INSURANCE CORPORATION OF BARBADOS LIMITED

(Incorporated in Barbados)

Consolidated Financial Statements
31 December 2024

INSURANCE CORPORATION OF BARBADOS LIMITED
(Incorporated in Barbados)
For the year ended 31 December 2024

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INSURANCE CORPORATION OF BARBADOS LIMITED
Responsibility for Financial Reporting
For the year ended 31 December 2024

The management of Insurance Corporation of Barbados Limited (the "Company") and its subsidiary collectively (the "Group") is responsible for the preparation of the consolidated financial statements contained in this report. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

Management has established and maintains a system of financial reporting and internal controls to provide reasonable assurance that transactions are properly authorised and recorded. These controls include the careful selection, training, and supervision of qualified employees, the establishment of well-defined responsibilities, and the communication of policies relating to good conduct and business practice. Internal controls are reviewed and evaluated by the Group's internal auditors.

The Audit, Compliance, and Corporate Risk Management Committee, primarily composed of directors who are not officers or employees of the Group, reviews the consolidated financial statements on behalf of the Board of Directors before the statements are submitted to the shareholders.

The shareholders' independent auditor, PricewaterhouseCoopers SRL has audited the consolidated financial statements of the Group in accordance with International Standards on Auditing and has expressed its opinion in its report to the Group's shareholders. The auditor has unrestricted access to and meets periodically with the Audit, Compliance, and Corporate Risk Management Committee to review its findings regarding internal controls over the financial reporting process, auditing matters and reporting issues.

These consolidated financial statements have been authorised for issue by the Board of Directors on 24 December 2025. The Board of Directors has the power to amend these consolidated financial statements after issue, if required.

Richard Boddy, BENG, FCA (UK)
Chief Financial Officer

Independent auditor's report

To the Shareholders of Insurance Corporation of Barbados Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Insurance Corporation of Barbados Limited (the Company) and its subsidiaries (together 'the Group') as at 31 December 2024, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2024;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In establishing the overall group audit strategy and plan, the group audit engagement team undertook a detailed assessment to determine the nature and extent of audit work required for each component. Full-scope audits were performed on the Company and its subsidiary, ICB/NIB Joint Venture, as both were considered individually significant due to their risk or size. The group audit engagement team was the auditor for both the Company and the ICB/NIB Joint Venture subsidiary. Additional audit procedures were performed, in the form of the audit of one or more FSLIs on the other subsidiaries of Paynes Bay Reinsurance SPC, Ltd. and Paynes Bay Re Segregated Portfolio #1, which were audited by another network firm.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter

Valuation of long-duration insurance contract liabilities - fulfilment cash flows
 	
Refer to note 2 C ii)- Critical estimates, judgements and assumptions, note 4 B - Insurance and underwriting risk and note 18 - Insurance contract liabilities
 	
The Group has long-duration insurance contract liabilities of $17.3 million as at 31 December 2024 measured under the General Measurement Model (GMM) which consist of:
 	
1. Contractual service margin (CSM) which is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that the Group will recognise as it provides insurance contract services in the future.
2. Fulfilment cash flows (FCFs), which are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Group expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts. FCFs comprise unbiased and probability weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk.
 	
Measurement of the FCFs requires management judgement in estimating the expected future cash flows on a present value basis, in addition to applying a risk adjustment for non-financial risk.
 	
Estimates of expected future cash flows incorporate best-estimate assumptions for mortality and morbidity rates, longevity, expenses, lapse and surrender rates, discount rates and a risk adjustment for non-financial risk. The assumptions are reviewed and updated, at least annually, by management's actuarial experts.
	Our approach to addressing the matter, with the assistance of our actuarial experts, included the following procedures, amongst others:
	
	• Updated our understanding of management's end-to-end process and the relevant key controls supporting the determination of FCFs.
	• Assessed the independence, experience and objectivity of management's actuarial experts.
	• Tested the accuracy and completeness of a sample of data inputs used in the estimates of FCFs, such as underlying policyholder data, expected cash flows, coverage units and discount rates by tracing them to executed policyholder insurance contracts and other, publicly available, information.
	• Assessed the reasonableness of management's best-estimate assumptions for mortality and morbidity rates, longevity, expenses, lapse and surrender rates, discount rates and the risk adjustment for non-financial risk by:
	    ○ evaluating whether management's assumptions were determined in accordance with the requirements of IFRS 17; and
	    ○ evaluating the Group's internal experience studies for appropriateness by considering relevant published industry studies, market data and component specific facts and circumstances.

Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter due to the judgement applied by management when determining the FCFs, which in turn led to a high degree of auditor's judgement and effort in evaluating the assumptions described above.	• Evaluated a sample of actuarial models used in management's determination of the FCFs, by: ○ assessing the appropriateness of the modelling of product features; and ○ assessing the appropriateness of the application of best-estimate assumptions. • Assessed the disclosures within the consolidated financial statements against the requirements of IFRS 17.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

Auditor’s responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other matter

This report is made solely to the Company's shareholders, as a body, in accordance with Section 147 of the Companies Act of Barbados. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to any enactment or rule of law to the contrary, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

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

PricewaterhouseCoopers SRL

Bridgetown, Barbados
28 December 2025

INSURANCE CORPORATION OF BARBADOS LIMITED
Consolidated Statement of Financial Position
As at 31 December 2024
(in thousands of Barbados dollars)

	Notes	31 December 2024	31 December 2023
		$	$
Assets			
Cash and cash equivalents	6	40,694	44,923
Fixed deposits	7	13,533	6,673
Regulatory deposits	7	837	984
Restricted cash	7	7,870	6,173
Investments	8	169,015	150,353
Reinsurance contract assets	18	46,831	38,032
Other assets	10	11,886	19,037
Tax recoverable	13	66	128
Deferred tax asset	13	35	33
Investment properties	11	25,828	26,357
Property, plant and equipment	12	17,400	18,663
Intangible assets	14	6,521	8,659
Total assets		**340,516**	**320,015**
Liabilities			
Other liabilities	15	19,000	16,341
Due to related parties	23	3,833	4,709
Investment contract liabilities	17	64,865	67,121
Insurance contract liabilities	18	137,269	113,595
Retirement benefits obligations	16	6,798	1,898
Total liabilities		**231,765**	**203,664**
Equity			
Share capital	19	39,099	39,445
Contributed surplus		427	427
Statutory reserve	19	55,254	54,934
Accumulated other comprehensive loss	20	(11,073)	(7,006)
Retained earnings		17,397	21,142
Total shareholders' equity		**101,104**	**108,942**
Non-controlling interest in subsidiary		**7,647**	**7,409**
Total equity		**108,751**	**116,351**
Total liabilities and equity		**340,516**	**320,015**

Approved by the Board of Directors on 24 December 2025

Jonathan Poulin
Chairman

Goulbourne Alleyne
Chief Executive Officer

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

INSURANCE CORPORATION OF BARBADOS LIMITED

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2024

(in thousands of Barbados dollars)

	Notes	2024 $	2023 $
Insurance			
Insurance revenue	18	122,025	106,515
Insurance service expenses	18	(74,690)	(63,693)
Net expense from reinsurance contracts held	18	(29,659)	(31,662)
Insurance service result		**17,676**	**11,160**
Interest income earned from financial assets measured at amortised cost and FVOCI	8	3,469	2,573
Reversals of impairment losses	8	204	404
Fair value adjustment on investment properties	11	(564)	(554)
Other investment income	8	4,304	2,223
Net investment income		**7,413**	**4,646**
Finance expenses from insurance contracts	18	(6,958)	(4,893)
Finance income (expenses) from reinsurance contracts held	18	1,806	1,245
Net insurance finance (expenses) income		**(5,152)**	**(3,648)**
Net insurance and investment result		**19,937**	**12,158**
Other income	21	4,351	4,584
Operating expenses	22	(21,584)	(16,479)
Income before taxes		**2,704**	**263**
Income taxes	13	(287)	(643)
Net Income (loss) for the year		**2,417**	**(380)**
Net income (loss) attributable to:			
Shareholders		2,179	(680)
Non-controlling interest in subsidiary		238	300
Net income (loss) for the year		**2,417**	**(380)**
Earnings per share			
- Basic and fully diluted	19	0.06	(0.02)

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

INSURANCE CORPORATION OF BARBADOS LIMITED

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2024

(in thousands of Barbados dollars)

	Notes	2024 $	2023 $
Net Income (loss) for the year after income taxes		**2,417**	**(380)**
Other comprehensive income (loss):			
Items that will not be reclassified to profit or loss			
Re-measurement of retirement benefit obligations	20	(4,975)	(80)
Investments classified as FVOCI – Fair value gain	20	908	151
			-
		(4,067)	**71**
Total comprehensive loss for the year		**(1,650)**	**(309)**
Comprehensive income (loss) attributable to:			
Shareholders		(1,888)	(609)
Non-controlling interests in subsidiary		238	300
Total comprehensive loss for the year		**(1,650)**	**(309)**

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in **Note 13D**.

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

INSURANCE CORPORATION OF BARBADOS LIMITED

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

(in thousands of Barbados dollars)

	Notes	2024 $	2023 $
Share capital			
Balance - beginning of year		39,445	39,600
Share repurchase	19	(346)	(155)
Balance - end of year		**39,099**	**39,445**
Contributed surplus			
Balance - beginning of year		427	427
Balance - end of year		**427**	**427**
Statutory reserve			
Balance - beginning of year		54,934	54,854
Transfer to catastrophe reserve	19	320	80
Balance - end of year		**55,254**	**54,934**
Accumulated other comprehensive loss			
Balance - beginning of year		(7,006)	(7,077)
Other comprehensive (loss) income for the year	20	(4,067)	71
Balance - end of year		**(11,073)**	**(7,006)**
Retained earnings			
Balance - beginning of year		21,142	31,711
Net income (loss) for the year attributable to shareholders		2,417	(680)
Dividends	25	(5,842)	(9,809)
Transfer to catastrophe reserve	19	(320)	(80)
Balance - end of year		**17,397**	**21,142**
Total equity attributable to shareholders of the company		**101,104**	**108,942**
Attributable to non-controlling interests			
Balance - beginning of year		7,409	9,804
Net income for the year		238	300
Non-controlling interest distributions		-	(2,695)
Balance - end of year		**7,647**	**7,409**
Total equity		**108,751**	**116,351**

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

INSURANCE CORPORATION OF BARBADOS LIMITED
Consolidated Statement of Cash Flows
For the year ended 31 December 2024
(in thousands of Barbados dollars)

	2024 $	2023 $
Cash flows from operating activities		
Income before tax	2,704	263
Adjustments for:		
Investment income	(7,977)	(5,200)
Fair value adjustment on investment properties	564	554
Depreciation of property, plant and equipment	1,726	1,803
Impairment of intangible assets	2,285	14
Amortisation of intangible assets		1,296
Gain on sale of investment property	-	(336)
ECL adjustment	(1,747)	(1,110)
Change in assets and liabilities:		
Other assets	7,151	(3,334)
Reinsurance contract assets	(8,799)	(1,771)
Retirement benefit obligations	4,900	(94)
Restricted cash	(1,697)	4,889
Other liabilities	(1,260)	7,135
Due from related parties	-	3
Due to related parties	(876)	2,931
Investment contract liabilities	(6,184)	(4,862)
Insurance contract liabilities	23,674	(2,632)
Cash generated from (used in) operations	**14,464**	**(451)**
Income taxes paid	(107)	(77)
Interest received	2,949	1,390
Net cash generated from operating activities	**17,306**	**862**
Cash flows from investing activities		
Purchase of investments	(101,811)	(65,538)
Acquisition of fixed deposits	(7,517)	(3,970)
Maturity of fixed deposits	-	14,095
Proceeds from sales and maturities of investments	90,707	62,851
Investment property – additions and improvements	(35)	(11)
Acquisition of property and equipment	(463)	(415)
Proceeds from sale of investment property	-	1,986
Acquisition of intangible assets	(147)	(858)
Net cash (used in) generated from investing activities	**(19,266)**	**8,140**
Cash flows from financing activities		
Cash dividends paid to shareholders	(1,923)	(9,804)
Cash distributions paid to non-controlling interest	-	(2,689)
Share repurchase	(346)	(155)
Net cash used in financing activities	**(2,269)**	**(12,648)**
Decrease in cash and cash equivalents	(4,229)	(3,646)
Cash and cash equivalents - beginning of year	44,923	48,569
Cash and cash equivalents - end of year (Note 6)	**40,694**	**44,923**

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

1. NATURE OF THE GROUP AND ITS BUSINESS

Insurance Corporation of Barbados Limited (the "Company") was incorporated on 17 January 1994 under the Companies Act, Cap. 308 of the Laws of Barbados.

The Company commenced operations on 5 December 2000, when it assumed the assets and liabilities of Insurance Corporation of Barbados ("ICB") pursuant to the Insurance Corporation of Barbados (Transfer and Vesting of Assets) Act, 2000. Previously, ICB operated under the Insurance Corporation of Barbados Act, Cap. 311 of the Laws of Barbados. This Act was repealed on 5 December 2000.

The Company is licensed as a Class 2 insurer under the Insurance (Amendment) Act 2018. A Class 2 licensee is an insurance company which underwrites or can underwrite third party business.

The principal activity of the Company is to undertake and carry on all classes of insurance business. The Company and its subsidiary (the "Group") also manage pension plans and the rental of office space in the Weymouth Corporate Centre. The Company's registered office is located at Roebuck Street, St. Michael, Barbados.

The Company has a 72.35% interest in a joint venture with the National Insurance Board ("NIB") in respect of the Weymouth Corporate Centre and controls the operation of the entity. This investment is fully consolidated in these financial statements and the interest related to the NIB is accounted for as non-controlling interest.

Paynes Bay Reinsurance SPC, Ltd. ("Paynes Bay Re") is a wholly owned subsidiary of Insurance Corporation of Barbados Limited ("ICBL"), whose registered office address is Roebuck Street, St. Michael, Barbados. Paynes Bay Re was incorporated on 31 January 2024 as an exempted segregated portfolio company under the Companies Act (as revised) of the Cayman Islands.

The Company has established one segregated portfolio, Paynes Bay Re Segregated Portfolio #1 ("the Portfolio", "Segregated Portfolio", "Segregated Portfolio # 1" or "SP1"), to provide reinsurance support to ICBL's non-life insurance business. It was incorporated under the Companies Act (as revised) of the Cayman Islands.

The majority shareholder is Hamilton Financial Limited ("HFL"), a company incorporated in St. Lucia and controlled by Jonathan Poulin. HFL's shareholding stands at 57.09% of the issued and outstanding shares at 31 December 2024. The remaining 42.91% of the shares are widely held. The Company trades on the Barbados Stock Exchange.

On 24 December 2025, the Board of Directors approved the consolidated financial statements and authorised them for issue. The Board of Directors has the power to amend the financial statements after issue.

2. MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

A. Statement of Compliance

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued and adopted by the International Accounting Standards Board ("IASB").

B. Changes in Accounting Policies

The Group also adopted the amendments to IAS 1 – Presentation of Financial Statements 'Classification of Liabilities as Current or Non-current (Amendment) and 'Non-current liabilities with covenants', IFRS 16 – Leases on sale and leaseback (Amendment) and IAS 7 – Statement of cashflows and IFRS 7 – Financial Instruments: Disclosures 'Supplier finance arrangements' (Amendment), adoption of these amendments is outlined in **Note 3** and these did not have a material impact on the Group's financial statements.

2. MATERIAL ACCOUNTING POLICIES (continued)

C. Basis of Preparation

i) Basis of measurement
The consolidated financial statements have been compiled on the going concern basis and prepared on the historical cost basis, as modified by the revaluation of items measured at fair value (financial assets at fair value through other comprehensive income (FVOCI), financial assets at fair value through profit and loss (FVTPL), investment properties, certain property, plant and equipment and defined pension plan assets) and those measured at current value (insurance contracts issued and reinsurance contracts held). The consolidated statement of financial position is presented in order of liquidity.

ii) Critical Estimates, Judgements and Assumptions
All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions.

It is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumptions made could require a material adjustment to the carrying amount of the asset or liability affected. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included below:

- *Impairment losses on financial assets*: Management applies judgement in establishing the criteria for determining whether credit risk on financial assets has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of expected credit losses (ECL) and selection and approval of models used to measure ECL (see **Note 4A(i)**).

- *Fair value of financial instruments:* In the determination of the fair value of financial instruments, the Group's management exercises judgement in the determination of fair value inputs, particularly those items categorised within level 3 of the fair value hierarchy (see **Notes 8 and 9**).

- *Present value of retirement benefit obligation:* The actuarial assumptions used in determining the liability and expense of the Group's retirement benefit obligations requires judgement and estimation. Management reviews previous experience of its plan members and market conditions for the year (see **Note 16**).

- *Fair value of non-financial assets*: Management uses independent qualified appraisal services to assist in determining the fair value of investment properties, land and buildings or properties providing collateral for mortgages. This fair value assessment requires judgements and estimates on future cash flows and general market conditions (see **Note 9**).

- *Definition and classification of insurance contracts:* Management applies judgement when evaluating whether insurance contracts issued and reinsurance contracts held transfers significant insurance risk, and in determining whether these contracts should be accounted for as insurance, investment or service contracts (see **Note 2W(ii)**).

- *Separation of non-insurance components*: The Group issues insurance contracts that have elements other than the provision of insurance coverage service, such as investment components, embedded derivatives and other goods and services. Management applies judgement in determining whether these components meet the separation criteria of being distinct (see **Note 2W(iii)**).

- *Level of aggregation*: the Group exercises judgement in defining portfolios which are subject to similar risks and managed together and in distinguishing between contracts that are onerous on initial recognition, contracts that have no significant possibility of becoming onerous and any remaining contracts (see **Note 2W(iv)**).

2. MATERIAL ACCOUNTING POLICIES (continued)

C. Basis of Preparation (continued)

ii) Critical Estimates, Judgements and Assumptions (continued)

- *Determination of the contract boundary*: The Group 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 when determining the coverage period and which cash flows fall within the contract boundary (see **Note 2W(vii)**).

- *Determination of coverage units*: Management applies judgement in determining the coverage units used in amortising the contractual service margin (CSM). The coverage units are based on an estimate of the quantity of coverage provided by the contracts in a group, considering the quantity of benefits provided and expected coverage duration (see **Note 2W(viii)**).

- *Risk adjustment for non-financial risk:* When determining the risk adjustment for non-financial risk, the Group applies judgement in reflecting diversification and calculating the confidence level (see **Notes 2W(viii), 4B and 18**).

- *Estimating discount rates*: The Group uses the top-down approach where the discount rate is determined as the yield implicit in the fair value of a reference portfolio adjusted for differences in amount, timing and uncertainty between the reference portfolio of assets and respective liability cash flows and adjusted to exclude elements not related to the characteristics of the liability cash flows (expected and unexpected credit losses). Key sources of estimation uncertainty include; estimating the market risk premiums for credit risk of the underlying items that are only relevant to assets in the reference portfolio, determining discount rates beyond the last observable period for which referenced assets are available and, estimating the effect of differences in the timing amount and uncertainty of the items in the reference portfolio and contract cash flows (see **Notes 2W(viii), 4B and 18**).

- *Valuation of insurance contract and investment contract liabilities*: The actuarial assumptions (mortality, morbidity, longevity, expense and policyholder behaviour) used in the valuation of insurance contract liabilities require judgement and estimation (see **Notes 4B and 18**). The valuation of investment contract liabilities is based on fund values and is initially recognised at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost (see **Notes 2W(ii) and 17**).

D. Consolidation

i) Subsidiary

Subsidiaries are all entities over which the Company has control. Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date control is transferred to the Company and deconsolidated on the date control ceases.

The Company's 72.35% owned joint venture is consolidated as the Group controls the operations of the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Paynes Bay Reinsurance SPC, Ltd. ("Paynes Bay Re") is a wholly owned subsidiary of Insurance Corporation of Barbados Limited ("ICBL"). Paynes Bay Re was incorporated on January 31, 2024, as an exempted segregated portfolio company under the Companies Act (as revised) of the Cayman Islands. It was established to provide reinsurance capacity to ICBL through the use of segregated portfolios.

The Company has established one segregated portfolio, Paynes Bay Re Segregated Portfolio #1 ("Segregated Portfolio", "Segregated Portfolio No. 1", or "SP1"), which provides reinsurance support to ICBL's non-life insurance business.

Inter-company transactions, balances, and unrealized gains (losses) on transactions between companies are eliminated on consolidation. When necessary, amounts reported by the subsidiary have been adjusted to conform to the Company's accounting policies.

2. MATERIAL ACCOUNTING POLICIES (continued)

ii) Transactions with non-controlling interest
The Company applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Company.

iii) Information about unconsolidated investment entity
When assessing control over an investee, an investor considers the nature of its relationship with other parties and whether those other parties are acting on the investor's behalf; that is, acting as a de facto agent. The determination of whether other parties are acting as de facto agents requires judgement, considering not only the nature of the relationship but also how those parties interact with each other and the investor.

E. Determination of fair value

Fair value is determined based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using the assumptions that market participants would use when pricing an asset or liability. When available, quoted market prices are used to determine fair value. If quoted market prices are not available, fair value is typically based on alternative valuation techniques such as discounted cash flows and other techniques. When observable valuation inputs are not available, significant judgement is required to determine fair value by assessing the valuation techniques and inputs. For bonds and fixed income securities, fair value is determined by discounting expected future cash flows using current market rates. Judgement is also applied in adjusting external observable data for items including liquidity and credit factors. A description of the fair value methodologies and assumptions by type of asset is included in **Note 9A**.

F. Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer ("CEO").

G. Foreign Currency Translation

i) Functional and presentation currency
Items included in the financial statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). All amounts in the consolidated financial statements, excluding per share data or where otherwise stated, are in thousands of Barbados dollars, which is the Company's functional and presentation currency.

ii) Transactions and balances
Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions. Monetary assets and liabilities, outstanding at the year-end and denominated in currencies other than the functional currency of the Company or its subsidiary are translated into the functional currency using the rate of exchange prevailing at the consolidated statement of financial position date. Income and expenses are translated at rates of exchange in effect on the transaction dates. Foreign exchange gains and losses are expensed in the consolidated statement of comprehensive income.

H. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly liquid financial assets with original maturities of three months or less and bank overdrafts. The carrying value of cash and cash equivalents approximates their fair value. Restricted cash and cash equivalents consist of cash being held on account of various pension plans and cash held on account for dividends issued but not collected to satisfy regulatory requirements. These amounts are not available for use in the Group's daily operations and therefore are excluded in the consolidated statement of cashflows.

2. MATERIAL ACCOUNTING POLICIES (continued)

I. Fixed and Regulatory Deposits

Regulatory deposits are held with Regulators as a legal requirement in order to provide services. Fixed/term deposits are investments with original maturity dates longer than 90 days and are held with financial institutions. The carrying value of regulatory and fixed deposits approximates their fair value.

J. Financial Instruments

Financial assets
Classification, recognition and subsequent measurements of financial assets
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 Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest "(SPPI") on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- It is not held for trading.
- It is not contingent consideration arising from a business combination.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI on an investment-by-investment basis.

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 Group 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.

Business model assessment
The Group 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:

1 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;
2 how the performance of the portfolio is evaluated and reported to the Group's management;
3 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;
4 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
5 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 Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

2. MATERIAL ACCOUNTING POLICIES (continued)

J. Financial Instruments (continued)

Business model assessment (continued)
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 Group's continuing recognition of the assets.

Financial assets that are managed and whose performance is evaluated on a fair value basis, which include underlying items of participating contracts, and 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.

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.

Assessment whether contractual cash flows are solely payments of principal and interest

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

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

A prepayment feature is consistent with the 'solely payments of principal and interest' 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.

Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Group 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 asset; and

2. MATERIAL ACCOUNTING POLICIES (continued)

J. Financial Instruments (continued)

Modifications of financial assets and financial liabilities (continued)

Financial assets (continued)

- other fees are included in profit or loss as part of the gain or loss on derecognition.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment 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. Any costs or fees incurred, and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

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 income calculated using the effective interest rate method (see **Note 2(J)** below).

