers the following factors:

- the market's assessment of creditworthiness as reflected in bond yields;
- the rating agencies' assessments of creditworthiness;
- the country's ability to access the capital markets for new debt issuance;
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; and

<u>Summary of significant accounting policies (continued)</u>
Financial assets and financial liabilities (continued)
Classification and subsequent measurement (continued)
Impairment (continued)
Financial assets not derecognised before 1 January 2023 (continued)

Credit-impaired financial assets (continued)

- the international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms, including an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of loss allowances in the statement of financial position

Loss allowances for ECL are presented as follows:

- financial assets measured at amortised cost: the loss allowance is deducted from the gross carrying amount of the assets; and
- debt investments measured at FVOCI: the loss allowance does not reduce the carrying amount of the financial assets (which are measured at fair value) but gives rise to an equal and opposite gain in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Although the Company expects no significant recovery from amounts written off, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

<u>Financial assets derecognised before 1 January 2023</u>

At each reporting date, the Company assessed whether there was objective evidence that financial assets not measured at FVTPL were impaired. A financial asset or a group of financial assets was impaired when objective evidence demonstrated that a loss event had occurred after the initial recognition of the asset(s) and that the loss event had an impact on the future cash flows of the asset(s) that could be estimated reliably. This assessment was similar to determining whether a financial asset not derecognised before 1 January 2023 is credit-impaired.

In addition, for an investment in an equity instrument, a significant or prolonged decline in its fair value below its cost was objective evidence of impairment. In general, the Company considered a decline of 20% to be significant and a period of nine months to be prolonged. However, in specific circumstances a smaller decline or a shorter period might have been appropriate.

Impairment losses on financial assets were recognised as follows.

Summary of significant accounting policies (continued)
Financial assets and financial liabilities (continued)
Classification and subsequent measurement (continued)
Impairment (continued)

Financial assets derecognised before 1 January 2023 (continued)

Financial assets at amortised cost	The Company considered evidence of impairment for these assets at both individual asset and collective levels. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet individually identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.
	In assessing collective impairment, the Company used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.
	An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Company considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.
Available-for-sale financial assets	Impairment losses on available-for-sale financial assets were recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified was the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increased and the increase was related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale were not reversed through profit or loss.

Derecognition and contract modification

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount at the date of derecognition and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

Summary of significant accounting policies (continued)
Financial assets and financial liabilities (continued)
Classification and subsequent measurement (continued)
Derecognition and contract modification (Continued)

Financial assets (continued)

For debt investments at FVOCI and financial assets that had already been derecognised at 1 January 2023, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. The cumulative gain or loss on equity investments designated as at FVOCI is not reclassified to profit or loss.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

If the terms of a financial asset are modified, then the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows.

- Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the new asset.
- Other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the debtor is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual cash flows rather than to originate a new asset with substantially different terms. If the Company plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place.

If a financial asset measured at amortised cost or FVOCI is modified but not substantially, then the financial asset is not derecognised. If the asset had not been derecognised at 1 January 2023, then the Company recalculates the gross carrying amount of the financial asset by discounting the modified contractual cash flows at the original effective interest rate and recognises the resulting adjustment to the gross carrying amount as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses; in other cases, it is presented as interest revenue. Any costs or fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Summary of significant accounting policies (continued)
Financial assets and financial liabilities (continued)
Classification and subsequent measurement (continued)
Derecognition and contract modification (Continued)

Financial Liabilities

The Company generally derecognises a financial liability when its contractual obligations expire or are discharged or cancelled. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Notwithstanding the above, when, and only when, the Company repurchases its financial liability and includes it as an underlying item of direct participating contracts, the Company may elect not to derecognise the financial liability. Instead, the Company may elect to continue to account for that instrument as a financial liability and to account for the repurchased instrument as if it were a financial asset and measure it at FVTPL. This election is irrevocable and is made on an instrument-by-instrument basis.

If a financial liability measured at amortised cost is modified but not substantially, then it is not derecognised.

- For financial liabilities that had not been derecognised at 1 January 2023, the Company recalculates the amortised cost of the financial liability by discounting the modified contractual cash flows at the original effective interest rate and recognises any resulting adjustment to the amortised cost as a modification gain or loss in ‘other finance costs’ in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred adjust the carrying amount of the modified financial liability and are amortised over the remaining term of the modified financial liability.
- For financial liabilities that had been derecognised at 1 January 2023, the Company recognised any difference in present value as an adjustment to the effective interest rate and amortised it over the remaining life of the modified financial liability, with no immediate gain or loss recognised.

Cash and cash equivalents

Cash and cash equivalents include cash balances and call deposits with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Bank overdrafts that are repayable on demand and form an integral part of the Company’s cash management are included as a component of cash and cash equivalents for the purposes of the statement of cash flows.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when it is required or permitted by a standard – e.g. gains and losses arising from a group of similar transactions such as the gains and losses on financial assets measured at FVTPL.

<u>Summary of significant accounting policies (continued)</u>

Insurance contracts

<u>Key types of insurance contracts issued and reinsurance contracts held</u>

The Company issues the following types of contracts that are accounted for in accordance with IFRS 17 Insurance Contracts.

Casualty insurance contracts protect the Company's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

The healthcare products provide medical cover to policyholders.

The Company accounts for these contracts applying the Premium Allocation Approach (PAA).

<u>Definitions and classifications</u>

Products sold by the Company are classified as insurance contracts when the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

This assessment is made on a contract-by-contract basis at the contract issue date. In making this assessment, the Company considers all its substantive rights and obligations, whether they arise from contract, law or regulation.

The Company determines whether a contract contains significant insurance risk by assessing if an insured event could cause the Company to pay to the policyholder additional amounts that are significant in any single scenario with commercial substance even if the insured event is extremely unlikely or the expected present value of the contingent cash flows is a small proportion of the expected present value of the remaining cash flows from the insurance contract.

<u>Combining a set or series of contracts</u>

Sometimes, the Company enters into two or more contracts at the same time with the same or related counterparties to achieve an overall commercial effect. The Company accounts for such a set of contracts as a single insurance contract when this reflects the substance of the contracts. When making this assessment, the Company considers whether:

- The rights and obligations are different when looked at together compared to when looked at individually.
- The Company is unable to measure one contract without considering the other

Summary of significant accounting policies (continued)

Insurance contracts (continued)

Level of aggregation

The Company identifies portfolios by aggregating insurance contracts that are subject to similar risks and managed together. In grouping insurance contracts into portfolios, the Company considers the similarity of risks rather than the specific labelling of product lines. The Company has determined that all contracts within each product line, as defined for management purposes, have similar risks. Therefore, when contracts are managed together, they represent a portfolio of contracts. Some products issued by different entities within the Company are considered as being managed at the issuing entity level. This is because the management of the solvency capital management, which supports the issuance of these contracts, is ringfenced within these entities.

The Company may acquire insurance contracts as part of a business combination or a portfolio transfer. Unlike originally issued contracts, contracts acquired in a settlement phase transfer an insurance risk of adverse claims development. The Company considers such risk to be different from contracts it originally issues and aggregates such contracts in separate portfolios by product line.

Each portfolio is subdivided into groups of contracts to which the recognition and measurement requirements of IFRS 17 are applied.

At initial recognition, the Company segregates contracts based on when they were issued. A cohort contains all contracts that were issued within a 12-month period. Each cohort is then further disaggregated into three groups of contracts:

- Contracts that are onerous on initial recognition
- Contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently
- Any remaining contracts

The determination of whether a contract or a group of contracts is onerous is based on the expectations as at the date of initial recognition, with fulfilment cash flow expectations determined on a probability-weighted basis. The Company determines the appropriate level at which reasonable and supportable information is available to assess whether the contracts are onerous at initial recognition and whether the contracts not onerous at initial recognition have a significant possibility of becoming onerous subsequently. The Company applies significant judgement in determining at what level of granularity the Company has sufficient information to conclude that all contracts within a set will be in the same group. In the absence of such information, the Company assesses each contract individually.

The composition of groups established at initial recognition is not subsequently reassessed.

For motor and home insurance contracts accounted for applying the PAA, the Company determines that contracts are not onerous on initial recognition, unless there are facts and circumstances indicating otherwise. The Company assesses the likelihood of changes in applicable facts and circumstances to determine whether contracts not onerous on initial recognition belong to a group with no significant possibility of becoming onerous in the future.

If facts and circumstances indicate that some contracts may be onerous at initial recognition or the group of contracts has become onerous, the Company performs a quantitative assessment to assess whether the carrying amount of the liability for remaining coverage determined applying the PAA is less than the fulfilment cash flows related to remaining coverage determined applying the General Model. If the fulfilment cash flows related to remaining coverage determined applying the General Model exceed the PAA carrying amount of the liability for remaining coverage, the difference is recognised in profit or loss and the liability for remaining coverage is increased by the same amount.

Summary of significant accounting policies (continued)

Insurance contracts (continued)

Level of aggregation (continued)

When motor insurance contracts within a portfolio would only fall into different groups due to specific constraints imposed by law or regulation on the Company's practical ability to set a different price or level of benefits for male and female policyholders, the Company nevertheless includes those contracts in the same group.

Recognition

The Company recognises groups of insurance contracts issued from the earliest of the following dates:
- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group becomes due (in the absence of a contractual due date, this is deemed to be when the first payment is received)
- The date when a group of contracts becomes onerous

The Company recognises only contracts issued within a one-year period meeting the recognition criteria by the reporting date. Subject to this limit, a group of insurance contracts can remain open after the end of the current reporting period. New contracts are included in the group when they meet the recognition criteria in subsequent reporting periods until such time that all contracts expected to be included within the group have been recognised.

Contract boundaries

The measurement of a group of insurance contracts includes all future cash flows expected to arise within the boundary of each contract in the group.

In determining which cash flows fall within a contract boundary, the Company considers its substantive rights and obligations arising from the terms of the contract, and from applicable laws, regulations and customary business practices. The Company determines that cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums or the Company has a substantive obligation to provide the policyholder with insurance contract services.

A substantive obligation to provide insurance contract services ends when the Company has the practical ability to reassess the risks of a particular policyholder and, as a result, to change the price charged or the level of benefits provided for the price to fully reflect the new level of risk. If the boundary assessment is performed at a portfolio rather than individual contract level, the Company must have the practical ability to reprice the portfolio to fully reflect risk from all policyholders. The Company's pricing must not take into account any risks beyond the next reassessment date.

In determining whether all risks have been reflected either in the premium or in the level of benefits, the Company considers all risks that policyholders would transfer had the Company issued the contracts (or portfolio of contracts) at the reassessment date. Similarly, the Company concludes on its practical ability to set a price that fully reflects the risks in the contract or portfolio at a renewal date by considering all the risks it would assess when underwriting equivalent contracts on the renewal date for the remaining service. The assessment on the Company's practical ability to reprice existing contracts takes into account all contractual, legal and regulatory restrictions. In doing so, the Company disregards restrictions that have no commercial substance. The Company also considers the impact of market competitiveness and commercial considerations on its practical ability to price new contracts and repricing existing contracts. The Company exercises judgement in deciding whether such commercial considerations are relevant in concluding as to whether the practical ability exists at the reporting date.

Summary of significant accounting policies (continued)

Insurance contracts (continued)

Contract boundaries (continued)

Insurance contracts measured under the premium allocation approach

The Company applies the PAA to the measurement of motor and home insurance contracts with a coverage period of each contract in the group of one year or less.

