



Annual Report

2023

Welcome to the
Annual Report of
NAGICO INSURANCES
2023

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ABOUT NAGICO

Maintaining a competitive edge

NAGICO operates in 27 territories across the English, Dutch and French speaking Caribbean as well as in metropole France, giving us an extensive reach and making us one of the most geographically diversified insurers from the Caribbean.

Through an extensive distribution channel, the group provides a comprehensive suite of insurance solutions, including Property and Casualty, and Life and Health products. It is therefore able to address all its clients' needs at every stage of their life. NAGICO's intermediary network is second to none as it comprises a passionate, certified and experienced sales force.

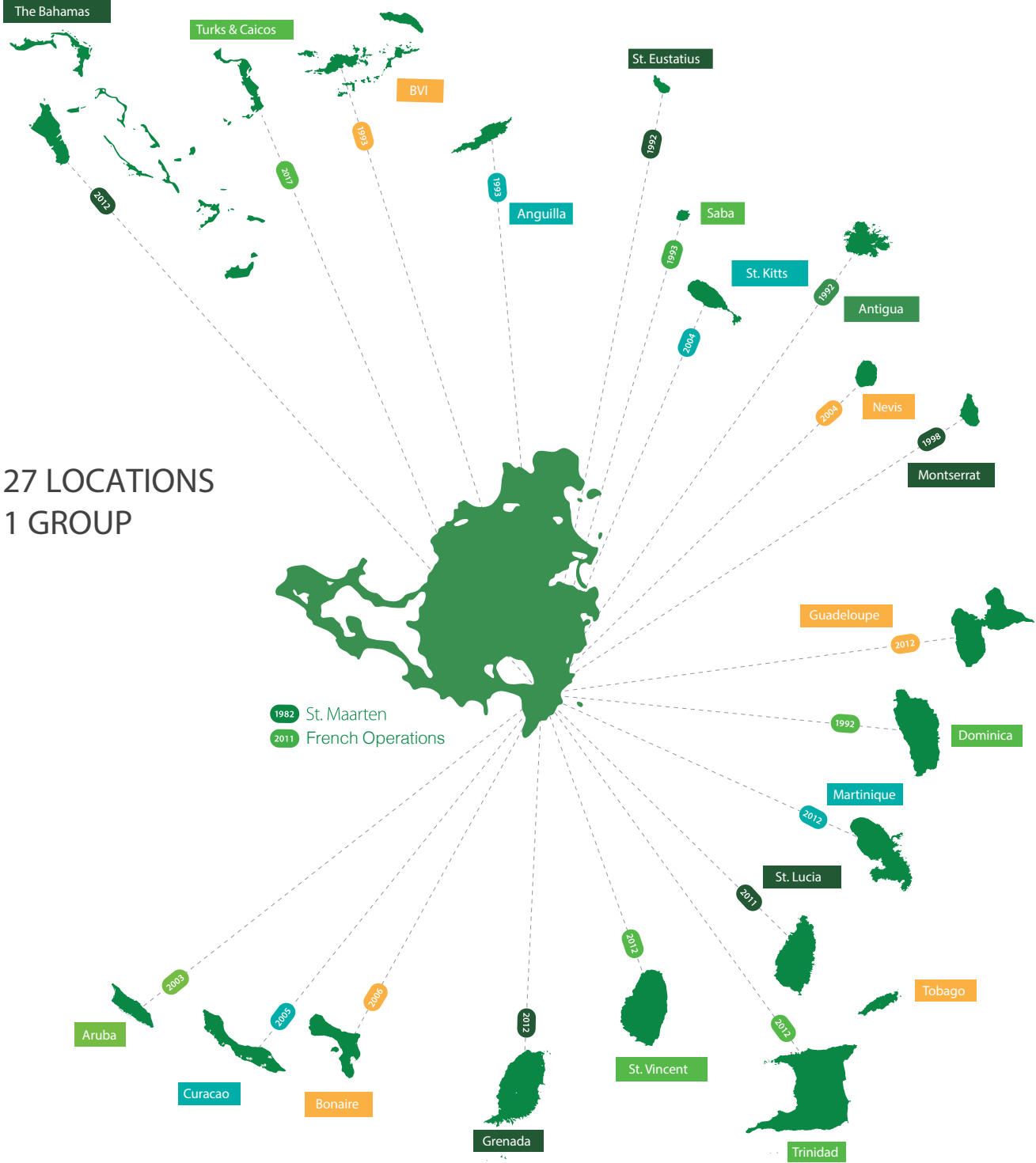
NAGICO's management team is also highly qualified and possesses deep knowledge and expertise in the insurance industry and in the region where it operates. The team is well-respected by its peers for its robust risk and compliance management philosophy and efficient claims handling infrastructure.