Financial liabilities

The Group derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised 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 are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Impairment

The Group recognises loss allowances for expected credit losses (“ECL”) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- loan commitments issued.

Note that Direct Premium Receivables fall under IFRS 17 and are out of scope for IFRS 9. Broker premium receivables and payables primarily consist of amounts owing from and to brokers and other intermediaries that are directly attributable to a specific group of insurance or reinsurance contracts issued and therefore are included in the amounts reported under IFRS17.

No allowance for ECL is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

2. MATERIAL ACCOUNTING POLICIES (continued)

J. Financial Instruments (continued)

Impairment (continued)

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group does not apply the low credit risk exemption to any other 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 a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime E6CL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- **financial assets that are not credit-impaired at the reporting date:** as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- **financial assets that are credit-impaired at the reporting *date*:** as the difference between the gross carrying amount and the present value of estimated future cash flows.
- **undrawn loan commitments**: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired (referred to as 'Stage 3 financial assets'). 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 borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; 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.

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for ECL are presented in the consolidated statement of financial position as assets measured at amortised cost - as a deduction from the gross carrying amount of the assets.

2. MATERIAL ACCOUNTING POLICIES (continued)

J. Financial Instruments (continued)

Impairment (continued)

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group 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.

However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

Investments

The ‘investments’ caption in the consolidated statement of financial position includes:

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- equity investment securities designated as FVTPL;
- equity investment securities designated as at FVOCI; and
- loans and receivables measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

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

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment. Dividends on equity instruments are recognised in the consolidated statement of comprehensive income on the ex-dividend date.

The Company classifies equity investments as FVTPL where on initial recognition they were not designated as FVOCI. Attributable transaction costs on initial recognition are recognised in profit and loss. Realised and unrealised fair value changes, and dividends are captured in investment income.

Effective interest rate

Interest income is recognised in profit or loss using the effective interest method. The ‘effective interest rate’ 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.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

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

2. MATERIAL ACCOUNTING POLICIES (continued)

J. Financial Instruments (continued)

Amortised cost and gross carrying amount

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 expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income

The effective interest rate of a financial asset is calculated on initial recognition of a financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset.
(when the asset is not credit impaired). The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

See credit-impaired financial assets at **Note 4A** for further details.

Presentation

Interest income calculated using the effective interest method presented in the consolidated statement of comprehensive income includes interest on financial assets measured at amortised cost.

Financial liabilities

The Group has financial liabilities which include investment contract liabilities, amounts due to affiliates and other liabilities. Such financial liabilities are initially recognised at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost. Included under other liabilities are accounts payable. Other liabilities are considered short-term payables with no stated interest and the carrying value of these financial liabilities approximates fair value at the reporting date. All other liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provision of the instrument.

K. Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets comprise investment properties, property and equipment and intangible assets. Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Non-financial assets that are subject to amortisation are reviewed for impairment whenever there is objective evidence of impairment.

Objective evidence includes but is not limited to the following: (i) adverse economic, regulatory or environmental conditions that may restrict future cash flows and asset usage and/or recoverability; (ii) the likelihood of accelerated obsolescence arising from the development of new technologies and products; and (iii) the disintegration of the active market(s) to which the asset is related. If objective evidence of impairment exists, then the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount and is recognised as losses in operating expenses in the consolidated statement of comprehensive income. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

2. MATERIAL ACCOUNTING POLICIES (continued)

K. Impairment of non-financial assets (continued)

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 conditions of the time value of money and the risks specific to the asset. Assets which cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (cash-generating units).

L. Investment Properties

Investment properties are defined as properties with an insignificant portion that is owner occupied and are held for long-term rental yields or capital appreciation and comprise freehold land and buildings. Properties that do not meet these criteria are classified as property and equipment. Investment properties are initially recognised at costs including related transaction costs and subsequently measured at fair value. The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions. Fair values for investment properties are assessed annually. The fair value is assessed using the most recently available reports from a qualified external appraisal service. Any gain or loss arising from a change in fair value is included as fair value adjustments in investment property on the consolidated statement of comprehensive income.

Transfers to, or from, investment property are made when there is a change in use of the property, evidenced by commencement of owner-occupation, end of owner-occupation, commencement of an operating lease to another party, or end of construction or development.

M. Property, Plant and Equipment

Land and buildings

The Group's land and buildings are carried at a re-valued amount, being fair value at the date of the revaluation less any subsequent accumulated depreciation and any accumulated impairment losses. Valuations are performed on a triennial basis such that the carrying amount does not differ materially from that which would be determined using fair value at the consolidated statement of financial position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Valuations were performed by a professional firm of certified valuers as 31 October, 2022. Direct sales comparisons, when such data is available, and income capitalisation, when appropriate are included in the assessment of fair value.

When an item of land and building is re-valued, the entire class of land and building to which that asset belongs is re-valued. When an asset's carrying amount is increased as a result of a revaluation, the increase is recognised as other comprehensive income and is included in equity under accumulated other comprehensive income. A revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised as an expense. However, a revaluation decrease is charged directly against any related revaluation surplus to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same asset.

Land is not depreciated. Depreciation on buildings is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives at the rate of 50 years.

N. Property, Plant and Equipment

Furniture, Equipment and Leasehold improvements

Furniture, equipment and leasehold improvements are carried at cost less any accumulated depreciation and any accumulated impairment losses. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditures relating to ongoing maintenance of property and equipment are expensed as incurred in operating expenses in the consolidated statement of comprehensive income.

2. MATERIAL ACCOUNTING POLICIES (continued)

N. Property, Plant and Equipment (continued)

Furniture, Equipment and Leasehold improvements (continued)

Depreciation on these assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives at the following rates:

- Motor Vehicles 5 years
- Furniture and equipment 5 – 10 years
- Leasehold improvements 20 years

The assets' residual values, useful lives and method of depreciation are reviewed at the end of each reporting period and adjusted if appropriate. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is considered impaired and it is written down immediately to its recoverable amount. In the event of improvement in the estimated recoverable amount, the related impairment may be reversed. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in other income in the consolidated statement of comprehensive income.

O. Leases

i) The Company as a lessee

The Company leases vehicles. Rental contracts are typically made for fixed periods but may have extension options described further below. These leases do not include residual value guarantees or purchase options.

Lease contracts that contain an identified asset for which the Company has the right to direct the use of the identified asset and obtain substantially all of the economic benefits through the period of use are recognised on the consolidated statement of financial position as a right-of-use asset within Property and Equipment and a corresponding liability within Other Liabilities (**see Note 15**) at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments: fixed payments, less any lease incentives receivable; variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date; lease payments for reasonably certain renewal options; and payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2. MATERIAL ACCOUNTING POLICIES (continued)

O. Leases (continued)

i) The Company as a lessee (continued)

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the Group as a starting point, which is then adjusted to reflect changes in financing conditions since the third-party financing was received;
- because all third-party financing is to be arranged at the Group level, the use of the Group financing rates has been applied.

Lease payments are allocated between principal and finance cost. The finance cost is charged to consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following: the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs, and any restoration costs. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

- Motor Vehicles 5 years

Payments associated with short-term leases with a lease term of 12 months or less and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Extension and termination options are included in a number of property leases held by the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The probability of renewal (or termination) is assessed using several factors such as: suitability and location of the asset; comparison to market rates; historical lease durations; costs and business disruption to replace the lease assets; and any other relevant factors. Most extension options in equipment and vehicles leases have not been included in the lease liability, because the group could replace the assets without significant cost or business disruption.

ii) The Company as a lessor

Where the Company is the lessor under an operating lease for its investment properties, lease arrangements are fixed, and income is credited to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease. In addition, the tenant can renew their lease when their tenancy is nearing expiry. There are no contingent rentals included in the lease agreements.

P. Intangible Assets

Software development costs

Cost associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable software products controlled by the Group are recognised as intangible assets when:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it;
- there is an ability to use the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software product are available; and

2. MATERIAL ACCOUNTING POLICIES (continued)

P. Intangible Assets (continued)

Software development costs (continued)

- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software development include employee costs and an appropriate portion of directly attributable overheads. Other development expenditures that do not meet these criteria are expensed when incurred. Capitalised software development costs for projects in use are amortised on a straight-line basis over their useful lives, which range from 3 to 10 years.

Q. Current and Deferred Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of income, except to the extent that it relates to items recognised in the consolidated statement of comprehensive income.

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 the country where the Group operates and generate taxable income.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statement of financial position.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The tax effect of carry-forwards of unused tax losses are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised. When management's assessment indicates that it is more likely than not that deferred income tax assets will not be realised, a valuation allowance is recorded against the deferred tax assets.

R. Employee Benefits

The Company operates various post-employment schemes, including both defined benefit and contribution pension plans and post-employment medical plans.

i) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. With respect to the Group's defined contribution plan, the Group pays contributions into the plan and has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

A defined benefit plan is a pension plan, which the Group is obligated to pay a specified benefit based on a predetermined formula. The liability recognised in the consolidated statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the financial reporting period less the fair value of plan assets. When the calculation results in a surplus, the asset recognised is limited to the present value of the future economic benefit available in the form of future refunds for the plan or reduction in future contributions to the plan (the asset limit). The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market interest rates of government bonds that have terms to maturity that approximate the terms of the related pension liability. Annual changes in net assets or obligations arising from plan amendments and transitional amounts are amortised over the expected average remaining service life of the employees covered by the plan.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in the consolidated statement of comprehensive income.

2. MATERIAL ACCOUNTING POLICIES (continued)

R. Employee Benefits (continued)

ii) Other post-employment obligations

In addition to pension benefits, the Group provided post-retirement benefits for health care to qualified employees who retired prior to 1 January 2014. The entitlement to these benefits was usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits were accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans.

Annual changes in the post-retirement benefits for health care obligations arising from plan amendments were amortised on a straight-line basis over the expected average remaining service life to full eligibility age of employees covered by the plan. Actuarial gains and losses are charged or credited to equity in other comprehensive income in the period in which they arise. In the current year, only interest on the obligation is recognized in the statement of income.

iii) Profit share and bonus plan

The Company recognises a liability and expense for bonuses and profit sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company makes payments based on the achievements of targets based on pre-determined key performance indicators.

iv) Employee share purchase plan

The Company operates an employee share purchase plan that allows its employees to purchase the Company's common shares at below market rates, subject to certain restrictions. Shares are offered at a discount to the shares' fair values, as determined by the market share price on the date of purchase. Employees may purchase shares up to a maximum percentage of their gross salary. The discount is charged to compensation expense in the period in which the shares are purchased.

v) Share-based compensation

The Company has an Equity Incentive Plan under which the Company receives services from employees as consideration for equity instruments of the Company. Stock grants are issued to the employees equal to the fair value of the shares on the grant date. The amount of the benefit of these share grants are amortised over the vesting period as operating expense in the statement of comprehensive income. If the Company grants share options to employees that vest in the future if they are still employed, then the fair value of the options will be calculated at the date the options are granted. This fair value will be charged to the statement of comprehensive income equally over the vesting period with adjustments at each accounting date to reflect the best estimate of the number of options that will eventually vest.

The grant by the Company of its equity instruments to employees is treated as a capital contribution by the Company. The fair value of the employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase in additional paid in capital, with a corresponding charge to operating expenses.

S. Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognised as a deduction from equity.

T. Dividend Distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated statement of financial position in the period in which the dividends are approved by the Company's Board of Directors.

2. MATERIAL ACCOUNTING POLICIES (continued)

U. Earnings Per Share

Basic earnings per share is presented in the consolidated statement of comprehensive income and is calculated by dividing the shareholders' net earnings for the year by the weighted average number of ordinary shares outstanding at the reporting date. Diluted earnings per share is calculated by dividing the shareholders' net earnings by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares
that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. When there is a loss, no potential common shares are included in the computation of fully diluted earnings per share.

V. Related Party Transactions

Two parties are considered to be related if one party has the ability, directly or indirectly to control the other party or to exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individual or corporate entities.

W. Insurance Contracts, Investment Contracts and Reinsurance Contracts Held

i) Insurance contracts issued and reinsurance contracts held

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

Contracts issued	Product classification	Measurement model
Insurance contract issued		
Individual life Whole life Term life Life-contingent annuities	Insurance contracts	General Measurement Model (GMM)
Individual life Universal life	Insurance contracts without direct participation features	GMM
Group life	Insurance contracts	Premium Allocation Approach (PAA)
Group health	Insurance contracts	PAA
Individual health	Insurance contracts	PAA
Property and casualty Motor Marine and aviation Property Miscellaneous accident	Insurance contracts	PAA
Reinsurance contracts held		
Long-term mortality Excess of loss Catastrophe Quota share	Reinsurance contracts held	GMM
Short-term mortality & morbidity Excess of loss Catastrophe Quota share	Reinsurance contracts held	PAA
Property & casualty Excess of loss Catastrophe Quota share	Reinsurance contracts held	PAA

2. MATERIAL ACCOUNTING POLICIES (continued)

W. Insurance Contracts, Investment Contracts and Reinsurance Contracts Held (continued)

ii) Definitions and classifications

Insurance contracts

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

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

The Group uses judgement in determining whether a contract contains significant insurance risk by assessing if an insured event could cause the Group 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 Group assesses whether insurance contracts allow policyholders to participate in investment returns with the Group, in addition to compensation for losses from insured risk. Such contracts meet the definition of insurance contracts with direct participating features if the following criteria are met:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items
- the Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns from the underlying items
- a substantial portion of the cash flows that the Group expects to pay to the policyholder is expected to vary with the change in the fair value of the underlying items

The Group has not issued any contracts which are classified as insurance contracts with direct participation features. The Group’s universal life contracts provide discretionary returns however these returns are not practically or contractually linked to a defined pool of underlying assets. Changes in discretionary cash flows are regarded as relating to future services and accordingly adjust the CSM.

Investment contracts

In the absence of significant insurance risk, the Group classifies contracts as investment contracts or service contracts. Investment contracts with discretionary participating features are accounted for in accordance with IFRS 17 and investment contracts without discretionary participating features are accounted for in accordance with IFRS 9.

The Group’s investment contracts include pension plans with a minimum rate of return and annuities that do not transfer insurance risk. All investment contracts issued are non-participating. The Group maintains the right to vary the rate of return upon the provision of three (3) month’s notice.

The Group has not issued any contracts meeting the definition of an investment contract with discretionary participation features.

The Group has issued annuity contracts with guaranteed payments which would otherwise be classified as investment contracts. However, due to immateriality, the Group elected to measure these contracts consistently with life-contingent annuities.

Liabilities for investment contracts are measured at amortised cost. Contracts recorded at amortised cost are initially recorded at fair value and re-measured at amortised cost in each subsequent period using the effective interest rate. Changes in investment contract liabilities are recorded as a change in investment contract benefits expenses in the consolidated statement of comprehensive income. These liabilities are de-recognised when the obligation of the contract is discharged, cancelled or expired. Additionally, gains/losses on the related investments are recorded against the contract liabilities.

2. MATERIAL ACCOUNTING POLICIES (continued)

W. Insurance Contracts, Investment Contracts and Reinsurance Contracts Held (continued)

ii) Definitions and classifications (continued)

Reinsurance contracts held

The Group enters into facultative and treaty reinsurance arrangements to transfer insurance risk, along with the respective premiums, to one or more reinsurers who will share the risks. To the extent that the assuming reinsurers are unable to meet their obligations, the Group remains liable to its policyholders for the portion reinsured. Contracts of this nature are defined as reinsurance contracts held.

Contracts held by the Group under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts held.

iii) Separating components from insurance and reinsurance contracts

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

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

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

<u>Separating embedded derivatives</u>

The Group assesses whether its insurance contracts include embedded derivates which are not closely related to the host insurance contract and therefore require bifurcation and accounting for applying IFRS 9.

The Group issues universal life insurance contracts that include embedded derivatives by way of minimum credited rate guarantees. The guaranteed payment is made to the policyholder in event of death of the insured. As this is conditional on the insured event (death) and compensates the policyholder, the guarantee itself meets the definition of an insurance contract. The guarantee is therefore not bifurcated and the whole contract is accounted for applying IFRS 17.

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

<u>Separating investment components</u>

The Group issues life insurance policies which include investment components under which the Group 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 Group considers if the investment and insurance components are highly interrelated or not. This includes assessing whether the Group 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.

The following contracts issued by the Group included investment components:

- Life annuities include annuity payments within the certain period which are made regardless of the status of life and under all circumstances. However, the certain portion of the annuity is a non-distinct investment component as it can not be separated from the host contract as there is no way for a policyholder to lapse one portion of the annuity while maintaining the other.
- Individual life policies include cash surrender values which will be paid out in all future scenarios, upon surrender or on claim. The surrender value is closely related to the host insurance contract

2. MATERIAL ACCOUNTING POLICIES (continued)

W. Insurance Contracts, Investment Contracts and Reinsurance Contracts Held (continued)

iii) Separating components from insurance and reinsurance contracts (continued)

- because insurance coverage is terminated upon surrender. The cash surrender value is therefore a non-distinct investment component.
- Universal life policies include account values which will be paid out in all future scenarios. The account value cannot exist if the life insurance component is removed and the face amounts options of the insurance component is a function of the account value. Due to the interrelatedness, the account value is a non-distinct investment component.

The Group has not identified any distinct investment components.

Separating promises to transfer distinct goods or non-insurance services

After the Group has determined whether to separate embedded derivatives and investment components, it considers the separation of any promises of transfer goods or non-insurance services embedded in the contract. Any distinct promises to transfer goods or non-insurance services are separated and accounted for applying IFRS 15.

In determining whether the promise is distinct, the Group consider 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.

The Group offers roadside assistance services with some of its auto insurance contracts. The Group does not separate the roadside assistance service as there is no separate premium and the service cannot exist without the host insurance contract.

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

iv) Level of aggregation

The Group identifies portfolios by aggregating insurance contracts that are subject to similar risks and managed together. In grouping insurance contracts into portfolios, the Group considers the similarity of risks rather than the specific labelling of product lines. The Group 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.

Each portfolio is subdivided into groups of contracts that are issued within a calendar year (annual cohort), and each cohort is further disaggregated into three groups of contracts based on profitability:

- 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 fulfillment cash flow expectations determined on a probability-weighted basis. The Group 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 and any remaining contracts. The Group applies significant judgement in determining at what level of granularity the Group has sufficient information to conclude that all contracts within a set will be in the same group. In the absence of such information, the Group assesses each contract individually.

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

For contracts accounted for applying the Premium Allocation Approach (PAA), the Group assumes that contracts are not onerous on initial recognition, unless there are facts and circumstances indicating otherwise.

2. MATERIAL ACCOUNTING POLICIES (continued)

W. Insurance Contracts, Investment Contracts and Reinsurance Contracts Held (continued)

iv) Level of aggregation (continued)

The Group assesses the likelihood of changes in applicable facts and circumstances to determine whether contracts not onerous on initial recognition belong to a group with no significant possibility of becoming onerous in the future.

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

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Group aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of:

- contracts for which there is a net gain at initial recognition, if any;
- contracts for which at initial recognition there is no significant possibility of a net gain arising subsequently; and
- remaining contracts in the portfolio, if any.

Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis. The Group tracks internal management information reflecting historical experiences of such contracts' performance and this information is used for setting pricing of these contracts.

v) Recognition

The Group 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 become onerous

A group of reinsurance contracts held that covers the losses of separate insurance contracts on a proportionate basis (proportionate or quota share reinsurance) is recognised at the later of:

- the beginning of the coverage period of the group; or
- the initial recognition of any underlying insurance contract.

The Group does not recognise a group of quota share reinsurance contracts held until it has recognised at least one of the underlying insurance contracts.

A group of reinsurance contracts held that covers aggregate losses from underlying contracts in excess of a specified amount (non-proportionate reinsurance contracts, such as excess of loss reinsurance) is recognised at the beginning of the coverage period of that group.

The Group 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.

2. MATERIAL ACCOUNTING POLICIES (continued)

W. Insurance Contracts, Investment Contracts and Reinsurance Contracts Held (continued)

vi) Modification and derecognition

The Group 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 Group 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 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 Group 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 Group treats the effect of the modification as changes in the estimates of fulfilment cash flows.

For insurance contracts accounted for applying the GMM, a change in the estimates of fulfilment cash flows (FCF) results in a revised end of period Contractual Service Margin (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.

For insurance contracts accounted for applying the PAA, the Group adjusts insurance revenue prospectively from the time of the contract modification based on the amount of expected premium receipts to be allocated to the remaining period.

The Group derecognises an insurance contract when, and only when the contract is:

- Extinguished (when the obligation specified in the insurance contract expires or is discharged or cancelled)
- Modified and the derecognition criteria are met

When the Group 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 Group transfers an insurance contract to a third party and that results in derecognition, the Group 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.

2. MATERIAL ACCOUNTING POLICIES (continued)

W. Insurance Contracts, Investment Contracts and Reinsurance Contracts Held (continued)

vi) Modification and derecognition (continued)

When the Group derecognises an insurance contract due to modification, it derecognises the original insurance contract and recognises a new one. The Group 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 Group 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.

vii) Contract boundaries

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

In determining which cash flows fall within a contract boundary, the Group considers its substantive rights and obligations arising from the terms of the contract, and from applicable laws, regulations and customary business practices. The Group 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 Group can compel the policyholder to pay the premiums or the Group has a substantive obligation to provide the policyholder with insurance contract services.

A substantive obligation to provide insurance contract services ends when the Group 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 Group must have the practical ability to reprice the portfolio to fully reflect risk from all policyholders. The Group'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 Group considers all risks that policyholders would transfer had the Group issued the contracts (or portfolio of contracts) at the reassessment date. Similarly, the Group 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 Group's practical ability to reprice existing contracts takes into account all contractual, legal and regulatory restrictions. In doing so, the Group disregards restrictions that have no commercial substance. The Group also considers the impact of market competitiveness and commercial considerations on its practical ability to price new contracts and repricing existing contracts. The Group exercises judgement in deciding whether such commercial considerations are relevant in concluding as to whether the practical ability exists at the reporting date.

In estimating expected future cash flows of a group of contracts, the Group 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.

- When the insurance option is not in substance a separate contract and the terms are guaranteed by the Group, 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 Group, the cash flows arising from the option might be either within or outside the contract boundary. This depends on whether the Group has the practical ability to set a price that fully reflects the reassessed risks of the whole contract. If the Group 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.

2. MATERIAL ACCOUNTING POLICIES (continued)

W. Insurance Contracts, Investment Contracts and Reinsurance Contracts Held (continued)

vii) Contract boundaries (continued)

The Group issues individual life insurance contracts with riders for optional enhancement of the existing coverage. These represent insurance components that are not measured separately from the insurance contract and their terms are guaranteed by the Group or re-underwriting is not required for policyholders to exercise the options. The cash flows related to these options are therefore considered within the contract boundary.

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

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

viii) Measurement of insurance contracts issued

Contracts measured by the General Measurement Model

Initial measurement

On initial recognition, the Group measures a group of contracts as the total of expected FCF and the CSM.

The FCF are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Group expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows:

a. are based on a probability weighted mean of the full range of possible outcomes;
b. are determined from the perspective of the Group, provided the estimates are consistent with observable market prices for market variables; and
c. reflect conditions existing at the measurement date.

When estimating FCF, the Group includes the following cash flows:

- Premiums and related cashflows
- Claims and benefits, including reported claims not yet paid, incurred claims not yet reported and expected future claims
- Premium taxes and other transaction-based taxes
- Loans to policyholders
- Insurance acquisition cash flows which are allocated to groups of contracts on a systematic and rational basis
- Allocation of other fixed and variable expenses directly attributable to fulfilment of insurance contracts

The Group estimates these cash flows by considering internal and external evidence from current and past conditions, as well as possible future condition to reflect market and non-market variables impacting the value of cash flows.

The Group updates its estimates at the end of each reporting period using all new available information, as well as historic evidence and information about trends.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates.