On initial recognition, the Company measures the liability for remaining coverage (LRC) at the amount of premiums received in cash. As all issued insurance contracts to which the PAA is applied have coverage of a year or less, the Company applies a policy of expensing all insurance acquisition cash flows as they are incurred.

Premiums due to the Company for insurance contract services already provided in the period but not yet received at the end of the reporting period are included in the LRC. The carrying amount of the LRC at the end of each subsequent reporting period represents the carrying amount at the start of the reporting period adjusted for the premiums received in the period and the amount recognised as insurance revenue for insurance contract services provided in that period.

The Company has determined that there is no significant financing component in motor and home insurance contracts with a coverage period of one year or less. The Company does not discount the liability for remaining coverage to reflect the time value of money and financial risk for such insurance contracts.

The Company also applies the PAA to the all-quota share home and motor reinsurance contracts held. The coverage period of such reinsurance contracts held is 15 months or less. As the coverage period exceeds one year, the Company at initial recognition assesses whether the PAA is a reasonable approximation of the General Model.

For motor and home reinsurance contracts held with a coverage period longer than one year, the Company exercises judgement to determine whether a significant financing component exists. For groups of reinsurance contracts held with a significant financing component, the Company adjusts the LRC for the time value of money using discount rates determined at initial recognition.

For both motor and home insurance contracts issued and reinsurance contracts held, the carrying amount of the liability for incurred claims (LIC) is measured applying the General Model, except that:

- For claims that the Company expects to be paid within one year or less from the date of incurrence, the Company does not adjust future cash flows for the time value of money and the effects of financial risks.
- For claims expected to take more than one year to settle are discounted applying the discount rate at the time the incurred claim is initially recognised.

Applying the PAA, the insurance revenue is measured at the amount allocated from the expected premium receipts excluding any investment component. The allocation is done on the basis of the passage of time. The Company applies judgement in determining the basis of allocation.

When facts and circumstances indicate that a group of contracts has become onerous, the Company performs a test for onerousness. If the amount of the fulfilment cash flows exceeds the carrying amount of the LRC, the Company recognises the amount of the difference as a loss in profit or loss and increases the LRC for the corresponding amount.

Summary of significant accounting policies (continued)

Insurance contracts (continued)

Onerous contracts
The Company considers an insurance contract to be onerous if the expected fulfilment cash flows allocated to the contract, any previously recognised acquisition cash flows and any cash flows arising from the contract at the date of initial recognition in total result in a net cash outflow.

On initial recognition, the onerous assessment is done on an individual contract level assessing future expected cash flows on a probability-weighted basis including a risk adjustment for non-financial risk. Contracts expected on initial recognition to be loss-making are grouped together and such groups are measured and presented separately. Once contracts are allocated to a group, they are not re-allocated to another group, unless they are substantively modified.

After the loss component is recognised, the Company allocates any subsequent changes in fulfilment cash flows of the LRC on a systematic basis between the loss component and the LRC excluding the loss component.

For groups of onerous contracts, without direct participating features, the Company uses locked-in discount rates. They are determined at initial recognition to calculate the changes in the estimate of future cash flows relating to future service (both changes in a loss component and reversals of a loss component).

For all issued contracts, other than those accounted for applying the PAA, the subsequent changes in the fulfilment cash flows of the LRC to be allocated are:

- Insurance finance income or expense.
- Changes in risk adjustment for non-financial risk recognised in profit or loss representing release from risk in the period.
- Estimates of the present value of future cash flows for claims and expenses released from the LRC because of incurred insurance service expenses in the period.

The Company determines the systematic allocation of insurance service expenses incurred based on the percentage of loss component to the total fulfilment cash outflows included in the LRC, including the risk adjustment for nonfinancial risk, excluding any investment component amount.

The Company disaggregates the total finance income or expenses between profit or loss or OCI. For any subsequent changes in the fulfilment cash flows of the LRC, the total of insurance finance income or expenses is disaggregated between profit or loss or OCI and allocated on a systematic basis between the loss component and the 'LRC excluding the loss component'.

Any subsequent decreases in fulfilment cash flows relating to future service allocated to the group (arising from changes in estimates of future cash flows and the risk adjustments for non-financial risk) are allocated first to the loss component only. Once it is exhausted, any further decreases in fulfilment cash flows relating to future service results in the establishment of the company's contractual service margin (CSM).

For onerous groups of contracts, revenue is calculated as the amount of insurance service expenses expected at the beginning of the period that form part of revenue and reflects only:

- The change in the risk adjustment for non-financial risk due to expected release from risk in the period (excluding the amount systematically allocated to the loss component).
- The estimates of the present value of future cash flows related to claims expected to incur in the period (excluding the systematic allocation to the loss component).
- The allocation, based on the coverage units, of the portion of premiums that relates to the recovery of the insurance acquisition cash flows.

Summary of significant accounting policies (continued)

Insurance contracts (continued)

Onerous contracts (continued)

All these amounts are accounted for as a reduction of the LRC excluding the loss component.
The Company recognises amounts in insurance service expenses related to the loss component arising from:

- Changes in fulfilment cash flows arising from changes in estimates related to future service that establish or further increase the loss component.
- Subsequent decreases in fulfilment cash flows that relate to future service and reduce the loss component until it is exhausted.
- For direct participating contracts only, subsequent decreases in the entity's share of the fair value of the underlying items, that result in or further increase the loss component.
- For direct participating contracts only, subsequent increases in the entity's share of the fair value of the underlying items that reduce the loss component until it is exhausted.
- Systematic allocation to the loss component arising both from changes in the risk adjustment for non-financial risk and from incurred insurance services expenses.

Reinsurance contracts held

Recognition

The Company uses facultative and treaty reinsurance to mitigate some of its risk exposures. Reinsurance contracts held are accounted for applying IFRS 17 when they meet the definition of an insurance contract. This includes the condition that the contract must transfer significant insurance risk.

The Company obtains certain elements of its reinsurance coverage on a group basis. The associated cost of this reinsurance coverage is allocated to all subsidiaries and branches which benefit from such coverage. The method used to allocate this coverage involves judgement and considers available information from both third-party and internal sources. Management believes that the allocation basis used is appropriate.

Reinsurance contracts transfer significant insurance risk only if they transfer to the reinsurer substantially all the insurance risk relating to the reinsured portions of the underlying insurance contracts, even if a reinsurance contract does not expose the issuer (reinsurer) to the possibility of a significant loss.

Reinsurance contracts held are accounted for separately from underlying insurance contracts issued and are assessed on an individual contract basis. In aggregating reinsurance contracts held, the Company determines portfolios in the same way as it determines portfolios of underlying insurance contracts issued. The Company considers that each product line reinsured at the ceding entity level to be a separate portfolio. The Company disaggregates a portfolio of its reinsurance contracts held into three groups of contracts:

- Contracts that on initial recognition have a net gain.
- Contracts that, on initial recognition, have no significant possibility of resulting in a net gain subsequently.
- Any remaining reinsurance contracts held in the portfolio

For motor and home quota share reinsurance contracts held accounted for applying the PAA, the Company assumes that all reinsurance contracts held in each portfolio will not result in a net gain on initial recognition, unless facts and circumstances indicate otherwise.

In determining the timing of initial recognition of a reinsurance contract held, the Company assesses whether the reinsurance contract's terms provide protection on losses on a proportionate basis. The Company recognises a group of reinsurance contracts held that provides proportionate coverage:

Summary of significant accounting policies (continued)

Reinsurance contracts held (continued)

Recognition (continued)

- At the start of the coverage period of that group of reinsurance contracts held
- At the initial recognition of any of the underlying insurance contracts, whichever is later

The Company recognises a group of non-proportional reinsurance contracts at the earliest of the beginning of the coverage period of the group or the date an underlying onerous group of contracts is recognised.

The boundary of a reinsurance contract held includes cash flows resulting from the underlying contracts covered by the reinsurance contract held. This includes cash flows from insurance contracts that are expected to be issued by the Company in the future if these contracts are expected to be issued within the boundary of the reinsurance contract held.

Cash flows are within the boundary of a reinsurance contract held, if they arise from the substantive rights and obligations of the cedant that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

Reinsurance contracts held measured under the PAA

The Company measures quota share motor and home reinsurance contracts by applying the PAA.

Under the PAA, the initial measurement of the asset for remaining coverage equals the reinsurance premium paid. The Company measures the amount relating to remaining service by allocating the premium paid over the coverage period of the group. For all reinsurance contracts held, the allocation is based on the passage of time, where claims are seasonal, and the allocation is based on the expected incidence of claims.

Where the reinsurance contracts held covers a group of onerous underlying insurance contracts, the Company adjusts the carrying amount of the asset for remaining coverage and recognises a gain when, in the same period, it reports a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to a group. The recognition of this gain results in the recognition for the loss recovery component of the asset for the remaining coverage of a group of reinsurance contracts held.

Modification and derecognition

The Company derecognises the original contract and recognises the modified contract as a new contract, if the terms of insurance contracts are modified and the following conditions are met:

- If the modified terms were included at contract inception and the Company would have concluded that the modified contract:
    - Is outside of the scope of IFRS 17.
    - Results in a different insurance contract due to separating components from the host contract.
    - Results in a substantially different contract boundary.
    - Would be included in a different group of contracts.
- The original contract met the definition of an insurance contract with direct participating features, but the modified contract no longer meets the definition.
- The original contract was accounted for applying the PAA, but the modified contract no longer meets the PAA eligibility criteria for that approach.

Summary of significant accounting policies (continued)

Reinsurance contracts held (continued)

Modification and derecognition (continued)

If the contract modification meets any of the conditions, the Company performs all assessments applicable at initial recognition, derecognises the original contract and recognises the new modified contract as if it was entered for the first time.

If the contract modification does not meet any of the conditions, the Company treats the effect of the modification as changes in the estimates of fulfilment cash flows.

For insurance contracts accounted for applying the PAA, the Company adjusts insurance revenue prospectively from the time of the contract modification.

The Company derecognises an insurance contract when, and only when the contract is:
- Extinguished (when the obligation specified in the insurance contract expires or is discharged or cancelled).
- Modified and the derecognition criteria are met.

When the Company derecognises an insurance contract from within a group of contracts, it:

- Adjusts the fulfilment cash flows allocated to the group to eliminate the present value of the future cash flows and risk adjustment for non-financial risk relating to the rights and obligations that have been derecognised from the group.
- Adjusts the CSM of the group for the change in the fulfilment cash flows (unless it relates to the increase or reversal of the loss component).
- Adjusts the number of coverage units for expected remaining insurance contract services to reflect the coverage units derecognised from the group, and recognises in profit or loss in the period the amount of CSM based on that adjusted number

When the Company transfers an insurance contract to a third party and that results in derecognition, the Company adjusts the CSM of the group from which the contract has been derecognised for the difference between the change in the carrying amount of the group caused by the derecognised fulfilment cash flows and the premium charged by the third party for the transfer.

When the Company derecognises an insurance contract due to modification, it derecognises the original insurance contract and recognises a new one. The Company adjusts the CSM of the group from which the modified contract has been derecognised for the difference between the change in the carrying amount of the group as a result of adjustment to fulfilment cash flows due to derecognition and the premium the Company would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium actually charged for the modification.

Presentation

The Company has presented separately in the statement of financial position the carrying amount of portfolios of insurance contracts that are assets and those that are liabilities, and the portfolios of reinsurance contracts held that are assets and those that are liabilities.

