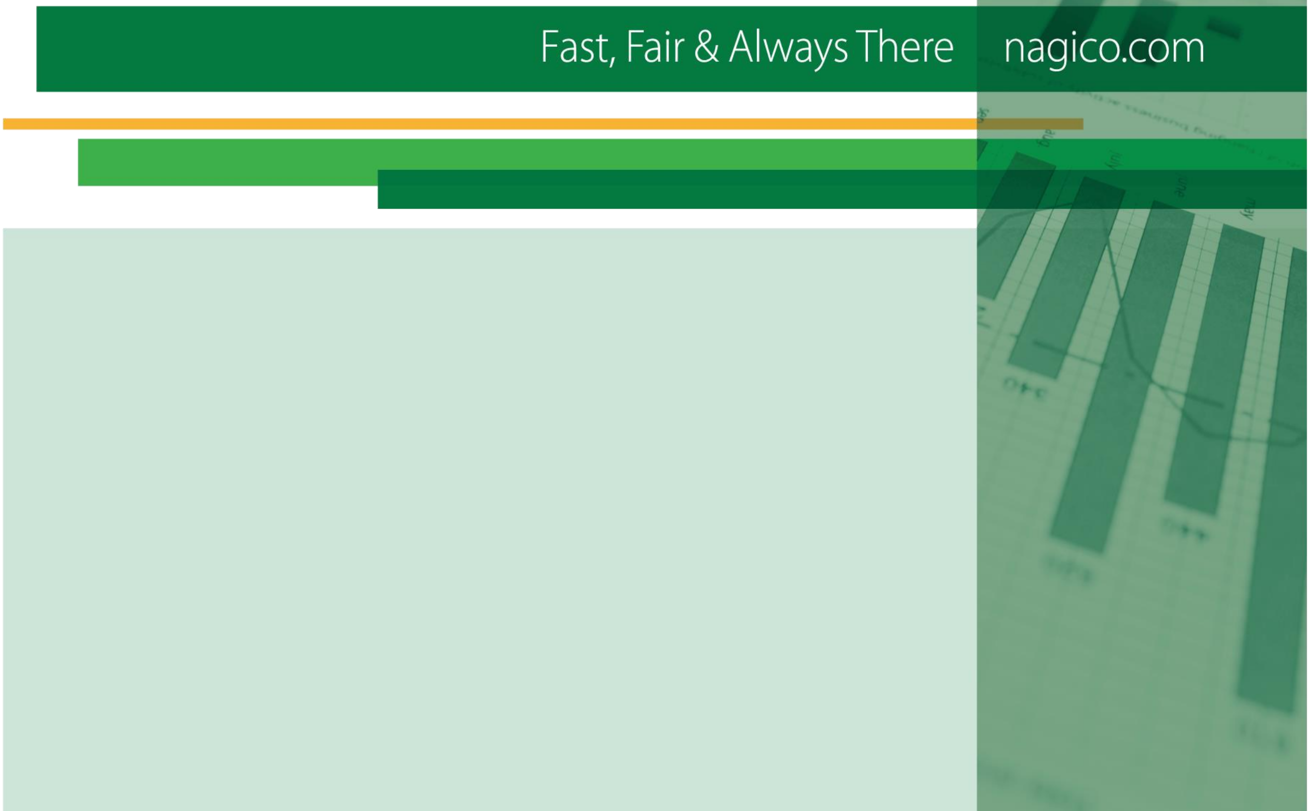
NAGICO LIFE INSURANCE (ARUBA) N.V.
Aruba

Financial statements
December 31, 2023



Financial statements

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Independent Auditors' Report

To the shareholder of Nagico Life Insurance (Aruba) N.V

Opinion

We have audited the financial statements of Nagico Life Insurance (Aruba) N.V, (the "Company") which comprise the statement of financial position as at 31 December 2023, statement of profit and loss, statement of other 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.

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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.

Deloitte & Touche

21 October 2024

Original signed by:

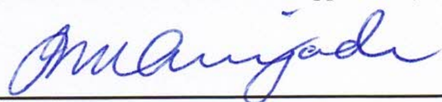
drs. AJ Kernkamp RA

Statement of financial position as at December 31, 2023

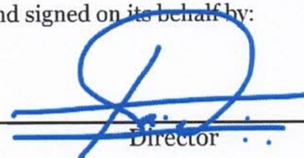
Assets	Note	2023	2022	As at January 1, 2022
(in Aruba florins)			*(restated)*	*(restated)*
Current assets				
Cash and cash equivalents	2	1,507,203	1,145,078	3,667,227
Investment securities - short term	3	450,013	1,583,999	6,211,001
Prepayments and other current assets	4	576,011	539,400	1,987,583
Current account affiliated companies	6	279,712	82,036	216,190
		2,812,939	3,350,513	12,082,001
Non-current assets				
Investment securities - long term	3	20,493,354	15,348,508	2,740,728
Property and equipment	7	61,000	48,422	72,835
Investment properties	8	3,927,999	3,927,999	3,927,999
Intangible assets	9	-	3,600	25,748
		24,482,353	19,328,529	6,767,310
TOTAL ASSETS		**27,295,292**	**22,679,042**	**18,849,311**

Liabilities and equity	Note	2023	2022	As at January 1, 2022
(in Aruba florins)			*(restated)*	*(restated)*
Liabilities				
Current tax payable	10	129,104	160,319	69,755
Accounts payable and accrued liabilities	11	1,489,260	1,717,444	217,978
Current account affiliated companies	6	1,424,325	762,908	454,565
Insurance contract liabilities	5	9,684,313	7,593,414	2,436,411
Reinsurance liabilities	5	994,833	747,846	795,714
		13,721,835	10,981,931	3,974,423
Equity				
Share capital	12	200,000	200,000	200,000
Other components of equity	12	726,228	151,676	61,396
Retained earnings		12,647,229	11,345,435	14,613,492
Total equity		*13,573,457*	*11,697,111*	*14,874,888*
TOTAL LIABILITIES AND EQUITY		**27,295,292**	**22,679,042**	**18,849,311**

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



Director



Director

Statement of profit or loss for the year ended December 31, 2023

(in Aruba florins)	Note	2023	2022 *(restated)*
Insurance revenue	13	1,843,689	1,861,019
Insurance service expense	5, 14	(803,287)	(4,350,167)
Insurance sevice result from insurance contracts issued		1,040,402	(2,489,148)
Net expenses from reinsurance contracts held	15	(240,208)	(250,862)
Insurance service result		800,194	(2,740,010)
Interest revenue calculated using the effective interest method	16	*1,069,017*	*686,222*
Other investment revenues	16	337,074	161,320
Net impairment loss		(54,087)	-
Net investment income		1,352,004	847,542
Net finance expenses from insurance contracts	16	19,438	45,660
Net finance income from reinsurance contracts	16	(23,352)	(15,384)
Net insurance finance (income) expenses		**(3,914)**	**30,276**
Net insurance and investment result		2,148,284	(1,862,192)
Other expenses	17	*1,097,197*	*2,678,418*
Other income			
Other net (expense)/income	18	(75,662)	19,361
Total other net (expense)/income		*(75,662)*	*19,361*
Net income/(loss) before taxation		**975,425**	**(4,521,249)**
Taxation	10	(147,985)	(179,189)
Net Income/(loss) after taxation		**827,440**	**(4,700,438)**
Attribution:			
Net income/(loss) for the year attributable to shareholders		827,440	(4,700,438)
		827,440	**(4,700,438)**

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

	Note	2023	2022
(in Aruba florins)			
Net result after taxation		**827,440**	**(4,700,438)**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent years (net of tax):			
Net change on debt investments at FVOCI		112,765	
Net finance income from insurance contracts		430,566	64,567
Net finance income from reinsurance contracts		16,573	25,713
		559,904	90,280
Net other comprehensive income for the year		***559,904***	***90,280***
Comprehensive income/(loss) for the year		**1,387,344**	**(4,610,158)**
Attribution:			
Comprehensive income/(loss) for the year attributable to		1,387,344	(4,610,158)
		1,387,344	**(4,610,158)**

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

(in Aruba florins)	**Share capital**	*Fair value reserve*	*Insurance contracts issued finance reserve*	*Reinsurance contracts held finance reserve*	**Other components of equity**	**Retained earnings**	**Total**
Balance as at 31 December, 2021 as previously reported	**200,000**	-	-	-	-	**15,060,501**	**15,260,501**
Impact of initial application of IFRS 17	-	-	-	61,396	**61,396**	(447,009)	**(385,613)**
Restated balance as at January 1, 2022	**200,000**	**-**	**-**	**61,396**	**61,396**	**14,613,492**	**14,874,888**
Comprehensive income:							
Other comprehensive income for the year	-	-	64,567	25,713	**90,280**	-	**90,280**
Net loss after taxation	-	-	-	-	-	(4,700,438)	**(4,700,438)**
	-	-	64,567	25,713	**90,280**	**(4,700,438)**	**(4,610,158)**
Other equity adjustments on IFRS 17	-	-	-		-	1,432,381	**1,432,381**
	-	-	-	-	-	**1,432,381**	**1,432,381**
Balance as at December 31, 2022	**200,000**	-	64,567	87,109	**151,676**	**11,345,435**	**11,697,111**
Impact of initial application IFRS 9	-	14,648	-	-	**14,648**	19,526	**34,174**
Restated balance as at January 1, 2023	**200,000**	**14,648**	**64,567**	**87,109**	**166,324**	**11,364,961**	**11,731,285**
Comprehensive income:							
Net loss on debt investments at FVOCI	-	112,765	-	-	**112,765**	-	**112,765**
Other comprehensive income for the year	-	-	430,566	16,573	**447,139**	-	**447,139**
Net result after taxation	-	-	-	-	-	827,440	**827,440**
	-	**112,765**	430,566	16,573	**559,904**	**827,440**	**1,387,344**
Other equity adjustments on IFRS 17	-	-	-	-	-	454,828	**454,828**
	-	-	-	-	-	**454,828**	**454,828**
Balance as at December 31, 2023	**200,000**	**127,413**	495,133	103,682	**726,228**	**12,647,229**	**13,573,457**

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

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

(in Aruba florins)	Note	2023	2022 *(restated)*
Cash flows from operating activities:			
Net profit (loss) before taxation		975,425	(4,521,249)
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property and equipment	7	30,213	32,747
Amortization of intangible assets	9	3,600	22,148
Change in unrealized gains and losses on investments		(147)	234,223
Policy loans, bad debts		-	6,361
Working capital movements:			
Insurance contract assets		-	364,171
Prepayments and other current assets		(37,139)	(121,959)
Reinsurance assets		263,560	-
Insurance liabilities		3,010,467	6,254,384
Accounts payable and accrued liabilities		(228,184)	1,499,464
Current account affiliated companies		463,741	442,497
		3,506,111	8,734,036
Interest received		528	(32,785)
Profit tax paid	10	(179,200)	(88,625)
		(178,672)	(121,410)
Net cash flows used in operating activities		4,302,864	4,091,377
Cash flows from investing activities:			
Purchase of property and equipment	7	(42,791)	(8,334)
Purchase of investment securities		(5,000,000)	(7,146,712)
Proceeds from sale and maturity of investment securities		1,102,052	1,158,965
Movement long-term loans receivable		-	(617,445)
Net cash flows used in investing activities		(3,940,739)	(6,613,526)
Net decrease in cash and cash equivalents		**362,125**	**(2,522,149)**
Cash and cash equivalents at January 1	2	1,145,078	3,667,227
Cash and cash equivalents at December 31		**1,507,203**	**1,145,078**

Notes to the financial statements

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

Corporate information

Nagico Life Insurance (Aruba) N.V. (the "Company") was incorporated on December 19, 2007, established in Aruba and is a 100% subsidiary of Nagico Life Insurance N.V., a company incorporated under the laws of St. Maarten. The Company operates as a life insurance company, also including selling annuities, health insurances and accident insurances. The market in which the Company operates consists of the island of Aruba. The Company has its registered office at Irenestraat 15, Oranjestad Oost, Aruba. On January 1, 2008 all of the assets and liabilities of British American Insurance Company Limited - Aruba Branch were transferred to the Company. On the date of transfer the current account - Head Office included in the branch was converted into equity of the Company.

The Company was a wholly-owned subsidiary of Nagico Life Insurance 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.

Approval of the financial statements

The financial statements were approved by the Board of Directors on October 15, 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.

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.

Basis of preparation (continued)

<u>*Significant accounting judgments, estimates and assumptions (continued)*</u>

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).

Taxes
Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and the level of future taxable profits together with future tax planning strategies. Further details on taxes are disclosed in Note 10.

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.

Consideration whether there are investment components
The Company considers all terms of contracts it issues to determine whether there are amounts payable to the policyholder in all circumstances, regardless of contract cancellation, maturity, and the occurrence or non-occurrence of an insured event. Some amounts, once paid by the policyholder, are repayable to the policyholder in all circumstances. The Company considers such payments to meet the definition of an investment component, irrespective of whether the amount repayable varies over the term of the contract as the amount is repayable only after it has first been paid by the policyholder.

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 Company 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 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

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 AWG 8,562,769 (2022: AWG 5,955,623)
- Reinsurance contracts issued that are liabilities was AWG 994,833 (2022: AWG 747,846)

Basis of preparation (continued)

Significant accounting judgments, estimates and assumptions (continued)

Insurance contract assets and liabilities and reinsurance contract assets and liabilities (continued)

Sensitivity analysis of carrying amounts to changes in assumptions:

(in Aruba florins)	**Change in assumption**	**As at December 31, 2023**	**As at December 31, 2022**
Mortality	10%	1,101,000	1,053,500
Mortality	-10%	(1,101,000)	(1,053,500)
Expenses	10%	645,500	455,500
Expenses	-10%	(645,500)	(455,500)
Lapse rate	10%	512,100	497,400
Lapse rate	-10%	(512,100)	(497,400)
Interest curve	1%	1,910,600	1,604,500
Interest curve	-1%	(1,910,600)	(1,604,500)

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 mortality rates, 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. For life insurance contracts, the Company uses national statistical data for estimating the mortality rates as the national statistical data is more current than internal mortality statistics.

Method of estimating discount rates

In determining discount rates for different products, the Company uses the bottom-up approach for cash flows of nonparticipating contracts that do not depend on underlying items. Applying this approach, the Company produced separate curves for each currency and illiquidity profile. Each curve comprised three major components: A) Risk-free discount curve; B) Non-credit risk adjustment; and C) Illiquidity premium.

The reference risk-free discount rates were based on the United States (US) treasury yields.

The non-credit risk adjustment was derived by deducting the US treasury bond rate and the sovereign credit risk from the yield of bond denominated on local currency. The bonds used in the calculation were of similar durations. The sovereign credit risk was equal to the sum of the expected and unexpected credit loss for local bonds. The Expected Credit Loss (ECL) was derived based on the Company's asset portfolio. The Unexpected Credit Loss (UCL) was set equal to 100% of the ECL as recommended by the Canadian Institute of Actuaries (CIA).

The Company assigned illiquidity profile and illiquidity premium to separate portfolios.

Basis of preparation (continued)

Significant accounting judgments, estimates and assumptions (continued)

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

	1 year	5 years	10 years	20 years	30 years
(in Aruba florins)					
2023					
Life risk	5.24%	5.25%	7.69%	7.37%	6.09%
Life savings	5.19%	4.76%	6.20%	6.76%	5.57%
Participating	5.14%	4.28%	5.32%	6.17%	5.06%
2022					
Life risk	4.93%	5.01%	7.06%	6.76%	5.77%
Life savings	4.88%	4.53%	5.88%	6.18%	5.26%
Participating	4.83%	4.04%	4.75%	5.61%	4.75%

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.

For direct participating contracts for which the Company does not hold the underlying items, the Company uses the crediting rate for the systematic allocation of insurance finance income or expenses. In determining the crediting rate, the Company estimates the constant factor.

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 groupusing 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 publishedratings, 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 Standard and Poors (S&P) 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.

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.

Basis of preparation (continued)

Significant accounting judgments, estimates and assumptions (continued)

Significant increase in credit risk (continued)

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 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-todate 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.

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.

Basis of preparation (continued)

<u>*Significant accounting judgments, estimates and assumptions (continued)*</u>

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 ECL

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

- 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, and adjusted to reflect forward-looking information as described above. Changes in the rating for a counterparty or exposure lead 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-tovalue ratios are a key parameter in determining LGD. 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.

Basis of preparation (continued)

Significant accounting judgments, estimates and assumptions (continued)

Measurement of ECL (continued)

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 Moody's 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.

(in Aruba florins)	**2023** Stage 1	**2023** Stage 2	**2022 - IFRS 9** Stage 1	**2022 - IFRS 9** Stage 2
Financial investments – not underlying items				
Other debt securities at FVOCI				
Balance at 1 January	2,464	12,184	-	-
Net remeasurement of loss allowance	(633)	-	2,464	12,184
New financial assets acquire	583	-	-	-
Financial assets derecognised	(295)	(12,184)	-	-
Balance at 31 December	2,119	-	2,464	12,184

(in Aruba florins)	**2023** Stage 1	**2023** Stage 2	**2022 - IFRS 9** Stage 1	**2022 - IFRS 9** Stage 2
Financial investments – not underlying items				
Other Debt Securities at amortised cost				
Balance at 1 January	11,241	-	-	-
Net remeasurement of loss allowance	54,087	-	11,241	-
New financial assets acquire	12,529	-	-	-
Balance at 31 December	77,857	-	11,241	-

Basis of preparation (continued)

Significant accounting judgments, estimates and assumptions (continued)

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).