2. MATERIAL ACCOUNTING POLICIES (continued)

W. Insurance Contracts, Investment Contracts and Reinsurance Contracts Held (continued)

viii) Measurement of insurance contracts issued (continued)

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.

The Group 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 observables current market prices. These 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).

The Group used the top-down approach in determining discount rates for its individual life and annuities contracts. Under this approach, the discount rate is determined as the yield implicit in the fair value of a reference portfolio adjusted for differences in amount, timing and uncertainty between the reference portfolio of assets and respective liability cash flows and adjusted to exclude elements not related to the characteristics of the liability cash flows (expected and unexpected credit losses). These adjustments were estimated using information from observed historic levels of default and credit default swaps for similarly rated bonds in other markets (given limitations of this data for the Barbados market) adjusted for the circumstances related to sovereign bonds.
The reference portfolio comprises sovereign bonds (Government of Barbados bonds). The assets were selected in order to closely reflect the currency and liquidity characteristics of the insurance cash flows.

Observable market information is available for up to 15 years beyond the measurement date (observable period). For the unobservable period, the yield curve was linearly interpolated using between an ultimate spot rate and the last observable point.

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

This would be applicable to the Group's universal life product. However, no adjustment has been made to discount rates to account for this variability given the low interest rate environment and low minimum credit guarantee. The Group reviews this policy decision by monitoring changes in the interest rate and economic environment.

The Group 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 Group 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.

Risk adjustment

The risk adjustment for non-financial risk represents the compensation that the Group requires for bearing uncertainty in the amount and timing of insurance contract cash flows due to non-financial risk. Non-financial risks are insurance risks such as life mortality, annuity mortality and morbidity, and other risks such as lapse and expense.

The risk adjustment is calculated by applying a margin to non-financial assumptions and discounting the resulting margin cash flow at the same discount rates as the best estimate cash flows.

The Group uses the additive margin approach, also known as provision for adverse deviation (PfAD) approach to determine margins for adverse deviation (MfAD) which are calibrated to the Group's selected confidence level. The margins applied reflect diversification benefits determined using the LICAT correlation matrix. The disclosed confidence level is on a consolidation basis and net of reinsurance.

2. MATERIAL ACCOUNTING POLICIES (continued)

W. Insurance Contracts, Investment Contracts and Reinsurance Contracts Held (continued)

viii) Measurement of insurance contracts issued (continued)

Contractual service margin

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that the Group will recognise as it provides coverage in the future.
At initial recognition, the CSM is an amount that results in no income or expenses (unless a group of contracts is onerous) arising from:

- the initial recognition of the FCF;
- the derecognition at the date of initial recognition of any asset or liability recognised for insurance acquisition cash flows; and
- cash flows arising from the contracts in the group at that date.

A negative CSM at the date of inception means the group of insurance contracts issued is onerous. A loss from onerous insurance contracts (“loss component”) is recognised in profit or loss immediately through insurance service expenses, with no CSM recognised on the consolidated statement of financial position on initial recognition.

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

Coverage units

For contracts issued, the Group determines the coverage period for the CSM recognition as follows:

- for whole life, term life and universal life insurance contracts, the coverage period corresponds to the policy coverage for mortality risk
- for annuity contracts, the coverage period corresponds to the annuities payout periods

The total number of coverage units in a group is the quantity of coverage provided by the contracts in the group over the expected coverage period. The coverage units are determined at each reporting period-end prospectively by considering:

- the quantity of benefits provided by contracts in the group;
- the expected coverage duration of contracts in the group; and
- the likelihood of insured events occurring, only to the extent that they affect the expected duration of contracts in the group.

The Group uses the amount that it expects the policyholder to be able to validly claim in each period if an insured event occurs as the basis for the quantity of benefits.
The Group determines coverage units as follows:

- for whole life and term life insurance contracts, coverage units are determined based on the policies’ face values that are equal to the fixed death benefit amounts;
- for universal life insurance contracts, coverage units are based on death benefits amounts plus policyholders’ account values;
- for annuities, coverage units are based on the annual annuity benefit payable

The Group considers the time value of money in determining the equal allocation of the CSM at the reporting date to each coverage unit provided in the current period and expected to be provided in the future, reflecting the timing of the expected provision of the coverage units.

Insurance acquisition cash flows

The Group includes the following acquisition cash flows within the insurance contract boundary that arise from selling, underwriting and starting a group of insurance contracts and that are:

- costs directly attributable to individual contracts and groups of contracts; and
- costs directly attributable to the portfolio of insurance contracts to which the group belongs, which are allocated on a reasonable and consistent basis to measure the group of insurance contracts.

2. MATERIAL ACCOUNTING POLICIES (continued)

W. Insurance Contracts, Investment Contracts and Reinsurance Contracts Held (continued)

viii) Measurement of insurance contracts issued (continued)

Insurance acquisition cash flows (continued)

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

For the life & health contracts measured under the PAA, the group chooses to expense insurance acquisition cash flows when they are incurred, instead of including them in the measurement of the liability for remaining coverage.

The Group recognises an asset in respect of costs to secure a portfolio or group of insurance contracts (other than the life & health contracts measured under the PAA) 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 Group 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 Group 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 Group 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 Group 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

The carrying amount at the end of each reporting period of a group of insurance contracts issued at the is the sum of:

a. the LRC, comprising:
   i. the FCF related to future service allocated to the group at that date; and
   ii. the CSM of the group at that date; and
b. the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

<u>Changes in fulfilment cash flows</u>

The FCF are updated by the Group for current assumptions at the end of every reporting period, using the current estimates of the amount, timing and uncertainty of future cash flows and of discount rates. The way in which the changes in estimates of the FCF are treated depends on which estimate is being updated:

a. changes that relate to current or past service are recognised in profit or loss; and
b. changes that relate to future service are recognised by adjusting the CSM or the loss component within the LRC as per the policy below.

2. MATERIAL ACCOUNTING POLICIES (continued)

W. Insurance Contracts, Investment Contracts and Reinsurance Contracts Held (continued)

viii) Measurement of insurance contracts issued (continued)

Subsequent measurement (continued)

To determine how to identify changes in discretionary cash flows for these contracts, the Group generally regards its commitment to be based on a fixed interest rate.

The following adjustments relate to future service and thus adjust the CSM:

a. experience adjustments arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes;
b. changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;
c. differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period; and
d. changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments a. - c. are measured using the locked-in discount rates as described in the section *Interest accretion on the CSM* below.

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

a. changes in the FCF for the effect of the time value of money and the effect of financial risk and changes thereof;
b. changes in the FCF relating to the LIC; and
c. experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

<u>Changes to the CSM</u>

For insurance contracts issued, at the end of each reporting period, the carrying amount of the CSM is adjusted by the Group to reflect the effect of the following changes:

a. the effect of any new contracts added to the group.
b. interest accreted on the carrying amount of the CSM
c. changes in the FCF relating to future service are recognised by adjusting the CSM. Changes in the FCF are recognised in the CSM to the extent the CSM is available. When an increase in the FCF exceeds the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognised in insurance service expenses and a loss component is recognised within the LRC. When the CSM is zero, changes in the FCF adjust the loss component within the LRC with correspondence to insurance service expenses. The excess of any decrease in the FCF over the loss component reduces the loss component to zero and reinstates the CSM.
d. the effect of any currency exchange differences.
e. the amount recognised as insurance revenue for services provided during the period determined after all other adjustments above.

For description of coverage units, please refer to **Note 2W(viii)** above.

<u>Interest accretion on the CSM</u>

Interest is accreted on the CSM using discount rates determined at initial recognition that are applied to nominal cash flows that do not vary based on the returns of underlying items (locked-in discount rates). If more contracts are added to the existing groups in the subsequent reporting periods, the Group revises the locked-in discount curves by calculating weighted-average discount curves over the period that contracts in the group are issued. The weighted-average discount curves are determined by multiplying the new CSM added to the group and their corresponding discount curves over the total CSM.

2. MATERIAL ACCOUNTING POLICIES (continued)

W. Insurance Contracts, Investment Contracts and Reinsurance Contracts Held (continued)

viii) Measurement of insurance contracts issued (continued)

Subsequent measurement (continued)

Adjusting the CSM for changes in the FCF relating to future service

The CSM is adjusted for changes in the FCF measured applying the discount rates as specified above in the *Changes in fulfilment cash flows* section.

Release of the CSM to profit or loss

The amount of the CSM recognised in profit or loss for services in the period is determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of contracts based on coverage units (as detailed in the *Coverage units* section above).

Onerous contracts – loss component

When adjustments to the CSM exceed the amount of the CSM, the group of contracts becomes onerous and the Group recognises the excess in insurance service expenses and records it as a loss component of the LRC.

When a loss component exists, the Group allocates the following between the loss component and the remaining component of the LRC for the respective group of contracts, based on the ratio of the loss component to the FCF relating to the expected future cash outflows:

a. expected incurred claims and expenses for the period;
b. changes in the risk adjustment for non-financial risk for the risk expired; and
c. finance income (expenses) from insurance contracts issued.

The amounts of loss component allocation in a. and b. above reduce the respective components of insurance revenue and are reflected in insurance service expenses.

Decreases in the FCF in subsequent periods reduce the remaining loss component and reinstate the CSM after the loss component is reduced to zero. Increases in the FCF in subsequent periods increase the loss component.

Contracts measured by the Premium Allocation Approach

The Group applies the PAA to the measurement of its property & casualty contracts and its annual renewable life & health contracts (individual health, group life, group health).

Each of these contracts, except for some contracts within the miscellaneous accident P&C portfolio, have coverage periods of one year or less and therefore meet automatic eligibility criteria for measuring the LRC using the PAA. Those miscellaneous accident contracts where the coverage period exceeds one year, did not exceed materiality threshold for further quantitative assessment and not expected to have significant variability in fulfilment cash flows. The Group will monitor the portfolio to determine whether the threshold is exceeded in future periods warranting the Group to perform quantitative assessment.

Initial measurement

On initial recognition, the liability for remaining coverage is measured as the premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of any prepaid acquisition cash flows asset.

2. MATERIAL ACCOUNTING POLICIES (continued)

W. Insurance Contracts, Investment Contracts and Reinsurance Contracts Held (continued)

viii) Measurement of insurance contracts issued (continued)

Subsequent measurement (continued)

The Group defers the recognition of acquisition expenses through the LRC for its P&C insurance contracts and recognises the expenses over the coverage period. For the life & health contracts measured under the PAA, the group chooses to expense insurance acquisition cash flows when they are incurred, instead of including them in the measurement of the liability for remaining coverage.

The LRC for the Group's PAA contracts is not adjusted for the time value of money since there is no significant financing component as the time between providing service and receipt of premium is one year or less. For the miscellaneous accident contracts with coverage periods exceeding one year, the impact of the time value of money is immaterial. The LRC is also not adjusted for RA for non-financial risk.
The RA for LIC is calculated using the quantile approach which considers the probability of adequacy of the future cash flows, generating a distribution using bootstrapping method from which the value at risk ("VAR") is calculated. The RA is the VAR less the mean of the cash flows.

At the end of each reporting period, the Group measures the LRC for its contracts measured under the PAA as the carrying amount of the LRC at the beginning of the period, adjusted as follows:

- increased for premiums received in the period
- decreased for insurance acquisition cash flows paid in the period
- decreased for the amounts of expected premiums received recognised as insurance revenue for services provided in the period
- increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses

The liability for incurred claims (LIC) is measured similarly to the LIC measured under the GMM. For life & health contracts, the Group has elected not to reflect the time value of money in the LIC as claims are settled quickly. However, for P&C contracts, the Group has elected to discount the LIC.

If facts and circumstances indicate that a contract under the PAA has become onerous, it compares the FCF determined under the GMM to the LRC determined under the PAA. If the FCF exceeds the carrying amount of the LRC, the group of contracts is onerous. The difference is recognised as a loss in profit or loss, a loss component established and the LRC in increased.

Subsequently, the Group amortises the amount of the loss component within the LRC by decreasing insurance service expenses. The amortisation is based on the passage of time over the remaining coverage period of contracts. If facts and circumstances indicate that the expected profitability of the group of onerous contracts has changed, then the Group remeasures the FCF by applying the GMM and reflects changes in the FCF.

ix) Measurement of reinsurance contracts held

Contracts measured by the General Measurement Model

The Group measures its reinsurance contracts held and the underlying insurance contracts issued using consistent assumptions. The Group includes in the estimates of the present value of expected future cash flows 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.

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Group to the reinsurer. The Group assesses the amount of risk transferred by calculating the risk adjustment of the underlying contracts before and after the effect of the reinsurance contracts held.

2. MATERIAL ACCOUNTING POLICIES (continued)

W. Insurance Contracts, Investment Contracts and Reinsurance Contracts Held (continued)

ix) Measurement of reinsurance contracts held (continued)

On initial recognition, the Group recognises any net cost or net gain on purchasing the group of reinsurance contracts held as 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 Group recognises such a cost immediately in profit or loss as an expense as part of insurance service result.

For a group of reinsurance contracts held, on initial recognition of an underlying onerous group of insurance contracts or an addition of onerous underlying insurance contracts to a group, the Group 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 Group 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 change in the fulfilment cash flows of the group of reinsurance contracts held

These adjustments are calculated and presented in the consolidated statement of comprehensive income.

The Group 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 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 the consolidated statement of comprehensive income (adjusting the loss recovery component).

For reinsurance contracts held, the CSM is released to the consolidated statement of comprehensive income as services are received from the reinsurer in the period based on the same approach as for insurance contracts – by use of coverage units.

Contracts measured by the Premium Allocation Approach

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

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

At each of the subsequent reporting dates, the remaining coverage is:

- increased for ceding premiums paid in the period, and
- decreased for the amounts of ceding premiums recognised as reinsurance expenses for the services received in the period

2. MATERIAL ACCOUNTING POLICIES (continued)

W. Insurance Contracts, Investment Contracts and Reinsurance Contracts Held (continued)

x) Insurance revenue

As the Group 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 Group expects to be entitled to in exchange for those services

For groups of insurance contracts measured under the General Model, 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.

When applying the PAA, the Group recognises insurance revenue for the period based on the passage of time by allocating expected premium receipts including premium experience adjustments to each period of service.

At the end of each reporting period, the Group 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.

xi) 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.

xii) Net income or expense from reinsurance contracts held

The Group presents financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held, comprising the following amounts:

a. reinsurance expenses;
b. incurred claims recovery;

2. MATERIAL ACCOUNTING POLICIES (continued)

W. Insurance Contracts, Investment Contracts and Reinsurance Contracts Held (continued)

xii) Net income or expense from reinsurance contracts held (continued)

c. other incurred directly attributable insurance service expenses;
d. effect of changes in risk of reinsurer non-performance;
e. for contracts measured under the GMM, changes that relate to future service (i.e. changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts); and
f. changes relating to past service (i.e. adjustments to incurred claims).

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received services at an amount that reflects the portion of ceding premiums the Group expects to pay in exchange for those services.
For contracts not measured under the PAA, reinsurance expenses comprise the following amounts relating to changes in the remaining coverage:

a. insurance claims and other expenses recovery in the period measured at the amounts expected to be incurred at the beginning of the period, excluding repayments of investment components;
b. changes in the risk adjustment for non-financial risk, excluding:
   - changes included in finance income (expenses) from reinsurance contracts held; and
   - changes that relate to future coverage (which adjust the CSM);
c. amounts of the CSM recognised in profit or loss for the services received in the period; and
d. ceded premium experience adjustments relating to past and current service.

For groups of reinsurance contracts held measured under the PAA, the Group recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.
Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses.

xiii) Insurance finance income and expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:
- the effect of the time value of money and changes in the time value of money; and
- the effect of financial risk and changes in financial risk

For contracts measured under the GMM, the main amounts within insurance finance income or expenses are:
- interest accreted on the FCF and the CSM
- the effect of changes in interest rates and other financial assumptions

For contracts measured under the PAA, the main amounts within insurance finance income or expenses are:
- interest accreted on the LIC
- the effect of changes in interest rates and other financial assumptions

The Group includes all insurance finance income or expenses for the period in profit or loss.

xiv) Insurance contract receivables and payables

Insurance contract receivables and payables primarily consist of amounts owing from and to agents, brokers and other intermediaries that are related to a specific group of insurance or reinsurance contracts.

X. Other income

Other income represents revenue arising from the management of service contracts, pension administrative services and management services offered by the Group. Revenue is recognised at the point in time when services are rendered. The majority of the revenue from service contracts is comprised for variable consideration and is recognised when it is highly probable that a significant reversal in the amount of the revenue recognised will not occur.

Rental income represents fees earned from the rental of investment properties. Rental income is recognised at the point in time when services are rendered.

3. NEW AND REVISED ACCOUNTING STANDARDS

A. New and Revised Accounting Standards Adopted in 2024

The Group has applied the following standards and amendments for its annual reporting period commencing 1 January 2024:

- IAS 1 – Presentation of Financial Statements ("IAS 1") – on 23 January 2020, the IASB issued 'Classification of Liabilities as Current or Non-current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Adoption of these amendments did not have a significant impact to the Group.

- IAS 1 – Presentation of Financial Statements ("IAS 1") – on 31 October 2022, the IASB issued 'Non-current liabilities with covenants' effective for annual reporting periods beginning on or after 1 January 2024. The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Adoption of these amendments did not have a significant impact to the Group.

- IFRS 16 – Leases ("IFRS 16") – on 22 September 2022, an amendment was made to clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirement in IFRS 15 to be accounted for as a sale. This amendment is effective for annual reporting periods beginning on or after 1 January 2024. Adoption of these amendments did not have a significant impact to the Group.

- IAS 7 – Consolidated statement of cashflows ("IAS 7") and IFRS 7 – Financial Instruments: Disclosures ("IFRS 7") – on 25 May 2023, the IAB issued amendments to IAS 7 and IFRS 7 requiring an entity to provide additional disclosures about its supplier finance arrangements. These amendments are effective for annual reporting periods beginning on or after 1 January 2024. Adoption of these amendments did not have a significant impact to the Group.

B. New and Revised Accounting Standards to be Adopted in 2025 or Later

- IAS 21 – Lack of exchangeability ("IAS 21") – In August 2023, the IASB made amendments to IAS 21 to assist entities in the determination of whether a currency is exchangeable in another currency and to outline requirements entities would need to apply when a currency is not exchangeable into another currency at a measurement date for a specified purpose. The impact of the adoption of these amendments is still being assessed by the Group.

- IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") – the IASB has made limited scope amendments to IFRS 10 and IAS 28 which clarify the accounting treatment for sales or contribution of assets between an investor and their associates or joint ventures. In December 2015, the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method. The impact of the adoption of these amendments is still being assessed by the Group.

- Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments – These amendments which is effective for annual periods beginning on or after 1 January 2026 clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI). The impact of the adoption of these amendments is still being assessed by the Group.

3. NEW AND REVISED ACCOUNTING STANDARDS (continued)

B. New and Revised Accounting Standards to be Adopted in 2025 or Later (continued)

- IFRS 18 – Presentation and Disclosure in Financial Statements **–** This is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss effective for annual periods beginning on or after 1 January 2027. The key new concepts introduced in IFRS 18 relate to the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management defined performance measures); and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. The impact of the adoption of these amendments is still being assessed by the Group.

- Annual improvements to IFRS – Volume 11 – Annual improvements are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements in the Accounting Standards. The 2024 amendments are to the following standards:

  - IFRS 1 First-time Adoption of International Financial Reporting Standards;
  - IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7;
  - IFRS 9 Financial Instruments;
  - IFRS 10 Consolidated Financial Statements; and
  - IAS 7 Statement of Cash Flows

  These amendments are effective for annual periods beginning on or after 1 January 2027. The impact of the adoption of these amendments is still being assessed by the Group.

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK

Risk management and objectives

The Group's primary objective in undertaking risk management activity is to manage risk exposures in line with risk appetite, minimizing its exposure to unexpected financial loss and limiting the potential for deviation from anticipated outcomes. In this respect, a framework of limits and qualitative statements, aligned with the Group's risk appetite, is in place for material exposures. Key management recognises the critical importance of having efficient and effective risk management systems in place.

A significant part of the Company's business involves the acceptance and management of risk. The Company is exposed to insurance, market, credit, liquidity and operational risks and operates a formal risk management framework to ensure that all significant risks are identified and managed.

The Group seeks to manage its exposures to risk through control techniques, which ensure that the residual risk exposures are within acceptable tolerances agreed by the Board of Directors. The Group has established a risk management function with terms of reference from the Board of Directors, its committees and the associated executive management committees. This is supplemented with an organizational structure with documented delegated authorities and responsibilities from the Board of Directors to executive management committees and senior managers. The key control techniques for the major categories of risk exposure are summarised in the following sections.

Risks are usually grouped by risk type: (i) financial, including credit, liquidity and market, and (ii) insurance, including life and health insurance and short-term insurance risk. Risks falling within these types may affect a number of key metrics including those relating to balance sheet strength, liquidity and profit. The risk factors mentioned below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties.

Assets, which relate to certain life insurance and investment contracts are managed for the account and risk of the Group's customers.

There were no significant changes in the Group's objectives, policies and processes for managing risk and the methods used to measure risk compared to the previous period.

A. Financial Risks

i) Credit risk

Credit risk is the exposure that a counter-party to a financial instrument is unable to meet an obligation, thereby causing a financial loss to the Group. The Group faces credit risk on its financial assets, as well as on its reinsurance contract assets. Credit risks associated with future premium inflows from insurance contracts issued is mitigated by the Group's ability to terminate insurance contract services when policyholders fail to meet their premium payment obligations, resulting in insignificant credit risk exposures to the Group.

The following policies and procedures are in place to manage this risk:

- Holding a diversified investment portfolio that focuses on quality of investment. The portfolio is monitored and reviewed regularly by management's Investment Committee and by the Board of Directors', Finance, and Corporate Governance Committees;
- Investment guidelines are in place that minimize undue concentration of assets in any single group, asset class or credit rating;

(in thousands of Barbados dollars)

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK

A. Financial Risks (continued)

i) Credit risk (continued)

- Investment guidelines specify collateral requirements for mortgages and loans and receivables which include the underlying property or other security;
- Transacting business with well-established reinsurance companies with strong credit ratings; and
- Transacting business with well-established financial institutions and diversification of holdings where possible.

Maximum exposure to credit risk

The following table summarises the Group's maximum exposure to credit risk related to financial assets as well as its reinsurance contracts. The maximum credit exposure is the carrying value of the asset net of any allowances for losses.

	2024 $	2023 $
Cash and cash equivalents	40,694	44,923
Fixed deposits	13,533	6,673
Regulatory deposits	837	984
Bonds and fixed income securities	108,592	98,214
Mortgages & other loans	10,177	11,307
Restricted cash	7,870	6,173
Reinsurance contract assets	46,831	38,032
Other assets	11,886	19,037
Total	**240,420**	**225,343**

Concentration of credit risk

Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries.

Financial assets
The most significant concentration of credit risk with any counter-party relates to the holding of investments issued by the Government of Barbados in the amount of $59,407, (2023 - $56,647) and US Treasury Bills in the amount of $39,378 (2023 - $28,921).

The following tables provide details of the carrying value of bonds and fixed income securities by industry sector and geographic distribution:

	2024 $	2023 $
Bonds and fixed income securities issued or guaranteed by:		
Government	106,987	97,714
Aviation	-	-
Construction	-	-
Other	1,605	500
Total bonds and fixed income securities	**108,592**	**98,214**

(in thousands of Barbados dollars)

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

A. Financial Risks (continued)

i) Credit risk (continued)

Financial assets (continued)

	2024 $	2023 $
Barbados	66,211	63,043
Caribbean	1,898	6,250
International	40,483	28,921
Total bonds and fixed income securities	**108,592**	**98,214**

The carrying value of mortgages and loans by geographic location is shown in the following table:

	2024 $	2023 $
Barbados	10,177	11,307
Total mortgages and loans	**10,177**	**11,307**

Reinsurance contract assets

The following table provides details of reinsurance contract assets by geographic distribution:

	2024 $	2023 $
Europe	25,288	21,678
Miami, USA	11,708	6,085
Other territories	9,835	10,269
Total reinsurance contract assets	**46,831**	**38,032**

Credit quality of financial assets

The credit quality of financial assets is assessed quarterly by reference to external credit ratings if available or review of historical and current conditions that existed at the consolidated statement of financial position date.