The Company disaggregates the amounts recognised in the statement of profit or loss and other comprehensive income into an insurance service result sub-total that comprises insurance revenue and insurance service expenses and, separately from the insurance service result, the 'net insurance finance income or expenses' sub-total. The Company has voluntarily included the net insurance finance income or expenses line in another subtotal: net insurance and investment result, which also includes the income from all the assets backing the Company's insurance liabilities.

Summary of significant accounting policies (continued)

Presentation (continued)

The Company includes any assets for insurance acquisition cash flows recognised before the corresponding groups of insurance contracts are recognised in the carrying amount of the related portfolios of insurance contracts issued.

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and nonfinancial portion. It includes the entire change as part of the insurance service result.

Insurance revenue

As the Company provides insurance services under a group of insurance contracts issued, it reduces its LRC and recognises insurance revenue, which is measured at the amount of consideration the Company expects to be entitled to in exchange for those services.

When applying the PAA, the Company recognises insurance revenue for the period based on the passage of time by allocating expected premium receipts including premium experience adjustments to each period of service. However, when the expected pattern of release from risk during the coverage period differs significantly from the passage of time, the premium receipts are allocated based on the expected pattern of incurred insurance service expenses.

The Company issues home insurance policies with different expected patterns of occurrence of claims. For those groups of contracts, revenue is recognised based on the expected patterns of claim occurrence.

At the end of each reporting period, the Company considers whether there was a change in facts and circumstances indicating a need to change, on a prospective basis, the premium receipt allocation due to changes in the expected pattern of claim occurrence.

Insurance service expenses

Insurance service expenses arising from a group of insurance contracts issued comprises:

- Changes in the LIC related to claims and expenses incurred in the period excluding repayment of investment components.
- Changes in the LIC related to claims and expenses incurred in prior periods (related to past service).
- Other directly attributable insurance service expenses incurred in the period.
- Amortisation of insurance acquisition cash flows, which is recognised at the same amount in both insurance service expenses and insurance contract revenue.
- Loss component of onerous groups of contracts initially recognised in the period
- Changes in the LRC related to future service that do not adjust the CSM, because they are changes in the loss components of onerous groups of contracts.

Income or expenses from reinsurance contracts held

The Company presents income or expenses from a group of reinsurance contracts held and reinsurance finance income or expenses in profit or loss for the period separately. Income or expenses from reinsurance contracts held are split into the following two amounts:

- Amount recovered from reinsurers.
- An allocation of the premiums paid.

Summary of significant accounting policies (continued)

Presentation (continued)

Income or expenses from reinsurance contracts held (continued)

The Company presents cash flows that are contingent on claims as part of the amount recovered from reinsurers. Ceding commissions that are not contingent on claims of the underlying contracts are presented as a deduction in the premiums to be paid to the reinsurer which is then allocated to profit or loss.

The Company establishes a loss recovery component of the asset for the remaining coverage for a group of reinsurance contracts held. This depicts the recovery of losses recognised on the initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to a group. The loss recovery component adjusts the CSM of the group of reinsurance contracts held. The loss recovery component is then adjusted to reflect:

- Changes in the fulfilment cash flows of the underlying insurance contracts that relate to future service and do not adjust the CSM of the respective groups to which the underlying insurance contracts belong to.
- Reversals of loss recovery component to the extent those reversals are not changes in the fulfilment cash flows of the group of reinsurance contracts held.
- Allocations of the loss recovery component against the amounts recovered from reinsurers reported in line with the associated reinsured incurred claims or expenses.

Insurance finance income and expenses

Insurance finance income or expenses present the effect of the time value of money and the change in the time value of money, together with the effect of financial risk and changes in financial risk of a group of insurance contracts and a group of reinsurance contracts held.

The use of OCI presentation for insurance finance income and expenses
The Company has an accounting policy choice to present all of the period's insurance finance income or expenses in profit or loss or to split the amount between profit or loss and other comprehensive income (OCI). When considering the choice of presentation of insurance finance income or expenses, the Company examines the assets held for that portfolio and how they are accounted for. The accounting policy choice to disaggregate insurance finance income or expenses so that part is recognised in profit or loss and part in OCI is applied on a portfolio-by-portfolio basis.

The Company may reassess its accounting policy choice during the duration of a group of direct participating contracts when there is a change in whether the Company holds the underlying items or no longer holds the underlying items. When such change occurs, the Company includes the amount accumulated in OCI by the date of change as a reclassification adjustment to profit or loss spread across the period of change and future periods based on the method and on assumptions that applied immediately before the date of change. Comparatives are not restated.

For PAA contracts

When applying the PAA, the Company does not discount the liability for remaining coverage to reflect the time value of money and financial risk for motor and home insurance policies with a coverage period of one year or less. For those claims that the Company expects to be paid within one year or less from the date of incurrence, the Company does not adjust future cash flows for the time value of money and the effects of financial risks. However, claims expected to take more than one year to settle are discounted applying the discount rate at the time the incurred claim is initially recognised. The Company disaggregates insurance finance income or expenses between profit or loss and OCI based on the systematic allocation method over the duration of the contracts in the group.

Summary of significant accounting policies (continued)

Presentation (continued)

Insurance finance income and expenses (continued)

For non-participating contracts

For non-participating contracts whose cash flows are not affected by underlying items, the Company has elected to present all insurance finance income or expenses in profit or loss.

For reinsurance contracts held

The systematic allocation is based only on the characteristics of the group of reinsurance contracts held. Over the duration of the contracts in the group, the total amount recognised in OCI will equal to nil. At any time, the cumulative amount recognised in OCI is the difference between the amount recognised in the statement of financial position and the amount determined using the 'systematic allocation approach'.

For quota-share motor and home reinsurance contracts held measured applying the PAA, the Company adjusts the LRC for the time value of money for quota-share motor and home reinsurance contracts held with a coverage period longer than one year using discount rates determined at initial recognition. The Company elects to disaggregate presentation of insurance finance income or expenses. The amounts presented in profit or loss are based on the discount rates relating to nominal cash flows that do not vary based on the returns on any underlying items determined at the date of initial recognition of a group of contracts.

Exchange differences

Exchange differences arising from changes in the carrying amount of groups of insurance contracts issued and reinsurance contracts held are recognised in profit or loss in the period in which they arise. Exchange differences arising from changes in the carrying amount of groups of insurance contracts issued and reinsurance contracts held included in other comprehensive income, if any, are recognised in other comprehensive income.

The group of insurance contracts with cash flows in different foreign currencies is assessed to be denominated in a single currency. Accordingly, the risk adjustment for non-financial risks and the CSM of the group of insurance contracts are determined in the currency of the group of contracts.

At the end of each reporting period, the carrying amount of the group of insurance contracts denominated in a foreign currency is translated into the functional currency.

The amounts arising from changes in exchange rates between the currency of the cash flows and the currency of the group of contracts are considered as changes in financial risk and are accounted for as insurance finance income or expenses.

The amounts arising from changes in exchange rates between the currency of the group of contracts and the functional currency are considered as exchange differences and are recognised in profit or loss in the period in which they arise.

Summary of significant accounting policies (continued)

Taxation

Income tax specifically chargeable to policyholders

When income tax expenses are specifically chargeable to the policyholder under the terms of the contract, they are measured applying IAS 12, and the Company includes those amounts in the fulfilment cash flows applying IFRS 17. The Company accounts for them as a reduction in the liability for remaining coverage and recognises insurance revenue when incurred.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
  a) the Company has the right to operate the asset; or
  b) the Company designed the asset in a way that predetermines how and for what purpose it will be used.

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Summary of significant accounting policies (continued)

Leases (continued)

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of office spaces that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "investment income" and "other income".

Other assets and liabilities

Other assets and liabilities are stated at cost unless otherwise stated.

Summary of significant accounting policies (continued)

Related party transactions

Related parties are those enterprises that are either in control of the Company or are controlled by the Company or can exercise significant influence over the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. All transactions with the related parties are conducted at arm's-length basis., unless otherwise stated. No expense has been recognized in the current year or prior year for expected credit loss in respect of amounts owed by related parties.

Transactions with shareholder
Since June 2015, the Company entered into a Quota Share reinsurance agreement with it's 50% (ultimate) shareholder Peak Re whereby Peak Re agreed to cover a portion of the risks that may be incurred by the Company. Starting June 1, 2019, two more reinsurers have joined the Quota Share reinsurance agreement of the Company. Under this new combined agreement, Peak Re's share has reduced to 40% for the period starting June 1, 2019 until May 31, 2020 after which the Quota Share reinsurance agreement with Peak Re ended.

Deferred acquisition cost
Those direct and indirect costs incurred during the financial year arising from the writing or renewal of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred. Subsequent to initial recognition, costs for acquisition are amortised over the year in which the related revenues are earned. Deferred acquisition costs are reviewed at end of each reporting period. These are impaired if these are no longer considered recoverable.

Changes in significant accounting policies

The Company has initially applied IFRS 17 and IFRS 9, including any consequential amendments to other standards, from 1 January 2023. These standards have brought significant changes to the accounting for insurance and reinsurance contracts and financial instruments. As a result, the Company has restated certain comparative amounts and presented a third statement of financial position as at 1 January 2022.

Except for the changes below, the Company has consistently applied the accounting policies as set out in the summary of significant accounting policies section above to all periods presented in these financial statements. The nature and effects of the key changes in the Company’s accounting policies resulting from its adoption of IFRS 17 and IFRS 9 are summarised below.

Current and deferred income tax
The tax expense for the period comprises current and deferred taxes. Tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. The nominal profit tax rate is 22% (2022: 25%). Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate.

Deferred income tax assets and liabilities are derived from temporary differences between fiscal and financial valuation of assets and liabilities. Deferred income taxes are determined using the tax rate when it is expected to be reversed and are expressed at nominal value. Valuation of a deferred tax asset takes place to the extent that such valuation is deemed possible.

Summary of significant accounting policies (continued)

IFRS 17 Insurance Contracts

Recognition, measurement and presentation of insurance contracts

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM.

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. In addition, investment components are no longer included in insurance revenue and insurance service expenses.

The Company no longer applies shadow accounting to insurance-related assets and liabilities.

The Company applies the PAA to simplify the measurement of contracts in the non-life segment, except for groups of acquired contracts that do not qualify for the PAA. When measuring liabilities for remaining coverage, the PAA is similar to the Company's previous accounting treatment. However, when measuring liabilities for incurred claims, the Company now discounts the future cash flows (unless they are expected to occur in one year or less from the date on which the claims are incurred) and includes an explicit risk adjustment for non-financial risk.

Previously, all acquisition costs were recognised and presented as separate assets from the related insurance contracts ('deferred acquisition costs') until those costs were included in profit or loss and OCI. Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised.

Income and expenses from reinsurance contracts other than insurance finance income and expenses are now presented as a single net amount in profit or loss. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

Transition

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied using a full retrospective approach to the extent practicable. Under the full retrospective approach, at 1 January 2022 the Company:

- Identified, recognised and measured each group of insurance and reinsurance contracts as if IFRS 17 had always been applied;
- Identified, recognised and measured any assets for insurance acquisition cash flows as if IFRS 17 had always been applied, except that the recoverability assessment was not applied before 1 January 2022;
- Derecognised previously reported balances that would not have existed if IFRS 17 had always been applied. These included some deferred acquisition costs for insurance contracts, intangible assets related to insurance contracts (previously referred to as 'value of business acquired'), insurance receivables and payables, and provisions for levies that are attributable to existing insurance contracts. Under IFRS 17, they are included in the measurement of the insurance contracts;
- Measured owner-occupied properties and the Company's own shares held that were underlying items of direct participating contracts at fair value; and
- Recognised any resulting net difference in equity. The carrying amount of goodwill from previous business combinations was not adjusted.