The group is financially stable and strong and is commended for its effective risk management. Through its stringent governance, risk management and compliance practices, and the fact that it is well-regulated and supervised by 17 regulators, you can be sure that NAGICO adheres to high standards of operation and customer protection.

NAGICO has a strong brand and solid track record of settling claims fast and fairly, and delivering reliable service to customers, making it a number one choice and preferred insurer.



OUR FOOTPRINT



27 LOCATIONS
1 GROUP

MESSAGE FROM CHAIRMAN

As we close the financial year 2023, I am pleased to report a significant turnaround for our company, marking a pivotal moment in our recovery and sustainable growth journey. After several challenging years, we have transformed our financial outlook, achieving results that exceeded our budgetary expectations, particularly in gross written premiums and overall net result, setting the stage for future success.

This remarkable improvement can be attributed to strategic initiatives, including a comprehensive restructuring of our management team, board, and reinsurance program. The successful capital injection and support from our majority shareholder have given us the necessary resources to implement these changes effectively. As detailed in the CEOs' statement, these actions have been crucial in stabilizing our operations and enhancing our financial resilience whilst adapting to the new and highly strenuous IFRS 17 standard for insurance companies.

I would like to take this opportunity to express my heartfelt gratitude to our board of directors, executives, tier management, and staff for their commitment to embracing the new vision introduced around the middle of last year. Your dedication to fostering a culture of excellence and accountability has been instrumental in our turnaround. It is your hard work and belief in our shared goals that have enabled us to navigate through adversity and emerge stronger.

Our future success will be driven by a steadfast commitment to sound underwriting practices, robust reinsurance support, vigilant management and effective controls from the board, and a continued vision of strong and profitable growth. We are also focused on strengthening the engagement of our agents, brokers, and staff, ensuring that our approach remains people-centric. Together, we are preserving the legacy of our great Institution and positioning it for long-term success in a rapidly evolving market.



As we move forward, I remain highly optimistic about our potential. By fostering collaboration and innovation, I am confident we will further solidify our standing in the industry and enhance value for our shareholders, policyholders, and other stakeholders.

Thank you for your continued support and trust in our stewardship of this incredible and dynamic Institution.

Yours Sincerely,

Imran McSood Amjad

Chairman
NAGICO Holdings Limited

MESSAGE FROM CEO

Dear Valued Stakeholders,

The year 2023 presented unique challenges for the insurance industry, requiring us to adapt and restructure to navigate an increasingly difficult market. An already hard reinsurance and insurance market saw further hardening in 2023 and this was compounded by high levels of global inflation which impacted every line of business. Reinsurers, facing their own pressures, increased retention levels and passed on these expectations to their clients, including us. While the Caribbean remained hurricane-free in 2022, the global losses sustained by reinsurers, coupled with the rising cost of capital, affected both the availability and pricing of capacity in our region. These shifts made for a tough reality, one that demanded our full focus and cooperation.

At NAGICO, we dedicated significant time and resources to ensuring that our business partners, agents, brokers, and clients understood the driving forces behind these market changes. Our mission was not only to provide clarity but also to ensure that we continued to deliver a high level of service and support for our clients to maintain adequate insurance coverage.