	A	AA+	BBB+	BBB	BB and lower	Not rated*	2024
Cash and cash equivalents	-	-	20,489	-	20,200	5	**40,694**
Fixed deposits	-	-	-	-	385	13,148	**13,533**
Regulatory deposits	-	-	-	-	837	-	**837**
Bonds and fixed income securities	-	39,378	-	-	64,333	4,881	**108,592**
Mortgages and other loans	-	-	-	-	-	10,177	**10,177**
Restricted cash	-	-	1,943	-	5,927	-	**7,870**
Other assets	-	-	-	-	-	11,886	**11,886**
Total	**-**	**39,378**	**22,432**	**-**	**91,682**	**40,097**	**193,589**

(in thousands of Barbados dollars)

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (CONTINUED)

A. Financial Risks (continued)

i) Credit risk (continued)

Credit quality of financial assets (continued)

	A	AA+	BBB+	BBB	BB and lower	Not rated*	2023
Cash and cash equivalents	10,551		33,237	-	1,121	14	**44,923**
Fixed deposits	-	-	-	-	374	6,299	**6,673**
Regulatory deposits	-	-	-	-	984	-	**984**
Bonds and fixed income securities	-	28,921	-	-	65,805	3,488	**98,214**
Mortgages and other loans	-	-	-	-	-	11,307	**11,307**
Restricted cash	-	-	4,782	-	1,391	-	**6,173**
Other assets	-	-	-	-	-	19,037	**19,037**
Total	**10,551**	**28,921**	**38,019**	**-**	**69,675**	**40,145**	**187,311**

* Not rated fixed income securities relate to assets held within the Company's investment portfolio, which are issued by counterparties that are not rated by the rating agencies.

The following table sets out the credit quality analysis for bonds and fixed income securities measured at amortised cost. Unless specifically indicated, the amounts in the table represent gross carrying amounts.

*For explanations of the terms '12-month ECL', 'lifetime ECL' and 'credit-impaired', see **Note 2**.*

	2024			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit impaired	POCI	Total
Bonds and fixed income securities				
AA+	39,378	-	-	39,378
B	7,320	3,110	52,403	62,833
BBB-	-	1,926	-	1,926
B-	-	-	-	-
Unrated	1,605	3,082	-	4,687
	48,303	8,118	52,403	108,824
ECL provision	(28)	(204)	-	(232)
Amortised cost	**48,275**	**7,914**	**52,403**	**108,592**

POCI instruments consist of Government of Barbados instruments received in 2018 under BERT (see **Note 8**). These instruments were originated credit impaired and therefore classified as POCI and will carry a lifetime ECL until maturity or disposal.

(in thousands of Barbados dollars)

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (CONTINUED)

A. Financial Risks (continued)

i) Credit risk (continued)

	2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit impaired	POCI	Total
Bonds and fixed income securities				
AA+	28,921	-	-	28,921
BBB-	-	6,277	-	6,277
B-	7,644	3,286	48,751	59,681
Unrated	500	3,084	-	3,584
	37,065	12,647	48,751	98,463
ECL provision	(35)	(214)	-	(249)
Amortised cost	**37,030**	**12,433**	**48,751**	**98,214**

Mortgages and other loans credit risk

Mortgages comprise first mortgages on real property situated in Barbados. Loans are secured by a collateral assignment of life insurance policy proceeds and irrevocable beneficiary designation.

The impairment provision on mortgage and other loans as at 31 December 2024 is $152 (2023 - $78).

	2024		
	Stage 2 Lifetime ECL not credit impaired	Stage 3 Lifetime ECL Credit impaired	Total
Mortgages and other loans	8,422	1,907	10,329
Loss allowance	(26)	(126)	(152)
Amortised cost	**8,396**	**1,781**	**10,177**

	2023		
	Stage 2 Lifetime ECL not credit impaired	Stage 3 Lifetime ECL Credit impaired	Total
Mortgages and other loans	9,497	1,888	11,385
Loss allowance	(12)	(66)	(78)
Amortised cost	**9,485**	**1,822**	**11,307**

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

A. Financial Risks (continued)

i) Credit risk (continued)

Credit quality of financial assets (continued)

Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See accounting policies in **Note 2J**.

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 Group 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 Group's experience, expert credit assessment and forward-looking information.

The Group primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:
- the movement of a security from investment grade to speculative grade;
- one-notch movement in grade for non-investment grade securities;
- significant change in borrowers' circumstances.

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

Where external credit ratings are not available, the Group 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 borrowers) 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 rating definitions from S&P and Moody's.

The Group 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 Group 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 Group considers this to be BBB- or higher based on S&P ratings, which is equivalent to an internal risk grade of 4 or lower.

As a backstop, the Group 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 borrower.

The Group 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 to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month and lifetime ECL measurements.

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

A. Financial Risks (continued)

i) Credit risk (continued)

Credit quality of financial assets (continued)

Amounts arising from ECL (continued)

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 borrower. 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 in accordance with the accounting policies in **Note 2**.

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 probability of default ("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 Group considers a financial asset to be in default when:
— the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group 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 borrower is in default, the Group considers indicators that are:
— qualitative: e.g. breaches of covenant and other indicators of financial distress;
— quantitative: e.g. overdue status and non-payment of another obligation of the same issuer to the Group; and
— based on data developed internally and obtained from external sources.

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

Incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECL. It formulates a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on advice from the Group risk committee and economic experts and consideration of a variety of external actual and forecast information. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the Organisation for Economic Cooperation and Development and the International Monetary Fund and selected private-sector and academic forecasters.

The base case represents a best estimate and is aligned with information used by the Group for other purposes, such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The Group also periodically carries out stress-testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and ECL for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The predicted relationships between the key indicators and the default and loss rates on various portfolios of financial assets have been developed by analysing historical data over the past 10 to 15 years.

(in thousands of Barbados dollars)

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

A. Financial Risks (continued)

i) Credit risk (continued)

Credit quality of financial assets (continued)

Amounts arising from ECL (continued)

Incorporation of forward-looking information (continued)

The table below shows the ECL calculated under each scenario for bonds and fixed income securities and mortgages and other loans.

			2024
	Best	**Base**	**Worst**
	$	**$**	**$**
Bonds and fixed income securities	57	184	574
Mortgages and other loans	12	21	23

			2023
	Best	**Base**	**Worst**
	$	**$**	**$**
Bonds and fixed income securities	111	290	317
Mortgages and other loans	12	10	34

Measurement of ECL

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

— probability of default (“PD”);
— loss given default (“LGD”); and
— exposure at default (“EAD”).

To determine lifetime and 12-month PDs, the Group uses the PD tables supplied by Moody’s based on the default history of obligors with the same credit rating. The Group adopts the same approach for unrated investments by mapping its internal risk grades to the equivalent external credit ratings (see (i)). The PDs are recalibrated as and when required based on current bond yields 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 Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, loan-to value ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group 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.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group 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 Group considers a longer period. 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 Group uses to derive the default rates of its portfolios. This includes the PDs provided in the Moody’s default study and the LGDs provided in the Moody’s recovery studies.

(in thousands of Barbados dollars)

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

A. Financial Risks (continued)

i) Credit risk (continued)

Credit quality of financial assets (continued)

Amounts arising from ECL (continued)

Loss allowance

The following tables show reconciliations from the opening balance to the closing balance of the loss allowance by class of financial instrument. For explanations of the terms '12-month ECL', lifetime ECL' and 'credit-impaired', see **Note 2J**.

2024	**Stage 1**	**Stage 2**	
	12-month ECL	**Lifetime ECL not credit-impaired**	**Total**
Bonds and fixed income securities			
Balance at 1 January	(35)	(214)	(249)
Net re-measurement of loss allowance	7	10	17
Balance at 31 December	**(28)**	**(204)**	**(232)**

2023	**Stage 1**	**Stage 2**	
	12-month ECL	**Lifetime ECL not credit-impaired**	**Total**
Bonds and fixed income securities			
Balance at 1 January	(83)	(428)	(511)
Net re-measurement of loss allowance	14	186	200
Financial assets derecognised	34	28	62
Balance at 31 December	**(35)**	**(214)**	**(249)**

(in thousands of Barbados dollars)

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

A. Financial Risks (continued)

i) Credit risk (continued)

Credit quality of financial assets (continued)

Amounts arising from ECL (continued)

	2024 $		
Mortgages and other loans	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Balance at 1 January	(12)	(66)	(78)
Net re-measurement of loss allowance	(14)	(60)	(74)
Balance at 31 December	**(26)**	**(126)**	**(152)**

	2023 $		
Mortgages and other loans	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Balance at 1 January	(16)	(52)	(68)
Net re-measurement of loss allowance	4	(14)	(10)
Balance at 31 December	**(12)**	**(66)**	**(78)**

Credit quality of reinsurance contract assets

The credit quality of reinsurers is assessed quarterly by reference to external credit ratings if available or review of historical and current conditions that existed at the consolidated statement of financial position date.

	A-	**A**	**BBB+**	**BBB**	**BB and lower**	**Not rated**
2024	-	46,831	-	-	-	-
2023	-	38,032	-	-	-	-

(in thousands of Barbados dollars)

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

A. Financial Risks (continued)

ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations as they become due. In order to manage liquidity risks, management maintains levels of cash and short-term deposits, which are sufficient to fulfill the Group's short-term obligations. The Group also closely manages operating liquidity through cash flow matching of assets and liabilities on its life insurance, annuities and pensions business. A significant business objective of the insurance industry is to match the cash flows of the investment portfolio with the expected payment of policy liabilities.

The following table provides a maturity analysis of the Group's insurance and reinsurance contracts, which reflects the dates on which the cash flows are expected to occur. Liabilities for remaining coverage measured under the PAA have been excluded from the analysis.

The estimates of present value of future cash flows as at 31 December 2024 is as follows:

	Within 1 year $	1 to 3 years $	4 to 5 years $	Over 5 years $	Total $
Insurance contracts liabilities	-	-	-	9,724	9,724
	-	**-**	**-**	**9,724**	**9,724**

	Within 1 year $	1 to 3 years $	4 to 5 years $	Over 5 years $	Total $
Reinsurance contracts assets	-	-	-	(760)	(760)
	-	**-**	**-**	**(760)**	**(760)**

The estimates of present value of future cash flows as at 31 December 2023 is as follows:

	Within 1 year $	1 to 3 years $	4 to 5 years $	Over 5 years $	Total $
Insurance contracts liabilities	-	-	-	8,891	8,891
	-	**-**	**-**	**8,891**	**8,891**

	Within 1 year $	1 to 3 years $	4 to 5 years $	Over 5 years $	Total $
Reinsurance contracts assets	-	-	-	(410)	(410)
	-	**-**	**-**	**(410)**	**(410)**

(in thousands of Barbados dollars)

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

A. Financial Risks (continued)

ii) Liquidity risk (continued)

The following tables present the estimated amount and timing of the remaining contractual undiscounted cash flows arising from the Group's financial instruments, investment contracts. Maturity profiles for financial instruments are disclosed according to contractual maturity dates. Maturity profiles for investment, insurance and reinsurance contracts are based on expected timing of cash inflows and outflows.

The maturity profile of financial assets at 31 December 2024 is as follows:

	Within 1 year	1 to 3 years	4 to 5 years	Over 5 years	Total	Effective interest rate ranges
	$	$	$	$	$	
Cash and cash equivalents	40,694	-	-	-	40,694	0.00% - 0.03%
Restricted cash	7,870	-	-	-	7,870	0.00% - 0.0093%
Fixed deposits	13,533		-	-	13,533	1.5% - 2.5%
Regulatory deposits	-	-	-	837	837	1.0%
Mortgages and other loans	2	484	64	9,627	10,177	4.0% - 7.0%
Bonds and fixed income securities	40,983	8,426	2,988	56,195	108,592	1.0% -5.3%
Other assets	11,886	-	-	-	11,886	N/A
	114,968	**8,910**	**3,052**	**66,659**	**193,589**	
Percent of total	**59%**	**5%**	**1%**	**35%**	**100%**	

The maturity profile of financial assets at 31 December 2023 is as follows:

	Within 1 year	1 to 3 years	4 to 5 years	Over 5 years	Total	Effective interest rate ranges
	$	$	$	$	$	
Cash and cash equivalents	44,923	-	-	-	44,923	0.00% - 0.03%
Restricted cash	6,173	-	-	-	6,173	0.00% - 0.0093%
Fixed deposits	6,673	-	-	-	6,673	0.00% - 2.25%
Regulatory deposits	-	-	-	984	984	0.06%
Mortgages and other loans	-	491	77	10,739	11,307	4.0% - 7.0%
Bonds and fixed income securities	32,892	-	6,066	59,256	98,214	1.5% -7.29%
Other assets	19,037	-	-	-	19,037	N/A
	109,698	**491**	**6,143**	**70,979**	**187,311**	
Percent of total	**58%**	**1%**	**3%**	**38%**	**100%**	

(in thousands of Barbados dollars)

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

A. Financial Risks (continued)

ii) Liquidity risk (continued)

The maturity profiles of the Company's significant financial liabilities are summarised in the following tables.

The maturity profile of financial liabilities at 31 December 2024 is as follows:

	Within 1 year $	1 to 3 years $	4 to 5 years $	Over 5 years $	Total $
Other liabilities	19,000	-	-	-	**19,000**
Due to related parties	3,833	-	-	-	**3,833**
Investment contract liabilities	64,865	-	-	-	**64,865**
Total	**87,698**	**-**	**-**	**-**	**87,698**
Percent of total	**100%**	**0%**	**0%**	**0%**	**100%**

The Company notes an excess of $27,270 (2023 - $21,527) in the maturity profile of total assets $114,968 (2023 - $109,698) compared to total liabilities $87,698 (2023 - $88,171) due "Within 1 year". Investment contract liabilities of $64,865 (2023 - $67,121) can be contractually settled utilising a combination of assets having maturities in excess of 1 year ("1 - 5 years" and "Over 5 years"). As at 31 December 2024, the Company had $78,621 (2023 - $77,613) of total assets in excess of total liabilities maturing in excess of 1 year.

The maturity profile of liabilities at 31 December 2023 is as follows:

	Within 1 year $	1 to 3 years $	4 to 5 years $	Over 5 years $	Total $
Other liabilities	16,341	-	-	-	**16,341**
Due to related parties	4,709	-	-	-	**4,709**
Investment contract liabilities	67,121	-	-	-	**67,121**
Total	**88,171**	**-**	**-**	**-**	**88,171**
Percent of total	**100%**	**-**	**-**	**-**	**100%**

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

A. Financial Risks (continued)

ii) Liquidity risk (continued)

Amount of insurance contract liabilities payable on demand

The amounts from insurance contract liabilities that are payable on demand are set out below and represent amounts payable on demand for cash surrender value on life contracts and or account values on universal life contracts, less applicable surrender fees.

	2024 $	2023 $
Amounts payable on demand	16,994	15,286
Carrying amounts	15,225	12,938

iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument and fulfilment cash flows of insurance and reinsurance contracts will fluctuate as a result of changes in market factors. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument and FCF of insurance and reinsurance contracts will fluctuate because of changes in foreign exchange rates. The Group is not significantly exposed to foreign exchange risk because the majority of the Group's assets, liabilities, and earnings are denominated in Barbados dollars. The Group also holds US dollar denominated investments and reinsurance contracts, for which the exchange rate is fixed to the Barbados dollar. The Group does not issue insurance contracts outside of Barbados.

Interest rate risk

Interest rate risk is price volatility produced by changes in the overall level of interest rates. Change in market interest rates can impact the reinvestment of matured investments, as the returns available on the new investment may be significantly different from the returns previously achieved. The Group manages these risks through:

- Asset allocation and diversification of the investment portfolio;
- Utilisation of a formal process for managing the matching of assets and liabilities;
- Investing in assets that are suitable for the products sold;
- Investing in fixed income assets that closely match the life liability product cash flows for products with fixed and highly predictable benefit payments; and
- Quantifying and reviewing regularly the risk associated with the mismatch in portfolio duration and cash flow.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. In relation to financial assets, management monitors the sensitivity of reported interest rate movements by assessing the expected changes in the different portfolios due to parallel movements of 100 basis points in all yield curves.

Investment contracts with fixed and guaranteed terms held to maturity are accounted for at amortised cost and their carrying amounts are not sensitive to changes in the level of interest rates.

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

A. Financial Risks (continued)

iii) Market risk

The impact of interest rate risk for the Group's insurance and reinsurance contracts and the assets supporting those contracts is included in ***Note 4B(i)***. A maturity analysis of financial instruments, investment contracts, insurance contracts and reinsurance contracts are included in **Note 4A(ii).**

Price risk
Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting the market.

The Group's price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities. The Group is not exposed to price risk on its insurance contracts as it does not issue direct participating insurance contracts and the assets supporting its insurance contracts do not include non-fixed income securities such as equity securities.

The Group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector and market.

A 5% increase/decrease in the value of the Company's equity portfolio designated as FVOCI would increase/decrease the Group's other components of equity by $617 (2023 - $590). A 10% increase/decrease in the value of the Company's equity portfolio designated as FVTPL would increase/decrease the Group's profit and loss by $3,901 (2023 - $2,902). The price risk sensitivity impact was calculated on the ending balances in equity.

B. Insurance and underwriting risk

i) Life and health insurance and underwriting risk

Insurance risk in the Group arises through its exposure to mortality and morbidity risks and to underwriting risk through exposure to worse than anticipated operating experience on factors such as persistency levels and management and administration expenses.

Management of life and health insurance and underwriting risks
The Company has developed an insurance risk policy and guidelines on the practical application of this policy. Individual insurance risks are managed at the business segment level but are also monitored at Company level. The impact of insurance risk is monitored at the segment level as part of the control cycle of business management. Exposure is monitored through the assessment of liabilities and the asset liability management framework process. At the Company level, the overall exposure to insurance risk is measured through management reporting.

The Risk Committee monitors the application of the risk policy in each business and receives management information on life and health insurance risks. The committee considers all areas of insurance risk, but in particular has a remit to monitor mortality, longevity, morbidity, persistency, product design and pricing.

The Board of Directors considers the reinsurance coverage across the life and health businesses. It confirms that guidance and procedures are in place for each of the major components of life insurance risk, and that the businesses mitigate against any insurance risk within the parameters for the overall Company risk appetite. The Board of Directors has also developed guidance for business units on management of a number of areas of insurance risk to ensure best practice is shared throughout the Group and common standards are adopted.

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (CONTINUED)

B. Insurance and underwriting risk (continued)

i) Life and health insurance and underwriting risk (continued)

Management of life and health insurance and underwriting risks (continued)

The individual life and health insurance and underwriting risks are managed as follows:

- Mortality and morbidity risks: These risks are mitigated by use of reinsurance. The Company selects reinsurers, based on local factors, but assess the overall program to manage Company-wide risk exposures and monitor that the aggregation of risk ceded to individual reinsurers is within appetite for credit risk.
- Longevity risk: The Company is responsible for reserving and pricing for annuity business and monitors the exposure to this risk and the capital implications to manage the impact on the Company's exposure and the capital funding that Company may require as a consequence. The Company has used reinsurance solutions to reduce the risks from longevity where possible and desirable.
- Persistency risk: Where possible the financial impact of lapses is reduced through appropriate product design. The Company also implements specific initiatives to improve retention of policies, which may otherwise lapse.
- Product design and pricing risk: These risks arise from poorly designed or inadequately priced products and can lead to both financial loss for and reputational damage to the Company. Guidelines have been developed to support the Company through the complete cycle of the product development process, financial analysis and pricing.
- Expense risk: This risk is primarily managed by the Company through the assessment of profitability and frequent monitoring of expense levels.

Sensitivity testing is widely used to measure the capital required and volatility in earnings due to exposure to life and health insurance and underwriting risks. This assessment is taken at both business unit level and at Group level where the impact of aggregation of similar risks can be measured. This enables the Group to determine whether action is required to reduce risk, or whether that risk is within the overall Group risk appetite.

Concentration risk

The following table shows life and health insurance contract liabilities by geographic area.

		2024			2023	
	Gross $	Reinsurance $	Net $	Gross $	Reinsurance $	Net $
Barbados	34,465	(830)	33,635	31,368	(2,241)	29,127

(in thousands of Barbados dollars)

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

B. Insurance and underwriting risk (continued)

i) Life and health insurance and underwriting risk (continued)

Management of life and health insurance and underwriting risks (continued)

Sensitivity analysis – Life and health

The Company uses a number of sensitivity test-based risk management tools to understand the volatility of earnings, the volatility of its capital requirements, and to manage its capital more efficiently. Sensitivities to economic and operating experience are regularly produced on all of the Company's financial performance measurements to inform the Company's decision making and planning processes, and as part of the framework for identifying and quantifying the risks to which each of its business units, and the Group as a whole, are exposed.

The table below analyses how the profit or loss and net equity would have increased (decreased) if changes in underwriting risk variables and interest rate that were reasonably possible at the reporting date had occurred. The impact on equity is equal to the profit or loss impact after-tax as the Group has not elected to recognise changes in insurance finance income or expenses in OCI. The table presents the sensitivities both before and after risk mitigation by reinsurance and assumes that all other variables remain constant.

	Change in assumption	2024		2023	
		Impact on net income (after-tax) / equity		Impact on net income (after-tax) / equity	
		Gross	Net	Gross	Net
LIFE					
Mortality	**+ 1%**	(96.98)	(97.31)	(89.13)	(91.46)
Interest rates	**+ 1%**	1,902.31	1,967.77	1,458.61	1,518.76
Interest rates	**- 1%**	(2,582.63)	(2,663.61)	(1,965.00)	(2,039.07)
Expenses	**+ 10%**	(698.22)	(694.45)	(698.61)	(698.23)
Termination	**+ 10%**	(830.64)	(831.26)	(807.74)	(820.15)
Termination	**- 10%**	196.24	201.42	557.41	573.90
ANNUITY					
Mortality	**+ 1%**	0.77	0.77	1.32	1.32
Interest rates	**+ 1%**	319.17	319.17	304.93	304.93
Interest rates	**- 1%**	(358.19)	(358.19)	(341.88)	(341.88)
Expenses	**+ 10%**	(1.46)	(1.46)	1.09	1.09

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

B. Insurance and underwriting risk (continued)

ii) General insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. Insurance risk is implicit in the Group's insurance business and arises as a consequence of the type and volume of business written and the concentration of risk in particular policies or groups of policies subject to the same risks.

Types of risk

General insurance risk in the Group arises from:
- Fluctuations in the timing, frequency and severity of claims and claim settlements relative to expectations;
- Unexpected claims arising from a single source;
- Inaccurate pricing of risks or inappropriate underwriting of risks when underwritten;
- Inadequate reinsurance protection or other risk transfer techniques; and
- Inadequate reserves.

The majority of the general insurance business underwritten by the Group is of a short-term nature such as property, motor and marine insurances. The Company's underwriting strategy and appetite is agreed by the Board of Directors and communicated via specific policy statements and guidelines. Like the life insurance risk, general insurance risk is managed primarily at business unit level with oversight at a Company level.

Management of general insurance risks

The Company's insurance risk policy sets out the overall framework for the management of insurance risk. As part of the framework, a structure of delegated pricing and underwriting authorities is in place.

Pricing is based on assumptions, which consider past experience and trends. Insurance exposures are limited through reinsurance. Overall, the Company seeks to be conservative in its acceptance of insurance risks by establishing strict underwriting criteria and limits. The underwriting policy is clearly documented, setting out risks, which are unacceptable, and the terms applicable for non-standard risks.

Significant insurance risks will be reported through the risk management framework. The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims' exposures.

Reinsurance strategy

Reinsurance is used to reduce potential loss to the Company from individual large risks and catastrophic events. It may also be used to manage capital or to provide access to specialist underwriting expertise.