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. Investment in government bonds are carried at amortised cost less any impairments.

The amortised costs less impairment provision of insurance receivables are 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.

Information about assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment in the year ended December 31, 2022 (and 2021) is included in the measurement of defined benefit obligations (i.e., key actuarial assumptions) and recognition and measurement of provisions and contingencies (i.e., key assumptions about the likelihood and magnitude of an outflow of resources).

Basis of preparation (continued)

Significant accounting judgments, estimates and assumptions (continued)

Foreign currency translation
These financial statements are presented in Aruban Florins (AWG), which is the Company's functional currency. All financial information presented in AWG has been rounded to the nearest guilder, except when otherwise indicated.

Transactions and balances
Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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 InsuranceContracts (includingthe June 2020 andDecember 2021Amendments toIFRS 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.

New and amended standards (continued)

Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Company has adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

Amendments to IAS 12 Income Taxes—International Tax Reform—Pillar Two Model Rules
The Company has adopted the amendments to IAS 12 for the first time in the current year. The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Following the amendments, the Company is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

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.

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 Company anticipate that the application of these amendments will have no impact on the Company's financial statements.

Standards issued but not yet effective (continued)

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 noncurrent 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 1 Presentation of Financial Statements—Non-current Liabilities with Covenants

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 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.

Standards issued but not yet effective (continued)

Amendments to IAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants

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. The Company anticipate that the application of these amendments will not have a significant impact on the Company's financial statements.

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. The Company anticipate that the application of these amendments will have no impact on the Company's financial statements.

Presentation of the financial statements

Items included in the financial statements of the Company are stated in Aruban Florins (AWG), which is the Company's functional and presentation currency.

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:

- 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.

Investment properties

Investment properties (land and buildings) are measured initially at cost, including transaction costs. Following initial recognition at cost, investment properties are stated at fair value, which reflects market conditions at the reporting date. Under valuation model IFRS requires that investment property 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. A gain or loss arising from a change in the fair value of investment property shall be recognized in the statement of profit or loss for the year in which it arises. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognized in the statement of profit or loss. Costs for the repairs and maintenance are recognized in the statement of profit or loss as incurred. Gains and losses on disposal of investment property are determined by reference to their carrying amount and are taken into account in determining operating profit.

Intangible assets

Other intangible assets

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

At the end of each reporting period, management reviews the estimated useful lives of all intangible fixed assets. During the previous year, management had determined that the useful life of the FIMMAS software should be extended from 8 to 12 years due to new insights on the developments and new releases as part of the software. Based on the latest estimates, an Estimated Useful Life (EUL) of 12 years is still considered to be appropriate for this asset. The remaining useful life of the software as at December 31, 2022 is 4 years.

Summary of significant accounting policies (continued)

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.

Taking into consideration the impact of COVID-19, Management assessed that there has been no indication of impairment on the Company's non-financial assets for the year ended December 31, 2023.

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 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, 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 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.

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)

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.

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.

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)

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.

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

- 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)

Financial assets not derecognised before 1 January 2023 (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 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.

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 floatingrate instruments to reflect movements in market rates of interest.

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.

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 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.

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.

Summary of significant accounting policies (continued)

Financial assets and financial liabilities (continued)

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.

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
- 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.

Summary of significant accounting policies (continued)

Financial assets and financial liabilities (continued)

Impairment (continued)

Financial assets not derecognised before 1 January 2023 (continued)

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
- 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.

Financial assets derecognised before 1 January 2023

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 Company 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.

Summary of significant accounting policies (continued)

Financial assets and financial liabilities (continued)

Impairment (continued)

Financial assets not derecognised before 1 January 2023 (continued)

Impairment losses on financial assets were recognised as follows.

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.

Summary of significant accounting policies (continued)

Financial assets and financial liabilities (continued)

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. 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)

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.

Summary of significant accounting policies (continued)

Insurance contracts

Key types of insurance contracts issued and reinsurance contracts held
The Company issues the following types of contracts that are accounted for in accordance with IFRS 17 Insurance Contracts.

Life business – non-participating contracts including:
- Term life insurance contracts providing level or decreasing sum assured coverage for a limited period of time in exchange for renewable fixed premiums.
- Fixed annuity contracts providing the annuitant with a guaranteed income payout for life.

The Company accounts for policies before transition using the fair value approach, while policies after transition period are accounted for using the General model.

Life business – direct participating contracts including:
- Deferred variable annuity contracts which provide the annuitant with a guaranteed income payout for life. The deferred variable annuity involves an accumulation and a payout phase. Cash flows of deferred variable annuity contracts vary with the return on underlying items in the accumulation phase, but not thereafter. The minimum pre-determined guaranteed annuity rates are specified at the contract's inception.

The Company accounts for policies before transition using the fair value approach, while policies after transition period are accounted for using the General model.

Investment contracts with discretionary participation features:
- These contracts provide the investor with the right to receive additional discretionary amounts contractually based on specified underlying items which are expected to be a significant portion of the total contractual benefits.

The Company accounts for policies before transition using the fair value approach, while policies after transition period are accounted for using the General model.

The Company also holds the following types of reinsurance contracts to mitigate risk exposure.

For term life, fixed and deferred variable annuity insurance policies, investment-linked insurance policies and universal life, the Company holds reinsurance treaties and accounts for these treaties applying the General Model.

Definitions and classifications
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.

The Company assesses whether the above conditions and criteria are met using its expectations at the issue date of the contracts.

The Company also issues investment contracts with discretionary participation features. These contracts are linked to the same pool of assets as insurance contracts and have economic characteristics similar to those of insurance contracts. The Company accounts for these contracts applying IFRS 17.

Summary of significant accounting policies (continued)

Insurance contracts (continued)

Combining a set or series of contracts
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

Separating components from insurance and reinsurance contracts
In addition to the provision of the insurance coverage service, some insurance contracts issued by the Company have other components such as an investment component, an embedded derivative or the provision of some other distinct goods or non-insurance services.

The Company assesses its products to determine whether some of these components are distinct and need to be separated and accounted for applying other IFRS Accounting Standards. When these non-insurance components are non-distinct, they are accounted for together with the insurance component applying IFRS 17.

The Company first considers the need to separate distinct embedded derivatives and investment components, before assessing the need to separate any goods and non-insurance services component.

Separating embedded derivatives
The Company issues insurance contracts that include embedded derivatives.

When the embedded derivative is not closely related to the host insurance contract, it is bifurcated from the host insurance contract and accounted for applying IFRS 9 at fair value through profit or loss (FVTPL).

When the embedded derivative is closely related to the host insurance contract, the embedded derivative is not bifurcated. Instead, it is accounted for applying IFRS 17 together with the host insurance contract.

The Company has not identified any embedded derivative in an insurance contract that is required to be separated from the host contract.

The following contracts issued by the Company include embedded derivatives:

- Life-contingent minimum return guarantee contracts. These include a put option under which the guarantee payment is paid to the policyholder in the event of a death of the insured. As the guarantee payment is conditional on the insured event (death) and compensates the policyholder, the guarantee itself meets the definition of an insurance contract. The put guarantee is not bifurcated and the whole contract is accounted for applying IFRS 17.
- Some term life insurance contracts include a surrender option, under which a fixed amount or an amount based on a fixed amount and an interest rate is paid to the policyholder on maturity or earlier lapse of the insurance contract. The surrender option is closely related to the host insurance contract because insurance coverage is terminated upon surrender. The contract as a whole is accounted for applying IFRS 17.
- Some deferred variable annuity contracts and some direct participating contracts contain an option for which the surrender amount varies in response to the change in a financial variable (such as an equity or commodity price or index). However, the value of the option is interrelated with the value of the insurance contract. As a result, such options are not separated.

Summary of significant accounting policies (continued)

Insurance contracts (continued)

Separating investment components
The Company issues certain life insurance policies. These include an investment component under which the Company is required to repay to a policyholder in all circumstances, regardless of an insured event occurring.

In assessing whether an investment component is distinct and therefore required to be accounted for separately applying IFRS 9, the Company considers if the investment and insurance components are highly interrelated or not.

A contract with equivalent terms to the investment component is sold (or could be sold) separately in the same market or in the same jurisdiction by other entities, including those issuing insurance contracts.

When the investment component meets the definition of an investment contract with discretionary participation features, it is then accounted for applying IFRS 17.

In determining whether investment and insurance components are highly interrelated the Company assesses whether the Company is unable to measure one component without considering the other and whether the policyholder is unable to benefit from one component unless the other component is present, i.e. whether cancelling one component also terminates the other. The Company has not identified any distinct investment components.

The Company applies IFRS 17 to account for non-distinct investment components as part of its insurance

Separating promises to transfer distinct goods or non-insurance services
After the Company has determined whether to separate embedded derivatives and investment components, it considers the separation of any promise to transfer goods or non-insurance services embedded in the contract. The Company separates from the host insurance contract only distinct promises to transfer goods or non-insurance services to a policyholder. Once separated, such promises are accounted for applying IFRS 15.

In determining whether an obligation to deliver a good or non-insurance service promised to a policyholder is distinct, the Company considers whether the policyholder can benefit from the good or service either on its own or together with other resources readily available to the policyholder (i.e. resources that are either sold separately or already owned by the policyholder).

A good or non-insurance service that is promised to the policyholder is not distinct if the cash flows and risks associated with the good or service are highly interrelated with the cash flows and risks associated with the insurance components. The Company provides a significant service integrating the good or non-insurance service with the insurance components.

The Company has not identified any distinct goods or non-insurance services.

Separating insurance components of a single insurance contract
Once any embedded derivatives, investment components and the goods and services components are separated, the Company assesses whether the contract should be separated into several insurance components that, in substance, should be treated as separate contracts to reflect the substance of the transaction.

To determine whether insurance components should be recognised and measured separately, the Company considers whether there is an interdependency between the different risks covered, whether components can lapse independently of each other and whether the components can be priced and sold separately.

When the Company enters into one legal contract with different insurance components operating independently of each other, insurance components are recognised and measured separately applying IFRS 17.

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.

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.

Recognition
The Companyp 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.

Investment contracts with discretionary participation features are initially recognised at the date the Company becomes a party to the contract.

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

Insurance contracts (continued)

<u>Contract boundaries</u>
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 abilityto 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 existingcontracts. 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.

The Company issues investment-linked insurance contracts that include an embedded insurance option to add insurance coverage at a future date. The Company has no right to compel the policyholder to pay premiums and the option to add insurance coverage at a future date is an insurance component that is not measured separately from the insurance contract. When the insurance option is not in substance a separate contract and the terms are guaranteed by the Company, the cash flows arising from the option are within the boundary of the contract.

When the option is not a separate contract and the terms are not guaranteed by the Company, the cash flows arising from the option might be either within or outside the contract boundary. This depends on whether the Company has the practical ability to set a price that fully reflects the reassessed risks of the whole contract. If the Company does not have the practical ability to reprice the whole contract when the policyholder exercises the option to add coverage, the expected cash flows arising from the additional premiums after the option exercise date would be within the original contract boundary.

In estimating expected future cash flows of a group of contracts, the Company applies judgement in assessing future policyholder behaviour surrounding the exercise of options available to them. These include surrender options, and other options falling within the contract boundary.

Cash flows are within the boundaries of investment contracts with discretionary participation features if they result from a substantive obligation of the Company to deliver cash at a present or future date.

The Company assesses the contract boundary at initial recognition and at each subsequent reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations.

Summary of significant accounting policies (continued)

Insurance contracts (continued)

Measurement of insurance contracts issued

Measurement on initial recognition for contracts other than PAA
The Company measures a group of contracts on initial recognition as the sum of the expected fulfilment cash flows within the contract boundary and the contractual service margin representing the unearned profit in the contracts relating to services that will be provided under the contracts.

Fulfilment cash flows within contract boundary
The fulfilment cash flows are the current unbiased and probability-weighted estimates of the present value of the future cash flows, including a risk adjustment for non-financial risk. In arriving at a probability-weighted mean, the Company considers a range of scenarios to establish a full range of possible outcomes incorporating all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of expected future cash flows. The estimates of future cash flows reflect conditions existing at the measurement date including assumptions at that date about the future.

The Company estimates expected future cash flows for a group of contracts at a portfolio level and allocates them to the groups in that portfolio in a systematic and rational way.

When estimating future cash flows, the Company includes all cash flows within the contract boundary

- Premiums and any additional cash flows resulting from those premiums.
- Reported claims that have not yet been paid, claims incurred but not yet reported, future claims expected to arise from the policy and potential cash inflows from recoveries on future claims covered by existing insurance contracts.
- For deferred variable annuity, investment-linked insurance policies and investment contracts with discretionary participation features, payments that vary based on the returns on underlying items and resulting from any embedded guarantees.
- An allocation of insurance acquisition cash flows attributable to the portfolio to which the issued contract belongs.
- Claim handling costs.
- Costs of providing contractual benefits in kind, such as home and vehicle repair.
- Policy administration and maintenance costs including recurring commissions expected to be paid to intermediaries for policy administration services only (recurring commissions that are insurance acquisition cash flows are treated as such in the estimate of future cash flows).
- Transaction-based taxes.
- An allocation of fixed and variable overheads directly attributable to the fulfilment of insurance contracts including overhead costs such as accounting, human resources, information technology and support,
- Costs incurred for performing investment activities that enhance insurance coverage benefits for the policyholder.
- Costs incurred for providing investment-related service and investment-return service to policyholders.
- Other costs specifically chargeable to the policyholder under the terms of the contract.

The Company issues investment-linked insurance policies and investment contracts with discretionary participation features that result in policyholders in different groups sharing the returns on the same pool of underlying items. The Company determines each group's share of the returns from the underlying items by first determining the overall return at a higher level of aggregation than the groups, and then making an allocation to each group on a systematic and rational basis.

Summary of significant accounting policies (continued)

Insurance contracts (continued)

Measurement of insurance contracts issued (continued)

Measurement on initial recognition for contracts other than PAA (continued)

The Company recognises and measures the liability for the unpaid amounts arising from all groups in aggregate and does not allocate such fulfilment cash flows to specific groups when coverage on contracts has been provided.

The cash flow estimates include both market variables, which are consistent with observable market prices, and nonmarket variables, which are not contradictory with market information and based on internally and externally derived data.

The Company updates its estimates at the end of each reporting period using all newly available information, as well as historic evidence and information about trends. The Company determines its current expectations of probabilities of future events occurring at the end of the reporting period. In developing new estimates, the Company considers the most recent experience and earlier experience, as well as other information.

Discount rates
The time value of money and financial risk is measured separately from expected future cash flows with changes in financial risks recognised in profit or loss at the end of each reporting period unless the Company has elected the accounting policy to present the time value of money separately in profit or loss and other comprehensive income.

The Company measures the time value of money using discount rates that reflect the liquidity characteristics of the insurance contracts and the characteristics of the cash flows, consistent with observable current market prices. They exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts (e.g. credit risk).

Expected future cash flows that vary based on the returns on any financial underlying items are discounted at rates that reflect this variability.

In determining discount rates for cash flows that do not vary based on the returns of underlying items, the Company uses the ‘top-down approach’ to estimate discount rates starting from the yield curve implied in the fair value of a reference portfolio that closely reflects the duration, currency and liquidity characteristics of the insurance cash flows. The yield curve from the reference portfolio is adjusted to exclude the effects of risks present in the cash flows from the financial instruments that are part of the reference portfolio, but not in the insurance contracts cash flows.

The Company estimates the discount rate applicable to each group of contracts on initial recognition, which is based on recognised contracts. In the following reporting period, as new contracts are included in the group, the discount rate applicable to the group on initial recognition is revised from the start of the reporting period in which the new contracts are added to the group. The Company re-estimates the discount rate applicable to the group at initial recognition using a weighted average discount rate over the period the contracts in the group are issued.

Summary of significant accounting policies (continued)

Insurance contracts (continued)

Measurement of insurance contracts issued (continued)

Measurement on initial recognition for contracts other than PAA (continued)

Risk adjustment for non-financial risk
The Company measures the compensation it would require for bearing the uncertainty about the amount and timing of cash flows arising from insurance contracts, other than financial risk, separately as an adjustment for non-financial risk. The Company uses the cost of capital method in estimating the risk adjustment. The level of capital and the cost of capital rate that feed this estimation technique are calibrated from the Company economic capital's approach within which the Company estimates the impact of non-financial risks. The economic capital approach includes a quantitative measure of the Company's risk appetite which allows a specific measure of the Company's non-financial risk and the degree of its risk aversion for financial reporting purposes.

The Company's economical capital approach, and the risk adjustment calculation derived from it, include the benefits of diversification at the issuing entity level. This is allocated to all the groups of insurance contracts. Diversification benefits are derived from a study of the negative correlation that exists among the different non-financial variables impacting the cash flows from the portfolios of the Company and results in lower economic capital being necessary to absorb the residual level of uncertainty.

Contractual service margin (CSM)
The CSM is a component of the overall carrying amount of a group of insurance contracts representing unearned profit that the Company will recognise as it provides insurance contract services over the coverage period.

At initial recognition, the Company measures the CSM at an amount that, unless a group of insurance contracts is onerous, results in no gains recognised in profit or loss arising from:

- The expected fulfilment cash flows of the group.
- The amount of any derecognised asset for insurance acquisition cash flows allocated to the group.
- Any other asset or liability previously recognised for cash flows related to the group.
- Any cash flows that have already arisen on the contracts as of that date.