Summary of significant accounting policies (continued)

IFRS 17 Insurance Contracts

Transition (continued)

The Company has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item and EPS. The effects of adopting IFRS 17 on the financial statements at 1 January 2022 are presented in the statement of changes in equity.

Insurance and reinsurance contracts

The Company considered the full retrospective approach impracticable for contracts in these segments under any of the following circumstances.

- The effects of retrospective application were not determinable because the information required had not been collected (or had not been collected with sufficient granularity) and was unavailable because of system migrations, data retention requirements or other reasons. Such information included for certain contracts:
    - Expectations about a contract's profitability and risks of becoming onerous required for identifying groups of contracts;
    - Information about historical cash flows and discount rates required for determining the estimates of cash flows on initial recognition and subsequent changes on a retrospective basis;
    - Information required to allocate fixed and variable overheads to groups of contracts, because the Company's previous accounting policies did not require such information; and
    - Information about changes in assumptions and estimates, which might not have been documented on an ongoing basis.
- The full retrospective approach required assumptions about what Company management's intentions would have been in previous periods or significant accounting estimates that could not be made without the use of hindsight. Such assumptions and estimates included for certain contracts:
    - Expectations at contract inception about policyholders' shares of the returns on underlying items at contract inception required for identifying direct participating contracts;
    - Assumptions about discount rates, because the Company had not been subject to any accounting or regulatory framework that required insurance contracts to be measured on a present value basis before 2007; and
    - Assumptions about the risk adjustment for non-financial risk, because the Company had not been subject to any accounting or regulatory framework that required an explicit margin for non- financial risk before 2016.

Irrespective of the transition approach used, the following items have not been applied retrospectively.

- When the Company used derivatives and reinsurance contracts to mitigate the financial risk from interest rate guarantees in traditional participating contracts and equity guarantees in variable annuity contracts, the risk mitigation option was applied prospectively from 1 January 2022. Certain groups of such contracts were measured under the fair value approach at 1 January 2022.
- The consequential amendments to IFRS 3 Business Combinations introduced by IFRS 17 require the Company to classify contracts acquired as insurance contracts based on the contractual terms and other factors at the date of acquisition. This requirement was not applied to business combinations before 1 January 2023, for which the Company classified contracts acquired as insurance contracts based on the conditions at contract inception.

To indicate the effect of applying the modified retrospective approach or the fair value approach on the CSM, insurance revenue and insurance finance income or expenses.

Summary of significant accounting policies (continued)

IFRS 17 Insurance Contracts

Transition (continued)

Assets for insurance acquisition cash flow

- It was impracticable to apply the full retrospective approach because:
- Data had not been collected with sufficient granularity;
- Information required to identify fixed and variable overheads as relating to acquisition activities and to allocate them to groups of contracts was not available; or
- Original assumptions about the manner in which the Company would have expected insurance acquisition cash flows to be recovered, which were required to allocate them to renewals, could not be made without the use of hindsight.

IFRS 9 Financial Instruments

Classification of financial assets and financial liabilities

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 has not had a significant effect on the Company's accounting policies for financial liabilities.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' model. The new impairment model applies to financial assets measured at amortised cost, debt investments at FVOCI and lease receivables. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- The comparative period has been restated. However, information about financial instruments that had already been derecognised at 1 January 2023 continues to be reported in accordance with IAS 39 for the comparative period.
- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2023.
    - The determination of the business model within which a financial asset is held.
    - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
    - The designation of certain investments in equity instruments not held for trading as at FVOCI.
- If a financial asset had low credit risk at 1 January 2023, then the Company determined that the credit risk on the asset had not increased significantly since initial recognition.

The Company's effective date for implementation for IFRS 9 was 1 January 2023. Previous period to the application date were not restated and any differences between the previous carrying amount and the carrying amount at initial application were recorded in the opening retained earnings (or the other component of equity, as appropriate on the date of initial application.

Summary of significant accounting policies (continued)

IFRS 9 Financial Instruments (continued)

As permitted by IFRS 7, the Company has not disclosed information about the line item amounts that are reported in accordance with the classification and measurement (including impairment) requirements of IFRS 9 for 2022 and those that would have been reported in accordance with the classification and measurement requirements of IAS 39 for 2023.

Effect of initial application

Classification of financial assets and financial liabilities

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2023.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial Assets				
Cash and cash equivalents	Loans and Receivables	Amortised cost	9,845,584	9,845,584
Financial investments – other				
Deposits with financial institutions	Held-to-maturity	Amortised cost	13,800,000	13,800,000
Government bonds	FVTPL	FVOCI	853,562	853,562
Government bonds	Held-to-maturity	amortised cost	4,885,128	4,896,877
Other debt securities	FVTPL	FVOCI	1,720,173	1,720,173
Receivables other than operating lease receivables	Loans and Receivables	amortised cost	3,778,752	3,778,752
Total Financial Assets				
Financial Liabilities				
Accounts payable and accrued liabilities	Amortised cost	4,449,276	4,449,276	4,449,276
Total Financial Liabilities				

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2023.

	31 December 2022 IAS 39	Reclassification	Remeasurement	1 January 2023 IFRS 9
FVTPL				
Financial investments – other				
Government bonds	853,562	(853,562)	-	-
Other debt securities				
Brought forward	1,720,173	(1,720,173)	-	-
Total FVTPL	2,573,735	(2,573,735)	-	-

	31 December 2022 IAS 39	Reclassification	Remeasurement	1 January 2023 IFRS 9
FVOCI - Debt				
Financial investments – other				
Government bonds	-	853,562	-	853,562
Other debt securities	-	1,720,173	-	1,720,173
Total FVOCI	-	2,573,735	-	2,573,735

Summary of significant accounting policies (continued)

IFRS 9 Financial Instruments (continued)

	31 December 2022 IAS 39	Reclassification	Remeasurement	1 January 2023 IFRS 9
(in Aruba florins)				
Amortised cost				
Financial investments – other				
Deposits with financial institutions				
Brought forward: Held-to-maturity	13,800,000	-	-	13,800,000
Remeasurement	-	-	-	-
Carried forward	-	-	-	-
Government bonds				
Brought forward: Held-to-maturity	4,885,128	-	-	4,885,128
Remeasurement	-	-	11,749	11,749
Carried forward	-	-	-	4,896,877
Other debt securities				
Brought forward: Held-to-maturity	3,000,000	-	-	3,000,000
Reclassified from FVTPL	-	-	-	-
Remeasurement	-	-	-	-
Carried forward	-	-	-	-
Total Amortised cost	21,685,128	-	11,749	26,593,753

Impairment of financial assets

The following table reconciles the closing impairment allowance under IAS 39 as at 31 December 2022 with the opening loss allowance under IFRS 9 as at 1 January 2023.

	31 December 2022 IAS 39	Reclassification	Remeasurement	1 January 2023 IFRS 9
(in Aruba florins)				
Financial assets at amortised cost under				
From FVTPL under IAS 39	-	-	-	-
From held-to-maturity under IAS 39	-	-	15,710	15,710
From loans and receivables under IAS	-	-	-	-
Operating lease receivables	-	-	-	-
	-	-	15,710	15,710

(2) Cash and cash equivalents

	2023	**2022**
(in Aruban Florins)		
Current accounts	5,074,124	6,877,881
Savings accounts	3,084,607	2,960,257
Other	6,146	7,446
	8,164,877	**9,845,584**

The current accounts are non-interest bearing. An amount of AFL 305,597 (2022: nil) is held in a restricted account and not currently available for the Company's use.

(3) Investment securities

	Current		**Non-current**	
	31-Dec-23	**31-Dec-22**	**31-Dec-23**	**31-Dec-22**
(in Aruban Florins)				
Financial Investments				
Deposits with financial institutions	4,000,000	7,000,000	3,700,000	6,800,000
Government bonds	900,000	853,562	6,375,845	4,885,128
Other debt securities	1,381,516	28,954	4,404,656	4,720,173
	6,281,516	**7,882,516**	**14,480,501**	**16,405,301**

The following table sets out the carrying amounts of financial investments:

	Current		**Non-current**	
	31-Dec-23	**31-Dec-22**	**31-Dec-23**	**31-Dec-22**
(in Aruban Florins)				
Measured at fair value	1,381,516	882,516	1,420,406	1,720,173
Measured at amortised cost	4,900,000	7,000,000	13,060,095	14,685,128
	6,281,516	**7,882,516**	**14,480,501**	**16,405,301**

The company's investment securities are summarized by the following categories:

(3) Investment securities (continued)

	Current		Non-current	
	31-Dec-23	**31-Dec-22**	**31-Dec-23**	**31-Dec-22**
(in Aruban Florins)				
Fair value through profit or loss - Debt	1,025,458	28,954	-	-
Fair value through OCI - Debt	356,058	853,562	1,420,405	1,720,173
Amortised cost	4,900,000	7,000,000	13,060,096	14,685,128
	6,281,516	**7,882,516**	**14,480,501**	**16,405,301**

The following table sets out the composition of the financial assets as at December 31, 2023 and December 31, 2022:

2023	Fair value through profit or loss	Fair value through OCI	Amortised cost	**Total**
(in Aruban Florins)				
Deposits with financial institutions	-	-	7,700,000	7,700,000
Government bonds	-	-	7,275,845	7,275,845
Other debt securities	1,025,458	1,776,464	2,984,250	5,786,172
	1,025,458	**1,776,464**	**17,960,095**	**20,762,017**

2022	Fair value through profit or loss	Fair value through OCI	Amortised cost	**Total**
(in Aruban Florins)				
Deposits with financial institutions	-	-	13,800,000	13,800,000
Government bonds	-	853,562	4,885,128	5,738,690
Other debt securities	28,954	1,720,173	3,000,000	4,749,127
	28,954	**2,573,735**	**21,685,128**	**24,287,817**

(4) Prepayments and other current assets

	2023	**2022**
(in Aruban Florins)		
Interest receivable on investment securities	507,880	452,959
Prepaid expenses and other receivables	247,262	228,974
	755,142	**681,933**

(5) Insurance and reinsurance contracts

The table below sets out the carrying amounts of portfolios of insurance and reinsurance contract assets and liabilities at the end of reporting date, per class of business:

December 31, 2023	**2023**	**2022**
(in Aruban Florins)		
Insurance contracts		
Insurance contract liabilities	**12,766,063**	**11,825,089**
Insurance contract assets	-	**-**
Reinsurance contracts		
Reinsurance contract assets	**4,934,869**	**4,999,577**

At 31 December 2023, the maximum exposure to credit risk from insurance contracts is ALF 3.01 million (2022: AFL 02.856 million), which primarily relates to premiums receivable for services that the company has already provided, and the maximum exposure to credit risk from reinsurance contracts is AFL 5.98 million (2022: AFL 5.97 million).

The reinsurance payable relates to the net amount due to reinsurers. As at 31 December 2023, the reinsurance liabilities is AWG 7,2 million (2022: AWG 8,3 million).

A. Movements in insurance and reinsurance contract balance balances

The following reconciliations show how the net carrying amounts of insurance and reinsurance contracts in each segment changed during the year as a result of cash flows and amounts recognised in the statement of profit or loss and OCI.