Significant reinsurance programs are reviewed annually at the business unit and the Company to verify that the levels of protection being purchased reflect any developments in exposure and the risk appetite of the Company. The reinsurance arrangements include quota share and excess of loss catastrophe treaties. In addition to the overall Company reinsurance program, individual business units are permitted to purchase additional reinsurance protection.

Reinsurance purchases are in line with the strategy set out in the Company's Reinsurance Policy. The basis of these purchases is underpinned by extensive financial and capital modeling and actuarial analysis to optimize the cost and capital efficiency benefits from the reinsurance program.

The reinsurance is placed with providers who meet the Company's counterparty security requirements, and large reinsurance placements may also require approval from the Board of Directors.

(in thousands of Barbados dollars)

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

B. Insurance and underwriting risk (continued)

ii) General insurance and underwriting risk (continued)

Concentration risk

The Company is domiciled in Barbados and no insurance contracts are issued to countries outside of Barbados. The Company writes a significant component of the business of the Government of Barbados and its affiliated Corporations and Statutory Boards. Risks covered are dispersed across the island of Barbados.

General insurance revenues derived from the Government of Barbados accounted for 28% (2023 – 25%) of total revenues for the year. The remainder is from non-governmental organisations and other policyholders.

Processes are in place to manage catastrophe risk in individual business units and at a Company level. The Company cedes much of its catastrophe risk to third-party reinsurers but retains a pooled element for its own account gaining diversification benefit.

The concentration of insurance risk before and after reinsurance by the type of general insurance business risk accepted is recognised below, with reference to the carrying amount of the insurance contract liabilities (gross and net of reinsurance) arising from general insurance contracts:

31 December 2024

		Motor	Property	Miscellaneous	Marine	Total
Territory		**$**	**$**	**$**	**$**	**$**
Barbados						
	Gross	60,344	21,969	14,644	5,847	**102,804**
	Ceded	(16,900)	(18,254)	(5,082)	(5,765)	**(46,001)**
	Net	43,444	3,715	9,562	82	**56,803**

31 December 2023

		Motor	Property	Miscellaneous	Marine	Total
Territory		**$**	**$**	**$**	**$**	**$**
Barbados						
	Gross	57,997	7,029	11,288	5,912	**82,226**
	Ceded	(18,436)	(8,685)	(2,735)	(5,935)	**(35,791)**
	Net	39,561	(1,656)	8,553	(23)	**46,435**

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (CONTINUED)

B. Insurance and underwriting risk (continued)

ii) General insurance and underwriting risk (continued)

General insurance business claims reserving

Management monitors and conducts quarterly reviews of the Company's general insurance claims provisions, and their adequacy.

The Company has a claims department dealing with the mitigation of risks surrounding known exposures. This department investigates and adjust a majority of the claims. The claims are reviewed regularly and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

The adequacy of the Company's general insurance claims provisions is ultimately overseen by the Board of Directors.

The estimation of the claims incurred but not reported reserve ("IBNR") within the liability for incurred claims, is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims.

For casualty contracts, the IBNR liability will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities.

In estimating the liability for the cost of reported claims not yet paid, the Company considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

Sensitivity Analysis – Property & Casualty

The valuation of insurance liabilities is sensitive to the underlying assumptions used, the investments allocated to back the liabilities and changes in claims reporting patterns, judicial decisions, legislation and economic conditions. Key assumptions include the selection of expected frequencies, severities and pure premiums, as well as loss development and trend factors. The overall results are potentially sensitive to any of these, and reasonable alternative selections could change the results in either direction.

The most significant risk factors the Company faces as of year-end are:

- Reserve variability;
- Reinsurance collection risk; and
- Interest rate risk.

(in thousands of Barbados dollars)

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

B. Insurance and underwriting risk (continued)

ii) General insurance and underwriting risk (continued)

Sensitivity Analysis – Property & Casualty (continued)

	Change in assumption	2024 Impact on net income (after-tax) / equity		2023 Impact on net income (after-tax) / equity	
		Gross	Net	Gross	Net
Unpaid claims	**+ 5%**	(3,805)	(3,637)	(3,170)	(1,809)
Loss ratio for current accident year	**+ 5%**	(848)	(1,737)	(1,944)	(1,557)
Interest rates	**+ 1%**	1,641	(621)	1,408	879
Interest rates	**- 1%**	(1,732)	(2,687)	(1,487)	(929)

Reserve variability
Reserve variability is measured by the Company based on the Thomas Mack method. The basis for this method is a paper by Thomas Mack, published in the spring 1994 CAS Forum titled "Measuring the Variability of Chain Ladder Reserve Estimates". Other approaches for measuring reserve variability may be appropriate.

There have been no material changes in procedures, methodology nor significant assumptions used in deriving the estimates for this financial year.

Reinsurance collection risk
Reinsurance contract assets on Property and Casualty, and Life and Health business total approximately $46,831 as of 31 December 2024 (2023 - $38,032). All major reinsurers are rated A or better by A.M. Best. Currently there are no material disputes or late balances with any reinsurers. However, disputes may arise in the future and/or some reinsurers' financial condition could deteriorate.

Interest rate risk
The Company may earn less than anticipated regarding future investment yields. This would increase the discounted reserves.

(in thousands of Barbados dollars)

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

B. Insurance and underwriting risk (continued)

Claims development tables

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The top half of each table illustrates how the Company's estimate of total claims outstanding for each accident or underwriting year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the liability for incurred claims as disclosed in **Note 18**. A calendar year basis is considered to be most appropriate for the business written by the Company.

Gross loss development:

Accident year	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**Total**
Estimate of ultimate claims cost:	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
At the end of accident year	39,272	36,486	37,398	30,602	30,242	21,872	19,755	20,601	23,519	33,452	
One year later	35,975	34,667	35,914	34,963	29,937	19,165	19,233	19,072	23,774		
Two years later	34,724	34,931	34,247	35,012	23,112	18,134	18,711	19,124			
Three years later	33,917	32,872	33,953	30,603	23,142	17,637	18,968				
Four years later	33,948	32,996	25,995	31,423	22,960	17,488					
Five years later	33,937	27,620	26,687	32,086	23,747						
Six years later	26,661	28,875	26,784	31,848							
Seven years later	27,777	28,485	26,283								
Eight years later	28,216	29,813									
Nine years later	28,121										
Current estimates of cumulative claims	28,121	29,813	26,283	31,848	23,747	17,488	18,968	19,124	23,774	33,452	252,618
Cumulative payments to date	26,633	26,086	24,088	20,577	19,938	13,754	14,612	13,954	14,881	11,012	185,535
Gross liability for accident years 2015 to 2024	1,488	3,727	2,195	11,271	3,809	3,734	4,356	5,170	8,893	22,440	67,083
Gross liability in respect of prior accident years											17,061
Gross liability – Unallocated loss adjustment expense											572
Effect of discounting											(14,675)
Effect of the RA for non-financial risk											7,605
Gross LIC											**77,646**

(in thousands of Barbados dollars)

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

B. Insurance and underwriting risk (continued)

Claims development tables (continued)

Net loss development:

Accident year	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**Total**
Estimate of ultimate claims cost:	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
At the end of accident year	27,694	27,018	23,695	21,376	20,765	14,750	14,246	14,809	18,849	18,241	
One year later	25,063	25,200	23,518	20,442	20,490	15,331	14,481	14,693	19,169		
Two years later	24,044	25,596	22,482	20,683	19,649	14,880	14,072	15,374			
Three years later	23,652	24,262	22,162	20,738	19,824	14,571	14,664				
Four years later	23,975	24,525	21,555	21,703	19,894	14,463					
Five years later	24,035	25,852	22,390	22,379	20,394						
Six years later	24,281	26,677	22,732	22,376							
Seven years later	25,434	26,348	22,631								
Eight years later	25,692	27,455									
Nine years later	25,686										
Current estimates of cumulative claims	25,686	27,455	22,631	22,376	20,394	14,463	14,664	15,374	19,169	18,241	200,453
Cumulative payments to date	24,758	24,491	21,141	19,465	17,838	11,829	11,649	11,840	12,768	7,856	163,635
Net liability for accident years 2015 to 2024	928	2,964	1,490	2,911	2,556	2,634	3,015	3,534	6,401	10,385	36,818
Net liability in respect of prior accident years											9,356
Net liability – Unallocated loss adjustment expense											572
Effect of discounting											(9,163)
Effect of the RA for non-financial risk											3,488
Net LIC											**41,071**

4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK (continued)

C. Capital Management and Regulatory Compliance

The Board's policy is to maintain a strong consolidated capital base. The Group manages its capital to ensure its continued ability to provide an adequate return to shareholders, exceed insurance capital regulatory requirements, provide flexibility to take advantage of growth opportunities, maintain a strong credit rating, and to support the risks associated with the business of the Group. The Group's capital base consists of share capital, contributed surplus, statutory reserve, accumulated other comprehensive income, and retained earnings as disclosed in the consolidated consolidated statement of financial position.

Management monitors the adequacy of the Company's capital from the perspective of the Barbados Insurance Act and Companies Act. Under the terms of the Insurance Act, 1996-32 Section 9, all Companies conducting long-term and general insurance business are required to maintain a minimum paid-up share capital of not less than $5,000. The Company exceeds this requirement at year-end.

The Company's investment policies emphasise the preservation of capital and the maintenance of a diversified investment portfolio, which together serve to minimize the risk that investment activities pose to the Company's capital.

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

The Barbados Insurance (Catastrophe Reserve Fund) Regulations 2003-88 require the establishment of a catastrophe reserve fund. Annual amounts of up to 25% of net premium income from property insurance business are allocated to the fund. Assets representing the fund in the amount of $22,686 (2023 - $22,060) are placed in trust in accordance with the regulations of the Insurance Act of Barbados.

Section 152 of the Insurance Act of Barbados requires the appropriation towards a surplus reserve of at least 25% of net income until such time as the surplus reserve of the Company equals or exceeds the liability in respect of unearned premiums of $18,690 as at 2024 (2023 - $17,960). A surplus reserve of $37,388 as at 2024 (2023 - $37,388) is included in the Company's shareholders' equity in accordance with the requirements.

D. Self-Insurance

The Company self-insures its office buildings reported in property and equipment and in investment properties. The insured asset is reinsured through the Company's reinsurance programme and is subject to the same terms and conditions as other reinsured insurance contracts.

5. SEGMENTAL INFORMATION

Management has determined the operating segments based on a combination of factors, including the products and on the basis of the reports reviewed by the Chief Executive Officer (CEO) of the Company that are used to make strategic decisions and is recognised into four operating segments. 'Property & Casualty', 'Life & Health', 'Asset Management' and 'Corporate' described below were established as the key reporting segments. All the operating segments used by management meet the definition of a reportable segment.

These segments distribute their products directly to clients and through the use of insurance intermediaries. Management identifies its reportable operating segments by product line consistent with the reports. These segments and their respective operations are as follows:

5. SEGMENTAL INFORMATION (continued)

Property & Casualty – This aggregates the following products of motor, property and other classes of general insurance. These classes of insurance are similar in nature as they all include insurance coverage falling under the broad category of property and casualty. A description of each of these classes is noted below:

Motor: the Company offers several types of policies under this class of business to owners of private and commercial vehicles. At the top end, motor insurance covers the legal liability of the insured, third parties (including passengers) and damage to the property of others. It also includes damage to the insured vehicle by accident, fire or theft.

Property: this class offers protection to policyholders for commercial and public buildings and private dwelling houses, as well as the contents of such buildings if such cover is sought. Policies are designed to cover the insured against fire, hurricane, earthquake, flood water damage and other perils as well as malicious damage.

Other classes of business offer protection for marine, hull and cargo, aviation and other miscellaneous accident risk. Included is loss or damage to cargo, fishing vessels, pleasure craft and other marine vessels. Coverage also provides protection against theft and the legal liability of the insured. Miscellaneous accident provides coverage for a wide range of business including travel and public liability. Coverage is for material damage and legal liability.

Life & Health – This aggregates the following products of life and health insurance. These products all represent coverages upon the life of an insured person. A description of the types of insurance that falls under this category is noted below:

Life offers protection of the Company's customers, both individuals and groups against the risk of premature death, other accidents and annuities. All contracts in this segment offer fixed and guaranteed benefits over the contractual term. Note this also includes annuity business.

Health Risk offers protection of the Company's customers, both individuals and groups against the risk of catastrophic illness, routine preventative health care, dental care and vision care. All contracts offer fixed and guaranteed limits over the contractual term. Reinsurance is in place to protect the Company from excessive and catastrophic claims.

Asset Management – During 2021 this segment was introduced to manage and monitor the assets of the Company and third parties including fixed income securities, investment properties, mortgages & loans equities and cash. The reportable segments have been updated for the allocation of expenses.

Corporate – This segment represents head office function including corporate and joint venture.

Assets and liabilities allocated to the reportable segments are disclosed in **Note 5**.

The Executive Management Committee primarily uses net investment and insurance results to assess the performance of operating segments. This measure is calculated using the same measurement principles that are used in the preparation of the consolidated statement of comprehensive income and is reconciled to the Group's total profit and loss below. The Group segments assets to support insurance liabilities by major product lines and establishes investment strategies for each respective segment. The Executive Management Committee receives information about the investment portfolios and insurance liabilities on a monthly basis.

(in thousands of Barbados dollars)

5. SEGMENTAL INFORMATION (continued)

The segmental information provided to the Chief Executive Officer ("CEO") for the reportable segments for the year ended 31 December 2024 is as follows:

2024	**Property & Casualty $**	**Life and Health $**	**Asset Management $**	**Corporate $**	**Total $**
Income					
Insurance revenue	92,247	29,778	-	-	122,025
Insurance service expenses	(50,384)	(24,306)	-	-	(74,690)
Net expense from reinsurance	(28,084)	(1,575)	-	-	(29,659)
Insurance service result	**13,779**	**3,897**	**-**	**-**	**17,676**
Investment income	-	-	7,977	-	7,977
Fair value adjustment to investment properties	-	-	(564)	-	(564)
Net investment income	**-**	**-**	**7,413**	**--**	**7,413**
Net finance expenses from insurance contracts	(4,880)	(2,078)	-	-	(6,958)
Net finance income from reinsurance contracts	1,884	(78)	-	-	1,806
Net insurance finance expenses	**(2,996)**	**(2,156)**	**-**	**-**	**(5,152)**
Net insurance and investment	**10,783**	**1,741**	**7,413**	**-**	**19,937**
Other income		-	1,159	3,192	4,351
Operating expenses	-	-	(1,998)	(19,586)	(21,584)
Income before taxes	**10,783**	**1,741**	**6,574**	**(16,394)**	**2,704**
Income taxes	**-**	**-**	**-**	**(287)**	**(287)**
Net income (loss)	**10,783**	**1,741**	**6,574**	**(16,681)**	**2,417**

(in thousands of Barbados dollars)

5. SEGMENTAL INFORMATION (continued)

The segmental information below reflects the reportable segments for year ended 31 December 2023:

2023	Property & Casualty $	Life and Health $	Asset Management $	Corporate $	Total $
Income					
Insurance revenue	78,785	27,730	-	-	106,515
Insurance service expenses	(35,902)	(27,791)	-	-	(63,693)
Net expense from reinsurance	(31,121)	(541)	-	-	(31,662)
Insurance service result	**11,762**	**(602)**	**-**	**-**	**11,160**
Investment income	-	-	5,200	-	5,200
Fair value adjustment to investment properties	-	-	(554)	-	(554)
Net investment income	**-**	**-**	**4,646**	**-**	**4,646**
Net finance expenses from insurance contracts	(3,509)	(1,384)	-	-	(4,893)
Net finance income from reinsurance contracts	1,206	39	-	-	1,245
Net insurance finance expenses	**(2,303)**	**(1,345)**	**-**	**-**	**(3,648)**
Net insurance and investment	**9,459**	**(1,947)**	**4,646**	**-**	**12,158**
Other income	-	-	1,004	3,580	4,584
Operating expenses	-	-	(3,087)	(13,392)	(16,479)
Income before taxes	**9,459**	**(1,947)**	**2,563**	**(9,812)**	**263**
Income taxes	**-**	**-**	**-**	**(643)**	**(643)**
Net income (loss)	**9,459**	**(1,947)**	**2,563**	**(10,455)**	**(380)**

(in thousands of Barbados dollars)

5. SEGMENTAL INFORMATION (continued)

The segmental information provided to the Chief Executive Officer ("CEO") for the reportable segments for the year ended 31 December 2024 is as follows:

2024	Property & Casualty $	Life and Health $	Asset Management $	Corporate $	Eliminating $	Total $
Total assets	64,377	41,815	67,274	182,890	(15,840)	**340,516**
Total liabilities	103,502	8,932	75,636	44,049	(354)	**231,765**

The segmental information below reflects the reportable segments for year ended 31 December 2023:

2023	Property & Casualty $	Life and Health $	Asset Management $	Corporate $	Eliminating $	Total $
Total assets	41,506	39,484	67,487	186,096	(14,558)	**320,015**
Total liabilities	82,881	6,069	75,301	39,482	(69)	**203,664**

Segment assets consist of investments that match insurance and other liabilities, reinsurance contract held assets, intangible assets and working capital. They exclude deferred income taxes.

Segment liabilities comprise insurance liabilities, financial liabilities arising mainly from investment contracts and borrowing arrangements. They exclude retirement benefit liabilities.

6. CASH AND CASH EQUIVALENTS

	2024 $	2023 $
Cash at bank and in hand	40,503	41,878
Short-term bank deposits	191	3,045
Total	**40,694**	**44,923**

The effective interest rate on short term bank deposits was 0.01% (2023 - 0.01%). These deposits have an average maturity of 91 days (2023 – 91 days).

(in thousands of Barbados dollars)

7. REGULATORY DEPOSITS, FIXED DEPOSITS AND RESTRICTED CASH

	2024 $	2023 $
Fixed deposits	13,533	6,673

Fixed deposits of $13,533 (2023 - $6,673) have a term of 365 days and are held with an independent financial institution in Barbados. The fixed deposits have varied maturity dates and earn interest per annum of 2.10% (2023 – 1.19%).

	2024 $	2023 $
Regulatory deposits	837	984

Regulatory deposits represent an amount held by the Financial Services Commission to satisfy licensing criteria under Section 23 (2) (9b) of the Barbados Insurance Act 1966-32. These deposits cannot be removed or reduced without the prior consent of the regulator.

	2024 $	2023 $
Restricted cash	7,870	6,173

Restricted cash of $7,870 (2023 - $6,173) primarily consists of cash being held on account of various pension plans and cash held on account for dividends issued but not collected to satisfy regulatory requirements. These amounts are not available for use in the Group’s daily operations and are therefore excluded in the consolidated statement of cashflows.

8. INVESTMENTS

A. Carrying Amount and Fair Value of Investments

Investments comprise:

	2024	
	Carrying amount $	Fair value $
Measured at amortised cost		
- Bonds and fixed income securities	108,592	103,059
- Mortgages and other loans	10,177	11,129
	118,769	**114,188**
- Equities – Designated as at FVOCI	12,338	12,338
- Equities – FVTPL	37,908	37,908
	50,246	**50,246**
Totals	**169,015**	**164,434**

(in thousands of Barbados dollars)

8. INVESTMENTS (continued)

A. Carrying Amount and Fair Value of Investments (continued)

	2023	
	Carrying amount $	Fair value $
Measured at amortised cost		
- Bonds and fixed income securities	98,214	95,770
- Mortgages and other loans	11,307	11,323
	109,521	**107,093**
- Equities – Designated as at FVOCI	11,809	11,809
- Equities – FVTPL	29,023	29,023
	40,832	**40,832**
Totals	**150,353**	**147,925**

Included in investments are securities in the amount of $54,647 (2023 - $52,148) at carrying value, and fair value $49,927 (2023 - $49,617), which support the liabilities of the Company's investment contract liabilities (see **Note 17**).

Equities – FVTPL include investment funds which in some instances are subject to lockup periods varying from 2 – 6 years $24,590 (2023 – $21,704). Additionally, as at 31 December 2024 commitments under investment agreements totaling $825 (2023 - $1,125) were entered into by the Group.

B. Net Investment Income (Loss)

	2024 $	2023 $
Investment income		
Interest revenue from financial assets not measured at FVTPL	3,469	2,573
Investment property – unrealised loss	(564)	(554)
Net credit impairment gains	204	404
Total investment income	**3,109**	**2,423**
Other investment income (loss)		
Net income /(loss) on investments measured at FVTPL	1,095	(1,030)
Dividend Income	686	479
Rental income	-	65
Return on pension assets	2,284	2,498
Interest – other assets	156	161
Other	83	50
Total	**4,304**	**2,223**
Net Investment Income	**7,413**	**4,646**

Return on pension assets represent income and expense from the investment income earned from the DAF assets and note that this is transferred to the fund at period end.

(in thousands of Barbados dollars)

9. FAIR VALUE MEASUREMENTS

A. Fair Value Methodologies and Assumptions

The carrying values of cash and cash equivalents, fixed deposits, regulatory deposits and restricted cash approximate their fair values. The fair value of equity securities is determined using quoted prices in an active market, then net asset values reported by fund managers, audited financial statements of the funds or valuation techniques such as applying the price per the most recent financing round to the shareholdings are used.

For disclosure purposes, the fair value for bonds and fixed income securities, and mortgages and loans, all classified at amortised cost, is determined by discounting the expected future cash flows using a current market interest rate applicable to financial instruments with a similar yield, credit quality and maturity characteristics.

Fair values for investment properties are assessed annually for material changes. The fair value is assessed using the most recently available reports from independent, qualified external appraisal services. These investment properties are appraised annually. The most recent appraisals were as in September 2024. Values are estimated using 1.) the income approach to estimate the present value of projected future cash flows using current rental rates, assessed rental values or market rental values at a market discount rate; or 2.) determined having regard to recent market transactions for similar properties in similar locations or where such information is not readily available, other valuation techniques such as income capitalisation model are used. The methodologies and inputs used in these models are in accordance with real estate industry valuation standards.

B. Fair Value Hierarchy

The Group categorises its fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs used by the Group's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety.

The three levels of the fair value hierarchy are defined as follows:

i) Financial instruments in Level 1
The fair value of financial instruments traded in active markets is based on quoted market prices at the consolidated statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing services or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for investments held by the Group is the current bid price.

ii) Financial instruments in Level 2
The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market date where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

iii) Financial instruments in Level 3
If one or more of the significant inputs is not based on observable market data, the instruments are included in level 3. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models using market observable data where possible.

C. Assets and Liabilities Measured at Fair Value

The following table presents the fair value of the Group's assets and liabilities measured at fair value on a recurring basis in the consolidated statement of financial position, categorised by level under the fair value hierarchy as at 31 December 2024:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Designated as FVOCI	12,189	-	-	12,189
FVTPL	14,422	-	23,485	37,907
Investment properties	-	-	25,828	25,828
Total assets	**26,611**	**-**	**49,313**	**75,924**

During the year, there were no transfers between Levels 1 and 2.

(in thousands of Barbados dollars)

9. FAIR VALUE MEASUREMENTS (continued)

A. Assets and Liabilities Measured at Fair Value (continued)

The following table presents the fair value of the Group's assets and liabilities measured at fair value on a recurring basis in the consolidated statement of financial position, categorised by level under the fair value hierarchy as at 31 December 2023:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Designated as FVOCI	11,809	-	-	11,809
FVTPL	7,319	-	21,704	29,023
Investment properties	-	-	26,357	26,357
Total assets	**19,128**	**-**	**48,061**	**67,189**

During the year, there were no transfers between Levels 1 and 2.