If a group of contracts is onerous, the Company recognises a loss on initial recognition. This results in the carrying amount of the liability for the group being equal to the fulfilment cash flows, and the CSM of the group being nil. A loss component is recognised for any loss on initial recognition of the group of insurance contracts.

The Company determines at initial recognition the group's coverage units. The Company then allocates the group's CSM based on the coverage units provided in the period.

The Company allocates contracts acquired with claims in the settlement phase into annual groups based on the expected profitability of the contracts at the date of acquisition. The Company uses the consideration received or paid as an approximation of premiums to calculate the CSM on initial recognition. When, on initial recognition, contracts acquired in a portfolio transfer are determined to be onerous, the excess of the fulfilment cash flows over the consideration received is recognised in profit or loss. For contracts acquired as part of a business combination, the excess, representing the extent to which the contract is onerous, is recognised as part of goodwill (or the gain on a bargain purchase).

Insurance acquisition cash flows
The Company includes insurance acquisition cash flows in the measurement of a group of insurance contracts if they are directly attributable to either the individual contracts in a group, the group itself or the portfolio of insurance contracts to which the group belongs.

The Company estimates, at a portfolio level, insurance acquisition cash flows not directly attributable to the group but directly attributable to the portfolio. The Company then allocates them to the group of newly written and renewed contracts on a systematic and rational basis.

Summary of significant accounting policies (continued)

Insurance contracts (continued)

Measurement of insurance contracts issued (continued)

Measurement on initial recognition for contracts other than PAA (continued)

Insurance acquisition cash flows (continued)

The Company recognises an asset in respect of costs to secure a portfolio or group of insurance contracts, such as costs of selling and underwriting, when these costs are incurred before the recognition of the group of insurance contracts to which these costs relate. The Company recognises such an asset for each existing or future group of insurance contracts to which insurance acquisition cash flows are allocated. The related portion of the asset for insurance acquisition cash flows is derecognised and included in the measurement of the fulfilment cash flows of the associated group of contracts when the group is initially recognised. When only some of the insurance contracts expected to be included within the group are recognised as at the end of the reporting period, the Company determines the related portion of the asset that is derecognised and included in the group's fulfilment cash flows. The related portion is determined on a systematic and rational allocation method that considers the timing of recognition of the contracts in the group.

At each reporting date, the Company reviews the carrying amounts of the asset for insurance acquisition cash flows to determine whether there is an indication that the asset has suffered an impairment. If any such indication exists, the Company adjusts the carrying amount of the asset so that the carrying amount of the asset does not exceed the expected net cash inflow for the associated future groups of contracts. An impairment loss is recognised in profit or loss for the difference. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the extent the impairment conditions no longer exist or have improved and the cumulative amount of impairment loss reversal does not exceed the impairment loss recognised for the asset in prior years.

Subsequent measurement under the General Model
In estimating the total future fulfilment cash flows, the Company distinguishes between those relating to already incurred claims and those relating to future service.

At the end of each reporting period, the carrying amount of the group of insurance contracts will reflect a current estimate of the liability for remaining coverage (LRC) as at that date and a current estimate of the liability for incurred claims (LIC).

The LRC represents the Company's obligation to investigate and pay valid claims under existing contracts for insured events that have not yet occurred, amounts that relate to other insurance contract services not yet provided (i.e. provision of investment-return and investment-related services) and investment components and other amounts not related to insurance contract services that have not yet been transferred to the LIC. The LRC is comprised of (a) the fulfilment cash flows relating to future service, (b) the CSM yet to be earned and (c) any outstanding premiums for insurance contract services already provided.

The LIC includes the Company's liability to pay valid claims for insured events that have already incurred, other incurred insurance expenses arising from past coverage service and the liability for claims incurred but not yet reported. It also includes the Company's liability to pay amounts the Company is obliged to pay the policyholder under the contract. This includes repayment of investment components, when a contract is derecognised. The current estimate of LIC comprises the fulfilment cash flows related to current and past service allocated to the group at the reporting date.

Changes in fulfilment cash flows
At the end of each reporting period, the Company updates the fulfilment cash flows for both LIC and LRC to reflect the current estimates of the amounts, timing and uncertainty of future cash flows, as well as discount rates and other financial variables.

Summary of significant accounting policies (continued)

Insurance contracts (continued)

Measurement of insurance contracts issued (continued)

Measurement on initial recognition for contracts other than PAA (continued)

Changes in fulfilment cash flows (continued)

The Company has an accounting policy choice which calculates changes in fulfilment cash flows at the end of a reporting period for changes in non-financial assumptions, changes in discount rates and financial assumptions. The Company first calculates the changes in discount rates and financial assumptions on the fulfilment cash flows (as expected at the beginning of the period) and then calculate changes on those cash flows from the change in non-financial assumptions.

Experience adjustments are the difference between:

- The expected cash flow estimate at the beginning of the period and the actual cash flows for premiums received in the period (and any related cash flows paid such as insurance acquisition cash flows and insurance premium taxes).
- The expected cash flow estimate at the beginning of the period and the actual incurred amounts of insurance service expenses in the period (excluding insurance acquisition expenses).

Experience adjustments relating to current or past service are recognised in profit or loss. For incurred claims (including incurred but not reported) and other incurred insurance service expenses, experience adjustments always relate to current or past service. They are included in profit or loss as part of insurance service expenses.

Experience adjustments relating to future service are included in the LRC by adjusting the CSM. The release of the CSM depends on whether the contract does not participate, participates indirectly, or directly participates in the performance of the specified underlying items.

At the end of each reporting period, the Company re-estimates the LRC fulfilment cash flows, updating for changes in assumptions relating to financial and non-financial risks.

Adjustments to the CSM
For insurance contracts without direct participating features, the following changes in fulfilment cash flows are considered to be related to future service and adjust (or 'unlock') the CSM of the group of insurance contracts:

- Experience adjustments relating to the premiums received in the period that relate to future service, and any related cash flows such as insurance acquisition cash flows and premium-based taxes measured at the 'locked in' discount rates applicable when the contracts in the group were initially recognised.
- The change in the estimate of the present value of expected future cash flows in the liability for remaining coverage, related to non-financial variables, measured at the 'locked in' discount rates applicable when the contracts in the group were initially recognised. All financial variables are locked in at initial recognition.
- Changes in the risk adjustment for non-financial risk relating to future service. The Company has elected not to disaggregate the change in the risk adjustment for non-financial risk between (i) a change related to non-financial risk and (ii) the effect of the time value of money and changes in the time value of money.
- Differences between the amount of investment components that were expected to be payable in the period and the amount of investment components that actually became payable. The amount of investment components expected to be payable in the period is measured at the discount rates applicable before it became payable.

The following adjustments do not relate to future service and thus do not adjust the CSM:

- Changes in fulfilment cash flows for the effect of the time value of money and the effect of financial risk and changes thereof.
- Changes in the fulfilment cash flows relating to the LIC.
- Experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

Summary of significant accounting policies (continued)

Insurance contracts (continued)

Measurement of insurance contracts issued (continued)

Measurement on initial recognition for contracts other than PAA (continued)

Adjustments to the CSM (continued)

Any further increases in fulfilment cash flows relating to future coverage are recognised in profit or loss as they occur, increasing the loss component of the group of insurance contracts. Any subsequent decreases in fulfilment cash flows related to future coverage do not adjust the CSM until the loss component of the group is fully reversed through profit or loss.

At the end of the reporting period, the carrying amount of the CSM for a group of insurance contracts without direct participating features is the carrying amount at the beginning of the period adjusted for:

- The effect of any new contracts added to the group
- Interest accreted on the carrying amount of the CSM measured at the discount rates determined at initial recognition.
- The changes in fulfilment cash flows related to future service, except:

  > Increases in fulfilment cash flows that exceed the carrying amount of the CSM, giving rise to a loss that results in the group of contracts becoming onerous or more onerous.

  > Decreases in fulfilment cash flows that reverse a previously recognised loss on a group of onerous contracts.
- The effect of any currency exchange differences on the CSM.
- The amount recognised as insurance revenue because of the transfer of insurance contract services in the period, determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining coverage period.

Recognition of the CSM in profit or loss
An amount of the CSM is released to profit or loss in each period during which the insurance contract services are provided.

In determining the amount of the CSM to be released in each period, the Company follows three steps:

- Determine the total number of coverage units in the group. The amount of coverage units in the group is determined by considering the quantity of benefits provided under the contract and the expected coverage period for each contract.
- Allocate the CSM at the end of the period (before any of it is released to profit or loss to reflect the insurance contract services provided in the period) equally to each of the coverage units provided in the current period and expected to be provided in the future.
- Recognise in profit or loss the amount of CSM allocated to the coverage units provided during the period.

The number of coverage units change as insurance contract services are provided, contracts expire, lapse or surrender and new contracts are added to the group. The total number of coverage units depends on the expected duration of the obligations that the Company has from its contracts. These can differ from the legal contract maturity because of the impact of policyholder behaviour and the uncertainty surrounding future insured events. By determining a number of coverage units, the Company exercises judgement in estimating the likelihood of insured events occurring and policyholder behaviour to the extent that they affect expected period of coverage in the group, the different levels of service offered across periods (e.g. policyholder exercising an option and adding an additional coverage for a previously guaranteed price) and the ‘quantity of benefits’ provided under a contract.

Summary of significant accounting policies (continued)

Insurance contracts (continued)

Measurement of insurance contracts issued (continued)

Measurement on initial recognition for contracts other than PAA (continued)

Recognition of the CSM in profit or loss (continued)

Contracts with cash flows not dependent on underlying items

In determining the number of coverage units, the Company applies the following methods:

- For term life (with level or decreasing sum assured) and fixed annuity policies, a method based on the expected coverage period and maximum contractual cover in each period is applied. This method is appropriate as there is variability in the contractual cover in each period and, therefore, variability in the amount of the service provided in each period.
- For facultative (excess of individual loss) reinsurance contracts held, a straight-line allocation over the passage of time represents the quantity of coverage units over each period. This is because the amount that can be claimed under the contract is the same in each period.

The amount of CSM allocated to each coverage unit changes over time, as the amount of CSM changes. The allocation of the CSM to coverage units is done at the end of the period, after reflecting all other CSM adjustments (the accretion of interest and the effect of change in assumptions relating to future coverage), but before any of it is released to profit or loss. The amount of CSM remaining at the end of the reporting period is allocated equally to the coverage units provided in the period and the remaining coverage units relating to future periods.

Contracts with cash flows dependent on underlying items that do not meet the definition of direct participating contracts (indirect participating contracts)
The Company issues universal life contracts with embedded guaranteed annuity options. During the accumulation phase the cash flows of these contracts depend on the returns of the underlying items. This is due to a general obligation for the Company to adjust the cash flows in view of the return from the underlying items. However, these underlying items are not specified, and the Company has full discretion in forming the portfolios of underlying items that should be considered for adjusting the cash flows of these contracts for the associated financial variables.

This structure results in the VFA not being applicable to these contracts. Instead, the Company applies the General Model when accounting for such contracts. The effects of financial variables do not impact the CSM measurement for a group of indirect participating contracts as changes in financial risk are recognised directly in profit or loss as part of total insurance finance income or expenses except for when the change triggers a change in the way the Company applies its discretion. In this instance, the change will adjust the CSM.

The Company specifies at inception what they regard as their commitment under the contract. This enables the Company to calculate the amount recognised in profit or loss (for changes in assumptions related to financial risk on that commitment) and the amount adjusting the CSM (because of the exercise of discretion in relation to the entity's commitment). The commitment under the contract can be:

- A specified minimum return agreed under the contract.
- A discretionary amount relating to any surplus investment return on underlying items less investment management charge, in excess of guaranteed minimum return.

Summary of significant accounting policies (continued)

Insurance contracts (continued)

Measurement of insurance contracts issued (continued)

Measurement on initial recognition for contracts other than PAA (continued)

Recognition of the CSM in profit or loss (continued)

The CSM of indirect participating contracts accretes interest at the original locked-in non-asset dependent discount rates determined for a group of contracts at initial recognition. Those changes in fulfilment cash flows related to future service that adjust the CSM are also measured at the original 'locked-in' discount rates determined on initial recognition.

The insurance coverage of universal life contracts only starts in the pay-out phase. In the accumulation phase, the Company provides policyholders with investment-return services. In determining the number of coverage units, the Company weighs coverage units relating to investment and insurance coverage services. The weighting to calculate the total coverage units is determined based on the future guaranteed life-contingent annuity payments and the future expected expenses the Company would incur to produce the investment-return service associated with the policyholder account value. The resulting total number of coverage units is allocated over the expected coverage period of the group.

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.

On initial recognition, the CSM of the group of onerous contracts is nil and the group's measurement consists entirely of fulfilment cash flows. A net outflow expected from a group of contracts determined to be onerous is considered to be the group's 'loss component'. It is initially calculated when the group is first considered to be onerous and is recognised at that date in profit or loss. The amount of the group's loss component is tracked for the purposes of presentation and subsequent measurement.

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.

Summary of significant accounting policies (continued)

Insurance contracts (continued)

Measurement of insurance contracts issued (continued)

Onerous contracts (continued)

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 group's 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.

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.

Summary of significant accounting policies (continued)

Reinsurance contracts held

Recognition (continued)

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

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:

- 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 General Model

The Company's reinsurance contracts held are accounted for applying the measurement requirements of the General Model for estimates of cash flows and discount rates. The Company measures the reinsurance contracts held and the underlying insurance contracts issued using consistent assumptions. The Company includes in the estimates of the present value of expected future cash flows for a group of reinsurance contracts held the effect of any risk of non-performance by the reinsurer, including the effects of any collateral and losses from disputes. The effect of non-performance risk of the reinsurer is assessed at each reporting date.

In determining the asset representing the risk adjustment for non-financial risk transferred to the reinsurer, the Company assesses the amount of risk transferred by the Company to the reinsurer by calculating the risk adjustment of the underlying contracts before and after the effect of the reinsurance contracts held. The difference is recognised as the asset representing the risk adjustment reinsured.

On initial recognition, the Company recognises any net cost or net gain on purchasing the group of reinsurance contracts held as a reinsurance CSM, unless the net cost of purchasing reinsurance coverage relates to events that occurred before the purchase of the group of reinsurance contracts, where the Company recognises such a cost immediately in profit or loss as an expense as part of insurance service result.

Summary of significant accounting policies (continued)

Reinsurance contracts held (continued)

Recognition (continued)

For a group of reinsurance contracts held, on initial recognition of an underlying onerous group of insurance contracts or on addition of onerous underlying insurance contracts to a group, the Company establishes a loss recovery component and, as a result, recognises a gain in profit or loss. The amount of the loss recovery component adjusts the CSM of a group of reinsurance contracts held. It is calculated at an amount equal to the loss recognised on the underlying insurance contracts multiplied by the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. After initial recognition, the carrying amount of the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held. Reversal of the loss recovery component adjusts the CSM and the risk adjustment of the group of reinsurance contracts held. After establishing a reinsurance loss recovery component, except for further additions of onerous contracts to the underlying groups, its amount is adjusted for:

- Changes in fulfilment cash flows of underlying insurance contracts related to future service and do not adjust the CSM of their respective groups.
- Loss recovery component reversals to the extent those reversals are not changes in the fulfilment cash flows of the group of reinsurance contracts held.

These adjustments are calculated and presented in profit or loss.

The Company adjusts the carrying amount of the CSM of a group of reinsurance contracts held at the end of a reporting period to reflect changes in the fulfilment cash flows applying the same approach as for insurance contracts issued, except when the underlying contract is onerous and the change in the fulfilment cash flows for underlying insurance contracts is recognised in profit or loss by adjusting the loss component. The respective changes in reinsurance contracts held is also recognised in profit and loss (adjusting the loss recovery component).

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.

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.

Summary of significant accounting policies (continued)

Modification and derecognition (continued)

For insurance contracts accounted for applying either the VFA or the General Model, a change in the estimates of fulfilment cash flows results in a revised end of period CSM (before the current period allocation). A portion of the revised end of period CSM is allocated to the current period, as is the revised CSM amount applied from the beginning of the period but reflecting the change in the coverage units due to the modification during the period. This portion is calculated using updated coverage unit amounts determined at the end of the period and weighted to reflect the fact that the revised coverage existed for only part of the current period.

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
- 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 omprehensive 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.

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.

Summary of significant accounting policies (continued)

Presentation (continued)

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.

For groups of insurance contracts measured under the General Model and VFA, insurance revenue consists of the sum of the changes in the LRC due to:

- The insurance service expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:
  > Amounts allocated to the loss component.
  > Repayments of investment components.
  > Amounts that relate to transaction-based taxes collected on behalf of third parties.
  > Insurance acquisition expenses.
  > Amounts relating to risk adjustment for non-financial risk.
- The change in the risk adjustment for non-financial risk, excluding:
  > Changes that relate to future service that adjust the CSM
  > Amounts allocated to the loss component
- The amount of CSM for the services provided in the period
- Other amounts, such as experience adjustments for premium receipts that relate to current or past service, if any

Insurance revenue also includes the portion of premiums that relate to recovering those insurance acquisition cash flows included in the insurance service expenses in each period. Both amounts are measured in a systematic way on the basis of the passage of time.

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.

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.