Though 2023 was challenging and brought considerable discomfort, it also fostered a sense of teamwork, solidarity, and comradery across our organization. In response to these challenges, restructuring became necessary. We focused on improving our operational efficiency and overall performance. During this period, we revisited our purpose, reaffirming our commitment to being People-Centric and Purpose-Driven (PCPD). This concept is at the heart of who we are, what we do, and why we exist. It aligns seamlessly with our promise to be Fast, Fair, and Always There for our clients. As we embraced this renewed sense of purpose, our team, comprising management, staff, agents, and brokers, rallied together with fresh energy and determination.



The meaning of long-term partnership and commitment was tested in 2023, but with PCPD as our guiding principle, sacrifices were made throughout the year and we delivered a profitable outcome.

Thanks to the confidence and support of our shareholders and strategic investments made during the year, NAGICO was able to meet the retention demands of reinsurers and pivot effectively. Strategic portfolio management and steering, a focus on operational efficiency, reduced financial market volatility, and the hard reinsurance market which dictated higher premium rates, all contributed to our financial turnaround.

For the year ended 2023, we successfully implemented and transitioned to reporting under International Financial Reporting Standard 17 (IFRS 17) – Insurance Contracts. This standard is highly complex and introduces key changes to the statement of financial position and the timing of income recognition. It seeks to improve transparency and provide improved stability and predictability in profit. IFRS 17 does not affect the core fundamentals of our business, our strategy or our operations. The following results represent the first year of reporting under IFRS 17.

I am pleased to report a significant financial turnaround of NAGICO. Total comprehensive income before taxation of USD 2.7 million was generated as compared to a total comprehensive loss before taxation of USD 17.9 million in 2022; a noteworthy recovery.

Our insurance revenue for 2023 totaled USD 218.8 million, compared to USD 204.5 million in 2022, with USD 213.6 million emanating from our property and casualty portfolio and USD 5.2 million from our life and health segment. Our consolidated insurance service result improved to USD 23.9 million in 2023, and we reduced operational expenses by 14.8% year-over-year. This was the direct result of portfolio management initiatives aimed at ensuring good risk selection and price adequacy, and right-sizing measures that streamlined our cost structure. Additionally, our investment portfolio delivered a 524% improvement compared to 2022, driven by a significant recovery of unrealized losses on our fixed income portfolio. This shift resulted in a net improvement of fair value gains in fiscal year 2023.

As at December 31, 2023, NAGICO remained solvent, satisfying the 17 regulatory regimes overseeing its footprint, a testament to our financial discipline and prudent risk management.

As we look ahead, the outlook for 2024 is stable. While reinsurers have once again raised rates at the start of the year, the increases are in the single digits and far less severe than those of 2023. This is a positive sign for our region, which continues to absorb last year's price adjustments. Inflation remains high, and we expect this trend to persist throughout most of 2024, but we anticipate a year of stability. As always, we remain vigilant against the unpredictable risks posed by hurricanes and other natural disasters, and we will continue to do what we do best, manage risks effectively and protect the Caribbean.

The groundwork laid in 2023 will continue to drive us forward. We remain committed to optimizing our performance and bolstering the pride and confidence our stakeholders feel and have in NAGICO. Our success is a direct result of our exceptional team: our Staff, Management, Agents and Brokers, who are at the frontline of our efforts. I would also like to extend my gratitude to our Shareholders and Board of Directors for their continued belief, investment, and oversight. The turnaround in 2023 would not have been possible without each member of this TEAM.

Lastly, none of our achievements would have any meaning without the trust of our clients. To all of our customers, thank you for choosing NAGICO as your insurer. Your confidence in us motivates everything we do, and we remain fully committed to serving you with excellence, whether through our property and casualty offerings or our life and health insurance products that support your health and wellness, lifestyle, investment and planning needs for the future.