The movement with respect to Level 3 assets is outlined below:

	Equities – FVTPL	Investment Properties	2024	2023
	$	$	$	$
Opening balance	21,704	26,357	48,061	51,818
Additions	304	35	339	626
Disposal	-	-	-	(1,650)
Fair value adjustment	1,477	(564)	913	(2,733)
Total assets	**23,485**	**25,828**	**49,313**	**48,061**

Sensitivity – capitalisation rate/discount rate – Weymouth

For investment properties categorised into Level 3 of the fair value hierarchy, the following information is relevant:

The commercial units located at Roebuck Street, St. Michael are collectively referred to as "Weymouth". The Group, based on the calculations of its independent, qualified valuer has utilised a sensitivity test regarding the capitalisation rate, in essence, the discount rate or the cap rate used in the valuation of Weymouth. The discount rate is the rate of return on an investment property based on the income that the property is expected to generate. The higher the discount rate used, the lower the fair value of the investment property and the lower the discount rate used, the higher the fair value of the investment property. The fair value of Weymouth is highly sensitive to any change in the discount rate. The below table summarises the effect of changes in the discount rate on the fair value of the property.

	Increase 2024	Decrease 2024	Increase 2023	Decrease 2023
50bp change in discount rate	(700)	700	(700)	737
100bp change in discount rate	(1,400)	1,500	(1,360)	1,500

(in thousands of Barbados dollars)

9. FAIR VALUE MEASUREMENTS (continued)

B. Assets and Liabilities Not Measured at Fair Value

For assets and liabilities not measured at fair value in the consolidated statement of financial position, the following table discloses fair value information categorised by level in the preceding hierarchy as at 31 December 2024:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Cash and cash equivalents	40,694	-	-	40,694
Fixed deposits	13,533	-	-	13,533
Regulatory deposits	837	-	-	837
Restricted cash	7,870	-	-	7,870
Financial assets – Amortised cost				
Bonds and fixed income securities	40,483	2,398	65,711	108,592
Mortgages and other loans	-	-	10,177	10,177
Total assets	**103,417**	**2,398**	**75,888**	**181,703**
Liabilities				
Investment contract liabilities	-	64,865	-	64,865
Total liabilities	**-**	**64,865**	**-**	**64,865**

The Group holds fixed income securities, which support investment contract liabilities and insurance contract liabilities. If the base interest rates, as measured by the applicable yield curves, shifted parallel by 100 basis points higher/lower, the immediate impact to fair value would have been:

	2024	2023
	$	$
100 basis points lower	8,573	7,833
100 basis points higher	(3,996)	(3,651)

The interest rate sensitivity impact was calculated using the modified duration method.

For assets and liabilities not measured at fair value in the consolidated statement of financial position, the following table discloses fair value information categorised by level in the preceding hierarchy as at 31 December 2023:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Cash and cash equivalents	44,923	-	-	44,923
Fixed deposits	6,673	-	-	6,673
Regulatory deposits	984	-	-	984
Restricted cash	6,173	-	-	6,173
Financial assets – Amortised cost				
Bonds and fixed income securities	28,921	3,845	65,448	98,214
Mortgages and other loans	-	-	11,307	11,307
Total assets	**87,674**	**3,845**	**76,755**	**168,274**
Liabilities				
Investment contract liabilities	-	67,121	-	67,121
Total liabilities	**-**	**67,121**	**-**	**67,121**

(in thousands of Barbados dollars)

10. OTHER ASSETS

	2024 $	2023 $
Accounts receivable	11,886	19,037
	11,886	**19,037**

11. INVESTMENT PROPERTIES

	2024 $	2023 $
Year ended 31 December		
At beginning of year	26,357	28,550
Additions to property	35	11
Disposals	-	(1,650)
Fair value adjustment	(564)	(554)
Closing net book amount	**25,828**	**26,357**

Investment properties comprise office buildings at the Weymouth Corporate Centre. Investment properties are all reported at their fair value.

Rental income generated from these investment properties during the year amounted to $1,994 (2023 - $2,063). Operating expenses incurred in support of generating rental income from investment properties was $1,773 (2023 - $1,757).

Investment properties in the amount of $20,840 (2023 - $21,040) are placed in trust with respect to the statutory funds. Consistent with other assets in the statutory fund, if these assets are to be sold, permission would have to be sought and granted pursuant to the Insurance Act of Barbados. The Regulator would require that these investment properties are replaced with suitable assets in the statutory fund. The most recent appraisals for the properties were as at September 2024 (See **Note 9**).

(in thousands of Barbados dollars)

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $	Furniture, equipment and leasehold improvements $	Motor vehicles $	Total $
Year ended 31 December 2024				
Opening net amount	**15,894**	**2,551**	**218**	**18,663**
Additions	10	191	262	463
Depreciation charge	(637)	(1,003)	(86)	(1,726)
Closing net book amount	**15,267**	**1,739**	**394**	**17,400**
At 31 December 2024				
Cost/Valuation	16,533	12,548	1,229	30,310
Accumulated depreciation	(1,266)	(10,809)	(835)	(12,910)
Net book amount	**15,267**	**1,739**	**394**	**17,400**

	Land and buildings $	Furniture, equipment and leasehold improvements $	Motor vehicles $	Total $
At 1 January 2023				
Cost/Valuation	16,344	12,198	891	29,433
Accumulated depreciation	(6)	(8,716)	(660)	(9,382)
	16,338	**3,482**	**231**	**20,051**
Year ended 31 December 2023				
Opening net amount	16,338	3,482	231	20,051
Additions	180	159	76	415
Depreciation charge	(624)	(1,090)	(89)	(1,803)
Closing net book amount	**15,894**	**2,551**	**218**	**18,663**
At 31 December 2023				
Cost/Valuation	16,523	12,357	967	29,847
Accumulated depreciation	(629)	(9,806)	(749)	(11,184)
Net book amount	**15,894**	**2,551**	**218**	**18,663**

The Company revalued its freehold property at Roebuck Street as at 31 October 2022 based on an appraisal done by an independent, qualified professional firm of certified valuers.

(in thousands of Barbados dollars)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

This note provides information for leases where the Company is a lessee. For leases where the Group is a lessor, the related assets are captured within investment property.

i) Amounts recognised in the consolidated statement of financial position:

	2024 $	2023 $
Right-of-Use Assets		
Motor Vehicle	313	102
Lease Liabilities		
Other liabilities	324	94

ii) Amounts recognised in the consolidated statement of comprehensive income:

	2024 $	2023 $
Amortisation charge of Right-of-Use Assets		
Motor Vehicle	50	55
Interest Expense	8	16

(in thousands of Barbados dollars)

13. INCOME TAXES

A. Income Tax

The income tax expense comprises:

	2024 $	2023 $
Current tax	188	484
Deferred tax	99	159
Total income tax expense	**287**	**643**

The taxation charge on taxable income differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2024 $	2023 $
Income (loss) before income taxes	4,454	5,694
Tax calculated at effective rate of 2% (2023 – 2%)	89	114
Deductions allowed	(6)	(11)
Effect of different tax rates on taxable income	93	68
Income not subject to tax	(20)	2
Expenses not deductible for tax	56	37
Provision	-	-
Write-off of uncollectible income tax receivable	-	342
Under accrual of taxes	75	91
Total income tax expense	**287**	**643**

Investment income of the Company is subject to tax at a rate of 15% (2023 – 15%). The tax rate for the Group is 2% (2023 – 2%). In line with Barbados tax authority requirements, taxable income used for income tax expense computation for the year ended 31 December 2024 has been adjusted for the reporting difference under IFRS 4 and IFRS 17, including revenue recognition, risk adjustment, effect of discounting, net finance income or expenses and insurance acquisition costs.

B. Deferred Taxes

The deferred tax (asset) liability relates to the following items:

	2024 $	2023 $
Deferred tax (asset) liability:		
Accelerated tax depreciation	151	139
Net pension plan asset	(136)	(38)
Tax losses carried forward	(50)	(134)
Deferred tax asset	**(35)**	**(33)**

The Group has accumulated tax losses amounting to $2,524 (2023 – $6,699). These losses are due to expire as follows:2026- $2,068, 2027 - $456. The deferred tax asset of $35 (2023 - $33) has been recognised, as it is anticipated that there will be sufficient future taxable profits to offset these losses.

(in thousands of Barbados dollars)

13. INCOME TAXES (CONTINUED)

C. Tax Recoverable

	2024	2023
	$	$
Tax recoverable at beginning of year	128	544
Tax payments made	107	68
Current tax expense for year	(188)	(484)
Refunds received	-	-
Other	19	-
Tax recoverable at end of year	**66**	**128**

D. Tax Credit relating to Other Comprehensive Income

	2024		
	Before tax	Tax credit	After tax
	$	$	$
Re-measurements of post-employment benefit obligations	5,077	(102)	4,975
Investments classified as FVOCI	(908)	-	(908)
Change in property valuation	-	-	-
Other comprehensive income	**4,169**	**(102)**	**4,067**

	2023		
	Before tax	Tax credit	After tax
	$	$	$
Re-measurements of post-employment benefit obligations	82	(2)	80
Investments classified as FVOCI	(151)	-	(151)
Change in property valuation	-	-	-
Other comprehensive income	**(69)**	**(2)**	**(71)**

Taxation – Global anti-base erosion model rules (Pillar2)

On November 7, 2023, the Government of Barbados announced tax measures in response to the OECD's Pillar Two global minimum tax initiative, including an increase of the Barbados corporate tax rate to 9% reflected in the Barbados - Corporation Tax Reform 2024 Framework. All companies, except those that meet a specific criteria, will be subject to the application of this 9% rate. The Company, as a Class 2 insurance company is not subject to the 9% rate application and will continue to pay taxes at the rate of 2%.

The Government of Barbados has also introduced a Qualified Domestic Minimum Top-Up Tax that applies to large multinational enterprise groups with global consolidated revenues over €750 million for tax years beginning on or after 1 January 2024, which will top-up the Barbados effective tax rate payable by an entity subject to Pillar Two, to 15%. The Company has used appropriate information to assess the potential exposure arising from Pillar Two legislation. The Company has concluded that it is not part of a MNE group and is therefore not subject to this tax.

(in thousands of Barbados dollars)

14. INTANGIBLE ASSETS

The carrying amounts of intangible assets are as follows:

	2024 **$**	**2023** **$**
Cost: beginning of year	15,815	14,971
Additions	147	858
Impairment	-	(14)
Cost: end of year	15,962	15,815
Accumulated amortisation: beginning	(7,156)	(5,860)
Amortisation	(2,285)	(1,296)
Accumulated amortisation: ending	(9,441)	(7,156)
Net book value: end of year	**6,521**	**8,659**

The amortisation charge on finite life intangibles assets is included in depreciation and amortisation in the consolidated statement of comprehensive income.

Software development costs

The Company is engaged in significant development of its new core information systems. Costs associated with the development of the systems are deferred to the extent that the cost satisfies the criteria under *IAS 38 – Intangible assets*, until such time that management determines that a component is available for use in the manner expected and then it is amortised over its useful life. Annually, the Company reviews its software development costs for evidence of impairment.

15. OTHER LIABILITIES

	2024 **$**	**2023** **$**
These include:		
Dividend payable	2,506	3,970
Payables and accrued expenses	16,170	12,277
Lease liabilities	324	94
Total	**19,000**	**16,341**

16. RETIREMENT BENEFITS OBLIGATIONS

A. Defined Contribution Pension Plan

ICBL operates a defined contribution plan for new employees. Contributions of $193 (2023 - $181) equating to the service cost for the year for these employees were made to this plan. The cost of the defined contribution plan is not reflected in the following tables.

B. Post-Retirement Medical Plan

The Group also offers medical insurance benefits to retired employees. A qualified actuary calculates the present value of this future benefit obligation, and the amount is accrued at the end of each year.

Cash contributions to the plan by the Company for 2024 were $28 (2023 - $29).

C. Defined Benefit Pension Plan

The Group sponsors a defined benefit pension plan for eligible employees. The defined benefit plan is administered by a separate fund that is legally separated from the Company. Responsibility for governance of the plan including investment and contributions lies jointly with the Company and the Trustees of the pension plan.

Under the plan, the pension amount at retirement is based on an employee's final average earnings. The scheme is generally funded through payments determined by triennial actuarial calculations. Cash contributions to the plan by the Company during 2024 were $639 (2023 - $648).

The Company measures the fair value of assets and the accrued benefit obligations as of 31 December 2024. The most recent actuarial valuation of the plan's assets and the present value of the defined benefit obligation were carried out as of 31 December 2024. Subsequent to the reporting date, it was recommended that the Company make special contributions to the plan commencing 1 January 2025.

(in thousands of Barbados dollars)

16. RETIREMENT BENEFITS OBLIGATIONS (continued)

C. Defined Benefit Pension Plan (continued)

The following table provides summaries of the defined benefit pension and post-retirement medical plans financial position at 31 December 2024 and 2023:

	Defined benefit pension plans		Medical benefit plans	
	2024	**2023**	**2024**	**2023**
	$	**$**	**$**	**$**
Accrued benefit obligation				
Balance – beginning of year	29,511	29,054	277	286
Current service cost	278	263	-	-
Interest expense	2,377	2,345	22	23
Employee contributions	6	6	-	-
	2,661	**2,614**	**22**	**23**
Re-measurement gains				
Actuarial gains and losses arising from changes in financial assumptions	(311)	(373)	(16)	(3)
	(311)	**(373)**	**(16)**	**(3)**
Payments from plans:				
Benefit payments	(1,952)	(1,784)	(28)	(29)
Balance – End of year	**29,909**	**29,511**	**255**	**277**

	Defined benefit pension plans		Medical benefit plans	
	2024	**2023**	**2024**	**2023**
	$	**$**	**$**	**$**
Plan assets				
Fair value – beginning of year	31,844	32,374	-	-
	31,844	32,374	-	-
Re-measurement				
Return on plan assets	746	677	-	-
	746	**677**	**-**	**-**
Contributions:				
Employer	639	648	28	29
Employee	6	6	-	-
Payments from plans				
Administration	(52)	(77)	-	-
Benefit payments	(1,952)	(1,784)	(28)	(29)
Fair value – end of year	**31,231**	**31,844**	**-**	**-**
Effect of asset ceiling	(7,865)	(3,954)	-	-
	23,366	**27,890**	**-**	**-**
Net benefit liability – end of year	**6,543**	**1,621**	**255**	**277**

(in thousands of Barbados dollars)

16. RETIREMENT BENEFITS OBLIGATIONS (continued)

C. Defined Benefit Pension Plan (continued)

The Company's net benefit plan expense is as follows:

	Defined benefit pension plans		Medical benefit plans	
	2024 $	**2023 $**	**2024 $**	**2023 $**
Current service cost	278	263	-	-
Past service cost	-	-	-	-
Net interest on the net defined benefit	(194)	(276)	22	23
Administration and other non-plan investment management	52	77	-	-
Interest on effect of asset ceiling	326	415	-	-
Components of defined benefit costs (income) recorded in profit or loss	**462**	**479**	**22**	**23**
Re-measurement on the net defined benefit liability				
Expected return on plan assets	2,571	2,621	-	-
Actual return on plan assets	(746)	(677)	-	-
Actuarial gains and losses arising from changes in financial assumptions	(311)	(373)	(16)	(3)
Effect of IFRIC 14	3,563	(1,486)	-	-
Components of defined benefits cost (income) recorded in OCI	**5,077**	**85**	**(16)**	**(3)**

The past service cost, the service cost, the net-interest expense for the year and the expected return on assets are included in the employee benefits expense in the consolidated statement of comprehensive income. The re-measurement on the net defined benefit liability (asset) is included in the consolidated statement of comprehensive income as part of other comprehensive income.

(in thousands of Barbados dollars)

16. RETIREMENT BENEFITS OBLIGATIONS (continued)

C. Defined Benefit Pension Plan (continued)

Asset allocation

The asset allocation by major category for the defined benefit pension plans is as follows:

	2024				2023			
	Quoted	**Unquoted**	**Total**	**%**	**Quoted**	**Unquoted**	**Total**	**%**
Equity instruments								
Financial services	1,864	393	**2,257**	**7.96**	1,900	415	**2,315**	**7.29**
Mutual funds	1,483	-	**1,483**	**5.23**	1,463	-	**1,463**	**4.62**
Fixed income instruments								
Government	-	14,104	**14,104**	**49.72**	-	14,271	**14,271**	**45.01**
Corporate bonds	-	1,586	**1,586**	**5.59**	-	2,372	**2,372**	**7.48**
Term deposits	-	6,947	**6,947**	**24.49**	-	4,864	**4,864**	**15.34**
Cash and cash equivalents	-	1,990	**1,990**	**7.01**	-	4,436	**4,436**	**13.99**
Other	-	-	**-**	**0.00**	-	1,987	**1,987**	**6.27**
Total	**3,347**	**25,020**	**28,367**	**100.00**	**3,363**	**28,345**	**31,708**	**100.00**

The Plan had recorded other assets of $2,863 as at 31 December 2024 (2023 – $136).

Risk

Through its defined benefit pension plan and post-employment medical plan, the Company is exposed to a number of risks, the most significant, which are detailed below:

Changes in bond yields – a decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bonds holdings.

Life expectancy – The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the Plans' liabilities. This is particularly significant where inflationary increases results in higher sensitivity to changes in life expectancy.

Inflation risk – The pension obligation is linked to inflation, and higher inflation will lead to higher liabilities. The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with equities inflation, meaning that an increase in inflation will also increase the deficit of the plan.

(in thousands of Barbados dollars)

16. RETIREMENT BENEFITS OBLIGATIONS (continued)

C. Defined Benefit Pension Plan (continued)

Actuarial assumptions

The significant assumptions are as follows (weighted-average assumptions as of 31 December 2024 and 2023:

	Defined benefit pension plans		Medical benefit plans	
	2024	2023	2024	2023
	%	%	%	%
Benefit cost during the year:				
Discount rate	8.25	8.25	8.25	8.25
Rate of compensation increase	6.00	6.00	-	-
Medical claims inflation	-	-	6.00	6.00
Expected rate of future pension increases	2.50	2.50	-	-
Accrued benefit obligation at end of year:				
Discount rate	8.25	8.25	8.25	8.25
Rate of compensation increase	6.00	6.00	-	-
Medical claims inflation	-	-	6.00	6.00
Expected rate of future pension increases	2.50	2.50	-	-

The expected return on assets assumption for pension cost purposes is the weighted average of expected long-term asset return assumptions by asset class and is selected from a range of possible future asset returns.

Significant judgement is used in setting the assumptions used to calculate the Group's retirement benefit obligations. The sensitivity analyses have been determined based on reasonably possible changes of the significant actuarial assumptions occurring at the end of the reporting period. Changes in trend rate assumptions in either direction will change the retirement benefit obligation as follows:

	Defined Benefit Pension Plans		Medical Benefit Plans	
	Increase 2024	Decrease 2024	Increase 2024	Decrease 2024
	$	$	$	$
Discount rate (1% p.a.)	(2,920)	3,505	(16)	18
Salary (1% p.a.)	814	(737)	-	-
Medical premium/ (1% p.a.) Medical claims inflation	-	-	17	(16)
Average life expectancy (1 year)	787	-	9	-

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and a change in some of the assumptions may be correlated.

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized in the consolidated statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

For the funded plan, the Company ensures that the investment positions are managed with an asset-liability matching ("ALM") framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. The Company's ALM objective is to match assets to the pension's obligation by investing in long-term fixed interest securities with maturities that match the benefits payments as they fall due.

The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Company has not changed the process used to manage its risk from previous periods. Investments are well diversified, such that failure of any single investment would not ordinarily have a material impact on the overall level of assets.

(in thousands of Barbados dollars)

16. RETIREMENT BENEFITS OBLIGATIONS (continued)

C. Defined Benefit Pension Plan (continued)

The funding requirements are based on a local actuarial measurement framework. In this framework, the discount rate is set on a risk-free rate. Furthermore, premiums are determined on a current salary base. Additional liabilities stemming from past service due to salary increase should be paid immediately to the fund.

Expected contributions to post-employment benefit plans for the year ending 2024 are $639 (2023 - $648). The weighted average duration of the defined benefit obligation is 10.75 years (2023 – 10.81 years).

17. INVESTMENT CONTRACT LIABILITIES

The composition of investment contract liabilities and the movement in these liabilities are shown below:

	2024 $	2023 $
Investment contract liabilities	64,865	67,121
Total investment contract liabilities	**64,865**	**67,121**

Investment contract liabilities carried at amortised cost:

	2024 $	2023 $
At 1 January	67,121	71,983
Pension contributions	7,987	6,189
Net investment income	3,928	2,775
Benefits paid	(13,427)	(12,690)
Management fees deducted	(572)	(609)
Net transfer out	(172)	(527)
At 31 December	**64,865**	**67,121**

Assets which back these liabilities consist of restricted cash of $4,130 (2023 - $4,746); fixed deposits of $3,571 (2023 - $1,025), other assets $Nil (2023 - $2,282), equities of $8,974 (2023 - $8,647) and bonds and fixed income securities of $50,416 (2023 - $50,528).

(in thousands of Barbados dollars)

18. INSURANCE CONTRACT LIABILITIES

A. Assumptions and Methodology

i) Life and health insurance contracts

The nature of life and health insurance business is such that a number of assumptions are made in compiling these consolidated financial statements. Assumptions are made about investment returns, mortality rates, lapse rate, morbidity, expenses and premium payment patterns in connection with the in-force policies for each business unit. Assumptions are best estimates based on historic and expected experience of the Company and industry.

In applying the measurement requirements of IFRS 17, the Group also makes assumptions in determining inputs such as the discount rate and the risk adjustment for non-financial risk. The methodologies used to determine these inputs are described in Note **2W(viii).**

Individual life and annuity

The Group values its insurance contract liabilities for its individual life business and annuity business using the general measurement model (GMM) prescribed by IFRS 17 and following Canadian Actuarial Standards of Practice applicable to life insurers which are on an IFRS 17 basis.

Mortality

Mortality refers to the rates at which death is expected to occur for defined classes of insured. The Company's portfolio of business is too small to form the basis for any internally produced mortality assumption. Therefore, the Company's mortality assumption is based on industry experience, using mortality tables and mortality experience studies published by the Canadian Institute of Actuaries ("CIA"). The valuation of contract liabilities as at 31 December 2024 used mortality ratios and factors from the CIA 2014 table published in 2022 and the experience study published in 2024. This is an update to the mortality assumptions used in the valuation of contract liabilities at 31 December 2023 which used mortality ratios and factors from the CIA 2024 table published in 2022 and the experience study published in 2023. The select factors were then further adjusted to reflect mortality expectations consistent with the Barbados market.

The mortality adjustment factors used are shown below:

Gender	Smoking Status	2024		2023	
		Select (%)	Ultimate (%)	Select (%)	Ultimate (%)
Male	Non-Smoker	89.0	96.5	88.5	96.0
Male	Smoker	85.0	95.5	82.0	95.0
Female	Non-Smoker	87.5	97.5	88.5	95.5
Female	Smoker	109.5	93.5	94.0	94.0

The assumed mortality rates for life insurance contracts do not reflect any future improvement, consistent with the 2023 valuation.

For life contingent annuities, the assumed mortality assumption includes future mortality improvement, the effect of which is to increase insurance contract liabilities, based on prescribed mortality improvement rates using the CIA 2014 mortality table. For 2024, the historical mortality improvement (HMI) best estimate assumption was 100% (2023 – 100%) and the future mortality improvement (FMI) best estimate assumption was 100% (2023 – 100%).

A possible increase in mortality rates increases estimates of future cash outflows and decreases the CSM. Refer to Note **4(B)(i)** for sensitivity analysis.

(in thousands of Barbados dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)

A. Assumptions and Methodology (continued)

i) Life and health insurance contracts (continued)

Individual life and annuity (continued)

Lapse
Lapse refers to the termination of policies because of non-payment of premiums. The best estimate lapse assumption is based on a combination of industry, using CIA experience studies, and the Company's lapse experience and pricing assumptions for newer products. The lapse assumptions used in the valuation of the 2024 contract liabilities are unchanged from those used in the valuation of 2023 contract liabilities.

Lapse assumptions vary by specific product. The table below summarises lapse assumptions by policy year % for the main types of life products.