Summary of significant accounting policies (continued)

Presentation (continued)

Income or expenses from reinsurance contracts held (continued)

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 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 indirect participating contracts

For indirect participating contracts where the entity holds the underlying items, the Company considers on a portfolioby-portfolio basis whether to disaggregate the presentation of total insurance finance income or expenses. When disaggregated, the amount presented in profit or loss is based on a systematic allocation of the expected total insurance finance income or expenses over the duration of the contracts in the group. The systematic allocation is based on the characteristics of the group of insurance contracts and does not, for example, depend on the returns on assets, unless those returns affect the cash flows of the insurance contracts. 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'.

Summary of significant accounting policies (continued)

Presentation (continued)

Insurance finance income and expenses (continued)

For indirect participating contracts (continued)

Then changes in financial risk have a substantial effect on the amounts paid to the policyholders, the Company applies one of two approaches to determine the systematic allocation of total finance income or expense:

- Using a discount rate that allocates the remaining revised expected insurance finance income or expenses over the expected remaining duration of the group of contracts at a constant rate.
- For contracts that use a crediting rate to determine the amount due to the policyholders, use an allocation based on the amounts credited in the period and expected to be credited in future periods.

The Company considers which approach to apply on a portfolio-by-portfolio basis.

For direct participating contracts where the underlying items are not held
For direct participating contracts for which the Company does not hold the underlying items, the Company disaggregates total insurance finance income or expenses, presenting:

- In profit or loss an amount determined by utilising a systematic allocation of the expected total insurance finance income or expenses over the duration of the group of contracts.
- In OCI an amount calculated as the difference between the total amount and the amount presented in profit or loss.

When the group starts holding the underlying items, the previously recognised amounts of insurance finance income and expenses are reclassified from OCI. They are included in profit or loss in the period of the change and the future periods in insurance finance income or expenses line from insurance contracts issued in profit or loss based on the assumptions that applied immediately before the change. Comparative amounts are not restated for such change.

For direct participating contracts where the underlying items are held
For direct participating contracts, for which the Company holds the underlying items, the Company applies the 'current period book yield' approach in presenting insurance finance income or expenses in profit or loss.

Under this approach, the Company disaggregates the total insurance finance income or expenses, presenting:

- In profit or loss an amount that eliminates the accounting mismatches with income or expenses included in profit or loss from the underlying items held.
- In OCI an amount calculated as the difference between the total amount and the amount presented in profit or loss.

Upon the Company ceasing to hold the underlying items, the previously recognised amounts of insurance finance income and expenses are reclassified from OCI. They are included in profit or loss in the period of the change and in the future periods in insurance finance income or expenses line from insurance contracts issued based on the assumptions that applied immediately before the change. Comparative amounts are not restated for such change.

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 groups of life reinsurance contracts held measured applying the General Model, which changes in financial assumptions have a substantial effect on the amounts received from reinsurer. The amounts presented in profit or loss are based on the discount rates that allocate the remaining revised expected financial income or expenses over the remaining duration of the group of contracts at a constant rate.

Summary of significant accounting policies (continued)

Presentation (continued)

Insurance finance income and expenses (continued)

For reinsurance contracts held (continued)

For facultative reinsurance contracts held measured applying the General Model, the Company has elected to present all insurance finance income or expenses in profit or loss.

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.

Contracts existing at transition date

Contracts measured applying the fair value approach

The Company concluded that reasonable and supportable information for application of the modified retrospective approach was not available for all insurance contracts prior to the date of transition and therefore applied the fair value approach for those contracts.

The Company uses reasonable and supportable information available at the transition date to:

- Identify groups of insurance contracts.
- Determine whether an insurance contract meets the definition of an insurance contract with direct participation features.
- Identify discretionary cash flows for insurance contracts without direct participation features.
- Determine whether an investment contract meets the definition of an investment contract with discretionary participation features within the scope of IFRS 17.

Level of aggregation

The Company included contracts into groups of contracts issued more than one year apart as there was no reasonable and supportable information available to make the division.

Measurement at the transition date

In applying the fair value approach at the transition date, the CSM or loss component of the LRC was estimated as the difference between the fair value and the fulfilment cash flows of the group of contracts as of that date. In determining fair value, the Company followed the requirements of IFRS 13 Fair Value Measurement, except for that standard's requirement in relation to demand features (that fair value cannot be less than the amount repayable on demand), This is because it would contradict the IFRS 17 requirement to incorporate cash flows on a probability-weighted basis.

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

Contracts existing at transition date (continued)

Discount rates
The Company used discount rates as at the date of transition, instead of discount rates as at the date of initial recognition.

Insurance acquisition cash flows
The Company determined the asset for insurance acquisition cash flows at the transition date at an amount equal to the amount the Company would have incurred at the transition date to obtain rights to:

- Recover insurance acquisition cash flows from premiums of insurance contracts before the transition date but not yet recognised at the transition date.
- Obtain future insurance contracts after the transition date without having to pay again for those costs already paid.
- Obtain future renewals of insurance contracts recognised at transition date.

The Company did not include an amount for insurance acquisition cash flows in the measurement of the groups of insurance contracts recognised at the transition date.

Insurance finance income or expenses
The Company chose to disaggregate the presentation of insurance finance income or expenses and determined the cumulative amount recognised in OCI as follows:

- For direct participating contracts for which the Company holds the underlying items, the opening cumulative amount of OCI was determined to be equal to the cumulative amount recognised in OCI for the underlying items.
- Nil for all other contracts

Reinsurance contracts held
For a group of reinsurance contracts held the Company determines the loss-recovery component of the asset for remaining coverage at transition by multiplying the loss component of the liability for remaining coverage for the underlying insurance contracts at the transition date with the percentage of claims for the group of underlying onerous insurance contracts that the Company expects to recover from the group of reinsurance contracts held.

Acquired insurance contracts
The Company chose to classify as a liability for incurred claims the liability for settlement of claims incurred before a group of insurance contracts was acquired in a portfolio transfer or a business combination within the scope of IFRS 3 Business Combinations.

Taxation

<u>Income tax specifically chargeable to policyholders</u>
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.

Other Income

<u>Rental income</u>

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

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

Summary of significant accounting policies (continued)

Current and deferred income tax

The tax expense for the period comprises current and deferred taxes. Tax is recognized in the statement of profit or loss and other 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 in Aruba where the Company operates and generates taxable income. The nominal profit tax rate is 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.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset only if certain criteria are met.

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.

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.

Changes in significant accounting policies (continued)

IFRS 17 Insurance Contracts (continued)

Recognition, measurement and presentation of insurance contracts (continued)

Insurance finance income and expenses, disaggregated between profit or loss and OCI for life risk and life savings contracts, are presented separately from insurance revenue and insurance service expenses.

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.

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.

Changes in significant accounting policies (continued)

IFRS 17 Insurance Contracts (continued)

Transition (continued)

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.

- 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.

Assets for insurance acquisition cash flow

For the life risk segment, the Company also applied the modified retrospective approach or the fair value approach to identify, recognise and measure certain assets for insurance acquisition cash flows at 1 January 2022.

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.

Changes in significant accounting policies (continued)

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.

Company's effective date of implementation for IFRS 9 was 1 January 2023. Previous periods 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 other component of equity, as appropriate) on the date of initial application.

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.

The adoption of IFRS 9 has not had a material impact on the Company's basic or diluted EPS for the years ended 31 December 2023 and 2022.

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.

Changes in significant accounting policies (continued)

IFRS 9 Financial Instruments (continued)

Effect of initial application (continued)

(in Aruba florins)	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	1,145,078	1,145,078
Financial investments – other				
Deposits with financial institutions	Held-to-maturity	Amortised cost	1,400,000	1,400,000
Government bonds	FVTPL	FVOCI	529,797	529,797
Government bonds	Held-to-maturity	Amortised cost	8,710,799	8,761,857
Other debt securities	FVTPL	FVOCI	3,055,136	3,055,136
Other debt securities	FVTPL	FVTPL	4,202	4,202
Other debt securities	Held-to-maturity	Amortised cost	955,316	955,316
Other debt securities	Loans and Receivables	Amortised cost	2,227,257	2,221,614
Equity securities	Available-for-sale	FVTPL	50,000	50,000
Receivables other than operating lease receivables	Loans and Receivables	Amortised cost	2,766,657	2,766,657
Total Financial Asset			20,844,242	20,889,657
Financial Liabilities				
Accounts payable and accrued liabilities	Amortised cost	Amortised cost	1,717,444	1,717,444
Total Financial Liabilities			1,717,444	1,717,444

Changes in significant accounting policies (continued)

IFRS 9 Financial Instruments (continued)

Effect of initial application (continued)

The application of these policies resulted in the reclassifications set out in the table above and explained below.

- Certain debt securities are held to meet everyday liquidity needs. Company treasury seeks to minimise the costs of managing these liquidity needs and therefore actively manages the return on the portfolio. That return consists of collecting contractual payments as well as gains and losses from the sale of financial assets. The investment strategy often results in sales activity that is significant in value. The Company considers that under IFRS 9 these securities are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling financial assets. The contractual terms of these financial assets give rise on specified dates to cash flows that are SPPI. These assets have therefore been classified as financial assets at FVOCI under IFRS 9.
- Under IAS 39, investments in equity securities that were not designated as at FVTPL were classified as available-for-sale financial assets. Under IFRS 9, these assets are mandatorily measured at FVTPL because they do not give rise to cash flows that are SPPI, unless the Company has elected to measure them at FVOCI.
- These equity securities represent investments that the Company intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Company designated these investments at 1 January 2023 as measured at FVOCI. Unlike under IAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

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
(in Aruba florins)				
FVTPL				
Financial investments – other				
Government bonds	529,797	(529,797)	-	-
Other debt securities				
Brought forward	3,059,338	-	-	3,059,338
Reclassified to FVOCI	-	(3,055,136)	-	(3,055,136)
Equity securities				
Reclassified from available-for-sale	-	50,000	-	50,000
Total FVTPL	3,589,135	(3,534,933)	-	54,202

	31 December 2022 IAS 39	Reclassification	Remeasurement	1 January 2023 IFRS 9
(in Aruba florins)				
FVOCI - Debt				
Financial investments – other				
Government bonds	-	529,797	-	529,797
Other debt securities	-	3,055,136	-	3,055,136
Total FVOCI	-	3,584,933	-	3,584,933

Changes in significant accounting policies (continued)

IFRS 9 Financial Instruments (continued)

Effect of initial application (continued)

(in Aruba florins)	31 December 2022 IAS 39	Reclassification	Remeasurement	1 January 2023 IFRS 9
Available-for-sale				
Brought forward	50,000	-	-	50,000
Reclassified to FVOCI - Equities	-	(50,000)	-	(50,000)
Total Available-for-sale	50,000	(50,000)	-	-

(in Aruba florins)	31 December 2022 IAS 39	Reclassification	Remeasurement	1 January 2023 IFRS 9
Amortised cost				
Cash and cash equivalents				
Brought forward:	1,145,078	-	-	1,145,078
Financial investments – other				
Deposits with financial institutions				
Brought forward: Held-to-maturity	1,400,000	-	-	1,400,000
Carried forward	1,400,000	-	-	1,400,000
Government bonds				
Brought forward: Held-to-maturity	8,710,799		-	8,710,799
Remeasurement			51,058	51,058
Carried forward	8,710,799	-	51,058	8,761,857
Other debt securities				
Brought forward: Held-to-maturity	955,316	-		955,316
Reclassified from FVOCI	-	-	(5,643)	(5,643)
Carried forward	955,316	-	(5,643)	949,673
Receivables other than operating lease				
Brought forward: Held-to-maturity	2,766,657	(2,227,257)	-	539,400
Total Amortised cost	14,977,850	(2,227,257)	45,415	12,796,008

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.

(in Aruba florins)	31 December 2022 IAS 39	Reclassification	Remeasurement	1 January 2023 IFRS 9
Financial assets at amortised cost under				
From held-to-maturity under IAS 39	-	-	820	820
From loans and receivables under IAS	-	-	10,421	-
	-	-	11,241	820
Financial assets at FVOCI under IFRS 9	-	-	14,648	14,648
	-	-	14,648	14,648

(2) Cash and cash equivalents

(in Aruba florins)	2023	2022
Current accounts	851,413	786,218
Investment cash account	654,931	358,001
Other	859	859
	1,507,203	**1,145,078**

(3) Investment securities

	Current		Non-current	
(in Aruba florins)	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
Financial Investments				
Deposits with financial institutions	400,000	1,000,000	500,000	400,000
Government bonds	-	529,797	12,839,310	8,710,799
Other debt securities	13	4,202	7,154,044	6,237,709
Equity securities	50,000	50,000	-	-
	450,013	**1,583,999**	**20,493,354**	**15,348,508**

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

	Current		Non-current	
(in Aruba florins)	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
Measured at fair value	50,013	583,999	3,632,993	3,055,136
Measured at amortised cost	400,000	1,000,000	16,860,361	12,293,372
	450,013	**1,583,999**	**20,493,354**	**15,348,508**

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

	Current		Non-current	
(in Aruba florins)	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
Fair value through profit or loss - Debt	13	4,202	-	-
Fair value through profit or loss - Equity	50,000	50,000	-	-
Fair value through OCI - Debt	-	529,797	3,632,993	3,055,136
Amortised cost	400,000	1,000,000	16,860,361	12,293,372
	450,013	**1,583,999**	**20,493,354**	**15,348,508**

(3) Investment securities (continued)

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 Aruba florins)				
Deposits with financial institutions	-	-	900,000	900,000
Government bonds	-	-	12,839,310	12,839,310
Other debt securities	13	3,632,993	3,521,051	7,154,057
Equity securities	50,000	-	-	50,000
	50,013	**3,632,993**	**17,260,361**	**20,943,367**

2022	Fair value through profit or loss	Fair value through OCI	Amortised cost	**Total**
(in Aruba florins)				
Deposits with financial institutions	-	-	1,400,000	1,400,000
Government bonds	-	529,797	8,710,799	9,240,596
Other debt securities	4,202	3,055,136	3,182,573	6,241,911
Equity securities	50,000	-	-	50,000
	54,202	**3,584,933**	**13,293,372**	**16,932,507**

(4) Prepayments and other current assets

	2023	**2022**
(in Aruba florins)		
Advance and short-term loans to employees	80,478	124,718
Interest receivable on investment securities	444,845	305,412
Prepaid expenses and other receivables	50,688	109,270
	576,011	**539,400**

(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	**Life risk**	**Life savings**	**Participating**	**Others**	**Total**
(in Aruba florins)					
Insurance contracts					
Insurance contract liabilities					
Insurance contract balances **(A)**	**(684,080)**	**2,089,697**	**885,972**	**12,632**	**2,304,221**
Policy liabilities	**-**	**-**	**-**	**7,380,092**	**7,380,092**
	(684,080)	**2,089,697**	**885,972**	**7,392,724**	**9,684,313**
Reinsurance contracts					
Reinsurance contract liabilities **(A)**	**-**	**-**	**-**	**994,833**	**994,833**

December 31, 2022	**Life risk**	**Life savings**	**Participating**	**Others**	**Total**
(in Aruba florins)					
Insurance contracts					
Insurance contract liabilities					
Insurance contract balances **(A)**	**(1,359,228)**	**1,529,252**	**1,151,670**	**13,144**	**1,334,838**
Policy liabilities	**-**	**-**	**-**	**6,258,576**	**6,258,576**
	(1,359,228)	**1,529,252**	**1,151,670**	**6,271,720**	**7,593,414**
Reinsurance contracts					
Reinsurance contract liabilities **(A)**	**-**	**-**	**-**	**747,846**	**747,846**

(5) Insurance and reinsurance contracts (Continued)

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.

A second reconciliation is presented for contracts not measured under the PAA, which separately analyses changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the CSM.