Sincerely,

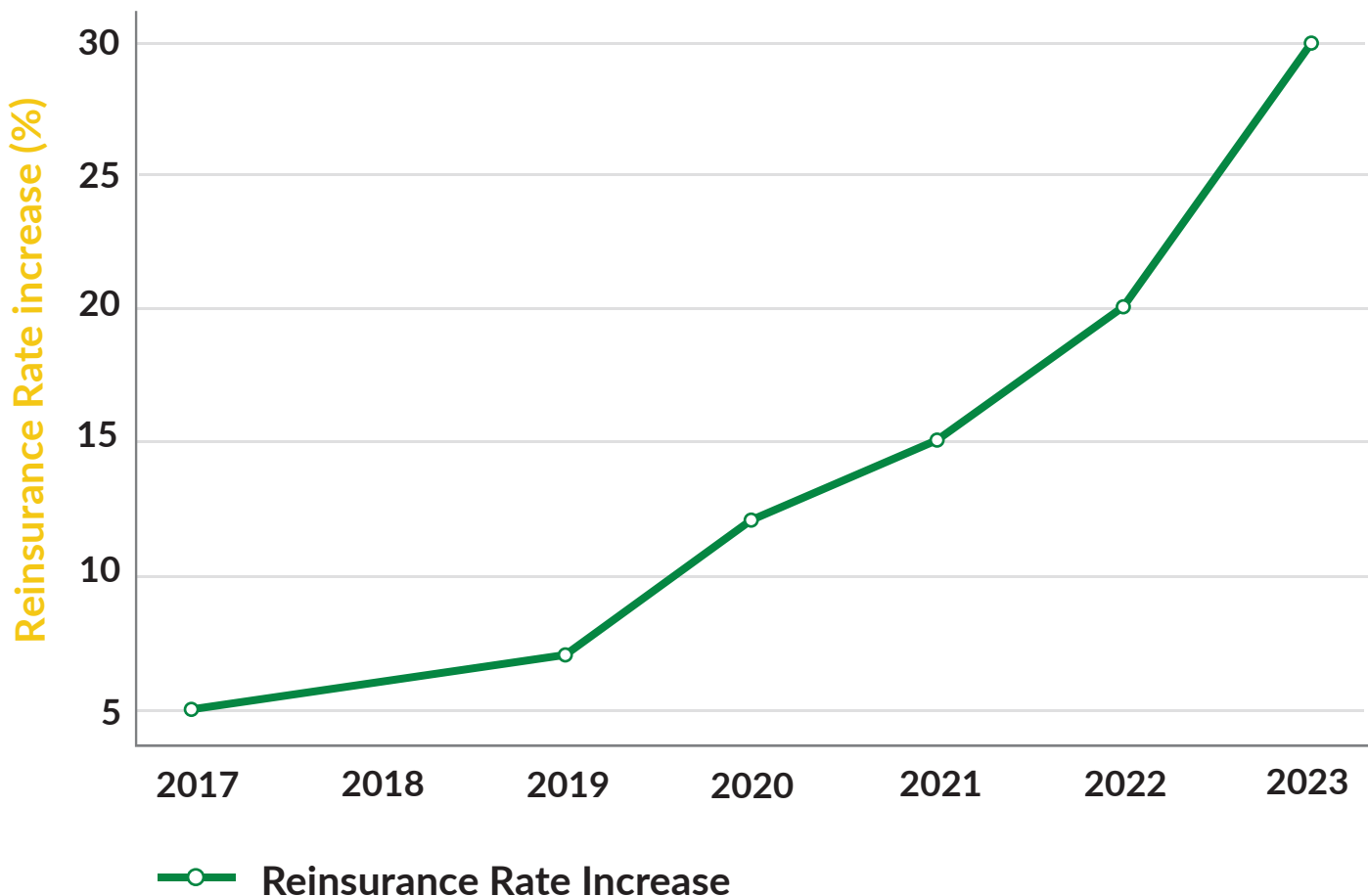
Kyria Ali

Chief Executive Officer
NAGICO Group of Companies

REINSURANCE RATE INCREASE AND ITS IMPACT ON THE INDUSTRY

The Caribbean region experienced one of its most difficult reinsurance renewal seasons in recent memory. A combination of reductions in available reinsurance capital and significant pricing pressures created hurdles in securing adequate coverage. In 2023, Property & Casualty (P&C) reinsurance rates in the region increased by 15% to 30% compared to 2022. This continued upward trend was more severe in 2023 and was driven by several factors, including persistent inflation, currency fluctuations, and substantial global losses; reinsurance markets faced over USD 100 billion in claims from hurricanes and other natural disasters in the previous year. In addition, reinsurers suffered diminished investment returns that had led to low single digit returns on equity in 2022. As a result, reinsurance capital shrank by approximately 8% globally.

Average Caribbean P & C Reinsurance (2017-2023)



Throughout 2023, our focus remained on rebalancing and diversifying our P&C portfolio to maximize the limited catastrophe reinsurance capacity available in the Caribbean.

This strategy became even more essential given the continuation of the hard reinsurance market, exacerbated by inflationary pressures and the rising cost of materials, which had a direct impact on claims expenses. While we aimed to expand our Life & Health insurance portfolios, this diversification did not materialize as projected. However, we achieved notable growth in our motor insurance business within the French territories, providing a solid foundation for future expansion.

The 2023 Atlantic Hurricane Season was particularly active, setting records for storm activity during an El Niño year. Unusually warm sea surface temperatures contributed to this heightened activity, but El Niño-enhanced wind shear mitigated the intensity of many storms, preventing them from escalating into catastrophic events. Additionally, a weakened Bermuda High allowed storms to follow more northerly and easterly paths, resulting in fewer landfalls and minimizing damage, despite the increased number of storms.

But while the region was spared from significant natural catastrophes in 2023, and our P&C operations reported improved underwriting results from the prior year, we were affected by a couple of shock losses from motor accidents with severe bodily injuries which, had they not occurred, would have produced even better underwriting results for the group.