Duration	**Product Type**			
	Term Life	**Extendable Term Life**	**Whole Life**	**Universal Life**
1	5.0	16.25	16.25 – 8.5	16.25 – 12.5
2	3.9	13.5	13.5 – 6.75	13.5 – 10.0
3	2.8	10.25	10.25 – 6.5	10.25 – 7.5
4-5	2.4 – 1.8	7.75 – 6.0	7.75 – 6.0	7.75 – 6.0
6-10	1.5 – 1.0	7.5	6.5	5.0
11-15	1.5 – 0.6	5.0	6.5	4.0
16+	0.3	5.0	6.0	4.0 – 3.0

Possible changes in lapse rates could increase or decrease estimates of future cash outflows and decrease or increase the CSM, depending on product specifics. Refer to Note 4(b)(i) for sensitivity analysis.

Expenses
The valuation of contract liabilities includes estimates of future expenses relating to the fulfilment of contracts using current expense levels adjusted for inflation. These include the costs of premium collection, claims adjudication and processing, relating consulting services, preparation and mailing of policy statements and related indirect expenses and overheads. The classification of expenses is based on an expense analysis and allocation tool.

There is therefore a risk that the per policy maintenance expenses increase at a significantly higher rate than assumed in the pricing due to higher than anticipated allocated expenses and/or lower in-force volumes.

The annual best estimate assumption for 2024 is $199.88 per policy with expense inflation assumed to be 2% per annum for all years. This is an update to both the per policy best estimate (2023 - $203.80) and the expense inflation assumption used in the valuation of contract liabilities at 31 December 2023 where expense inflation was assumed to be 4% per annum for first year and 2% per annum thereafter.

Morbidity
Morbidity refers to the likelihood that an insured will contract or develop any number of illnesses. The Company's portfolio of Company and individual health business is large enough for an internal analysis of lag and is used as the basis for setting annually renewable premiums. For valuation purposes, the company's morbidity exposure is limited to Group Health business and Disability Waiver riders on Individual Life policies (Disability Waiver of Premium). For both of these business lines an approximation method is used for valuation and so there are no explicit morbidity assumptions.

(in thousands of Barbados dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)

A. Assumptions and Methodology (continued)

i) Life and health insurance contracts (continued)

Individual life and annuity (continued)

Discount rates
Determination of the discount rates used in the valuation of the contract liabilities followed the top-down approach which adjusts the yields of a reference portfolio of assets (Government of Barbados bonds) to remove elements not related to the characteristics of the contract liabilities and for differences in the amount, timing and uncertainty between the asset and liability cash flows. These adjustments were based on the following assumptions:

- Credit risk assumption of 35% credit spread (2023 – 35%) based on US corporate BB bonds with an additional 25% for the risk of default (2023 – 25%)
- Observable period of 15 years (2023 – 15 years)
- Ultimate risk-free rate at end of unobservable period of 3.30% (2023 – 3.30%) based on US risk free rates
- Ultimate illiquidity premium of 250 bps at end of unobservable period (2023 – 250 bps) based on US corporate BB bond spreads

The tables below set out the yield curves used to discount the cash flows of Life and Health insurance contracts in the Group.

2024

	Currency	1 year	5 years	10 years	15 years	20 years
Barbados	BBD	6.76%	7.31%	8.04%	8.44%	8.20%

2023

	Currency	1 year	5 years	10 years	15 years	20 years
Barbados	BBD	7.42%	7.96%	8.63%	8.97%	8.68%

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk was determined using a margin approach based on margins for adverse deviations (MfADs) calibrated to the Company's confidence level. The below table shows the margins used which were unchanged from 2023.

Assumption	**Margins**
Mortality	20 per 1000 divided by expectation of life
Annuitant mortality	Minus 10% of expected
Expense	Plus 15% of expected
Lapse	25% more conservative than expected
Future mortality improvement	100% of the additive margins provided by the CIA

This resulted in a risk adjustment confidence level of 80% to 85% for 2024 (2023 – 80% - 85%).

(in thousands of Barbados dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)

A. Assumptions and Methodology (continued)

i) Life and health insurance contracts (continued)

Individual life and annuity (continued)

Investment returns

Assets are not formally segmented by line of business or product line. Invested assets are notionally segmented to support the actuarial liabilities. For each segment, the future cash flows from insurance and investment contracts and the assets supporting them are projected under a number of interest rate scenarios. Both current assets and future reinvestment consider credit / asset default risk (assumed to earn a credit spread (including appropriate default provision), above the risk-free Treasury yield based on current and future expected market conditions). Asset defaults were based on industry experience.

Premium payment patterns

Universal life liabilities are sensitive to the amount of discretionary premium received from the policyholders. A premium persistency assumption is made for all universal life products and can vary by plan, age, and policy duration.

Group life and health

The Group values its insurance contract liabilities for its group life and health business (individual and group) under the premium allocation approach (PAA) prescribed by IFRS 17. The contract liabilities comprise the incurred but not reported (IBNR) reserve and the outstanding claims reserve. The IBNR reserve was calculated as a percentage of annual premiums using a best estimate reserve factor of 10.42% for life and accidental death and dismemberment (2023 – 10.42%), 20.83% for critical illness (2023 – 20.83%),11% for group medical (2023 – 12.0%) and 20.2% for group creditor (2023 – 20.2%).

The risk adjustment for non-financial risk was made to the IBNR reserves based on a 20% added margin.

ii) Property and casualty contracts

The tables below set out the yield curves used to discount the cash flows of Property and Casualty insurance contracts in the Group.

2024

	Currency	1 year	5 years	10 years	15 years	20 years
Barbados	BBD	6.76%	7.27%	7.87%	8.14%	8.41%

2023

	Currency	1 year	5 years	10 years	15 years	20 years
Barbados	BBD	7.42%	7.92%	8.45%	8.69%	8.91%

Determination of the discount rates used in the valuation of the liabilities for incurred claims (LIC) for the Group's PAA business followed the top-down approach which adjusts the yields of a reference portfolio of assets (Government of Barbados bonds) to remove elements not related to the characteristics of the contract liabilities and for differences in the amount, timing and uncertainty between the asset and liability cash flows. The basis for the discount curve in the observable period is a reference portfolio consisting of U.S. Federal, A rated, and BB rated Government of Barbados bonds (GBB). The last observable point is assumed to be at 15 years and derives from the depth and liquidity of observable market data in the reference portfolio. As LIC is assumed to be fully illiquid, the Group puts maximum weight on the more illiquid GBB in constructing the discount curve. To remove any credit spread inherent in the reference portfolio spread above risk-free, the Group applies a two-step approach:

18. INSURANCE CONTRACT LIABILITIES (continued)

A. Assumptions and Methodology (continued)

ii) Property and casualty contracts (continued)

1. Determine the split of credit risk and illiquidity premia within the total spread of the reference portfolio over government bonds. This split relies on a 2019 Moody's study on illiquidity and credit premia. The credit risk premia will be reviewed annually for changes in market conditions and as new research emerges.
2. The reference portfolio yield curve is adjusted to remove the credit risk premium for the observable period (the same proportion of the spread between credit and liquidity is maintained).

The Group assumes that the ultimate rate is approached at duration 70 with interpolation applied between the last observable point of 15 years and convergence end point at 70 years.

The Group estimates insurance liabilities in relation to claims incurred for its P&C contracts using the Bornhuetter-Ferguson method on paid and reported losses. This is essentially a blend of two other methods, the first being the Loss Development Method whereby actual reported losses are multiplied by an expected loss development factor and the second, the Expected Loss Method whereby the future IBNR reserve equals the difference between a predetermined estimate of expected losses and actual reported losses.

The Group has used the same methods to estimate incurred claims in 2024 and 2023.

Risk adjustment for non-financial risk

The Company used the quantile approach through Bootstrapping of the claims triangles to stochastically determine the allowance for riskiness in claim cashflows in respect of LIC. The approach also makes an allowance of diversification between the different lines of business.

The bootstrapping method allows the company to derive a distribution of the fulfillment cashflows, from which the Value at Risk (VAR) is calculated. The VAR calculation allows the company to determine the confidence level of the RA. The risk adjustment is then calculated as the excess of the VAR over the expected present value of the cashflows at 70% confidence level for 2024 (2023 – 70%).

(in thousands of Barbados dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)

B. Reconciliation of opening and ending insurance contract liabilities by LRC and LIC

Individual life and annuities business under GMM

	2024				
	Liabilities for remaining coverage		Liabilities for incurred claims	Insurance acquisition cash flows asset	Total
	Excluding loss component	Loss component			
Opening insurance contract liabilities as at 1 January	**12,536**	**585**	**2,013**	**-**	**15,134**
Insurance revenue					
Contracts under the fair value transition approach	(2,628)	-	-	-	**(2,628)**
New contracts and contracts measured under the full retrospective approach at transition	(1,173)	-	-	-	**(1,173)**
Insurance revenue	**(3,801)**	-	**-**	**-**	**(3,801)**
Insurance service expenses					
Incurred claims and other insurance service expenses	-	(147)	3,346	-	**3,199**
Losses and reversals of losses on onerous contracts	-	(64)	-	-	**(64)**
Amortisation of insurance acquisition cash flows	128	-	-	-	**128**
Insurance service expenses	**128**	**(211)**	**3,346**	**-**	**3,263**
Investment component	(844)	-	844	-	**-**
Insurance service result	**(4,517)**	**(211)**	**4,190**	**-**	**(538)**
Net finance expenses from insurance contracts	2,019	59	-	-	**2,078**
Total amounts recognized in comprehensive income	**(2,498)**	**(152)**	**4,190**	**-**	**1,540**
Cash flows					
Premiums received	6,105	-	-	-	**6,105**
Claims and other insurance service expenses paid	-	-	(4,110)	-	**(4,110)**
Insurance acquisition cash flows	(1,354)	-	-	-	**(1,354)**
Total cash flows	**4,751**	**-**	**(4,110)**	**-**	**641**
Insurance contract liabilities as at 31 December	**14,789**	**433**	**2,093**	**-**	**17,315**

(in thousands of Barbados dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)

B. Reconciliation of opening and ending insurance contract liabilities by LRC and LIC (continued)

Individual life and annuities business under GMM (continued)

	2023				
	Liabilities for remaining coverage		Liabilities for incurred claims	Insurance acquisition cash flows asset	Total
	Excluding loss component	Loss component			
Opening insurance contract liabilities as at 1 January	**7,618**	**534**	**1,920**	**-**	**10,072**
Insurance revenue					
Contracts under the fair value transition approach	(2,024)	-	-	-	**(2,024)**
New contracts and contracts measured under the full retrospective approach at transition	(335)	-	-	-	**(335)**
Insurance revenue	**(2,359)**	-	**-**	**-**	**(2,359)**
Insurance service expenses					
Incurred claims and other insurance service expenses	-	(165)	3,588	-	**3,423**
Losses and reversals of losses on onerous contracts	-	164	-	-	**164**
Amortisation of insurance acquisition cash flows	159	-	-	-	**159**
Insurance service expenses	**159**	**(1)**	**3,588**	**-**	**3,746**
Investment component	(734)	-	734	-	**-**
Insurance service result	**(2,934)**	**(1)**	**4,322**	**-**	**1,387**
Net finance expenses from insurance contracts	1,332	52	-	-	**1,384**
Total amounts recognized in comprehensive income	**(1,602)**	**51**	**4,322**	**-**	**2,771**
Cash flows					
Premiums received	8,329	-	-	-	**8,329**
Claims and other insurance service expenses paid	-	-	(4,229)	-	**(4,229)**
Insurance acquisition cash flows	(1,809)	-	-	-	**(1,809)**
Total cash flows	**6,520**	**-**	**(4,229)**	**-**	**2,291**
Insurance contract liabilities as at 31 December	**12,536**	**585**	**2,013**	**-**	**15,134**

(in thousands of Barbados dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)

B. Reconciliation of opening and ending insurance contract liabilities by LRC and LIC (continued)

Individual health and Group business under PAA

	2024					
	Liabilities for remaining coverage		Liabilities for incurred claims (PAA)		Insurance acquisition cash flows asset	Total
	Excluding loss component	Loss component	PV of future cash flows	Risk adjustment for non-financial risk		
Opening insurance contract liabilities as at 1 January	**(892)**	**-**	**16,375**	**752**	**-**	**16,235**
Insurance revenue	**(25,977)**	**-**	**-**	**-**	**-**	**(25,977)**
Insurance service expenses						
Incurred claims and other insurance service expenses[1]	-	-	21,054	(11)	-	**21,043**
Insurance service expenses	**-**	**-**	**21,054**	**(11)**	**-**	**21,043**
Insurance service result	**(25,977)**	**-**	**21,054**	**(11)**	**-**	**(4,934)**
Total amounts recognized in comprehensive income	**(25,977)**	**-**	**21,054**	**(11)**	**-**	**(4,934)**
Cash flows						
Premiums received	26,497	-	-	-	-	**26,497**
Claims and other insurance service expenses paid	-	-	(13,917)	-	-	**(13,917)**
Insurance acquisition cash flows	-	-	(6,731)	-	-	**(6,731)**
Total cash flows	**26,497**	**-**	**(20,648)**	**-**	**-**	**5,849**
Insurance contract liabilities as at 31 December	**(372)**	**-**	**16,781**	**741**	**-**	**17,150**

[1] Other insurance service expenses include insurance acquisition cash flows.

(in thousands of Barbados dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)

B. Reconciliation of opening and ending insurance contract liabilities by LRC and LIC (continued)

Individual health and Group business under PAA (continued)

	2023					
	Liabilities for remaining coverage		Liabilities for incurred claims (PAA)		Insurance acquisition cash flows asset	Total
	Excluding loss component	Loss component	PV of future cash flows	Risk adjustment for non-financial risk		
Opening insurance contract liabilities as at 1 January	**(882)**	**-**	**17,296**	**653**	**-**	**17,067**
Insurance revenue	**(25,371)**	**-**	**-**	**-**	**-**	**(25,371)**
Insurance service expenses						
Incurred claims and other insurance service expenses[2]	-	-	23,946	99	-	**24,045**
Insurance service expenses	**-**	**-**	**23,946**	**99**	**-**	**24,045**
Insurance service result	**(25,371)**	**-**	**23,946**	**99**	**-**	**(1,326)**
Total amounts recognized in comprehensive income	**(25,371)**	**-**	**23,946**	**99**	**-**	**(1,326)**
Cash flows						
Premiums received	25,361	-		-	-	**25,361**
Claims and other insurance service expenses paid	-	-	(15,980)	-	-	**(15,980)**
Insurance acquisition cash flows	-	-	(8,887)	-	-	**(8,887)**
Total cash flows	**25,361**	**-**	**(24,867)**	**-**	**-**	**494**
Insurance contract liabilities as at 31 December	**(892)**	**-**	**16,375**	**752**	**-**	**16,235**

[2] Other insurance service expenses include insurance acquisition cash flows.

(in thousands of Barbados dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)

B. Reconciliation of opening and ending insurance contract liabilities by LRC and LIC (continued)

Property & casualty under PAA

	2024					
	Liability for remaining coverage		Liability for incurred claims		Insurance acquisition cash flows asset	Total
			Contracts under PAA			
	Excluding loss component	Loss component	PV of future cash flows	Risk adjustment for non-financial risk		
Opening insurance contract liabilities as at 1 January	**17,535**	**-**	**59,048**	**5,643**	**-**	**82,226**
Insurance revenue	**(92,247)**	**-**	**-**	**-**	**-**	**(92,247)**
Insurance service expenses						
Incurred claims and other insurance service expenses	-	-	32,250	1,962	-	**34,212**
Adjustments to liabilities for incurred claims	-	-	-	-	-	-
Amortisation of insurance acquisition cash flows	16,172	-	-	-	-	**16,172**
Insurance service expenses	**16,172**	**-**	**32,250**	**1,962**	**-**	**50,384**
Insurance service result	**(76,075)**	**-**	**32,250**	**1,962**	**-**	**(41,863)**
Net finance expenses from insurance contracts	-	-	4,880	-	-	**4,880**
Total amounts recognised in comprehensive income	**(76,075)**	**-**	**37,130**	**1,962**	**-**	**(36,983)**
Cash flows						
Premiums received	99,373	-	-	-	-	**99,373**
Claims and other insurance service expenses paid	-	-	(26,137)	-	-	**(26,137)**
Insurance acquisition cash flows	(15,675)	-	-	-	-	**(15,675)**
Total cash flows	**83,698**	**-**	**(26,137)**	**-**	**-**	**57,561**
Insurance contract liabilities as at 31 December	**25,158**	**-**	**70,041**	**7,605**	**-**	**102,804**

(in thousands of Barbados dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)

B. Reconciliation of opening and ending insurance contract liabilities by LRC and LIC (continued)

Property & casualty under PAA (continued)

	2023					
	Liability for remaining coverage		Liability for incurred claims		Insurance acquisition cash flows asset	Total
			Contracts under PAA			
	Excluding loss component	Loss component	PV of future cash flows	Risk adjustment for non-financial risk		
Opening insurance contract liabilities as at 1 January	**20,392**	**-**	**63,712**	**4,984**	**-**	**89,088**
Insurance revenue	**(78,785)**	**-**	**-**	**-**	**-**	**(78,785)**
Insurance service expenses						
Incurred claims and other insurance service expenses	-	-	20,298	1,084	-	**21,382**
Adjustments to liabilities for incurred claims	-	-	(477)	(425)	-	**(902)**
Amortisation of insurance acquisition cash flows	15,422	-	-	-	-	**15,422**
Insurance service expenses	**15,422**	**-**	**19,821**	**659**	**-**	**35,902**
Insurance service result	**(63,363)**	**-**	**19,821**	**659**	**-**	**(42,883)**
Net finance expenses from insurance contracts	-	-	3,509	-	-	**3,509**
Total amounts recognised in comprehensive income	**(63,363)**	**-**	**23,330**	**659**	**-**	**(39,374)**
Cash flows						
Premiums received	75,673	-	-	-	-	**75,673**
Claims and other insurance service expenses paid	-	-	(27,994)	-	-	**(27,994)**
Insurance acquisition cash flows	(15,167)	-	-	-	-	**(15,167)**
Total cash flows	**60,506**	**-**	**(27,994)**	-	-	**32,512**
Insurance contract liabilities as at 31 December	**17,535**	**-**	**59,048**	**5,643**	**-**	**82,226**

(in thousands of Barbados dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)

C. Reconciliation of opening and ending reinsurance contract assets by LRC and LIC

Individual life and annuities business under GMM

	2024				
	Asset for remaining coverage		Asset for incurred claims		
			Contracts not under PAA		
	Excluding loss-recovery component	Loss-recovery component	Present value of future cash flows	Risk adjustment for non-financial risk	Total
Opening Reinsurance contract assets as at 1 January	**(409)**	**-**	**719**	**-**	**310**
Contracts under the fair value transition approach	(299)	-	-	-	**(299)**
New contracts and contracts measured under the full retrospective approach at transition	(68)	-	-	-	**(68)**
Allocation of reinsurance premium paid	**(367)**	**-**	**-**	**-**	**(367)**
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expenses	-	-	59	-	**59**
Net income (expenses) from reinsurance contracts	**(367)**	**-**	**59**	**-**	**(308)**
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	**-**
Net finance income (expenses) from reinsurance contracts	(77)	-	-	-	**(77)**
Total amounts recognized in comprehensive income	**(444)**	**-**	**59**	**-**	**(385)**
Cash flows					
Premiums paid net of ceding commission and other directly attributable expenses paid	126	-	-	-	**126**
Recoveries from reinsurance	-	-	(349)	-	**(349)**
Total cash flows	**126**	**-**	**(349)**	**-**	**(223)**
Reinsurance contract liabilities as at 31 December	**(727)**	**-**	**429**	**-**	**(298)**

(in thousands of Barbados dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)

C. Reconciliation of opening and ending reinsurance contract assets by LRC and LIC (continued)

Individual life and annuities business under GMM (continued)

	2023				
	Asset for remaining coverage		Asset for incurred claims		
			Contracts not under PAA		
	Excluding loss-recovery component	Loss-recovery component	Present value of future cash flows	Risk adjustment for non-financial risk	Total
Opening Reinsurance contract assets as at 1 January	**(664)**	**-**	**800**	**-**	**136**
Contracts under the fair value transition approach	(129)	-	-	-	**(129)**
New contracts and contracts measured under the full retrospective approach at transition	(30)	-	-	-	**(30)**
Allocation of reinsurance premium paid	**(159)**	**-**	**-**	**-**	**(159)**
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expenses	-	-	290	-	**290**
Net income (expenses) from reinsurance contracts	**(159)**	**-**	**290**	**-**	**131**
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	**-**
Net finance income from reinsurance contracts	39	-	-	-	**39**
Total amounts recognized in comprehensive income	**(120)**	**-**	**290**	**-**	**170**
Cash flows					
Premiums paid net of ceding commission and other directly attributable expenses paid	375	-	-	-	**375**
Recoveries from reinsurance		-	(371)	-	**(371)**
Total cash flows	**375**	**-**	**(371)**	**-**	**4**
Reinsurance contract assets as at 31 December	**(409)**	**-**	**719**	**-**	**310**

(in thousands of Barbados dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)

C. Reconciliation of opening and ending reinsurance contract assets by LRC and LIC (continued)

Individual health and Group business under PAA

	2024				
	Asset for remaining coverage		Asset for incurred claims		Total
			Contracts under PAA		
	Excluding loss-recovery component	Loss-recovery component	PV of future cash flows	Risk adjustment for non-financial risk	
Opening Reinsurance contract assets as at 1 January	**(674)**	**-**	**2,605**	**-**	**1,931**
Allocation of reinsurance premium paid	**(2,248)**	**-**	**-**	**-**	**(2,248)**
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expenses	-	-	981	-	**981**
Net income (expenses) from reinsurance contracts	**(2,248)**	**-**	**981**	-	**(1,267)**
Net finance income from reinsurance contracts	-	-	-	-	**-**
Total amounts recognised in comprehensive income	**(2,248)**	**-**	**981**	**-**	**(1,267)**
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses paid	2,211	-	-	-	**2,211**
Recoveries from reinsurance	-	-	(1,747)	-	**(1,747)**
Total cash flows	**2,211**	**-**	**(1,747)**	**-**	**464**
Reinsurance contract assets as at 31 December	**(711)**	**-**	**1,839**	**-**	**1,128**

(in thousands of Barbados dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)

C. Reconciliation of opening and ending reinsurance contract assets by LRC and LIC (continued)

Individual health and Group business under PAA (continued)

	2023				
	Asset for remaining coverage		Asset for incurred claims		Total
			Contracts under PAA		
	Excluding loss-recovery component	Loss-recovery component	PV of future cash flows	Risk adjustment for non-financial risk	
Opening Reinsurance contract assets as at 1 January	**(265)**	**-**	**2,280**	**-**	**2,015**
Allocation of reinsurance premium paid	**(2,059)**	**-**	**-**	**-**	**(2,059)**
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expenses	-	-	1,387	-	**1,387**
Net income (expenses) from reinsurance contracts	**(2,059)**	**-**	**1,387**	**-**	**(672)**
Net finance income from reinsurance contracts	-	-	-	-	**-**
Total amounts recognised in comprehensive income	**(2,059)**	**-**	**1,387**	**-**	**(672)**
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses paid	1,650	-	-	-	**1,650**
Recoveries from reinsurance	-	-	(1,062)	-	**(1,062)**
Total cash flows	**1,650**	**-**	**(1,062)**	**-**	**588**
Reinsurance contract assets as at 31 December	**(674)**	**-**	**2,605**	**-**	**1,931**

(in thousands of Barbados dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)