Overall

Insurance contracts

Analysis by remaining coverage and incurred claims

	Note	December 31, 2023				December 31, 2022			
		Liabilities for remaining coverage		Liabilities for incurred claims	Total	Liabilities for remaining coverage		Liabilities for incurred claims	Total
(in Aruba florins)		Excluding loss component	Loss component			Excluding loss component	Loss component		
Opening assets		-	-	-	-	-	-	-	-
Opening liabilities		(553,888)	549,726	1,339,000	**1,334,838**	(2,665,350)	-	316,831	**(2,348,519)**
Net opening balance		**(553,888)**	**549,726**	**1,339,000**	**1,334,838**	**(2,665,350)**	**-**	**316,831**	**(2,348,519)**
Changes in the statement of profit or loss and OCI									
Insurance revenue									
Contracts under the fair value transition approach		(1,787,967)	-	-	**(1,787,967)**	(1,861,558)	-	-	**(1,861,558)**
Other contracts		(55,722)	-	-	**(55,722)**	539	-	-	**539**
	13	(1,843,689)	-	-	**(1,843,689)**	(1,861,019)	-	-	**(1,861,019)**
Insurance service expenses									
Incurred claims and other insurance service expenses		-	152,175	1,266,696	**1,418,871**	-	167,072	2,536,501	**2,703,573**
Amortisation of insurance acquisition cash flows		155,632	-	-	**155,632**	74,698	-	-	**74,698**
Adjustments to liabilities for incurred claims		-	217,786	(989,002)	**(771,216)**	-	549,726	1,022,170	**1,571,896**
		155,632	369,961	277,694	**803,287**	74,698	716,798	3,558,671	**4,350,167**
Investment components and premium refunds		(445,295)	-	445,295	**-**	(496,047)	-	496,047	**-**
Insurance service result		(2,133,352)	369,961	722,989	**(1,040,402)**	(2,282,368)	716,798	4,054,718	**2,489,148**
Net finance expenses from insurance contracts	16	19,565	15,437	(54,440)	**(19,438)**	(38,748)	-	(6,912)	**(45,660)**
Other comprehensive income		(430,566)	-	-	**(430,566)**	(64,567)	-	-	**(64,567)**
Total changes in the statement of profit or loss and OCI		**(2,544,353)**	**385,398**	**668,549**	**(1,490,406)**	**(2,385,683)**	**716,798**	**4,047,806**	**2,378,921**
Cash flows									
Premiums received		4,929,142	-	-	**4,929,142**	5,521,838	-	-	**5,521,838**
Claims and other insurance service expenses paid, including investment components		-	(156,815)	(1,657,551)	**(1,814,366)**	-	(167,072)	(3,025,637)	**(3,192,709)**
Insurance acquisition cash flows		(654,987)	-	-	**(654,987)**	(1,024,693)	-	-	**(1,024,693)**
Total cash flows		**4,274,155**	**(156,815)**	**(1,657,551)**	**2,459,789**	**4,497,145**	**(167,072)**	**(3,025,637)**	**1,304,436**
Net closing balance		**1,175,914**	**778,309**	**349,998**	**2,304,221**	**(553,888)**	**549,726**	**1,339,000**	**1,334,838**
Closing assets		-	-	-	-	-	-	-	-
Closing liabilities		1,175,914	778,309	349,998	**2,304,221**	(553,888)	549,726	1,339,000	**1,334,838**
Net closing balance		**1,175,914**	**778,309**	**349,998**	**2,304,221**	**(553,888)**	**549,726**	**1,339,000**	**1,334,838**
Contracts measured under PAA		12,632	-	-	**12,632**	13,144	-	-	**13,144**
Contracts not measured under PAA		1,163,282	778,309	349,998	**2,291,589**	(567,032)	549,726	1,339,000	**1,321,694**
		1,175,914	**778,309**	**349,998**	**2,304,221**	**(553,888)**	**549,726**	**1,339,000**	**1,334,838**

(5) Insurance and reinsurance contracts (Continued)

A. Movements in insurance and reinsurance contract balance balances (Continued)

Overall (Continued)

Insurance contracts (Continued)

Analysis by measurement component – Contracts not measured under the PAA

		December 31, 2023							December 31, 2022						
				CSM (see (B))							CSM (see (B))				
(in Aruba florins)	**Note**	**Estimates of present value of future cash flows**	**Risk adjustment for non-financial risk**	**Contracts under modified retrospective transitionapproach**	**Contracts under fair value transitionapproach**	***Other contracts***	***Subtotal***	**Total**	**Estimates of present value of future cash flows**	**Risk adjustment for non-financial risk**	**Contracts under modified retrospective transitionapproach**	**Contracts under fair value transitionapproach**	***Other contracts***	***Subtotal***	**Total**
Opening assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening liabilities		(4,068,909)	2,608,413	-	2,492,773	289,417	2,782,190	**1,321,694**	(7,265,508)	2,782,912	-	2,121,153	-	2,121,153	**(2,361,443)**
Net opening balance		**(4,068,909)**	**2,608,413**	**-**	**2,492,773**	**289,417**	**2,782,190**	**1,321,694**	**(7,265,508)**	**2,782,912**	**-**	**2,121,153**	**-**	**2,121,153**	**(2,361,443)**
<u>Changes in the statement of profit or loss and OCI</u>															
Changes that relate to current services															
CSM recognised for services provided	13	-	-	-	(174,981)	(31,644)	(206,625)	**(206,625)**	-	-	-	(225,716)	(1,293)	(227,009)	**(227,009)**
Change in risk adjustment for non-financial risk for risk expired		-	(348,977)	-	-	-	-	**(348,977)**	-	(385,404)	-	-	-	-	**(385,404)**
Experience adjustments		112,944	-	-	-	-	-	**112,944**	1,402,132	-	-	-	-	-	**1,402,132**
Changes that relate to future services															
Changes in estimates that adjust the CSM		(508,759)	186,296	-	(298,020)	620,483	322,463	-	(956,317)	120,922	-	544,685	290,710	835,395	-
Changes in estimates that result in losses and reversals of losses on onerous contracts		21,286	196,499	-	-	-	-	**217,785**	495,682	54,045	-	-	-	-	**549,727**
Changes that relate to past services															
Adjustments to liabilities for incurred claims		(989,002)	-	-	-	-	-	**(989,002)**	1,022,170	-	-	-	-	-	**1,022,170**
Insurance service result		(1,363,531)	33,818	-	(473,001)	588,839	115,838	**(1,213,875)**	1,963,667	(210,437)	-	318,969	289,417	608,386	**2,361,616**
Net finance expenses from insurance contracts		(215,009)	94,257	-	87,956	13,358	101,314	**(19,438)**	(167,581)	69,270	-	52,651	-	52,651	**(45,660)**
Other comprehensive income		(444,670)	14,104	-	-	-	-	**(430,566)**	(31,235)	(33,332)	-	-	-	-	**(64,567)**
Total changes in the statement of profit or loss and OCI		**(2,023,210)**	**142,179**	**-**	**(385,045)**	**602,197**	**217,152**	**(1,663,879)**	**1,764,851**	**(174,499)**	**-**	**371,620**	**289,417**	**661,037**	**2,251,389**
Cash flows		2,633,774	-	-	-	-	-	**2,633,774**	1,431,748	-	-	-	-	-	**1,431,748**
Net closing balance		**(3,458,345)**	**2,750,592**	**-**	**2,107,728**	**891,614**	**2,999,342**	**2,291,589**	**(4,068,909)**	**2,608,413**	**-**	**2,492,773**	**289,417**	**2,782,190**	**1,321,694**
Closing assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing liabilities		(3,458,345)	2,750,592	-	2,107,728	891,614	2,999,342	**2,291,589**	(4,068,909)	2,608,413	-	2,492,773	289,417	2,782,190	**1,321,694**
Net closing balance		**(3,458,345)**	**2,750,592**	**-**	**2,107,728**	**891,614**	**2,999,342**	**2,291,589**	**(4,068,909)**	**2,608,413**	**-**	**2,492,773**	**289,417**	**2,782,190**	**1,321,694**

(5) Insurance and reinsurance contracts (Continued)

A. Movements in insurance and reinsurance contract balance balances (Continued)

Overall (Continued)

Reinsurance contracts

Analysis by remaining coverage and incurred claims

	December 31, 2023				**December 31, 2022**			
	Assets for remaining coverage				**Assets for remaining coverage**			
(in Aruba florins)	**Excluding loss-recovery component**	**Loss-recovery component**	**Assets for incurred claims**	**Total**	**Excluding loss-recovery component**	**Loss-recovery component**	**Assets for incurred claims**	**Total**
Opening assets	-	-	-	-	-	-	-	-
Opening liabilities	(747,846)	-	-	**(747,846)**	(507,313)	-	-	**(507,313)**
Net opening balance	**(747,846)**	**-**	**-**	**(747,846)**	**(507,313)**	**-**	**-**	**(507,313)**
Changes in the statement of profit or loss and OCI								
Allocation of reinsurance premiums paid	(240,208)	-	-	**(240,208)**	(250,862)	-	-	**(250,862)**
Net expenses from reinsurance contracts	**(240,208)**	**-**	**-**	**(240,208)**	**(250,862)**	**-**	**-**	**(250,862)**
Net finance expenses from insurance contracts	(23,352)	-	-	**(23,352)**	(15,384)	-	-	**(15,384)**
Other comprehensive income	16,573	-	-	**16,573**	25,713	-	-	**25,713**
Total changes in the statement of profit or loss and OCI	**(246,987)**	**-**	**-**	**(246,987)**	**(240,533)**	**-**	**-**	**(240,533)**
Net closing balance	**(994,833)**	**-**	**-**	**(994,833)**	**(747,846)**	**-**	**-**	**(747,846)**
Closing assets				-				-
Closing liabilities	(994,833)	-	-	**(994,833)**	(747,846)	-	-	**(747,846)**
Net closing balance	**(994,833)**	**-**	**-**	**(994,833)**	**(747,846)**	**-**	**-**	**(747,846)**

(5) Insurance and reinsurance contracts (Continued)

A. Movements in insurance and reinsurance contract balance balances (Continued)

Overall (Continued)

Reinsurance contracts (Continued)

Analysis by measurement component – Contracts not measured under the PAA

	December 31, 2023							December 31, 2022						
			CSM (see (B))							CSM (see (B))				
(in Aruba florins)	**Estimates of present value of future cash flows**	**Risk adjustment for non-financial risk**	**Contracts under modified retrospective transitionapproach**	**Contracts under fair value transitionapproach**	***Other contracts***	***Subtotal***	**Total**	**Estimates of present value of future cash flows**	**Risk adjustment for non-financial risk**	**Contracts under modified retrospective transitionapproach**	**Contracts under fair value transitionapproach**	***Other contracts***	***Subtotal***	**Total**
Opening assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening liabilities	(1,070,955)	561,917	-	(260,590)	21,782	(238,808)	**(747,846)**	(1,104,045)	596,732	-	-	-	-	**(507,313)**
Net opening balance	**(1,070,955)**	**561,917**	**-**	**(260,590)**	**21,782**	**(238,808)**	**(747,846)**	**(1,104,045)**	**596,732**	**-**	**-**	**-**	**-**	**(507,313)**
Changes in the statement of profit or loss and OCI														
Changes that relate to current services														
CSM recognised for services received	-	-	-	41,002	(1,964)	39,038	**39,038**	-	-	-	24,979	(98)	24,881	**24,881**
Change in risk adjustment for non-financial risk for risk expired	-	(69,053)	-	-	-	-	**(69,053)**	-	(72,906)	-	-	-	-	**(72,906)**
Experience adjustments	(210,193)	-	-	-	-	-	**(210,193)**	(202,837)	-	-	-	-	-	**(202,837)**
Changes that relate to future services														
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	126,000	85,098	-	(248,446)	37,348	(211,098)	-	225,243	38,446	-	(285,569)	21,880	(263,689)	-
Changes in estimates that relate to losses and reversals of losses on onerous underlying contracts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net expenses from reinsurance contracts	(84,193)	16,045	-	(207,444)	35,384	(172,060)	**(240,208)**	22,406	(34,460)	-	(260,590)	21,782	(238,808)	**(250,862)**
Net finance expenses from reinsurance contracts	(37,053)	20,866	-	(7,818)	653	(7,165)	**(23,352)**	(36,624)	21,240	-	-	-	-	**(15,384)**
Other comprehensive income	31,923	(15,350)	-	-	-	-	**16,573**	47,308	(21,595)	-	-	-	-	**25,713**
Total changes in the statement of profit or loss and OCI	**(89,323)**	**21,561**	**-**	**(215,262)**	**36,037**	**(179,225)**	**(246,987)**	**33,090**	**(34,815)**	**-**	**(260,590)**	**21,782**	**(238,808)**	**(240,533)**
Net closing balance	**(1,160,278)**	**583,478**	**-**	**(475,852)**	**57,819**	**(418,033)**	**(994,833)**	**(1,070,955)**	**561,917**	**-**	**(260,590)**	**21,782**	**(238,808)**	**(747,846)**
Closing assets						-	-						-	-
Closing liabilities	(1,160,278)	583,478	-	(475,852)	57,819	(418,033)	**(994,833)**	(1,070,955)	561,917	-	(260,590)	21,782	(238,808)	**(747,846)**
Net closing balance	**(1,160,278)**	**583,478**	**-**	**(475,852)**	**57,819**	**(418,033)**	**(994,833)**	**(1,070,955)**	**561,917**	**-**	**(260,590)**	**21,782**	**(238,808)**	**(747,846)**

(5) Insurance and reinsurance contracts (Continued)

A. Movements in insurance and reinsurance contract balance balances (Continued)

Life risk

Insurance contracts

Analysis by remaining coverage and incurred claims

	December 31, 2023				December 31, 2022			
	Liabilities for remaining coverage		Liabilities for incurred claims	Total	Liabilities for remaining coverage		Liabilities for incurred claims	Total
(in Aruba florins)	Excluding loss component	Loss component			Excluding loss component	Loss component		
Opening assets	-	-	-	-	-	-	-	-
Opening liabilities	(3,192,955)	549,726	1,284,001	**(1,359,228)**	(4,692,596)	-	275,000	**(4,417,596)**
Net opening balance	**(3,192,955)**	**549,726**	**1,284,001**	**(1,359,228)**	**(4,692,596)**	**-**	**275,000**	**(4,417,596)**
Changes in the statement of profit or loss and OCI								
Insurance revenue								
Contracts under the fair value transition approach	(1,444,494)	-	-	**(1,444,494)**	(1,518,281)	-	-	**(1,518,281)**
Other contracts	(48,906)	-	-	**(48,906)**	695	-	-	**695**
	(1,493,400)	-	-	**(1,493,400)**	(1,517,586)	-	-	**(1,517,586)**
Insurance service expenses								
Incurred claims and other insurance service expenses	-	(4,640)	807,771	**803,131**	-	-	2,300,724	**2,300,724**
Amortisation of insurance acquisition cash flows	86,614	-	-	**86,614**	67,654	-	-	**67,654**
Adjustments to liabilities for incurred claims	-	217,786	(934,001)	**(716,215)**	-	549,726	1,009,001	**1,558,727**
	86,614	213,146	(126,230)	**173,530**	67,654	549,726	3,309,725	**3,927,105**
Investment components and premium refunds	(65,974)	-	65,974	**-**	(27,761)	-	27,761	**-**
Insurance service result	(1,472,760)	213,146	(60,256)	**(1,319,870)**	(1,477,693)	549,726	3,337,486	**2,409,519**
Net finance expenses from insurance contracts	(79,349)	15,437	(201)	**(64,113)**	(93,138)	-	(457)	**(93,595)**
Other comprehensive income	(183,458)	-	-	**(183,458)**	42,046	-	-	**42,046**
Total changes in the statement of profit or loss and OCI	**(1,735,567)**	**228,583**	**(60,457)**	**(1,567,441)**	**(1,528,785)**	**549,726**	**3,337,029**	**2,357,970**
Cash flows								
Premiums received	3,679,387	-	-	**3,679,387**	3,937,995	-	-	**3,937,995**
Claims and other insurance service expenses paid, including investment components	-	-	(873,544)	**(873,544)**	-	-	(2,328,028)	**(2,328,028)**
Insurance acquisition cash flows	(563,254)	-	-	**(563,254)**	(909,569)	-	-	**(909,569)**
Total cash flows	**3,116,133**	**-**	**(873,544)**	**2,242,589**	**3,028,426**	**-**	**(2,328,028)**	**700,398**
Net closing balance	**(1,812,389)**	**778,309**	**350,000**	**(684,080)**	**(3,192,955)**	**549,726**	**1,284,001**	**(1,359,228)**
Closing assets	-	-	-	-	-	-	-	-
Closing liabilities	(1,812,389)	778,309	350,000	**(684,080)**	(3,192,955)	549,726	1,284,001	**(1,359,228)**
Net closing balance	**(1,812,389)**	**778,309**	**350,000**	**(684,080)**	**(3,192,955)**	**549,726**	**1,284,001**	**(1,359,228)**

(5) Insurance and reinsurance contracts (Continued)

A. Movements in insurance and reinsurance contract balance balances (Continued)

Life risk (Continued)

Insurance contracts (Continued)

Analysis by measurement component – Contracts not measured under the PAA

	December 31, 2023							December 31, 2022						
			CSM (see (B))							CSM (see (B))				
	Estimates of present value of future cash flows	**Risk adjustment for non-financial risk**	**Contracts under modified retrospective transitionapproach**	**Contracts under fair value transitionapproach**	***Other contracts***	***Subtotal***	**Total**	**Estimates of present value of future cash flows**	**Risk adjustment for non-financial risk**	**Contracts under modified retrospective transitionapproach**	**Contracts under fair value transitionapproach**	***Other contracts***	***Subtotal***	**Total**
(in Aruba florins)														
Opening assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening liabilities	(5,519,361)	2,147,101	-	1,763,485	249,547	2,013,032	**(1,359,228)**	(8,223,017)	2,306,136	-	1,499,285	-	1,499,285	**(4,417,596)**
Net opening balance	**(5,519,361)**	**2,147,101**	**-**	**1,763,485**	**249,547**	**2,013,032**	**(1,359,228)**	**(8,223,017)**	**2,306,136**	**-**	**1,499,285**	**-**	**1,499,285**	**(4,417,596)**
Changes in the statement of profit or loss and OCI														
Changes that relate to current services														
CSM recognised for services provided	-	-	-	(141,433)	(26,866)	(168,299)	**(168,299)**	-	-	-	(173,051)	(1,145)	(174,196)	**(174,196)**
Change in risk adjustment for non-financial risk for risk expired	-	(296,211)	-	-	-	-	**(296,211)**	-	(328,824)	-	-	-	-	**(328,824)**
Experience adjustments	(139,144)	-	-	-	-	-	**(139,144)**	1,353,811	-	-	-	-	-	**1,353,811**
Changes that relate to future services														
Changes in estimates that adjust the CSM	(356,892)	116,438	-	(115,147)	355,601	240,454	-	(741,271)	90,785	-	399,794	250,692	650,486	-
Changes in estimates that result in losses and reversals of losses on onerous contracts	21,286	196,499	-	-	-	-	**217,785**	495,682	54,045	-	-	-	-	**549,727**
Changes that relate to past services														
Adjustments to liabilities for incurred claims	(934,001)	-	-	-	-	-	**(934,001)**	1,009,001	-	-	-	-	-	**1,009,001**
Insurance service result	(1,408,751)	16,726	-	(256,580)	328,735	72,155	**(1,319,870)**	2,117,223	(183,994)	-	226,743	249,547	476,290	**2,409,519**
Net finance expenses from insurance contracts	(217,272)	78,497	-	63,089	11,573	74,662	**(64,113)**	(188,674)	57,622	-	37,457	-	37,457	**(93,595)**
Other comprehensive income	(187,448)	3,990	-	-	-	-	**(183,458)**	74,709	(32,663)	-	-	-	-	**42,046**
Total changes in the statement of profit or loss and OCI	**(1,813,471)**	**99,213**	**-**	**(193,491)**	**340,308**	**146,817**	**(1,567,441)**	**2,003,258**	**(159,035)**	**-**	**264,200**	**249,547**	**513,747**	**2,357,970**
Cash flows	2,242,589	-	-	-	-	-	**2,242,589**	700,398	-	-	-	-	-	**700,398**
Net closing balance	**(5,090,243)**	**2,246,314**	**-**	**1,569,994**	**589,855**	**2,159,849**	**(684,080)**	**(5,519,361)**	**2,147,101**	**-**	**1,763,485**	**249,547**	**2,013,032**	**(1,359,228)**
Closing assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing liabilities	(5,090,243)	2,246,314	-	1,569,994	589,855	2,159,849	**(684,080)**	(5,519,361)	2,147,101	-	1,763,485	249,547	2,013,032	**(1,359,228)**
Net closing balance	**(5,090,243)**	**2,246,314**	**-**	**1,569,994**	**589,855**	**2,159,849**	**(684,080)**	**(5,519,361)**	**2,147,101**	**-**	**1,763,485**	**249,547**	**2,013,032**	**(1,359,228)**