For each segment, the Company presents a table that separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the statement of profit or loss and OCI.

Non-life

Insurance contracts

Analysis by remaining coverage and incurred claims

	December 31, 2023				December 31, 2022			
		Liabilities for incurred claims				Liabilities for incurred claims		
	Liabilities for remaining coverage	Future cash flows	Risk Adjustment	Total	Liabilities for remaining coverage	Future cash flows	Risk Adjustment	Total
(in Aruban Florins)								
Opening liabilities	6,915,837	4,713,469	183,344	**11,812,650**	6,845,984	3,936,789	114,053	**10,896,826**
Net opening balance	**6,915,837**	**4,713,469**	**183,344**	**11,812,650**	**6,845,984**	**3,936,789**	**114,053**	**10,896,826**
Changes in the statement of profit or loss and OCI								
Insurance revenue	(23,381,373)	-	-	**(23,381,373)**	(24,111,132)	-	-	**(24,111,132)**
Insurance service expenses								
Incurred claims and other insurance service expenses		9,360,577	-	**9,360,577**	-	7,690,751	-	**7,690,751**
Amortisation of insurance acquisition cash flows	2,744,004	-	-	**2,744,004**	2,781,710	-	-	**2,781,710**
Adjustments to liabilities for incurred claims		(489,657)	2,641	**(487,016)**	-	(53,320)	69,291	**15,971**
	2,744,004	8,870,920	2,641	**11,617,565**	2,781,710	7,637,431	69,291	**10,488,432**
Insurance service result	(20,637,369)	8,870,920	2,641	(11,763,808)	(21,329,422)	7,637,431	69,291	(13,622,700)
Total changes in the statement of profit or loss and OCI	**(20,637,369)**	**8,870,920**	**2,641**	**(11,763,808)**	**(21,329,422)**	**7,637,431**	**69,291**	**(13,622,700)**
Cash flows								
Premiums received	24,259,981	-	-	**24,259,981**	24,161,551	-	-	**24,161,551**
Claims and other insurance service expenses paid		(8,825,635)	-	**(8,825,635)**	-	(6,860,751)	-	**(6,860,751)**
Insurance acquisition cash flows	(2,717,125)	-	-	**(2,717,125)**	(2,762,275)	-	-	**(2,762,275)**
Total cash flows	**21,542,856**	**(8,825,635)**	**-**	**12,717,221**	**21,399,276**	**(6,860,751)**	**-**	**14,538,525**
Net closing balance	**7,821,324**	**4,758,754**	**185,985**	**12,766,063**	**6,915,838**	**4,713,469**	**183,344**	**11,812,651**
Closing liabilities	7,821,324	4,758,754	185,985	**12,766,063**	6,915,838	4,713,469	183,344	**11,812,651**
Net closing balance	**7,821,324**	**4,758,754**	**185,985**	**12,766,063**	**6,915,838**	**4,713,469**	**183,344**	**11,812,651**

(5) Insurance and reinsurance contracts (continued)

Reinsurance contracts

Analysis by remaining coverage and incurred claims

	December 31, 2023			December 31, 2022		
	Assets for remaining coverage	Assets for remaining coverage	Total	Assets for remaining coverage	Assets for remaining coverage	Total
(in Aruban Florins)						
Opening assets	2,180,089	281,016	**2,461,105**	3,592,404	514,381	**4,106,785**
Opening liabilities	-	-	**-**	-	-	**-**
Net opening balance	**2,180,089**	**281,016**	**2,461,105**	**3,592,404**	**514,381**	**4,106,785**
Changes in the statement of profit or loss and OCI						
Allocation of reinsurance premiums paid	(9,259,507)	-	**(9,259,507)**	(8,466,701)	-	**(8,466,701)**
Amounts recoverable from reinsurers						
Recoveries of incurred claims and other insurance service expenses	-	744,507	**744,507**	-	2,167,809	**2,167,809**
	-	744,507	**744,507**	-	2,167,809	**2,167,809**
Net expenses from reinsurance contracts	**(9,259,507)**	**744,507**	**(8,515,000)**	**(8,466,701)**	**2,167,809**	**(6,298,892)**
Total changes in the statement of profit or loss and OCI	**(9,259,507)**	**744,507**	**(8,515,000)**	**(8,466,701)**	**2,167,809**	**(6,298,892)**
Cash flows						
Premiums paid	11,165,760	-	**11,165,760**	8,798,458	-	**8,798,458**
Amounts received	-	(176,997)	**(176,997)**	-	(1,555,263)	**(1,555,263)**
Total cash flows	**11,165,760**	**(176,997)**	**10,988,763**	**8,798,458**	**(1,555,263)**	**7,243,195**
Net closing balance	**4,086,342**	**848,526**	**4,934,868**	**3,924,161**	**1,126,927**	**5,051,088**
Closing assets	4,086,342	848,526	**4,934,868**	3,924,161	1,126,927	**5,051,088**
Closing liabilities			**-**			**-**
Net closing balance	**4,086,342**	**848,526**	**4,934,868**	**3,924,161**	**1,126,927**	**5,051,088**

B. Non-life claims development

The table below illustrates how estimates of cumulative claims for the Company's non-life segment have developed over time on a gross and net of reinsurance basis. Each table shows how the Company's estimates of total claims for each accident year have developed over time and reconciles the cumulative claims to the amount included in the statement of financial position. Balances have been translated at the exchange rates prevailing at the reporting date.

(5) Insurance and reinsurance contracts (Continued)

2023	2017 and before	2018	2019	2020	2021	2022	2023	Total
(in Aruban Florins)								
At end of accident year	-	6,117,256	8,772,676	6,295,518	7,258,204	4,689,267	3,676,284	
One year later	-	2,699,010	9,193,009	5,979,284	8,126,465	6,557,281	-	
Two years later	-	2,523,373	9,493,946	6,298,433	7,718,583	-	-	
Three years later	-	2,667,159	9,762,535	6,167,825	-	-	-	
Four years later	-	2,703,352	9,719,543	-	-	-	-	
Five years later	-	2,681,583	-	-	-	-	-	
Current estimate of cumulative claims incurred	9,579,462	2,681,583	9,719,543	6,167,825	7,718,583	6,557,281	3,676,284	46,100,561
At end of accident year		(1,749,088)	(7,073,447)	**(1,764,000)**	**(5,519,133)**	(2,307,600)	(3,748,612)	
One year later		(2,045,649)	(8,945,447)	**(5,694,330)**	**(6,786,333)**	(4,175,614)	-	
Two years later		(2,131,422)	(9,187,669)	**(5,818,530)**	**(6,850,322)**	-	-	
Three years later		(2,520,113)	(9,268,669)	**(5,848,676)**	-	-	-	
Four years later		(2,550,713)	(9,450,954)	-	-	-	-	
Five years later		(2,559,544)	-	-	-	-	-	
Cumulative payments to date	(9,500,409)	(2,559,544)	(9,450,954)	(5,848,676)	(6,850,322)	(4,175,614)	(3,748,612)	(42,134,131)
Total Gross non-life insurance outstanding claims provision per the statement of financial position	**79,053**	**122,039**	**268,589**	**319,149**	**868,261**	**2,381,667**	**(72,328)**	**3,966,430**
Total Net non-life insurance outstanding claims provision per the statement of financial position	**-**	**43,200**	**68,400**	**246,600**	**388,800**	**439,200**	**2,093,400**	3,279,600

(6) Current account affiliated companies

(in Aruban Florins)	2023	2022
Due from related parties		
National General Insurance Corporation (Nagico) N.V.	2,358,273	-
Nagico Road and Claims Services N.V.	144,943	2,810,492
Nagico Life Insurance (Aruba) N.V.	877,404	48,741
	3,380,620	**2,859,233**

(in Aruban Florins)	2023	2022
Due to related parties		
National General Insurance Corporation (Nagico) N.V.	-	811,759
Nagico Insurance (Trinidad and Tobago) Limited	21,873	93,479
Nagico Insurance Company Ltd. (NICL)	8,396	1
Nagico Life Insurance N.V.	261,974	162,675
	292,243	**1,067,914**

The current account with National General Insurance Corporation (NAGICO) N.V. is debited or credited for payments made and collections received on behalf of the Company such as reinsurance expenses, collection of revenue and for management fees being paid by the Company to Nagico N.V. for the administrative services being performed by Nagico N.V. The current account has no fixed repayment terms and does not carry interest unless otherwise specifically agreed between the companies.

(6) Current account affiliated companies (continued)

Transactions between the Company and related parties including associated companies can be specified as follows by nature of the transactions:

	2023	2022
(in Aruban Florins)		
Due from related parties		
Opening balance, January 1	2,859,233	7,441,300
Settlements	13,098,052	1,800,000
Reinsurance	(5,384,035)	(2,820,353)
Claims	164,515	-
Management fees	(1,145,890)	-
Personnel expense	264,703	269,592
Office Expense	(399,761)	(362,296)
Premiums Paid/Received	71,300	-
Cash Paid	(2,911,862)	595,501
Quota Share Settlements	(3,635,635)	(3,614,511)
Investments	400,000	(450,000)
	3,380,620	**2,859,233**

	2023	2022
(in Aruban Florins)		
Due to related parties		
Opening balance, January 1	1,067,914	348,982
Management fees	71,652	1,086,307
Claims	-	(48,732)
Office expense	(679,152)	(202,963)
Cash paid/Transfer	(160,571)	(83,854)
Personnel Expense	(7,600)	(31,826)
	292,243	**1,067,914**

(7) Leases

As a Lessee

Right-of-use assets

	2023	2022
(in Aruban Florins)		
Balance at January 1		
Cost	**702,597**	**386,037**
Accumulated depreciation	**(86,070)**	**(85,202)**
Net book value	**616,527**	**300,835**
Changes in book value		
Depreciation charge for the year	**(47,289)**	**(47,288)**
	(47,289)	**(47,288)**
Balance at December 31		
Cost	**702,597**	**702,597**
Accumulated depreciation	**(133,359)**	**(86,070)**
Net book value	**569,238**	**616,527**

(7) Leases (continued)

In 2023, 38% (2022: 13%) of the depreciation expense has been allocated to the insurance service expense as disclosed in Note 15.