As we move forward into 2024, we will continue to monitor the performance of our motor insurance products, particularly in our island markets, to ensure we can meet or exceed client expectations. Our focus remains on delivering a value proposition that contributes to the group's overall profitability. Furthermore, we aim to renew our efforts toward portfolio diversification by expanding our Life & Health insurance business, particularly in targeted growth areas. Equally important, we will concentrate on building resilience and risk mitigation strategies within the communities we serve, preparing for the increasing threats posed by natural disasters.

FINANCIAL HIGHLIGHTS

NAGICO HOLDINGS LIMITED

Consolidated Statement of Financial Position as at December 31, 2023

ASSETS <small>(in thousands of U.S. dollars)</small>	2023	2022	2022 <small>As at January 1, (restated for IFRS 17)</small>
Assets			
Current assets			
Cash and cash equivalents	62,840	52,173	81,362
Investment securities - short term	40,679	66,450	94,624
Prepayments and other current assets	8,975	8,544	11,507
Reinsurance contract assets	71,294	73,182	79,854
	<u>183,788</u>	<u>200,349</u>	<u>267,347</u>
Non-current assets			
Investment securities - long term	114,290	98,211	43,476
Retirement benefit asset	13,410	12,807	14,106
Right-of-use assets	1,193	1,575	1,634
Property and equipment	20,170	20,340	19,024
Investment properties	23,944	23,921	24,147
Intangible assets	2,725	2,723	1,554
Deferred tax asset	5,873	7,866	5,592
	<u>181,605</u>	<u>167,443</u>	<u>109,533</u>
TOTAL ASSETS	365,393	367,792	376,880
LIABILITIES AND EQUITY <small>(in thousands of U.S. dollars)</small>	2023	2022	2022 <small>As at January 1,</small>
Liabilities			
Current tax payable	443	412	1,214
Accounts payable and accrued liabilities	13,143	14,219	10,780
Insurance contract liabilities	158,498	148,883	156,429
Reinsurance contract liabilities	2,401	1,872	-
Reinsurance payable	88,684	113,512	102,057
Loan payable	25,743	24,160	22,543
Lease liabilities	1,335	1,724	1,722
	<u>290,247</u>	<u>304,782</u>	<u>294,745</u>
Equity			
Share capital	13	10	10
Additional paid in capital	58,515	43,515	43,515
Other components of equity	12,479	7,648	5,089
Retained earnings	1,536	9,321	31,141
Shareholders' equity	<u>72,543</u>	<u>60,494</u>	<u>79,755</u>
Non-controlling interests	2,603	2,516	2,380
Total equity	<u>75,146</u>	<u>63,010</u>	<u>82,135</u>
TOTAL LIABILITIES AND EQUITY	365,393	367,792	376,880