(5) Insurance and reinsurance contracts (Continued)

A. Movements in insurance and reinsurance contract balance balances (Continued)

Life savings

Insurance contracts

Analysis by remaining coverage and incurred claims

	December 31, 2023				December 31, 2022			
	Liabilities for remaining coverage		Liabilities for incurred claims	Total	Liabilities for remaining coverage		Liabilities for incurred claims	Total
(in Aruba florins)	Excluding loss component	Loss component			Excluding loss component	Loss component		
Opening assets	-	-	-	-	-	-	-	-
Opening liabilities	1,474,253	-	54,999	**1,529,252**	760,776	-	41,831	**802,607**
Net opening balance	**1,474,253**	**-**	**54,999**	**1,529,252**	**760,776**	**-**	**41,831**	**802,607**
Changes in the statement of profit or loss and OCI								
Insurance revenue								
Contracts under the fair value transition approach	(250,644)	-	-	**(250,644)**	(248,558)	-	-	**(248,558)**
Other contracts	(6,816)	-	-	**(6,816)**	(156)	-	-	**(156)**
	(257,460)	-	-	**(257,460)**	(248,714)	-	-	**(248,714)**
Insurance service expenses								
Incurred claims and other insurance service expenses	-	-	439,623	**439,623**	-	-	211,933	**211,933**
Amortisation of insurance acquisition cash flows	7,962	-	-	**7,962**	6,773	-	-	**6,773**
Adjustments to liabilities for incurred claims	-	-	(55,001)	**(55,001)**	-	-	13,169	**13,169**
	7,962	-	384,622	**392,584**	6,773	-	225,102	**231,875**
Investment components and premium refunds	(45,072)	-	45,072	-	(312,751)	-	312,751	-
Insurance service result	(294,570)	-	429,694	**135,124**	(554,692)	-	537,853	**(16,839)**
Net finance expenses from insurance contracts	63,735	-	(54,239)	**9,496**	26,453	-	(543)	**25,910**
Other comprehensive income	(251,901)	-	-	**(251,901)**	(90,063)	-	-	**(90,063)**
Total changes in the statement of profit or loss and OCI	**(482,736)**	**-**	**375,455**	**(107,281)**	**(618,302)**	**-**	**537,310**	**(80,992)**
Cash flows								
Premiums received	1,128,596	-	-	**1,128,596**	1,445,109	-	-	**1,445,109**
Claims and other insurance service expenses paid, including investment components	-	-	(430,456)	**(430,456)**	-	-	(524,142)	**(524,142)**
Insurance acquisition cash flows	(30,414)	-	-	**(30,414)**	(113,330)	-	-	**(113,330)**
Total cash flows	**1,098,182**	**-**	**(430,456)**	**667,726**	**1,331,779**	**-**	**(524,142)**	**807,637**
Net closing balance	**2,089,699**	**-**	**(2)**	**2,089,697**	**1,474,253**	**-**	**54,999**	**1,529,252**
Closing assets				-				-
Closing liabilities	2,089,699	-	(2)	**2,089,697**	1,474,253	-	54,999	**1,529,252**
Net closing balance	**2,089,699**	**-**	**(2)**	**2,089,697**	**1,474,253**	**-**	**54,999**	**1,529,252**

(5) Insurance and reinsurance contracts (Continued)

A. Movements in insurance and reinsurance contract balance balances (Continued)

Life savings (Continued)

Insurance contracts (Continued)

Analysis by measurement component – Contracts not measured under the PAA

	December 31, 2023							December 31, 2022						
			CSM (see (B))							CSM (see (B))				
(in Aruba florins)	**Estimates of present value of future cash flows**	**Risk adjustment for non-financial risk**	**Contracts under modified retrospective transitionapproach**	**Contracts under fair value transitionapproach**	***Other contracts***	***Subtotal***	**Total**	**Estimates of present value of future cash flows**	**Risk adjustment for non-financial risk**	**Contracts under modified retrospective transitionapproach**	**Contracts under fair value transitionapproach**	***Other contracts***	***Subtotal***	**Total**
Opening assets	-	-	-	-	-	-	**-**	-	-	-	-	-	-	**-**
Opening liabilities	393,325	414,324	-	681,733	39,870	721,603	**1,529,252**	(174,912)	425,697	-	551,822	-	551,822	**802,607**
Net opening balance	**393,325**	**414,324**	**-**	**681,733**	**39,870**	**721,603**	**1,529,252**	**(174,912)**	**425,697**	**-**	**551,822**	**-**	**551,822**	**802,607**
Changes in the statement of profit or loss and OCI														
Changes that relate to current services														
CSM recognised for services provided	-	-	-	(32,003)	(4,778)	(36,781)	**(36,781)**	-	-	-	(44,192)	(148)	(44,340)	**(44,340)**
Change in risk adjustment for non-financial risk for risk expired	-	(44,847)	-	-	-	-	**(44,847)**	-	(48,473)	-	-	-	-	**(48,473)**
Experience adjustments	271,753	-	-	-	-	-	**271,753**	62,805	-	-	-	-	-	**62,805**
Changes that relate to future services														
Changes in estimates that adjust the CSM	(191,657)	70,015	-	(143,240)	264,882	121,642	-	(227,587)	26,980	-	160,589	40,018	200,607	-
Changes that relate to past services														
Adjustments to liabilities for incurred claims	(55,001)	-	-	-	-	-	**(55,001)**	13,169	-	-	-	-	-	**13,169**
Insurance service result	25,095	25,168	-	(175,243)	260,104	84,861	**135,124**	(151,613)	(21,493)	-	116,397	39,870	156,267	**(16,839)**
Net finance expenses from insurance contracts	(29,819)	14,215	-	23,315	1,785	25,100	**9,496**	1,973	10,423	-	13,514	-	13,514	**25,910**
Other comprehensive income	(261,304)	9,403	-	-	-	-	**(251,901)**	(89,760)	(303)	-	-	-	-	**(90,063)**
Total changes in the statement of profit or loss and OCI	**(266,028)**	**48,786**	**-**	**(151,928)**	**261,889**	**109,961**	**(107,281)**	**(239,400)**	**(11,373)**	**-**	**129,911**	**39,870**	**169,781**	**(80,992)**
Cash flows	667,726	-	-	-	-	-	**667,726**	807,637	-	-	-	-	-	**807,637**
Net closing balance	**795,023**	**463,110**	**-**	**529,805**	**301,759**	**831,564**	**2,089,697**	**393,325**	**414,324**	**-**	**681,733**	**39,870**	**721,603**	**1,529,252**
Closing assets						-	**-**						-	**-**
Closing liabilities	795,023	463,110	-	529,805	301,759	831,564	**2,089,697**	393,325	414,324	-	681,733	39,870	721,603	**1,529,252**
Net closing balance	**795,023**	**463,110**	**-**	**529,805**	**301,759**	**831,564**	**2,089,697**	**393,325**	**414,324**	**-**	**681,733**	**39,870**	**721,603**	**1,529,252**

(5) Insurance and reinsurance contracts (Continued)

A. Movements in insurance and reinsurance contract balance balances (Continued)

Participating

Insurance contracts

Analysis by remaining coverage and incurred claims

	December 31, 2023				December 31, 2022			
	Liabilities for remaining coverage		Liabilities for incurred claims	Total	Liabilities for remaining coverage		Liabilities for incurred claims	Total
(in Aruba florins)	Excluding loss component	Loss component			Excluding loss component	Loss component		
Opening assets	-	-	-	-	-	-	-	-
Opening liabilities	1,151,670	-	-	**1,151,670**	1,253,546	-	-	**1,253,546**
Net opening balance	**1,151,670**	**-**	**-**	**1,151,670**	**1,253,546**	**-**	**-**	**1,253,546**
Changes in the statement of profit or loss and OCI								
Insurance revenue								
Contracts under the fair value transition approach	(48,789)	-	-	**(48,789)**	(55,179)	-	-	**(55,179)**
	(48,789)	-	-	**(48,789)**	(55,179)	-	-	**(55,179)**
Insurance service expenses								
Incurred claims and other insurance service expenses	-	-	19,302	**19,302**	-	-	23,844	**23,844**
Amortisation of insurance acquisition cash flows	358	-	-	**358**	271	-	-	**271**
	358	-	19,302	**19,660**	271	-	23,844	**24,115**
Investment components and premium refunds	(334,249)	-	334,249	-	(155,535)	-	155,535	-
Insurance service result	(382,680)	-	353,551	**(29,129)**	(210,443)	-	179,379	**(31,064)**
Net finance expenses from insurance contracts	35,179	-	-	**35,179**	27,937	-	(5,912)	**22,025**
Other comprehensive income	4,793	-	-	**4,793**	(16,550)	-	-	**(16,550)**
Total changes in the statement of profit or loss and OCI	**(342,708)**	**-**	**353,551**	**10,843**	**(199,056)**	**-**	**173,467**	**(25,589)**
Cash flows								
Premiums received	77,631	-	-	**77,631**	98,974	-	-	**98,974**
Claims and other insurance service expenses paid, including investment components	-	-	(353,551)	**(353,551)**	-	-	(173,467)	**(173,467)**
Insurance acquisition cash flows	(621)	-	-	**(621)**	(1,794)	-	-	**(1,794)**
Total cash flows	**77,010**	**-**	**(353,551)**	**(276,541)**	**97,180**	**-**	**(173,467)**	**(76,287)**
Net closing balance	**885,972**	**-**	**-**	**885,972**	**1,151,670**	**-**	**-**	**1,151,670**
Closing assets				-				-
Closing liabilities	885,972	-	-	**885,972**	1,151,670	-	-	**1,151,670**
Net closing balance	**885,972**	**-**	**-**	**885,972**	**1,151,670**	**-**	**-**	**1,151,670**

(5) Insurance and reinsurance contracts (Continued)

A. Movements in insurance and reinsurance contract balance balances (Continued)

Participating (Continued)

Insurance contracts (Continued)

Analysis by measurement component – Contracts not measured under the PAA

	December 31, 2023							December 31, 2022						
			CSM (see (B))							v				
(in Aruba florins)	**Estimates of present value of future cash flows**	**Risk adjustment for non-financial risk**	**Contracts under modified retrospective transitionapproach**	**Contracts under fair value transitionapproach**	***Other contracts***	***Subtotal***	**Total**	**Estimates of present value of future cash flows**	**Risk adjustment for non-financial risk**	**Contracts under modified retrospective transitionapproach**	**Contracts under fair value transitionapproach**	***Other contracts***	***Subtotal***	**Total**
Opening assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening liabilities	1,057,127	46,988	-	47,555	-	47,555	**1,151,670**	1,132,421	51,079	-	70,046	-	70,046	**1,253,546**
Net opening balance	**1,057,127**	**46,988**	**-**	**47,555**	**-**	**47,555**	**1,151,670**	**1,132,421**	**51,079**	**-**	**70,046**	**-**	**70,046**	**1,253,546**
Changes in the statement of profit or loss and OCI														
Changes that relate to current services														
CSM recognised for services provided	-	-	-	(1,545)	-	(1,545)	**(1,545)**	-	-	-	(8,473)	-	(8,473)	**(8,473)**
Change in risk adjustment for non-financial risk for risk expired	-	(7,919)	-	-	-	-	**(7,919)**	-	(8,107)	-	-	-	-	**(8,107)**
Experience adjustments	(19,665)	-	-	-	-	-	**(19,665)**	(14,484)	-	-	-	-	-	**(14,484)**
Changes that relate to future services														
Changes in estimates that adjust the CSM	39,790	(157)	-	(39,633)	-	(39,633)	-	12,541	3,157	-	(15,698)	-	(15,698)	-
Insurance service result	20,125	(8,076)	-	(41,178)	-	(41,178)	**(29,129)**	(1,943)	(4,950)	-	(24,171)	-	(24,171)	**(31,064)**
Net finance expenses from insurance contracts	32,082	1,545	-	1,552	-	1,552	**35,179**	19,120	1,225	-	1,680	-	1,680	**22,025**
Other comprehensive income	4,082	711	-	-	-	-	**4,793**	(16,184)	(366)	-	-	-	-	**(16,550)**
Total changes in the statement of profit or loss and OCI	**56,289**	**(5,820)**	**-**	**(39,626)**	**-**	**(39,626)**	**10,843**	**993**	**(4,091)**	**-**	**(22,491)**	**-**	**(22,491)**	**(25,589)**
Cash flows	(276,541)	-	-	-	-	-	**(276,541)**	(76,287)	-	-	-	-	-	**(76,287)**
Net closing balance	**836,875**	**41,168**	**-**	**7,929**	**-**	**7,929**	**885,972**	**1,057,127**	**46,988**	**-**	**47,555**	**-**	**47,555**	**1,151,670**
Closing assets						-	-						-	-
Closing liabilities	836,875	41,168	-	7,929	-	7,929	**885,972**	1,057,127	46,988	-	47,555	-	47,555	**1,151,670**
Net closing balance	**836,875**	**41,168**	**-**	**7,929**	**-**	**7,929**	**885,972**	**1,057,127**	**46,988**	**-**	**47,555**	**-**	**47,555**	**1,151,670**

(5) Insurance and reinsurance contracts (Continued)

A. Movements in insurance and reinsurance contract balance balances (Continued)

Group Health

Insurance contracts

Analysis by remaining coverage and incurred claims

	December 31, 2023				December 31, 2022			
	Liabilities for remaining coverage	Liabilities for incurred claims		Total	Liabilities for remaining coverage	Liabilities for incurred claims		Total
(in Aruba florins)		Future cash flows	Risk Adjustment			Future cash flows	Risk Adjustment	
Opening assets	-	-	-	-	-	-	-	-
Opening liabilities	13,144	-	-	**13,144**	12,924	-	-	**12,924**
Net opening balance	**13,144**	**-**	**-**	**13,144**	**12,924**	**-**	**-**	**12,924**
Changes in the statement of profit or loss and OCI								
Insurance revenue	(44,040)	-	-	**(44,040)**	(39,540)	-	-	**(39,540)**
Insurance service expenses								
Incurred claims and other insurance service expenses	-	156,815	-	**156,815**	-	167,072	-	**167,072**
Amortisation of insurance acquisition cash flows	60,698	-	-	**60,698**	-	-	-	-
	60,698	156,815	-	**217,513**	-	167,072	-	**167,072**
Insurance service result	16,658	156,815	-	173,473	(39,540)	167,072	-	127,532
Total changes in the statement of profit or loss and OCI	**16,658**	**156,815**	**-**	**173,473**	**(39,540)**	**167,072**	**-**	**127,532**
Cash flows								
Premiums received	43,528	-	-	**43,528**	39,760	-	-	**39,760**
Claims and other insurance service expenses paid	-	(156,815)	-	**(156,815)**	-	(167,072)	-	**(167,072)**
Insurance acquisition cash flows	(60,698)	-	-	**(60,698)**	-	-	-	-
Total cash flows	**(17,170)**	**(156,815)**	**-**	**(173,985)**	**39,760**	**(167,072)**	**-**	**(127,312)**
Net closing balance	**12,632**	**-**	**-**	**12,632**	**13,144**	**-**	**-**	**13,144**
Closing assets	-	-	-	-	-	-	-	-
Closing liabilities	12,632	-	-	**12,632**	13,144	-	-	**13,144**
Net closing balance	**12,632**	**-**	**-**	**12,632**	**13,144**	**-**	**-**	**13,144**

(5) Insurance and reinsurance contracts (Continued)

B. Contractual service margin

2023	1 year or less	1–2 years	2–3 years	3–4 years	4–5 years	5–10 years	More than 10 years	Total
(in Aruba florins)								
Insurance contracts								
Life risk	*191,367*	*170,711*	*153,799*	140,932	130,498	536,332	*836,210*	2,159,849
Life savings	*56,426*	*50,263*	*45,285*	41,535	38,559	161,627	*437,869*	831,564
Participating	*1,227*	*1,050*	*914*	*774*	649	2,018	*1,297*	7,929
	249,020	*222,024*	*199,998*	*183,241*	*169,706*	*699,977*	*1,275,376*	*2,999,342*
Reinsurance contracts	*32,385*	*29,942*	*27,963*	26,409	25,089	107,789	*168,456*	418,033

2022	1 year or less	1–2 years	2–3 years	3–4 years	4–5 years	5–10 years	More than 10 years	Total
(in Aruba florins)								
Insurance contracts								
Life risk	*175,859*	*157,221*	*142,029*	129,742	120,190	497,326	*790,665*	2,013,032
Life savings	*43,299*	*39,478*	*36,432*	34,023	32,059	138,166	*398,146*	721,603
Participating	*7,261*	6,297	*5,465*	4,646	3,796	11,969	*8,121*	47,555
	226,419	*202,996*	*183,926*	*168,411*	*156,045*	*647,461*	*1,196,932*	*2,782,190*
Reinsurance contracts	*19,050*	*17,324*	*15,958*	14,831	13,927	59,542	*98,176*	238,808

(6) Current account affiliated companies

(in Aruba florins)	2023	2022
Due from related parties		
National General Insurance Corporation (Nagico) N.V.	-	13,186
Nagico Road and Claims Services N.V.	279,712	68,850
	279,712	**82,036**
Due to related parties		
National General Insurance Corporation (Nagico) N.V.	24,553	-
Nagico Aruba N.V.	875,510	48,741
Nagico Insurance Company Ltd. (NICL)	3,413	-
Nagico Life Insurance N.V.	516,222	709,540
Nagico Life Insurance (EC) Limited	4,627	4,627
	1,424,325	**762,908**

The current account with Nagico Life Insurance N.V. is debited or credited for payments made and collections received on behalf of the Company such as reinsurance expenses, and collection of revenue on behalf of the Company. This current account has no fixed repayment terms and does not carry interest unless otherwise specifically agreed between the companies.