Lease liabilities

	2023	2022
(in Aruban Florins)		
Maturity analysis - contractual undiscounted cash flows		
Less than one year	72,660	72,660
One to five years	290,532	290,532
More than five years	508,620	581,280
Total undiscounted lease liabilities at 31 December	**871,812**	**944,472**
As at 1 January	643,769	313,718
Additions	-	362,980
Accretion of interest	39,614	39,731
Payments	(72,660)	(72,660)
Lease liabilities included in the statement of financial position as at 31 December	**610,723**	**643,769**
Current	35,189	33,046
Non-current	575,534	610,723

Amounts recognized in the statement of profit or loss	2023	2022
Interest on lease liabilities	39,614	39,731
Depreciation charge of right-of-use assets	47,288	47,288
Expense relating to short-term leases	142,922	135,000
	229,824	**222,019**

Amount recognized in the statement of cash flows	2023	2022
Total cash outflow for leases	**215,582**	**207,660**

(8) Property and equipment

2023 movement schedule	**Land, buildings and improve-ments**	**Furniture and fixtures**	**Equipment**	**Vehicles**	**31-Dec-23**
(in Aruban Florins)					
Balance as at January 1					
Cost	53,883	694,846	790,215	127,396	**1,666,340**
Revaluation of assets	-	-	-	-	**-**
Accumulated depreciation	(21,095)	(623,231)	(773,171)	(104,887)	**(1,522,384)**
Net book value	32,788	71,615	17,044	22,509	**143,956**
Changes in book value					
Additions	-	7,433	-	-	**7,433**
Depreciation	(1,938)	(22,707)	(11,488)	(20,776)	**(56,909)**
	(1,938)	(15,274)	(11,488)	(20,776)	**(49,476)**
Balance as at December 31					
Cost	53,883	702,279	790,215	127,396	**1,673,773**
Revaluation of assets	-	-	-	-	**-**
Accumulated depreciation	(23,033)	(645,938)	(784,659)	(125,663)	**(1,579,293)**
Net book value	**30,850**	**56,341**	**5,556**	**1,733**	**94,480**

2022 movement schedule	**Land, buildings and improve-ments**	**Furniture and fixtures**	**Equipment**	**Vehicles**	**31-Dec-22**
(in Aruban Florins)					
Balance as at January 1					
Cost	53,883	655,036	790,215	127,396	**1,626,530**
Revaluation of assets	-	-	-	-	**-**
Accumulated depreciation	(18,102)	(596,390)	(716,328)	(84,111)	**(1,414,931)**
Net book value	35,781	58,646	73,887	43,285	**211,599**
Changes in book value					
Additions	-	39,810	-	-	**39,810**
Depreciation	(2,993)	(26,841)	(56,843)	(20,776)	**(107,453)**
	(2,993)	12,969	(56,843)	(20,776)	**(67,643)**
Balance as at December 31					
Cost	53,883	694,846	790,215	127,396	**1,666,340**
Revaluation of assets	-	-	-	-	**-**
Accumulated depreciation	(21,095)	(623,231)	(773,171)	(104,887)	**(1,522,384)**
Net book value	**32,788**	**71,615**	**17,044**	**22,509**	**143,956**

(8) Property and equipment (continued)

Principal valuator assumptions

There are no restrictions on the realisability of property and equipment or the remittance of income and proceeds of disposal. The Company has no contractual obligations to purchase, construct or develop property or for repairs, maintenance or enhancements.

If land and buildings were measured using the cost model, the carrying amounts would be as follows:

	2023	2022
(in Aruban Florins)		
Cost	53,883	53,883
Accumulated depreciation	(23,033)	(21,095)
Net carrying amount	**30,850**	**32,788**

(9) Intangible assets

	2023	2022
(in Aruban Florins)		
Other intangible assets	4,565	4,565
	4,565	**4,565**

(10) Taxation

Deferred tax asset

As at 31 December 2023, a deferred tax position of AFL 1,059,563 (2022: AFL 558,151), which relates to taxable losses that are still to be compensated, has been recognized. The deferred tax asset has been recognized as it is probable that future taxable profits will be available against which the Company can utilise the taxable losses based on Management's projections on its operations in the coming financial years.

	2023	2022
(in Aruba florins)		
Deferred tax asset	1,231,720	693,787
Deferred tax liability on Right-of-use assets	(172,157)	(135,636)
Deferred tax position as at December 31	**1,059,563**	**558,151**

(10) Taxation (Continued)

2023	***Fixed assets***	***Lease liability***	***Total***
(in Aruba florins)			
Fiscal book value	227,716	-	**227,716**
Commercial book value	94,480	(610,724)	**(516,244)**
Difference in book value	133,236	610,724	**743,960**
Deferred tax asset recognized (22%)	**29,312**	**134,359**	**163,671**

	Taxable losses	**Loss compensation**		**Outstan-ding losses**	**Deferred tax asset**
(in Aruba florins)		**<2022**	**2023**		
2022 (expires on year 2019)	2,373,852			**2,373,852**	**522,247**
2023 (expires on year 2028)	2,480,917			**2,480,917**	**545,802**
	4,854,769	**-**	**-**	**4,854,769**	**1,068,049**
Total deferred tax asset					**1,231,720**

Current tax payable

Movement of the current tax payable arises from the calculation of the profit tax expenses reported in the statement of profit or loss and other comprehensive income:

	2023	**2022**
(in Aruban Florins)		
Balance as at January 1	-	343,196
Current year charge	-	71,053
Profit tax paid	-	(414,249)
Withholding taxes payable	-	-
Balance as at December 31	-	-

Profit tax expense / income

The movement of current and deferred taxes payable can be reconciled to the profit tax expense as reported in the statement of profit or loss as follows:

	2023	**2022**
(in Aruban Florins)		
Movement of deferred tax asset, charge to the statement of profit or loss	(501,412)	(585,686)
Movement of deferred tax liability, charge to the statement of profit or loss	-	60,486
Current year profit tax	-	71,053
	(501,412)	**(454,147)**

(10) Taxation (continued)

Profit tax expense / income (continued)

The charge for the year can be reconciled to the profit /(loss) before tax as follows:

(in Aruban Florins)	**2023**	**2022**
(Loss) /profit before tax from continuing operations	(2,639,419)	(2,206,796)
Tax effect of expenses that are not deductible in determining taxable profit	-	6,845
Tax effect of income not taxable in determining taxable profit	-	(7,476)
Change in recognized deferred tax assets	(537,933)	(585,686)
Change in recognized deferred tax liability	36,521	60,486
Other	-	71,684
	(501,412)	**(454,147)**

(11) Accounts payable and accrued liabilities

(in Aruban Florins)	**2023**	**2022**
Accounts payable	3,287,221	4,533,017
Wage tax, pension and social premiums	78,848	99,029
Salaries	-	17,676
Other taxes payable	82,054	82,217
Accrued expenses	390,429	385,149
	3,838,552	**5,117,088**

(12) Capital and other components of equity

Share capital and additional paid-in capital

The authorized capital consists of 9,000 ordinary shares with a par value of AFL 1,000 each. As of December 31, 2023 the issued and fully paid up share capital amounted to AFL 1,800,00 being 1,800 shares of AFL 1,000 each. There was no movement in the number of shares outstanding during the year.

(13) Insurance revenue

The following table presents details of insurance revenue:

(in Aruban Florins)	**2023**	**2022**
Contracts measured under the PAA	23,381,373	24,111,132
Total insurance revenue	23,381,373	24,111,132

(14) Insurance service expense

The tables below show an analysis of insurance service expenses recognised in the period:

(in Aruban Florins)	2023	2022
Incurred claims and other insurance service expenses	9,360,577	7,690,751
Amortisation of insurance acquisition cash flows	2,744,004	2,781,710
Adjustments to liabilities for incurred claims	(499,455)	28,410
	11,605,126	10,500,871

(15) Net expenses from reinsurance contracts held

An analysis of allocation of reinsurance premiums paid and amounts recovered from reinsurers, are presented in the tables below:

(in Aruban Florins)	2023	2022
Allocation of reinsurance premiums paid	9,259,507	8,466,701
Recoveries of incurred claims and other insurance service expenses	(744,507)	(2,167,809)
	8,515,000	**6,298,892**

(16) Net financial result

The following table analyses the Company's net financial result in profit or loss and OCI.

(in Aruban Florins)	Note	2023	2022
Investment return			
Interest revenue calculated using the effective interest method	A	850,378	706,197
Other investment revenue	B	-	(480,566)
Net impairment loss on financial assets		(195)	-
Amounts recognised in OCI	C	57,623	-
Total investment return		*907,806*	*225,631*
		907,806	*225,631*
Attribution:			
Amounts recognised in profit or loss		*850,182*	*225,631*
Amounts recognised in OCI		*57,623*	-
		907,805	*225,631*

16 Net financial result (Continued)

A. Interest revenue calculated using the effective interest method

	2023	2022
(in Aruban Florins)		
Debt investments measured at FVOCI		
Government bonds	25,408	78,597
Other debt securities	94,496	67,284
	119,904	**145,881**
Available-for-sale financial assets		
Other debt securities	12,540	2,257
	12,540	**2,257**
Financial assets measured at amortised cost		
Deposits with financial institutions	297,007	374,482
Government bonds	304,677	120,197
Other debt securities	116,250	63,380
	717,934	**558,059**
	850,378	**706,197**

B. Other investment revenue

	2023	2022
(in Aruban Florins)		
Not underlying items		
Net gains on financial assets designated as at FVTPL		
Government bonds	-	(75,161)
Other debt securities	-	(405,404)
	-	**(480,566)**

Other than exchange differences on financial instruments measured at FVTPL, in 2023 the Company recognised a net exchange gain of AFL 34 thousand (2022: gain of AFL 109) in profit or loss. Exchange differences on insurance and reinsurance contracts are included in insurance finance income and expenses (see (A)). Exchange differences on financial liabilities are included in other finance costs.

C. Investment return in OCI related to insurance and reinsurance contracts measured under the modified retrospective or fair value transition approach

On transition to IFRS 17, for certain groups of insurance and reinsurance contracts in the life risk and life savings segments, the Company determined the cumulative insurance finance income and expenses recognised in OCI at 1 January 2022 using the modified retrospective approach or the fair value approach. The movement in the fair value reserve for the debt investments at FVOCI and available-for-sale financial assets related to those groups of contracts was as follows.

	2023	December 31	
	FVOCI	FVOCI	Available-for-sale
(in Aruban Florins)			
Balance at 1 January	-	-	-
Net change in fair value	57,467	-	-
Net amount reclassified to profit or loss	157	-	-
Balance at 31 December	57,624	-	-

(17) Other expenses

(in Aruban Florins)		2023	2022
Personnel expenses	A	983,294	988,748
Administrative expenses	B	587,434	561,008
Other operating expenses	C	6,120,669	7,038,248
Depreciation		33,345	50,084
		7,724,742	8,638,088

A. Personnel Expenses

Salaries and bonuses	1,825,809	1,682,978
Social premiums	396,242	361,842
Directors' fees	499,391	345,928
Pension, defined contribution plan	77,944	116,860
Travel and accommodation allowances	-	696
Car expenses	53,044	92,657
Entertainment	94,063	117,538
Other personnel expenses	126,293	336,415
	3,072,786	3,054,914
Less: allocated personnel expenses	(2,089,492)	(2,066,166)
	983,294	**988,748**
Number of employees as at December 31	**37**	**44**

The total gross salaries and bonuses that are paid out by the company to key management personnel in 2023 amounted to AFL 579,449 (2022: AFL 696,721). The pension premiums paid for key management in 2023 amounted to AFL 21,600 (2022: AFL 33,178).

B. Administrative Expenses

Office expenses	99,340	145,293
Maintenance	415,011	406,316
Telephone	128,473	98,844
Insurance	9,931	21,205
Travel and lodging	92,818	98,833
Utilities	44,234	30,159
Rent	142,921	135,001
	932,728	935,651
Less: allocated administrative expenses	(345,294)	(374,643)
	587,434	**561,008**

(17) Other expenses (Continued)

C. Other operating expenses		
Professional fees	641,855	685,960
Financing costs	39,614	39,731
Advertising and promotional costs	469,407	359,903
Expected Credit Loss	(5,166)	(60,602)
Supervision fees and insurance levies	189,626	145,363
Bank charges	333,408	108,352
Security	6,138	9,478
Management fee	1,168,107	1,217,603
Postage	73,575	74,873
Subscriptions	21,165	5,508
Other operating expenses	3,545,051	4,833,504
	6,482,780	7,419,673
Less: allocated other operating expenses	(362,111)	(381,425)
	6,120,669	**7,038,248**

Management fee allocation
Effective January 1, 2014 the Company entered into an agreement with NAGICO N.V. to pay 1.48% of total expenses for providing back office services to the Company.