NAGICO HOLDINGS LIMITED

Consolidated Statement of Profit or Loss for the year ended December 31, 2023

(in thousands of U.S. dollars)	2023	2022 <small>(restated for IFRS 17)</small>
Insurance revenue	218,852	204,547
Insurance service expense	(111,572)	(100,288)
<i>Insurance service result from insurance contracts issued</i>	<u>107,280</u>	<u>(104,259)</u>
<i>Net expenses from reinsurance contracts held</i>	(83,349)	(85,935)
Insurance service result	23,931	18,324
Interest revenue calculated using the effective interest method	6,949	5,080
Other investment revenues and expenses	824	(7,180)
Net impairment loss on financial assets	(109)	-
Net investment income (expense)	7,664	(2,100)
Net finance expenses from insurance contracts	(1,594)	(1,397)
Net finance expense from reinsurance contracts	(64)	(43)
Net insurance finance expenses	(1,658)	(1,440)
Net insurance and investment result	29,937	14,784
Other expenses	32,485	38,135
Other income		
Other income	2,400	2,462
<i>Total other income</i>	<u>2,400</u>	<u>2,462</u>
Net loss before taxation	(148)	(20,889)
Other comprehensive income for the year	2,860	2,956
Total comprehensive income before taxation	2,712	(17,933)
Taxation	(3,166)	995
Net comprehensive loss after taxation	(454)	(16,938)
Attribution:		
Net income/(loss) for the year attributable to shareholders	(659)	(17,104)
Interests	205	166
	(454)	(16,938)

NAGICO HOLDINGS LIMITED

Consolidated Statement of Cash Flows for the year ended December 31, 2023

(in thousands of U.S. dollars)	2023	2022
		<i>(restated for IFRS 17)</i>
Cash flows from operating activities		
Net loss before taxation	(148)	(20,889)
<i>Adjustments to reconcile profit before tax to net cash flows:</i>		
Depreciation of property and equipment	1,240	1,158
Depreciation from right-of-use assets	467	466
Amortization of intangible assets	78	922
Gain on disposal of property and equipment	-	(69)
Effect of currency translation rate changes	(1,242)	(1,399)
Change in unrealized gains and losses on investments	(1,615)	9,764
(Gain) Loss on revaluation of property plant and equipment	(23)	687
Movements in retirement benefit asset	(603)	(493)
Interest and other expense from lease liability	92	101
Interest on borrowings	1,583	1,617
Expected credit loss	(109)	1,830
<i>Working capital movements:</i>		
Prepayments and other current assets	(437)	(2,528)
Reinsurance assets	(22,411)	17,367
Insurance liabilities	5,275	(4,892)
Accounts payable and accrued liabilities	(1,076)	3,409
	(18,781)	27,940
Interest received	6	4,467
Profit tax paid	1,142	(1,635)
	1,148	2,832
<i>Net cash flows (used in) provided by operating activities</i>	(17,781)	9,883
Cash flows from investing activities:		
Purchase of property and equipment	(473)	(1,259)
Proceeds from sale/disposal of property and equipment	62	126
Purchase of investment properties	-	(98)
Purchase of investment securities	(135,360)	(129,668)
Proceeds from sale and maturity of investment securities	149,755	94,853
Movement long-term loans receivable	-	(391)
Purchase of intangible assets	(80)	(2,089)
<i>Net cash flows provided by / (used in) investing activities</i>	13,904	(38,526)
Cash flows from financing activities:		
Repayment of lease liability	(566)	(524)
Additional paid in capital	15,003	-
Dividend pay out to St. Vincent Insurance Limited	107	(22)
<i>Net cash flows provided by (used in) financing activities</i>	14,544	(546)
Net increase (decrease) in cash and cash equivalents	10,677	(29,189)
<i>Cash and cash equivalents at January 1</i>	52,173	81,362
Cash and cash equivalents at December 31	62,840	52,173