The current account with Nagico Road and Claims Services N.V. has no fixed repayment terms anymore and does not carry interest unless otherwise specifically agreed between the companies.

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

(in Aruba florins)	2023	2022
Due from related parties		
Opening balance, January 1	82,036	216,190
Personnel expenses	4,614	(84)
Office expenses	193,062	(134,070)
	279,712	**82,036**
Due to related parties		
Opening balance, January 1	762,908	454,565
Settlements	-	252,403
Personnel expenses	464,078	464,735
Investments	65,276	(784,724)
Office Expenses	307,321	434,983
Claims expenses	550	-
Premiums received	(252,455)	(1,150)
Management fees	76,647	-
IC settlements	-	(57,904)
	1,424,325	**762,908**

(7) Property and equipment

2023 movement schedule	Land, buildings and improve-ments	Furniture and fixtures	Equipment	Vehicles	31-Dec-23
(in Aruba florins)					
Balance as at January 1					
Cost	-	130,009	113,886	70,517	**314,412**
Accumulated depreciation	-	(109,534)	(110,101)	(46,355)	**(265,990)**
Net book value	-	20,475	3,785	24,162	**48,422**
Changes in book value					
Additions	-	38,163	4,628	-	**42,791**
Depreciation	-	(14,528)	(1,188)	(14,497)	**(30,213)**
	-	23,635	3,440	(14,497)	**12,578**
Balance as at December 31					
Cost	-	168,172	118,514	70,517	**357,203**
Accumulated depreciation	-	(124,062)	(111,289)	(60,852)	**(296,203)**
Net book value	**-**	**44,110**	**7,225**	**9,665**	**61,000**

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.

(7) Property and equipment (continued)

2022 movement schedule	**Land, buildings and improve-ments**	**Furniture and fixtures**	**Equipment**	**Vehicles**	**31-Dec-22**
(in Aruba florins)					
Balance as at January 1					
Cost	-	123,429	112,132	70,517	**306,078**
Accumulated depreciation	-	(92,326)	(109,059)	(31,858)	**(233,243)**
Net book value	-	31,103	3,073	38,659	**72,835**
Changes in book value					
Additions	-	6,580	1,754	-	**8,334**
Depreciation	-	(17,208)	(1,042)	(14,497)	**(32,747)**
	-	(10,628)	712	(14,497)	**(24,413)**
Balance as at December 31					
Cost	-	130,009	113,886	70,517	**314,412**
Accumulated depreciation	-	(109,534)	(110,101)	(46,355)	**(265,990)**
Net book value	**-**	**20,475**	**3,785**	**24,162**	**48,422**

(8) Investment properties

(in Aruba florins)	**2023**	**2022**
Balance as at January 1	3,927,999	3,927,999
Fair value adjustments	-	-
Balance as at December 31	**3,927,999**	**3,927,999**

The investment properties consist of a number of commercial properties of which some are leased to third parties.

The fair values of the properties are determined using the market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property. The properties' fair values are based on valuations performed by various accredited, independent valuers who all have relevant valuation experience. A valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

Location	Name valuers	Year of valuation
Aruba	Arcotec N.V.	2021

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Reconciliation of fair value of investment properties:

(in Aruba florins)	**Rental properties**	**Total**
Value as at January 1, 2023	3,927,999	3,927,999
Fair value adjustments	-	-
Closing balance	**3,927,999**	**3,927,999**

(in Aruba florins)	**2023**	**2022**
- Rental income derived from investment properties	327,074	393,874
Profit arising from investment properties carried at fair value	**327,074**	**393,874**

(9) Intangible assets

(in Aruba florins)	**2023**	**2022**
Other intangible assets	-	3,600
	-	**3,600**

(9) Intangible assets (continued)

Other intangible assets

Other intangible assets relates to the purchase of software licence fee.

Movement in other intangible assets

(in Aruba florins)	**2023**	**2022**
Balance as at January 1	3,600	25,748
Additions	-	-
Amortization	(3,600)	(22,148)
Net Book Value	**-**	**3,600**

(10) Taxation

Current tax payable

(in Aruba florins)	**2023**	**2022**
Taxable amount life insurance (10%)	667,782	710,005
Taxable amount premium income other (20%)	9,173	7,652
Investment allowance	(4,279)	(833)
Total taxable amount	672,676	716,824
Net tax payable	**147,985**	**179,189**

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:

(in Aruba florins)	**2023**	**2022**
Balance as at January 1	160,319	69,755
Current year charge	147,985	179,189
Profit tax paid	(179,200)	(88,625)
Balance at December 31	**129,104**	**160,319**

Profit tax expense

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:

(in Aruba florins)	**2023**	**2022**
Prior year adjustments	-	42,120
Current year profit tax	147,985	137,069
	147,985	**179,189**

(10) Taxation (continued)

Profit tax expense (continued)

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

(in Aruba florins)	**2023**	**2022**
Profit before tax from continuing operations	975,425	(4,521,249)
Income tax calculated at average rate	214,594	-
Tax effect of expenses that are not deductible in determining taxable profit	-	179,189
Tax effect of income not taxable in determining taxable profit	(66,609)	-
	147,985	**179,189**

(11) Accounts payable and accrued liabilities

(in Aruba florins)	**2023**	**2022**
Accounts payable	933,464	1,482,509
Other taxes payable	29,754	14,365
Accrued expenses	526,042	220,570
	1,489,260	**1,717,444**

(12) Capital and other components of equity

Share capital

The authorized capital consists of 200 shares with a par value of AWG 1,000 each. All shares were issued and fully paid up. There was no movement in the number of shares outstanding during the year.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of FVOCI financial assets until the assets are derecognized or impaired.

Reinsurance finance reserve

The insurance finance reserve comprises the cumulative insurance finance income and expenses recognised in

(13) Insurance revenue

The following table presents details of inusrance revenue:

December 31, 2023	**Life risk**	**Life savings**	**Participating**	**Group Health**	**Total**
(in Aruba florins)					
Contracts not measured under the PAA					
Amounts relating to changes in liabilities for remaining coverage:					
CSM recognised for services provided	168,299	36,781	1,545	-	206,625
Change in risk adjustment for non-financial risk for risk expired	295,338	44,847	7,919	-	348,104
Expected incurred claims and other insurance service expenses	1,086,220	182,999	39,328	-	1,308,547
Other	(143,071)	(15,129)	(361)	-	(158,561)
Recovery of insurance acquisition cash flows	86,614	7,962	358	-	94,934
	1,493,400	257,460	48,789	-	1,799,649
Contracts measured under the	-	-	-	44,040	44,040
Total insurance revenue	1,493,400	257,460	48,789	44,040	1,843,689

December 31, 2022	**Life risk**	**Life savings**	**Participating**	**Group Health**	**Total**
(in Aruba florins)					
Contracts not measured under the PAA					
Amounts relating to changes in liabilities for remaining coverage:					
CSM recognised for services provided	174,196	44,340	8,473	-	227,009
Change in risk adjustment for non-financial risk for risk expired	328,824	48,473	8,107	-	385,404
Expected incurred claims and other insurance service expenses	1,048,004	167,870	39,706	-	1,255,580
Other	(101,092)	(18,742)	(1,378)	-	(121,212)
Recovery of insurance acquisition cash flows	67,654	6,773	271	-	74,698
	1,517,586	248,714	55,179		1,821,479
Contracts measured under the	-	-	-	39,540	39,540
Total insurance revenue	1,517,586	248,714	55,179		1,861,019

(14) Insurance service expense

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

December 31, 2023	**Life risk**	**Life savings**	**Participating**	**Group Health**	**Total**
(in Aruba florins)					
Incurred claims and other insurance service expenses	803,131	439,623	19,302	156,815	1,418,871
Amortisation of insurance acquisition cash flows	86,614	7,962	358	60,698	155,632
Adjustments to liabilities for incurred claims	(716,215)	(55,001)	-	-	(771,216)
	173,530	392,584	19,660	217,513	803,287

December 31, 2022	**Life risk**	**Life savings**	**Participating**	**Group Health**	**Total**
(in Aruba florins)					
Incurred claims and other insurance service expenses	2,300,724	211,933	23,844	167,072	2,703,573
Amortisation of insurance acquisition cash flows	67,654	6,773	271	-	74,698
Adjustments to liabilities for incurred claims	1,558,727	13,169	-	-	1,571,896
	3,927,105	231,875	24,115	167,072	4,350,167

(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:

	2023	**2022**
(in Aruba florins)		
CSM recognized for services provided	39,038	24,881
Change in risk adjustment for non-financial risk for risk transferred	(69,053)	(72,906)
Expected recoveries of incurred claims and other insurance	(210,193)	(202,837)
	(240,208)	(250,862)

(16) Net financial result

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

December 31, 2023	Life risk	Life savings	Participating	Others	Total
(in Aruba florins)					
Investment return					
Interest revenue calculated using the effective interest method **(B)**	-	-	-	1,069,017	1,069,017
Other investment revenue **(C)**	-	-	-	337,074	337,074
Net impairment loss on financial assets	-	-	-	(54,087)	(54,087)
Amounts recognised in OCI **(D)**	-	-	-	112,765	112,765
Total investment return	-	-	-	*1,464,769*	*1,464,769*
Net finance expenses from insurance contracts					
Interest accreted	64,113	(9,496)	(35,179)	-	19,438
Total net finance expenses from insurance contracts (A)	*64,113*	*(9,496)*	*(35,179)*	-	*19,438*
Net finance income from reinsurance contracts					
Interest accreted	-	-	-	(23,352)	(23,352)
Total net finance income from reinsurance contracts (A)	-	-	-	*(23,352)*	*(23,352)*
	64,113	*(9,496)*	*(35,179)*	*1,441,417*	*1,460,855*
Attribution:					
Amounts recognised in profit or loss	-	-	-	*1,352,004*	*1,352,004*
Amounts recognised in OCI	-	-	-	*112,765*	*112,765*
	-	-	-	*1,464,769*	*1,464,769*

(16) Net financial result (continued)

December 31, 2022	Life risk	Life savings	Participating	Others	Total
(in Aruba florins)					
<u>Investment return</u>					
Interest revenue calculated using the effective interest method **(B)**	-	-	-	686,222	686,222
Other investment revenue **(C)**	-	-	-	161,320	161,320
Total investment return	-	-	-	*847,542*	*847,542*
<u>Net finance expenses from insurance contracts</u>					
Interest accreted	93,595	(25,910)	(22,025)	-	45,660
Total net finance expenses from insurance contracts (A)	*93,595*	*(25,910)*	*(22,025)*	-	*45,660*
<u>Net finance income from reinsurance contracts</u>					
Interest accreted	-	-	-	(15,384)	(15,384)
Total net finance income from reinsurance contracts (A)	-	-	-	*(15,384)*	*(15,384)*
	93,595	*(25,910)*	*(22,025)*	*832,158*	*877,818*
Attribution:					
Amounts recognised in profit or loss	-	-	-	*847,542*	*847,542*
Amounts recognised in OCI	-	-	-	-	-
	-	-	-	*847,542*	*847,542*

<u>A. Insurance finance income and expenses</u>

December 31, 2023	Life risk	Life savings	Participating	Others	Total
(in Aruba florins)					
Net finance expenses from insurance contracts					
Recognised in profit or loss	64,113	(9,496)	(35,179)	-	19,438
Recognised in OCI	183,458	251,901	(4,793)	-	430,566
	247,571	*242,405*	*(39,972)*	-	*450,004*
Net finance income from reinsurance contracts					
Recognised in profit or loss	-	-	-	(23,352)	(23,352)
Recognised in OCI	-	-	-	16,573	16,573
	-	-	-	*(6,779)*	*(6,779)*

(16) Net financial result (continued)

A. Insurance finance income and expenses (continued)

December 31, 2022	Life risk	Life savings	Participating	Others	Total
(in Aruba florins)					
Net finance expenses from insurance contracts					
Recognised in profit or loss	93,595	(25,910)	(22,025)	-	45,660
Recognised in OCI	(42,046)	90,063	16,550	-	64,567
	51,549	*64,153*	*(5,475)*	-	*110,227*
Net finance income from reinsurance contracts					
Recognised in profit or loss	-	-	-	(15,384)	(15,384)
Recognised in OCI	-	-	-	25,713	25,713
	-	-	-	*10,329*	*10,329*

B. Interest revenue calculated using the effective interest method

Debt investments measured at FVOCI		
Government bonds	17,219	17,543
Other debt securities	282,015	114,876
	299,234	**132,419**
Fair Value Through Profit & Loss financial assets		
Other debt securities	95	20
	95	**20**
Financial assets measured at amortised cost		
Deposits with financial institutions	24,880	29,804
Government bonds	583,234	362,792
Other debt securities	161,574	161,187
	769,688	**553,783**
	1,069,017	**686,222**

C. Other investment revenue

	2023	2022
(in Aruba florins)		
Not underlying items		
Net gains on financial assets designated as at FVTPL		
Government bonds	-	356,699
Other debt securities	-	(590,920)
	-	**(234,221)**
Rental Income	327,074	393,874
Dividends	10,000	1,667
	337,074	**161,320**
	337,074	**161,320**

(16) Net financial result (continued)

D. 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 Group 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	**2022**	
	FVOCI	**FVOCI**	**Available-for-sale**
(in Aruba florins)			
Balance at 1 January	14,648	-	-
Net change in fair value	125,294	-	-
ECL related to FVOCI assets	(12,529)	-	-
Balance at 31 December	**127,413**	**-**	**-**

(17) Other expenses

Personnel expenses

	2023	**2022**
(in Aruba florins)		
Salaries and bonuses	313,331	320,718
Social premiums	27,354	22,802
Directors' fees	129,479	51,317
Pension, defined contribution and benefit plan	6,086	5,347
Car expenses	532	960
Other personnel expenses	595	115
	477,377	**401,259**
Number of employees as at December 31	**7**	**6**

The total gross salaries and bonuses (including director fees) that are paid out by the Company to key management personnel in 2023 amounted to AWG 362,050 (2022: AWG 368,181). The pension premiums paid for key management in 2023 amounted to Nil (2022: AWG 17,532).

Administrative expenses

	2023	**2022**
(in Aruba florins)		
Office expenses	75,060	67,547
Maintenance	9,726	10,741
Telephone	23,602	16,905
Insurance	6,246	4,001
Travel and lodging	3,019	682
Utilities	11,145	10,824
Rent	22,134	22,171
	150,932	**132,871**

(17) Other expenses (continued)

Other operating expenses

(in Aruba florins)	**2023**	**2022**
Professional fees	352,727	592,369
Advertising and promotional costs	16,817	480
Expected credit loss (gain)	(10,309)	-
Bank charges	33,210	33,849
Policy loan loss	8,131	-
Postage	2,865	248
Subscriptions	1,275	1,275
Other operating expenses	48,673	1,482,188
	453,389	**2,110,409**

For the year ended December 31, 2022, other operating expenses totaled AWG 2,110,410 which is included in accounts payable and accrued liabilities in the statement of financial position. The increase in 2022 is due 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

(in Aruba florins)	**2023**	**2022**
Other interest (expense) income	(74,655)	19,849
Foreign exchange loss	(2,270)	(2,074)
Policy fees	1,263	1,586
	(75,662)	**19,361**

(19) Commitments and contingencies

Contingent liability

During the ordinary course of business, the Group 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 Group incurring a liability, and whether a provision is required.