Other operating expenses relates to a provision that has been made for governance, risk management and compliance related matters based on a 2020 regulatory action. The Company has objected against this action by the authority.

(18) Other income

	2023	2022
(in Aruban Florins)		
Other interest income	23,200	11,247
Foreign exchange gain /(loss)	33,976	110
Policy fees	859,888	783,353
Other income	79,548	98,470
	996,612	**893,180**

(19) Commitments and contingencies

Contingent liability

During the ordinary course of business, the Company is subject to complaints and threatened or actual legal proceedings brought by or on behalf of current or former employees, customers or other third parties. Although it is not practicable to forecast or determine the final outcome of all pending or threatened legal proceedings, Management periodically reassessed, with the assistance of external professional advisors where appropriate, to determine the likelihood of the Company incurring a liability, and whether a provision is required.

The Company recognizes amounts due to reinsurers in relation to the reinsurance treaties in place, in the normal course of business. In May 2020, one of the Company's reinsurers informed us that their interpretation of the terms applicable to the quota share treaty which was in place for the period from 1 June 2017 to 31 May 2019 results in a higher amount being due and payable. The Company does not agree

(19) Commitments and contingencies (Continued)

with the reinsurer's position and, having taken appropriate advice, does not consider that this is a case where additional liability will ultimately fall due on the Company, thus no provision has been recorded. No updates on this matter in 2023.

(20) Financial Risk Management

General

The Company is exposed to financial risk through its financial assets and financial liabilities. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management structure. The Company has established the Governance, Risk and Conduct Committee and the Investment, Mergers and Acquisition Committee to ensure that management has a system which details the risk policies, procedures, measurement, reporting and compliance. The Company's Internal Audit reviews the risk management policies and processes and reports directly to the Audit Committee. The Audit Committee oversees how management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks that face the Company. These committees report regularly to the Board of Directors on their activities.

The overriding objective of the Company's risk management framework is to enhance its capital base through competitive earnings growth and to protect capital against inherent business risks. This means that the Company accepts certain levels of risk in order to generate returns, and the Company manages the levels of risk assumed through enterprise wide risk management policies and procedures. Identified risks are assessed as to their potential financial impact and as to their likelihood of occurrence.

Insurance and reinsurance contracts expose the Company to underwriting risk, which comprises insurance risk, policyholder behaviour risk and expense risk.

In addition, the Company is exposed to financial and operational risks from insurance and reinsurance contracts and financial instruments. Financial risks include credit risk, liquidity risk and market risk. Market risk comprises currency risk, interest rate risk and other price risk.

This note presents information about the Company's risk exposures, and the Company's objectives, policies and processes for measuring and managing risks and for managing capital.

A. Key risks arising from contracts issued

The Company issues insurance contracts, investment contracts and contracts that provide investors with interests in collective investment schemes managed by the Company. The nature and extent of the underwriting and financial risks arising from these contracts are determined by the contract design. The risks are evaluated for risk management purposes in conjunction with the risks mitigated by related reinsurance contracts and the risks arising from financial assets held to fund the settlement of the liabilities. The extent to which profit or loss and equity in any period are sensitive to financial risks depends on the extent to which they are economically hedged or borne by contract holders and the extent of any mismatches inherent in the accounting policies adopted by the Company.

(20) Financial Risk Management (continued)

Non-life contracts

Product	Key Risks	Risk mitigations
Property and casualty	*Extreme weather events *Natural catastrophes *Legislative changes giving rise to increased claims *Emergence of long-tailed claims: e.g. latent disease type claims	*Diversification of types of risk, industries and geographic locations in which risks are written *Extensive analysis of data to enhance risk selection, segmentation and profitability *Reinsurance with financially strong reinsurers, including excess of loss catastrophe cover

The key risks arising from non-life contracts are the unknown frequency and severity of claims, which are influenced by the nature of the risks covered and the geographic location in which the risks are written.

For property, the frequency and severity of claims are affected by the occurrence of extreme weather events (e.g. floods, wildfires and hurricanes) and other natural catastrophes (e.g. earthquakes). In particular, the cost of rebuilding or repairing a property, together with the cost of business interruption, is a significant feature in the overall value of claims in this portfolio. In addition, increasing climate risk could potentially introduce material uncertainty in assumptions and result in inaccurate pricing of insurance risk.

For retail casualty, motor insurance contracts are subject to legislative and regulatory changes. For example, where compensation for future loss of earnings or nursing care is settled by paying a single lump sum, the assumed rate of investment return on the lump sum is a key sensitivity and the rate applicable in certain jurisdictions is determined by legislation.

For commercial casualty, the severity of claims is significantly affected by increases in the value of settlements awarded for latent diseases and inflation. The nature and frequency of claims may be affected by emerging trends and changes in legislation. For example, risk exposure for intangible assets has grown while our customers' business is increasingly conducted online, and more data is collected and stored through the cloud. Although this portfolio does not contain a large number of individually significant claims, a high frequency of claims can be a risk, particularly where generic trends impact many individuals – e.g. poor housing design, negligent professional advice and cyber threats.

B. Underwriting risk

Underwriting risk comprises insurance risk, policyholder behaviour risk and expense risk.

a) Insurance risk: the risk transferred from the policyholder to the Company, other than financial risk. Insurance risk arises from the inherent uncertainty about the occurrence, amount or timing of claims.
b) Policyholder behaviour risk: the risk that a policyholder will cancel a contract (i.e. lapse or persistency risk), increase or reduce premiums.
c) Expense risk: the risk of unexpected increases in the administrative costs associated with the servicing of a contract (rather than in the costs associated with insured events).

(20) Financial Risk Management (continued)

i. Management of underwriting risk

The board of directors sets the Company's strategy for accepting and managing underwriting risk. Specific underwriting objectives – e.g. aggregation limits, reinsurance protection thresholds and line of business diversification parameters – are prepared and reviewed by the Company's chief underwriting officer. The board continuously reviews its underwriting strategy in the light of evolving market pricing and loss conditions and as opportunities present themselves.

A key component of the management of underwriting risk for the Company's non-life products is a disciplined underwriting strategy that is focused on writing quality business. Product pricing is intended to incorporate appropriate premiums for each type of assumed risk. The underwriting strategy includes underwriting limits on the Company's total exposure to specific risks, together with limits on geographic and industry exposures. The aim is to ensure that a diversified book is maintained, with no over-exposure in any one geographic region.

Non-life contracts are renewable annually or usage-based (e.g. pay-by-mile insurance for car sharing). The ability to reprice contracts on renewal in response to changes in policyholder risk profiles, claims experience and market considerations is a significant mitigant to pricing risk. Contracts may also contain other features that constrain underwriting risk – e.g. the use of deductibles and capping on the maximum permitted loss or number of claims (subject to local regulatory and legislative requirements).

The Company uses machine-learning algorithms to assess risk exposure and endeavour to optimise the pricing of non-life contracts. The possibility of weather-related calamities is built into pricing, considering trends in historical data and leading indicators of climate risk. In retail and commercial property, the Company leverages advanced analytics (e.g. flood mapping) for identifying properties most at risk and improving risk selection. In retail motor, the Company collects data about policyholders' driving habits using telematics and adjusts premiums based on a dynamic, data-rich assessment of risk.

The Company uses reinsurance to mitigate the risk of incurring significant losses linked to single events, including excess of loss and stop loss reinsurance. Certain non-life businesses are required to protect against catastrophe events in accordance with local regulatory requirements. Where an individual exposure exceeds the Company's risk appetite, additional facultative reinsurance is also purchased.

ii. Concentrations of underwriting risk

The carrying amounts of the Company's non-life insurance contracts (net of reinsurance) are analysed below by type of product.

(in Aruban Florins)	**2023**	**2022**
Property	(553,190)	(670,338)
Motor	3,999,308	3,416,939
Medical	174,464	172,408
Marine	26,091	28,166
Liability	95,777	40,287
Others	412	4,213
	3,742,862	2,991,675

(20) Financial Risk Management (continued)

Changes in underwriting risk variables mainly affect the profit or loss and equity as follows. The effects on profit or loss and equity are presented net of the related income tax.

a. Profit or loss	*Changes in fulfilment cash flows relating to loss components. *Changes in fulfilment cash flows that are recognised as insurance finance income or expenses in profit or loss.
b. Equity	*Changes in fulfilment cash flows that are recognised as insurance finance income or expenses in OCI. *The effect on profit or loss under (b).

C. Market risk

Market risk is the risk that changes in market prices – e.g. foreign exchange rates, interest rates and equity prices – will affect the fulfilment cash flows of insurance and reinsurance contracts as well as the fair value or future cash flows of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimising the return on risk.

Market risk principally arises from the Company's equity investments, interest-bearing financial assets and financial liabilities, and financial assets and financial liabilities denominated in foreign currencies, but these exposures are largely offset by similar exposures arising from insurance and reinsurance contracts. The nature of the Company's business and ALM processes means that it is exposed to market risk on net assets representing shareholders' equity. Interest rate risk and equity price risk also arise from interest rate and equity guarantees in the Company's insurance and investment contracts to the extent that they are not economically hedged or borne by contract holders.

i. Management of market risk

Market risks are evaluated on an ongoing basis by Management through discussions and the review of market developments and trends.

Management also proactively anticipates likely developments in their markets via monitoring of regional and international trends via industry publications. Based on the reviews performed, there has been no change to the Company's exposure to market risks or the manner in which it manages the risk.

In the participating segment, changes in the fair value of underlying items due to changes in market variables are largely reflected in the value of the related insurance and investment contracts. The Company is exposed to market risk only to the extent of the changes in its share of the fair value of the underlying items that are not economically hedged, represented by the CSM.

ii. Currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's exposure to foreign currency risks results from the settlement of amounts due to related parties and the movement in the exchange rate between the United States dollar and the Bahamian dollar which is not considered to be significant.

(20) Financial Risk Management (continued)

iii. Interest rate risk

Exposure to interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk is solely to the extent that interest-earning assets mature or re-price at different times or in differing amounts or interest is insufficient to meet the interest rate credited to policyholders. The Company manages interest rate risk by closely matching, where possible, the durations of insurance contracts with fixed and guaranteed terms and the supporting financial assets. The Company monitors its interest rate risk exposure through periodic reviews of asset and liability positions.

Changes in interest rates mainly affect the profit or loss and equity as follows. The effects on profit or loss and equity are presented net of the related income tax.

a. Profit or loss	*Interest revenue and other finance costs on floating-rate financial instruments (assuming that interest rates had varied by 100 basis points during the year). *Changes in the fair value of derivatives and fixed-rate financial instruments measured at FVTPL. *Changes in the fair value of underlying items of direct participating contracts recognised as insurance finance income or expenses. *Changes in the amount of the Company's share of the fair value of underlying items of onerous direct participating contracts. *Changes in fulfilment cash flows of onerous direct participating contracts arising from interest rate guarantees. *Insurance finance income or expenses recognised in profit or loss for participating and non-life contracts as a result of discounting future cash flows at a revised current rate. *The effect of the risk mitigation option recognised in profit or loss.
b. Equity	*Changes in the fair value of fixed-rate financial assets measured at FVOCI. *Insurance finance income and expenses recognised in OCI for life risk and life savings contracts as a result of discounting future cash flows at a revised current rate. *The effect on profit or loss under (a).

iv. Equity price risk

Exposure to equity price risk

The Company's exposure to equity price risk arises from its investments in equity securities and collective investment schemes that invest in equities.