NAGICO'S LIFE AND MEDICAL DIVISIONS POISED FOR LONG-TERM GROWTH

Despite the ongoing War in Ukraine, the Palestinian conflict, the lingering effects of the Covid 19 Pandemic, the US' and other developed Nations' monetary tightening curbed their inflationary environments and led to greater economic stability around the globe. NAGICO's Life and Medical Divisions contributed 14% of the group's insurance revenue in 2023. The key attribute for this solid performance includes:

- **Satisfactory Claims Experience**
- **Favorable Investment Income**
- **Reduced Overhead Costs**

The Life Division's investment strategy continued to deliver sustainable returns, so we will continue to maintain a well-diversified portfolio with a disciplined risk management approach, to enable us to mitigate uncertainty while achieving our desired returns.

In 2023 our Serenity Campaign proved successful in Aruba and St. Maarten, and we will extend this offering to other markets in 2024. We will also continue to roll out new products like our NAGICO Family Funeral Plan and Life Heritage 40 via our in-house sales force and intermediary network. Our in-house distribution channel has proven to be very successful in providing exemplary advice and service to our customers and intermediaries, translating into strong premium persistency.

Similar to our life operations, NAGICO's medical division also continues to contribute positively to the group's overall result. The core focus remains centered on providing holistic customer centric solutions, with the use of innovation to meet stakeholder needs. Benefit design was a key part of this focus and mission in 2023.

The team incorporated and combined preventative and mental care benefits into our offering based on the noted trend of increased non-communicable diseases cases within region, and this was well received by our clients. They recognize and appreciate that we remain committed to contributing to a healthier and more educated and responsible community.

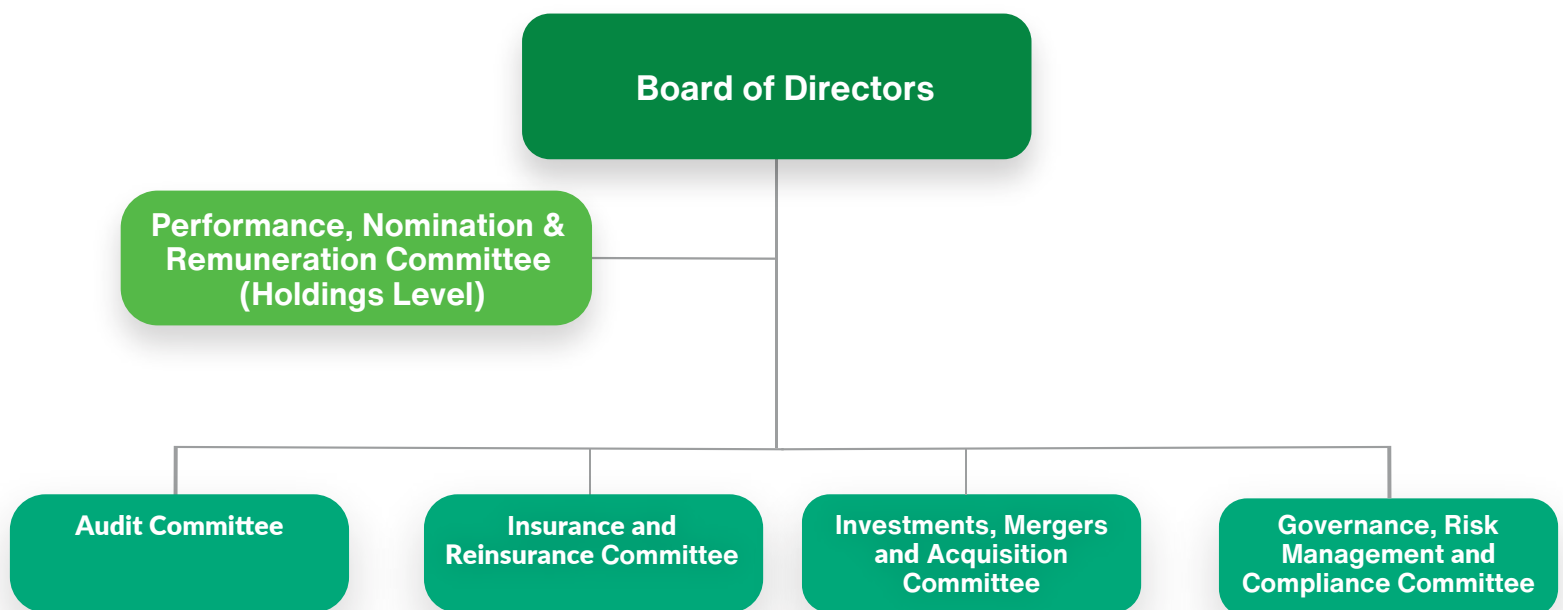
NAGICO is no stranger to the Life and Health arena. We have tripled our life operations' assets under management in under 10 years and we continue to grow our medical portfolio year on year.