The Group 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 Group'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. If the reinsurer's position is found to be correct, management estimates that this would result in an increase in the Group's liability of approximately USD 7.5 million. The Group does not agree 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 Group, 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)

A. Key risks arising from contracts issued (continued)

i. Life risk and life savings contracts

Product	Key Risks	Risk mitigations
Life risk		
Term assurance and critical illness	*Mortality risk: death of policyholder earlier than expected *Morbidity risk: diagnosis of critical illness earlier than expected	*Reinsurance with financially strong reinsurers
Non-participating whole-life	*Mortality risk *Interest rate risk: differences in duration and yield of assets and liabilities *Investment credit risk	*Matching of asset and liability cash flows *Investing in investment-grade assets
Immediate fixed annuity	*Longevity risk: death of policyholder later than expected *Interest rate risk: differences in duration and yield of assets and liabilities *Investment credit risk	*Matching of asset and liability cash flows *Investing in investment-grade assets
Life savings		
Deferred fixed annuity (accumulation period)	*Longevity risk (if annuitisation rate is guaranteed) *Interest rate risk: insufficient return on assets to cover guaranteed minimum crediting rates *Policyholder behaviour risk	*Ability to reset crediting rates after initial period *Surrender penalties
Deferred fixed annuity (payment period)	*Longevity risk *Interest rate risk: differences in duration and yield of assets and liabilities *Investment credit risk	*Matching of asset and liability cash flows *Investing in investment-grade assets
Universal life	*Mortality risk *Interest rate risk: insufficient return on assets to cover guaranteed minimum crediting rates *Policyholder behaviour risk	*Management discretion to set crediting rates (subject to guaranteed rates) *Surrender penalties

(20) Financial Risk Management (continued)

A. Key risks arising from contracts issued (continued)

i. Life risk and life savings contracts (continued)

These key risks reflect only the downside risk to the Company. For most of these risks, there is also an upside risk.

All life risk and life savings contracts expose the Company to significant insurance risk. Although mortality, morbidity and longevity experience may be affected by unexpected events (e.g. epidemics), the most significant changes to insurance risk factors (e.g. lifestyle changes, medical advances and improvements in social conditions) tend to occur over a long period of time. The longer the coverage period, the greater the Company's exposure to insurance risk.

Policyholder behaviour risk is a key risk for deferred fixed annuity and universal life contracts. The timing of surrenders and, for deferred fixed annuity contracts, the timing and frequency of withdrawals or annuitisation may impact the Company's returns.

All life risk and life savings contracts expose the Company to interest rate risk. Interest rate risk arises from the extent to which the actual return on financial assets held to fund the settlement of liabilities differs from the expected return when the contracts were issued. This risk is most significant for immediate fixed annuity contracts, deferred fixed annuity contracts in the payment period and non-participating whole-life contracts because these contracts typically have long durations, it is not always possible to obtain matching assets with similar durations and the Company does not have discretion to change the amounts of premiums or future payments to policyholders.

Term assurance and non-participating whole-life contracts provide policyholders with a fixed lump sum payable on death. Term assurance contracts provide coverage over a fixed term. Term assurance premiums may be level or increasing over time (for yearly renewable contracts). Non-participating whole-life contracts provide coverage over the lifetime of the policyholder and have a surrender value after an initial period. The premiums for non-participating whole-life contracts are level throughout the duration of the contracts.

Critical illness contracts are similar to term assurance but pay out a lump sum if the policyholder is diagnosed with an illness specified in the contract.

Immediate fixed annuity contracts provide policyholders with periodic payments over their lifetime or the lifetime of additional beneficiaries (if this is longer). The amount of each periodic payment may be fixed or changing over time based on a specified index.

Deferred fixed annuity contracts provide policyholders with a return of principal plus a fixed rate of interest during the accumulation period. The policyholder has the right to surrender the contract during the accumulation period and receive the current account value less any surrender charges. The fixed rate of interest is guaranteed for an initial period; after the initial period, the rate of interest credited to policyholders' accounts is set at the Company's discretion based on the prevailing market rates.

(20) Financial Risk Management (continued)

A. Key risks arising from contracts issued (continued)

i. Life risk and life savings contracts (continued)

Universal life contracts provide policyholders with a lump sum benefit payable on death and access to an account value. The account value is credited with interest at a rate set at the Company's discretion on a periodic basis, subject to a guaranteed minimum, and debited with a charge for the death benefit. A contract typically lapses when the account value is no longer sufficient to cover the cost of insurance. Some contracts issued by the Company provide 'no lapse' guarantees, where if certain minimum payments are made for a given period, then the contract will remain in force for the period covered by the guarantee even if the account value falls to zero.

ii. Participating contracts

Product	Key Risks	Risk mitigations
Traditional participating	*Market risk: investment return on underlying items falling below guaranteed minimum rates *Policyholder behaviour risk	*Management discretion to determine amount and timing of policyholder dividends (within limits) *Surrender penalties
Variable annuity (accumulation period)	*Market risk: insufficient fees to cover cost of guarantees and expenses *Policyholder behaviour risk	*Derivative hedging programme *Surrender penalties
Variable annuity (payment period)	*Longevity risk *Interest rate risk: differences in duration and yield of assets and liabilities *Investment credit risk	*Matching of asset and liability cash flows *Investing in investment grade assets
Unit-linked and other investment-linked	*Market risk: insufficient fees to cover expenses *Policyholder behaviour risk	*Surrender penalties
Collective investment schemes	*Market risk: insufficient fees to cover expenses *Policyholder behaviour risk	

(20) Financial Risk Management (continued)

A. Key risks arising from contracts issued (continued)

ii. Participating contracts (continued)

All participating contracts provide investment services under which the Company promises the policyholder an investment return based on the performance of underlying items. The risks arising from participating contracts are primarily financial risks. The Company is exposed to financial risks arising from any guarantees (e.g. interest rate guarantees or return-of-premium guarantees) and to the extent of its share of the underlying items.

Traditional participating, variable annuity and some unit-linked and other investment-linked contracts also transfer insurance risk. These contracts are classified as direct participating insurance contracts. All other participating contracts are classified as financial instruments.

A key risk for all participating contracts is policyholder behaviour risk – in particular, the risk that contracts are surrendered or significant cash withdrawals are made before sufficient fees have been collected to cover up-front commissions paid by the Company. This risk is mitigated by charging penalties on the early surrender of contracts. For collective investment scheme contracts, the Company does not generally collect surrender charges, but the up-front commissions paid for these contracts are generally lower than for the other participating contracts issued by the Company.

Traditional participating contracts provide policyholders with a guaranteed minimum return on premiums, or a minimum share in the performance of a clearly identified pool of underlying items (if it is higher). The actual share allocated to policyholders in any given period may be higher than the guaranteed minimum. Such profits do not have to be allocated to individual policyholders in the year in which they arise and the allocation may be deferred until later years.

Variable annuity contracts allow policyholders to invest their funds during the accumulation period in a portfolio of separately managed collective investment schemes. Fees for administration, portfolio management and guaranteed benefits are deducted from the policyholder’s account balance on a periodic basis.

All of the Company’s variable annuity contracts contain guaranteed minimum death benefits (GMDB) equal to the total deposits less withdrawals. Policyholders may choose to pay higher premiums for an additional guaranteed fixed return on their deposits.

Some variable annuity contracts also contain guaranteed minimum income benefits (GMIB), which guarantee a minimum income stream on annuitisation at a future date. Some contracts contain guaranteed minimum withdrawal benefits (GMWB), which provide a guarantee similar to GMIB but do not require the contract to be annuitised.

These guarantees create exposures to market risk, mortality risk and policyholder behaviour risk – in particular, in respect of the timing and frequency of withdrawals and annuitisation. The Company mitigates its exposure to market risk through a derivative hedging programme.

(20) Financial Risk Management (continued)

A. Key risks arising from contracts issued (continued)

ii. Participating contracts (continued)

For GMDB, the net amount at risk is generally the shortfall of the current account value compared with the current guaranteed minimum death benefit. For guarantees of benefits that are payable on withdrawal or annuitisation, the net amount at risk is generally the shortfall of the current account value compared with the present value of the minimum guaranteed payments.

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, withdraw deposits or annuitise a contract earlier or later than expected.

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).

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.

Life risk and life savings contracts

A key aspect of the underwriting process for life risk and life savings products is pricing contracts with regard to the insurance risks assumed. Prices charged for the cost of insurance risk are set at local entity level through a process of financial analysis, including comparisons of the Company's experience with industry experience and benchmarking of prices against other product providers in the same markets, and the use of advanced analytics, including identification of emerging trends in insurance risk factors and assessment of policyholders' lifestyles. Pricing is performed primarily by artificial intelligence-driven solutions and reviewed by underwriting staff to assess whether the premiums charged and the annuitisation rates applied reflect the health condition and family medical history of the applicants.

Mortality, morbidity and longevity risks are mitigated by the use of reinsurance. The Company allows local management to select reinsurers from a list of reinsurers approved by the Company. The aggregation of risk ceded to individual reinsurers is monitored at both country and Company levels.

Policyholder behaviour risk is considered when designing products – e.g. by means of additional charges on the early surrender of contracts in order to recover acquisition cash flows. Persistency is monitored at local entity level and experience is benchmarked against local market information. From time to time, local management may implement specific initiatives to improve retention.

(20) Financial Risk Management (continued)

B. Underwriting risk (continued)

iii. Sensitivity analysis (continued)

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

a. CSM	*Changes in fulfilment cash flows not relating to any loss components, other than those recognised as insurance finance income or expenses.
b. 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.
c. 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.

(20) Financial Risk Management (continued)

C. Market risk (continued)

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

The Company is exposed to foreign currency transaction risk to the extent that the currencies in which insurance and reinsurance contracts and financial instruments are denominated differ from the functional currencies of Group entities. The Company's exposure to currency risk is minimal as all other currency transactions used such as US dollars, Antillean guilders (ANG) and Eastern Caribbean (EC) dollars have fixed exchange rates.

Foreign currency transaction risk arising from insurance and reinsurance contracts is managed by holding cash and investing in assets denominated in currencies that match the related liabilities, to the extent that it is deemed by local management to be both practical and appropriate. The Company’s policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Foreign currency transaction 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.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company’s policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

(20) Financial Risk Management (continued)

C. Market risk (continued)

ii. Currency risk (continued)

Sensitivity analysis (continued)

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

a. CSM	*Changes in the carrying amount of the CSM as a result of translation into the functional currency at the closing rate. *Changes in the amount of the Company's share of the fair value of underlying items of profitable direct participating contracts.
b. Profit or loss	*Foreign currency gains and losses on insurance and reinsurance contracts that are recognised in profit or loss, including those arising from the translation of the carrying amount of the CSM under (a). *Changes in the amount of the Company's share of the fair value of underlying items of onerous direct participating contracts. *Foreign currency gains and losses on financial instruments that are recognised in profit or loss.
c. Equity	*Foreign currency gains and losses recognised in OCI. *The effect on profit or loss under (b).

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.

(20) Financial Risk Management (continued)

C. Market risk (continued)

iii. Interest rate risk (continued)

Exposure to interest rate risk (continued)

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

a. CSM	*Changes in the amount of the Company's share of the fair value of underlying items of profitable direct participating contracts to which the risk mitigation option is not applied. *Changes in fulfilment cash flows of profitable direct participating contracts arising from interest rate guarantees to which the risk mitigation option is not applied.
b. 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.
c. 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 (b).

(20) Financial Risk Management (continued)

C. Market risk (continued)

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.

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

a. CSM	*Changes in fulfilment cash flows of profitable direct participating contracts arising from equity guarantees to which the risk mitigation option is not applied. *Changes in the amount of the Company's share of the fair value of underlying items of profitable direct participating contracts to which the risk mitigation option is not applied.
b. 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.
c. Equity	*Changes in the fair value of equity investments measured at FVOCI. *The effect on profit or loss under (b).

(20) Financial Risk Management (continued)

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

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 speculativegrade 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 group-wide basis and managed accordingly. An indicative mapping of how the Company's internal risk grades relate to S&P ratings is as follows.

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

(20) Financial Risk Management (continued)

D. Credit risk (continued)

i. Management of credit risk (continued)

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.

ii. Credit quality analysis

The following tables set out the credit quality analysis for debt investments measured at FVOCI and at amortised cost and lease receivables without taking into account collateral or other credit enhancements. Unless specifically indicated, the amounts in the table represent gross carrying amounts.

31 December 2023	Stage 1	Stage 2	Stage 3	Total
(in Aruba florins)				
Financial investments – not underlying items				
a. Deposits with financial institutions				
Based on internal ratings				
Grade 4	900,000	-	-	900,000
Amortised cost	900,000	-	-	900,000
b. Government bonds at amortised cost				
Based on S&P ratings				
BBB- to BBB+	9,284,602	-	-	9,284,602
Based on internal ratings				
Grade 4	3,554,708	-	-	3,554,708
Amortised cost	12,839,310	-	-	12,839,310

(20) Financial Risk Management (continued)

D. Credit risk (continued)

ii. Credit quality analysis (continued)

31 December 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
(in Aruba florins)				
c. Other debt securities at FVOCI				
Based on S&P ratings				
A- to A+	180,668	-	-	180,668
BBB- to BBB+	3,452,325	-	-	3,452,325
	3,632,993	-	-	3,632,993
Loss allowance	(2,119)	-	-	(2,119)
Amortised cost	3,630,874	-	-	3,630,874
d. Other debt securities at amortised cost				
Based on internal ratings				
Grade 4	2,657,765	-	-	2,657,765
Grade 6	941,143	-	-	941,143
	3,598,908	-	-	3,598,908
Loss allowance	(77,857)	-	-	(77,857)
Amortised cost	3,521,051	-	-	3,521,051
Cash and cash equivalents				
Grade 1	1,507,203	-	-	1,507,203
Amortised cost	1,507,203	-	-	1,507,203
Receivables other than operating lease receivables				
Grade 4	576,011	-	-	576,011
Amortised cost	576,011	-	-	576,011

(20) Financial Risk Management (continued)

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.

>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.

(20) Financial Risk Management (continued)

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.

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).

(20) Financial Risk Management (continued)

G. Fair Value (continued)

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 Aruba florins)				
Deposits with financial institutions	900,000	900,000	1,400,000	1,400,000
Government bonds	12,839,310	12,896,017	9,240,597	9,244,395
Other debt securities	7,154,057	7,099,132	6,241,912	6,672,420
Equity securities	50,000	50,000	50,000	50,000
	20,943,367	20,945,149	16,932,509	17,366,815

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 Aruba florins)				
Government bonds	-	-	-	-
Other debt securities	13	-	-	13
Equity securities	-	-	50,000	50,000
	13	-	50,000	50,013

31 December 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Government bonds	-	-	-	-
Other debt securities	4,202	-	-	4,202
Equity securities	-	-	50,000	50,000
	4,202	-	50,000	54,202

(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**
Deposits with financial institutions	900,000	-	-	900,000
Government bonds	-	12,896,017	-	12,896,017
Other debt securities	-	3,466,126	-	3,466,126
	900,000	16,362,143	-	17,262,143

31 December 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Deposits with financial institutions	1,400,000	-	-	1,400,000
Government bonds	-	8,714,597	-	8,714,597
Other debt securities	-	3,613,081	-	3,613,081
	1,400,000	12,327,678	-	13,727,678

Investment Securities Designated at Fair Value Through OCI

31 December 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Government bonds	-	-	-	-
Other debt securities	3,632,993	-	-	3,632,993
Equity securities	-	-	-	-
	3,632,993	-	-	3,632,993

31 December 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Government bonds	529,797	-	-	529,797
Other debt securities	3,055,136	-	-	3,055,136
Equity securities	-	-	-	-
	3,584,933	-	-	3,584,933

(21) Risk Management framework

Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders 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 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 reporting requirements. For example, following the regulatory changes brought about by the CBCS and CBA, 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 is under supervision from the Central Bank of Aruba (CBA).

Solvency requirement margin for insurance company

The CBA requires an insurer engaged in the life insurance business to maintain a solvency margin equal to the highest outcome of any of the following calculations: 1) 4% of the technical provision of previous year, or; 2) a minimum solvency requirement of AWG 400,000 if strictly doing life insurance; if not 3) AWG 500,000 if the insurer has been doing both life, accident & sickness insurance prior to July 2001 within the same entity. As of December 31, 2023, the Company is in compliance with the solvency requirement 3 margin of CBA.

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders 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.

(21) Risk Management framework (continued)

Capital management objectives, policies and approach (continued)

Solvency requirement margin for insurance company (continued)

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

>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 shareholders;
>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 shareholders 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 shareholders 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 the jurisdictions in which it operates. 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 insurance companies to meet unforeseen liabilities as these arise.

In order to comply with these capital requirements by the regulators within the jurisdictions in which the Company operates, 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 met all of these requirements throughout the financial year. In reporting financial strength, capital and solvency are measured using the rules prescribed by the Central Bank of Aruba (CBA) 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.

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 CBA directives, including any additional amounts required by the regulator.

(21) Risk Management framework (continued)

Capital management objectives, policies and approach (continued)

Approach to capital management

The Company seeks to optimize the structure and sources of capital to ensure that it consistently maximizes returns to the shareholders 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 shareholders. The shareholders of the Company also have a "no dividend" policy.

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 various regulators where the Company is operating. 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 various regulators directives, including any additional amounts required by the regulator.

The Company and regulated entities within it have 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 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.

(21) Risk Management framework (continued)

Asset-liability management (ALM) framework (continued)

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. In June 2023, the Company secured shareholder support in the form of an agreement to not exercise their right to call for the repayment of the outstanding loans until at least December 31, 2024.