Equity price risk arising from the underlying items of participating contracts is generally borne by contract holders except to the extent of the Company's share of the performance of the underlying items. The Company is also exposed to equity price risk from equity guarantees in variable annuity contracts and hedges its exposure using derivatives – e.g. equity index futures.

The Company risk committee regularly monitors equity price risk and manages material investments on an individual basis. Investment limits require business units to hold diversified portfolios of assets and restrict concentrations to geographies and industries. The Company does not have a significant concentration of equity price risk.

(20) Financial Risk Management (continued)

Changes in interest rates mainly affect the profit or loss and equity as follows. The effects on profit or loss and equity are presented net of the related income tax.

a. Profit or loss	*Changes in the fair value of equity investments measured at FVTPL that are not underlying items. *Changes in the amount of the Company's share of the fair value of underlying items of onerous direct participating contracts. *Changes in fulfilment cash flows of onerous direct participating contracts arising from equity guarantees. *The effect of the risk mitigation option recognised in profit or loss.
b. Equity	*Changes in the fair value of equity investments measured at FVOCI. *The effect on profit or loss under (a).

D. Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a reinsurance contract or financial instrument fails to meet its contractual obligations and arises principally from the Company's reinsurance contract assets and investments in debt securities. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposures – e.g. individual obligor default risk, country risk and sector risk.

i. Management of credit risk

The Management sets the Company's strategy for managing credit risk and Investment, Mergers & Acquisition Committee (IMAC) oversees its implementation. The Company's investment team, which reports to IMAC, is responsible for managing the Company's credit risk, including the following:

a. Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.

b. Establishing the authorisation structure for the approval and renewal of credit facilities, intermediaries and reinsurers in line with credit policies. Authorisation limits are allocated to business units. Larger exposures require approval by IMAC or the board of directors, as appropriate.

c. Reviewing and assessing credit risk. Company credit reviews all credit exposures in excess of designated limits, before further exposures are committed to by the business unit concerned.

d. Limiting concentrations of exposure to counterparties, geographies and industries, and by issuer, credit rating band and market liquidity. Reinsurers and intermediaries are assessed based on external credit ratings and internal reviews. For debt securities, the Company has a policy to invest only in high-quality corporate and government debt and does not invest in speculative grade assets.

e. Developing and maintaining the Company's risk gradings to categorise exposures according to the degree of risk of default when external credit ratings are not available. The current risk grading framework consists of eight grades reflecting varying degrees of risk of default. The responsibility for setting risk grades lies with Company credit. Risk grades are subject to regular review by the Company risk committee. Specifically, the potential impact of reinsurer default is monitored on a Company-wide basis and managed accordingly.

(20) Financial Risk Management (continued)

An indicative mapping of how the Company's internal risk grades relate to S&P ratings is as follows.

i. Management of credit risk (continued)

Category	Grading	External rating
Low risk	Grade 1	AAA
	Grade 2	AA- to AA+
	Grade 3	A- to A+
	Grade 4	BBB- to BBB+
Fair risk	Grade 5	BB- to BB+
Substandard	Grade 6	CCC- to B+
Doubtful	Grade 7	C to CC
Property and casualty	Grade 8	D

f. Developing and maintaining the Company's processes for measuring ECL. This includes processes for:

- initial approval, regular validation and back-testing of the models used;
- determination and monitoring of significant increases in credit risk; an
- incorporation of forward-looking information.

g. Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Company credit, which may require appropriate corrective action to be taken. These include reports containing estimates of loss allowances.

h. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

E. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its insurance and reinsurance contracts and financial liabilities that are settled by delivering cash or another financial asset. Although the relatively illiquid nature of insurance contracts allows the Company to invest in less liquid but higher-yielding assets, liquidity risk arises from funds composed of illiquid assets and results from mismatches in the liquidity profile of assets and liabilities.

i. Management of liquidity risk

Liquidity risk management process

The Company's objective in managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key elements of the Company's liquidity strategy are as follows.

(20) Financial Risk Management (continued)

E. Liquidity risk (continued)

- Maintaining a diversified funding base and appropriate contingency facilities.
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity, that can be readily converted into cash to protect against unforeseen short-term interruptions to cash flows.
- Matching, to the maximum extent possible, the cash flows of the Company's financial assets with the cash flows of insurance and investment contracts and other financial liabilities.
- Monitoring liquidity ratios and carrying out stress-testing of the Company's liquidity position against various exposures and global, country-specific and Company-specific events.

The Company's liquidity management process as carried out within the Company is monitored by the Treasury team and the Finance Department includes:

- Cash flow is monitored weekly through cash summary reports. In order to evaluate excess funds availability, the Company considers large recurring commitments, such as reinsurance, and claims/expenditure patterns as well as expected large expenditures. These are then weighed against cash inflows;
- Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Optimizing cash returns on investment; and
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements.

F. Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate governance. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risks so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

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

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessments of the operational risks faced, and the adequacy of controls and procedures to assess and manage the risks identified;
- Development of contingency plans;
- Training and professional development of staff;
- Ethical and business standards;
- IT, data security and cyber risks; and
- Risk mitigation, including insurance where this is cost-effective.

(20) Financial Risk Management (continued)

G. Fair Value

Determination of fair value

When measuring the fair value of an asset or liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs in the valuation techniques as follows:

Level 1 – fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 – fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Carrying Amounts & Fair Values

The following table summaries the carrying amount and fair value of the Company's Financial Investments:

Financial investments	**Carrying Amount 2023**	**Fair Value 2023**	**Carrying Amount 2022**	**Fair Value 2022**
(in Aruban Florins)				
Deposits with financial institutions	-	-	-	-
Government bonds	7,700,000	7,202,959	13,800,000	5,738,690
Other debt securities	7,275,845	5,537,131	5,738,690	4,749,127
	14,975,845	12,740,090	19,538,690	10,487,817

Quantitative disclosures fair value measurement hierarchy for assets

Investment Securities Designated at Fair Value Through Profit & loss

31 December 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
(in Aruban Florins)				
Other debt securities	1,025,458	-	-	1,025,458
	1,025,458	-	-	1,025,458

31 December 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
(in Aruban Florins)				
Other debt securities	28,954	-	-	28,954
	28,954	-	-	**28,954**

(20) Financial Risk Management (continued)

G. Fair Value (continued)

Investment Securities Designated at Amortised Cost for which Fair Values are disclosed

31 December 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
(in Aruban Florins)				
Deposits with financial institutions	-	-	-	-
Government Bonds	-	7,202,959	-	7,202,959
Other debt securities	-	2,735,209	-	2,735,209
	-	9,938,168	-	**9,938,168**

31 December 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
(in Aruban Florins)				
Deposits with financial institutions	-	-	-	-
Government Bonds	-	4,885,128	-	4,885,128
Other debt securities	-	3,000,000	-	3,000,000
	-	7,885,128	-	**7,885,128**

Investment Securities Designated at Fair Value Through OCI

31 December 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
(in Aruban Florins)				
Other debt securities	1,776,464	-	-	1,776,464
	1,776,464	-	-	1,776,464

31 December 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
(in Aruban Florins)				
Government Bonds	853,562	-	-	853,562
Other debt securities	1,720,173	-	-	1,720,173
	2,573,735	-	-	2,573,735

(21) Risk Management framework

Governance framework

The Company has established a risk management function with clear terms of reference from the Board of Directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the Board of Directors to executive management committees and senior managers. Lastly, a Company policy framework which sets out the risk profiles for the Company, risk management, control and business conduct standards for the Company's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Company.

The Board of Directors approves the Company's risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify

(21) Risk Management framework (continued)

reporting requirements. For example, following the regulatory changes brought about by the various Financial Services Commissions (FSC) throughout the Caribbean Region, the Company has placed a greater emphasis on assessment and documentation of risks and controls.

Capital management objectives, policies and approach

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also monitored through maintaining a balance between aiming for higher profits and having a sound capital position. The Company falls under the supervision of the related authorities of Aruba.

Solvency requirement margin for insurance company

Solvency ratios are established on the basis of risk assessment. The Company is required to meet a minimum margin of solvency. The Central Bank of Aruba defines that a general business must have a solvency margin equal to the highest outcome of one of the following calculations. 15% of the gross premiums booked in the preceding financial year, or 15% of the average gross claims incurred in the last three financial years but with a minimum solvency requirement of AFL 300,000. The Company has complied with the regulatory imposed capital requirements throughout the year.

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholder from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Management recognises the critical importance of having efficient and effective risk management systems in place.

The Company has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

- To maintain the required level of stability of the Company thereby providing a degree of security to policyholders;
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholder;
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- To safeguard the Company's ability to continue as a going concern in order to provide the requisite returns for the shareholder and benefits for other stakeholders;
- To align the profile of assets and liabilities taking account of risks inherent in the business;
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders;
- To provide an adequate return to the shareholder by pricing insurance and investment contracts consummately with the level of risk; and
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximize shareholders' value.

The operations of the Company are also subject to regulatory requirements within Aruba. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy) to minimize the risk of default and insolvency on the part of the Company to meet unforeseen liabilities as these arise.

(21) Risk Management framework (continued)

In order to comply with these capital requirements by the regulators, management considers the quantitative threshold sufficient to maximize shareholder's returns and to support the capital required to write each of its business in countries where the company operates.

The Company has complied with the regulatory imposed capital requirements throughout the year. In reporting financial strength, capital and solvency are measured using the rules prescribed by the various Financial Services Commissions (FSC) and A.M. Best Rating Agency. These regulatory capital tests are based upon required levels of solvency, capital and a series of prudent assumptions in respect of the type of business written.

Approach to capital management
The Company seeks to optimize the structure and sources of capital to ensure that it consistently maximizes returns to the shareholder and policyholders.

The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels (by each regulated entity) on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics. An important aspect of the Company's overall capital management process is the setting of target risk adjusted rates of return, which are aligned to performance objectives and ensure that the Company is focused on the creation of value for the shareholder.

The primary source of capital used by the Company is shareholders' equity funds. The capital requirements are routinely forecast on a periodic basis and assessed against both the forecast available capital and the expected internal rate of return, including risk and sensitivity analysis. The process is ultimately subject to approval by the Board. The Company has had no significant changes in its policies and processes to its capital structure during the past year from previous years.

Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, regulators are also informed that the Company is satisfactorily managing affairs for their benefit. Regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

In reporting financial strength, capital and solvency are measured using the rules prescribed by the regulator. These regulatory capital tests are based upon required levels of solvency and capital in respect of the type of business written.

The Company's capital management policy for its insurance and non–insurance business is to hold sufficient capital to cover the statutory requirements based on the regulators directives, including any additional amounts required by the regulator.

The Company has met all of these requirements throughout the financial year.

Asset-liability management (ALM) framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Company faces, due to the nature of its investments and liabilities, is interest rate risk. The Company manages these positions within an ALM

(21) Risk Management framework (continued)

framework that has been developed to achieve long–term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of the Company's ALM is to match assets to the liabilities 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 Company's ALM is:

- Integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance and investment liabilities;
- An integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance and investment contracts.

(22) Subsequent events

Management has evaluated the need for disclosures and adjustments resulting from subsequent events from January 1, 2024, to the date the financial statements were approved. There were no subsequent events requiring disclosures and/or adjustments.