GOVERNANCE, RISK MANAGEMENT AND COMPLIANCE

NAGICO prides itself on sound risk management, which is the cornerstone of the group's success, and is reflected in the Board of Directors and Senior Management's effectiveness as it relates to the decision-making process. The group's enterprise risk management framework aligns with our risk appetite, tolerances and strategic objectives. This ties into the three-lines-model which is used to ensure that processes are appropriate to facilitate risk-based decision-making and actions are taken to mitigate risks within our operations. Regulatory compliance is prioritized, ensuring that there is a comprehensive understanding of the relevant risks and exposures.

The Internal Audit Department adopts a risk based approach and validates the controls of the first and second lines. Reports are submitted to the Audit Committees of the Board of Directors who are kept apprised of the actions which have been taken by management to remediate any areas for improvement. The Governance, Risk Management and Compliance Department oversees the governance and risk management related activities of the business and regularly monitors the same to ensure compliance with policies and procedures, and legislative requirements.

NAGICO's Board of Directors oversee the group's operations in accordance with its corporate governance guidelines and laws and regulations, and it utilizes sub-committees to execute its responsibilities by focusing on specific areas such as audit, GRC, insurance and reinsurance, investments, M&A, and compensation, ensuring that all aspects of the organization are managed with diligence, transparency, and accountability.



COMMITMENT TO COMMUNITIES AND CORPORATE SOCIAL RESPONSIBILITY

Across the region, NAGICO has earned a reputation as a leading and trusted insurer. This strong brand identity is attributed not only to our exceptional claims settlement track record but also to our commitment to the communities in which we operate.

At NAGICO, Corporate Social Responsibility (CSR) is more than an obligation, it is a core aspect of our culture. Since our inception, the philosophy of giving back to the community has been deeply ingrained in our values and remains a guiding principle in every territory where we operate.

Our approach to CSR is a winning formula, blending financial support for impactful, community-based initiatives with active employee engagement. Whether improving the quality of life through targeted projects or fostering resilience through strategic partnerships, NAGICO is dedicated to making a positive difference.

In 2023, our efforts were exemplified through a variety of initiatives across the Caribbean, including but not limited to, back to school programs, health and wellness fairs, science fairs, sponsorship of sporting programs: cricket, football, volleyball, softball and so much more.

These efforts reflect our commitment to enhancing lives and building stronger communities, reinforcing our position as a socially responsible leader in the region.



“Commitment to enhancing lives and building stronger communities”





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