C. Reconciliation of opening and ending reinsurance contract assets by LRC and LIC (continued)

Property & casualty under PAA

	2024				
	Asset for remaining coverage		Asset for incurred claims		
			Contracts under PAA		
	Excluding loss-recovery component	Loss-recovery component	PV of future cash flows	Risk adjustment for non-financial risk	Total
Opening Reinsurance contract assets as at 1 January	**1,043**	**-**	**32,115**	**2,633**	**35,791**
Allocation of reinsurance premium paid	**(44,234)**	**-**	**-**	**-**	**(44,234)**
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expenses	-	-	14,666	1,484	**16,150**
Adjustments to assets for incurred claims	-	-	-	-	**-**
Net income (expenses) from reinsurance contracts	**(44,234)**	**-**	**14,666**	**1,484**	**(28,084)**
Net finance income (expenses) from reinsurance contracts	-	-	1,883	-	**1,883**
Total amounts recognised in comprehensive income	**(44,234)**	**-**	**16,549**	**1,484**	**(26,201)**
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses paid	46,301	-	-	-	**46,301**
Recoveries from reinsurance	-	-	(9,890)	-	**(9,890)**
Total cash flows	**46,301**	**-**	**(9,890)**	**-**	**36,411**
Reinsurance contract assets as at 31 December	**3,110**	**-**	**38,774**	**4,117**	**46,001**

(in thousands of Barbados dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)

C. Reconciliation of opening and ending reinsurance contract assets by LRC and LIC (continued)

Property & casualty under PAA (continued)

	2023				
	Asset for remaining coverage		Asset for incurred claims		
			Contracts under PAA		
	Excluding loss-recovery component	Loss-recovery component	PV of future cash flows	Risk adjustment for non-financial risk	Total
Opening Reinsurance contract assets as at 1 January	**1,091**	**-**	**30,812**	**2,207**	**34,110**
Allocation of reinsurance premium paid	**(36,439)**	**-**	**-**	**-**	**(36,439)**
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expenses	-	-	6,735	426	**7,161**
Adjustments to assets for incurred claims	-	-	(1,843)	-	**(1,843)**
Net income (expenses) from reinsurance contracts	**(36,439)**	**-**	**4,892**	**426**	**(31,121)**
Net finance income (expenses) from reinsurance contracts	-	-	1,206	-	**1,206**
Total amounts recognised in comprehensive income	**(36,439)**	**-**	**6,098**	**426**	**(29,915)**
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses paid	36,391	-	-	-	**36,391**
Recoveries from reinsurance	-	-	(4,795)	-	**(4,795)**
Total cash flows	**36,391**	**-**	**(4,795)**	**-**	**31,596**
Reinsurance contract assets as at 31 December	**1,043**	**-**	**32,115**	**2,633**	**35,791**

(in thousands of Barbados dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)

D. Reconciliation of opening and ending insurance contract liabilities by measurement component

Individual life and annuities business under GMM

	2024				
	Present value of future cash flows	Risk adjustments for non-financial risk	CSM	Insurance acquisition cash flows asset	Total
Opening Insurance contract liabilities as at 1 January	**8,891**	**4,347**	**1,896**	**-**	**15,134**
Changes that relate to current service					
CSM recognised for the services provided	-	-	(221)	-	**(221)**
Change in risk adjustment for non-financial risk for risk expired	-	(741)	-	-	**(741)**
Experience adjustments	482	-	-	-	**482**
Changes that relate to current service	**482**	**(741)**	**(221)**	**-**	**(480)**
Changes that relate to future service					
Changes in estimate that adjust the CSM	(53)	(375)	428	-	**-**
Change in estimates that result in losses and reversals of losses on onerous contracts	(497)	432	-	-	**(65)**
Contracts initially recognised in the year	(1,087)	458	629	-	**-**
Changes that relate to future service	**(1,637)**	**515**	**1,057**	**-**	**(65)**
Changes that relate to past service	7	-	-	-	**7**
Insurance service results	**(1,148)**	**(226)**	**836**	**-**	**(538)**
Net finance expenses from insurance contracts	1,340	605	133	-	**2,078**
Total amounts recognized in comprehensive income	**192**	**379**	**969**	**-**	**1,540**
Cash flows					
Premium received	6,105	-	-	-	**6,105**
Claims and other insurance service expenses paid	(4,110)	-	-	-	**(4,110)**
Insurance acquisitions cash flows	(1,354)	-	-	-	**(1,354)**
Total cash flows	**641**	**-**	**-**	**-**	**641**
Insurance contract liabilities as at 31 December	**9,724**	**4,726**	**2,865**	**-**	**17,315**

(in thousands of Barbados dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)

D. Reconciliation of opening and ending insurance contract liabilities by measurement component (continued)

Individual life and annuities business under GMM (continued)

	2023				
	Present value of future cash flows	**Risk adjustments for non-financial risk**	**CSM**	**Insurance acquisition cash flows asset**	**Total**
Opening Insurance contract liabilities as at 1 January	**5,713**	**3,821**	**538**	**-**	**10,072**
Changes that relate to current service					
CSM recognised for the services provided	-	-	(75)	-	**(75)**
Change in risk adjustment for non-financial risk for risk expired	-	(543)	-	-	**(543)**
Experience adjustments	1,841	-	-	-	**1,841**
Changes that relate to current service	**1,841**	**(543)**	**(75)**	**-**	**1,223**
Changes that relate to future service					
Changes in estimate that adjust the CSM	638	(26)	(612)	-	**-**
Change in estimates that result in losses and reversals of losses on onerous contracts	74	90	-	-	**164**
Contracts initially recognised in the year	(2,270)	364	1,906	-	**-**
Changes that relate to future service	**(1,558)**	**428**	**1,294**	**-**	**164**
Changes that relate to past service	-	-	-	-	**-**
Insurance service results	**283**	**(115)**	**1,219**	**-**	**1,387**
Net finance expenses from insurance contracts	604	641	139	-	**1,384**
Total amounts recognized in comprehensive income	**887**	**526**	**1,358**	**-**	**2,771**
Cash flows					
Premium received	8,329	-	-	-	**8,329**
Claims and other insurance service expenses paid	(4,229)	-	-	-	**(4,229)**
Insurance acquisitions cash flows	(1,809)	-	-	-	**(1,809)**
Total cash flows	**2,291**	**-**	**-**	**-**	**2,291**
Insurance contract liabilities as at 31 December	**8,891**	**4,347**	**1,896**	**-**	**15,134**

(in thousands of Barbados dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)

E. Reconciliation of opening and ending reinsurance contract assets by measurement component

Individual life and annuities business under GMM

	2024			
	Present value of future cash flows	**Risk adjustments for non-financial risk**	**CSM**	**Total**
Opening Reinsurance contract assets as at 1 January	**(410)**	**653**	**67**	**310**
Changes that relate to current services				
CSM recognised for services received	-	-	(39)	**(39)**
Change in risk adjustment for non-financial risk for risk expired	-	(89)	-	**(89)**
Experience adjustments	(180)	-	-	**(180)**
Changes that relate to current services	**(180)**	**(89)**	**(39)**	**(308)**
Changes that relate to future service				
Changes in estimates that adjust the CSM	224	21	(245)	**-**
Changes in FCF that do not adjust the CSM for the group of underlying insurance contracts	-	-	-	**-**
Contracts initially recognised in the year	(19)	27	(8)	**-**
Changes that relate to future service	**205**	**48**	**(253)**	**-**
Changes that relate to past service	-	-	-	**-**
Effect of changes in non-performance risk of reinsurers	-	-	-	**-**
Net income (expenses) from reinsurance contracts	**25**	**(41)**	**(292)**	**(308)**
Net finance income (expenses) from reinsurance contracts	(152)	77	(2)	**(77)**
Total amounts recognised in comprehensive income	**(127)**	**36**	**(294)**	**(385)**
Cash flows				
Premiums paid net of ceding commissions and other directly attributable expenses paid	126	-	-	**126**
Recoveries from reinsurance	(349)	-	-	**(349)**
Total cash flows	**(223)**	**-**	**-**	**(223)**
Reinsurance contract liabilities as at 31 December	**(760)**	**689**	**(227)**	**(298)**

(in thousands of Barbados dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)

E. Reconciliation of opening and ending reinsurance contract held assets by measurement component (continued)

Individual life and annuities business under GMM (continued)

	2023			
	Present value of future cash flows	**Risk adjustments for non-financial risk**	**CSM**	**Total**
Opening Reinsurance contract assets as at 1 January	**(139)**	**652**	**(377)**	**136**
Changes that relate to current services				
CSM recognised for services received	-	-	(4)	**(4)**
Change in risk adjustment for non-financial risk for risk expired	-	(83)	-	**(83)**
Experience adjustments	218	-	-	**218**
Changes that relate to current services	**218**	**(83)**	**(4)**	**131**
Changes that relate to future service				
Changes in estimates that adjust the CSM	(467)	4	463	**-**
Changes in FCF that do not adjust the CSM for the group of underlying insurance contracts	-	-	-	**-**
Contracts initially recognised in the year	(20)	25	(5)	**-**
Changes that relate to future service	**(487)**	**29**	**458**	**-**
Changes that relate to past service	-	-	-	**-**
Effect of changes in non-performance risk of reinsurers	-	-	-	**-**
Net income (expenses) from reinsurance contracts	**(269)**	**(54)**	**454**	**131**
Net finance income (expenses) from reinsurance contracts	(6)	55	(10)	**39**
Total amounts recognised in comprehensive income	**(275)**	**1**	**444**	**170**
Cash flows				
Premiums paid net of ceding commissions and other directly attributable expenses paid	375	-	-	**375**
Recoveries from reinsurance	(371)	-	-	**(371)**
Total cash flows	**4**	**-**	**-**	**4**
Reinsurance contract assets as at 31 December	**(410)**	**653**	**67**	**310**

(in thousands of Barbados dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)

F. Effect on measurement components for contracts initially recognised in the year – insurance contracts issued

Individual life and annuities

	2024			2023		
	Non-onerous contracts	Onerous contracts	Total	Non-onerous contracts	Onerous contracts	Total
Insurance acquisition cash flows	(814)		**(814)**	(850)		**(850)**
Claims and other directly attributable expenses	(3,337)		**(3,337)**	(5,798)		**(5,798)**
Estimates of the present value of future cash outflows	**(4,151)**	**-**	**(4,151)**	**(6,648)**	**-**	**(6,648)**
Estimates of the present value of future cash inflows	5,238	-	**5,238**	8,917	-	**8,917**
Risk adjustment for non-financial risk	(458)	-	**(458)**	(363)	-	**(363)**
CSM	**629**	**-**	**629**	**1,906**	**-**	**1,906**

G. Effect on measurement components for contracts initially recognised in the year – reinsurance contracts held

Individual life and annuities

	2024			2023		
	Contracts initiated without loss-recovery component	Contracts initiated with loss-recovery component	Total	Contracts initiated without loss-recovery component	Contracts initiated with loss-recovery component	Total
Insurance acquisition cash flows	-	-	**-**	-	-	**-**
Claims and other directly attributable expenses	55	-	**55**	55		**55**
Estimates of the present value of future cash outflows	**55**	**-**	**55**	**55**	**-**	**55**
Estimates of the present value of future cash inflows	(74)	-	**(74)**	(75)	-	**(75)**
Risk adjustment for non-financial risk	27	-	**27**	25	-	**25**
CSM	**8**	**-**	**8**	**5**	**-**	**5**

(in thousands of Barbados dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)

H. Insurance revenue and CSM by transition method – insurance contracts issued

	2024		
	CSM		
	New contracts and contracts measured under the full retrospective approach at transition	Contracts measured under the fair value approach at transition	Total
CSM, beginning of year	**1,605**	**291**	**1,896**
Changes that relate to current service			
CSM recognised for the services received	(203)	(18)	**(221)**
Changes that relate to current service	**(203)**	**(18)**	**(221)**
Changes that relate to future service			
Changes in estimate that adjust the CSM	573	(145)	**428**
Contracts initially recognised in the period	629	-	**629**
Changes that relate to future service	**1,202**	**(145)**	**1,057**
Changes that relate to past service	**-**	**-**	**-**
Insurance service results	**999**	**(163)**	**836**
Net finance expenses from insurance contracts	120	13	**133**
Total amounts recognized in comprehensive income	**1,119**	**(150)**	**969**
CSM, end of year	**2,724**	**141**	**2,865**

(in thousands of Barbados dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)

H. Insurance revenue and CSM by transition method – insurance contracts issued (continued)

	2023		
	CSM		
	New contracts and contracts measured under the full retrospective approach at transition	Contracts measured under the fair value approach at transition	Total
CSM, beginning of year	**413**	**125**	**538**
Changes that relate to current service			
CSM recognised for the services received	(37)	(38)	**(75)**
Changes that relate to current service	**(37)**	**(38)**	**(75)**
Changes that relate to future service			
Changes in estimate that adjust the CSM	(811)	199	**(612)**
Contracts initially recognised in the period	1,906	-	**1,906**
Changes that relate to future service	**1,095**	**199**	**1,294**
Changes that relate to past service	-	-	**-**
Insurance service results	**1,058**	**161**	**1,219**
Net finance expenses from insurance contracts	134	5	**139**
Total amounts recognized in comprehensive income	**1,192**	**166**	**1,358**
CSM, end of year	**1,605**	**291**	**1,896**

(in thousands of Barbados dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)

I. Insurance revenue and CSM by transition method – reinsurance contracts held

	2024		
	CSM		
	New contracts and contracts measured under the full retrospective approach at transition	Contracts measured under the fair value approach at transition	Total
CSM, beginning of year	**(46)**	**113**	**67**
Changes that relate to current services			
CSM recognised for services received	(46)	7	**(39)**
Changes that relate to current services	**(46)**	**7**	**(39)**
Changes that relate to future service			
Changes in estimates that adjust the CSM	(75)	(170)	**(245)**
Contracts initially recognised in the year	(8)	-	**(8)**
Changes that relate to future service	**(83)**	**(170)**	**(253)**
Changes that relate to past service	**-**	**-**	**-**
Effect of changes in the risk of reinsurers non-performance	**-**	**-**	**-**
Net income (expenses) from reinsurance contracts	**(129)**	**(163)**	**(292)**
Net finance expenses from reinsurance contracts	(1)	(1)	**(2)**
Total amounts recognised in comprehensive income	**(130)**	**(164)**	**(294)**
CSM, end of year	**(176)**	**(51)**	**(227)**

(in thousands of Barbados dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)

I. Insurance revenue and CSM by transition method – reinsurance contracts held (continued)

	2023		
	CSM		
	New contracts and contracts measured under the full retrospective approach at transition	Contracts measured under the fair value approach at transition	Total
CSM, beginning of year	**(22)**	**(355)**	**(377)**
Changes that relate to current services			
CSM recognised for services received	(19)	15	**(4)**
Changes that relate to current services	**(19)**	**15**	**(4)**
Changes that relate to future service			
Changes in estimates that adjust the CSM	-	463	**463**
Contracts initially recognised in the year	(5)	-	**(5)**
Changes that relate to future service	**(5)**	**463**	**458**
Changes that relate to past service	-	-	**-**
Effect of changes in the risk of reinsurers non-performance	-	-	**-**
Net income (expenses) from reinsurance contracts	**(24)**	**478**	**454**
Net finance income (expenses) from reinsurance contracts	-	(10)	**(10)**
Total amounts recognised in comprehensive income	**(24)**	**468**	**444**
CSM, end of year	**(46)**	**113**	**67**

(in thousands of Barbados dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)

J. Expected recognition of the Contractual Service Margin (CSM)

An analysis of the expected recognition of the CSM remaining at the end of the reporting period in profit or loss is provided in the following tables:

			Insurance Contracts			
	Less than 1 year	**1-3 years**	**4-5 years**	**6-10 years**	**>10 years**	**Total**
2024	373	619	490	748	635	**2,865**
2023	235	402	323	519	417	**1,896**

			Reinsurance Contracts Held			
	Less than 1 year	**1-3 years**	**4-5 years**	**6-10 years**	**>10 years**	**Total**
2024	(162)	(9)	(7)	(14)	(35)	**(227)**
2023	138	(10)	(8)	(15)	(38)	**67**

(in thousands of Barbados dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)

K. Analysis of insurance revenue and insurance service expenses from insurance contracts issued and net income or expenses from reinsurance contracts held

	2024		
	Property & Casualty	**Life & Health**	**Total**
Insurance revenue			
Contracts not measured under the PAA			
Amounts relating to changes in liabilities for remaining coverage			
CSM recognised for services provided	-	221	**221**
Change in risk adjustment for non-financial risk for risk expired	-	741	**741**
Expected incurred claims and other insurance service expenses	-	2,711	**2,711**
Recovery of insurance acquisition cash flows	-	128	**128**
Insurance revenue from contracts not measured under the PAA	**-**	**3,801**	**3,801**
Insurance revenue from contracts measured under the PAA	92,247	25,977	**118,224**
Total insurance revenue	**92,247**	**29,778**	**122,025**
Insurance service expenses			
Incurred claims and other insurance service expenses	(34,212)	(24,242)	**(58,454)**
Losses on onerous contracts and reversal of those losses	-	64	**64**
Insurance acquisition cash flows amortisation	(16,172)	(128)	**(16,300)**
Total insurance service expenses	**(50,384)**	**(24,306)**	**(74,690)**
Net income (expenses) from reinsurance contracts			
Contracts not measured under the PAA			
Amounts relating to the changes in the remaining coverage:			
Expected claims and other insurance service expenses recovery	-	(239)	**(239)**
Change in risk adjustment for non-financial risk for risk expired	-	(89)	**(89)**
CSM recognised for services received	-	(39)	**(39)**
Reinsurance expenses - contracts not measured under the PAA	-	(367)	**(367)**
Reinsurance expenses - contracts measured under the PAA	(44,234)	(2,248)	**(46,482)**
Recoveries of incurred claims and other insurance service expenses	16,150	1,040	**17,190**
Total net expenses from reinsurance contracts	**(28,084)**	**(1,575)**	**(29,659)**
Total insurance service result	**13,779**	**3,897**	**17,676**

(in thousands of Barbados dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)

K. Analysis of insurance revenue and insurance service expenses from insurance contracts issued and net income or expenses from reinsurance contracts held (continued)

	2023		
	Property & Casualty	**Life & Health**	**Total**
Insurance revenue			
Contracts not measured under the PAA			
Amounts relating to changes in liabilities for remaining coverage			
CSM recognised for services provided	-	75	**75**
Change in risk adjustment for non-financial risk for risk expired	-	543	**543**
Expected incurred claims and other insurance service expenses	-	1,582	**1,582**
Recovery of insurance acquisition cash flows	-	159	**159**
Insurance revenue from contracts not measured under the PAA	**-**	**2,359**	**2,359**
Insurance revenue from contracts measured under the PAA	78,785	25,371	**104,156**
Total insurance revenue	**78,785**	**27,730**	**106,515**
Insurance service expenses			
Incurred claims and other insurance service expenses	(20,480)	(27,468)	**(47,948)**
Losses on onerous contracts and reversal of those losses	-	(164)	**(164)**
Insurance acquisition cash flows amortisation	(15,422)	(159)	**(15,581)**
Total insurance service expenses	**(35,902)**	**(27,791)**	**(63,693)**
Net income (expenses) from reinsurance contracts			
Contracts not measured under the PAA			
Amounts relating to the changes in the remaining coverage:			
Expected claims and other insurance service expenses recovery	-	(72)	**(72)**
Change in risk adjustment for non-financial risk for risk expired	-	(83)	**(83)**
CSM recognised for services received	-	(4)	**(4)**
Reinsurance expenses - contracts not measured under the PAA	-	**(159)**	**(159)**
Reinsurance expenses - contracts measured under the PAA	(36,439)	(2,059)	**(38,498)**
Recoveries of incurred claims and other insurance service expenses	5,318	1,677	**6,995**
Total net expenses from reinsurance contracts	**(31,121)**	**(541)**	**(31,662)**
Total insurance service result	**11,762**	**(602)**	**11,160**

(in thousands of Barbados dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)

L. Analysis of net investment income and net insurance finance expenses

The relationship between insurance finance income or expenses and the investment return on its assets is presented by the disaggregation of investment return by reportable segment and by financial statement line item. However, due to the nature of the Group's management of investment activities, all investment and associated investment returns are managed under the Asset Management segment.

	2024			
	Property & Casualty	**Life & Health**	**Asset Management**	**Total**
Net investment income (expenses) – underlying assets				
Gain on derecognition of assets carried at FVTOCI	-	-		-
Interest income earned from financial assets measured at amortised cost and FVTOCI	-	-	3,469	**3,469**
Dividend income	-	-	686	**686**
Net gain / (loss) on FVTPL investments	-	-	1,095	**1,095**
Net credit impairment recovery (loss)	-	-	204	**204**
Net investment income (expenses) – underlying assets	-	**-**	**5,454**	**5,454**
Net investment income (expenses) - other				
Investment property - rental income	-	-	-	**-**
Investment property - unrealised loss	-	-	(564)	**(564)**
Other investment income	-	-	2,523	**2,523**
Net investment income - other	-	**-**	**1,959**	**1,959**
Total net investment result	-	**-**	**7,413**	**7,413**
Finance income (expenses) from insurance contracts				
Interest accreted	(416)	(850)	-	**(1,266)**
Impact of change in interest rates and other financial assumptions	(4,464)	(1,228)	-	**(5,692)**
Finance income (expenses) from insurance contracts	**(4,880)**	**(2,078)**	**-**	**(6,958)**
Finance income (expenses) from reinsurance contracts				
Interest accreted	110	(30)	-	**80**
Impact of change in interest rates and other financial assumptions	1,773	(47)	-	**1,726**
Finance income (expenses) from reinsurance contracts	**1,883**	**(77)**	**-**	**1,806**
Net insurance finance income (expenses)	**(2,997)**	**(2,155)**	**-**	**(5,152)**
Net investment and finance income (expense) result	**(2,997)**	**(2,155)**	**7,413**	**2,261**

(in thousands of Barbados dollars)

18. INSURANCE CONTRACT LIABILITIES (continued)

L. Analysis of net investment income and net insurance finance expenses (continued)

	2023			
	Property & Casualty	**Life & Health**	**Asset Management**	**Total**
Net investment income (expenses) – underlying assets				
Gain on derecognition of assets carried at FVTOCI				
Interest income earned from financial assets measured at amortised cost and FVTOCI	-	-	2,573	**2,573**
Dividend income	-	-	479	**479**
Net gain / (loss) on FVTPL investments	-	-	(1,030)	**(1,030)**
Net credit impairment recovery (loss)	-	-	404	**404**
Net investment income (expenses) – underlying assets	-	-	2,426	**2,426**
Net investment income (expenses) - other				
Investment property - rental income	-	-	65	**65**
Investment property - unrealised loss	-	-	(554)	**(554)**
Other investment income	-	-	2,709	**2,709**
Net investment income - other	-	-	2,220	**2,220**
Total net investment result	-	-	4,646	**4,646**
Finance income (expenses) from insurance contracts				
Interest accreted	368	(636)	-	**(268)**
Impact of change in interest rates and other financial assumptions	(3,877)	(748)	-	**(4,625)**
Finance income (expenses) from insurance contracts	**(3,509)**	**(1,384)**	**-**	**(4,893)**
Finance income (expenses) from reinsurance contracts				
Interest accreted	(254)	(25)	-	**(279)**
Impact of change in interest rates and other financial assumptions	1,460	64	-	**1,524**
Finance income (expenses) from reinsurance contracts	**1,206**	**39**	**-**	**1,245**
Net insurance finance income (expenses)	**(2,303)**	**(1,345)**	**-**	**(3,648)**
Net investment and finance income (expense) result	**(2,303)**	**(1,345)**	**4,646**	**998**

19. SHARE CAPITAL

	2024		2023	
	Number of Shares	$	Number of Shares	$
Balance – beginning of year	39,196,812	39,445	39,272,782	39,600
Repurchase of shares	(171,870)	(346)	(75,970)	(155)
Balance – end of year	**39,024,942**	**39,099**	**39,196,812**	**39,445**

The Company is authorised to issue an unlimited number of common shares at no par value. During 2024, 171,870 shares were repurchased by the Company and held as treasury shares as at December 31, 2024 (2023 - 75,970 shares were repurchased by the Company and cancelled).

A. Statutory Reserve

Catastrophe reserve

The Insurance (Catastrophe Reserve Fund) Regulations 2003 – 88 of Barbados requires the establishment of a catastrophe reserve fund. Annual amounts of up to 25% of net premium income from property insurance business are allocated to the fund and are accounted for as an appropriation of retained earnings. Assets representing the fund in the amount of $ 22,686 (2023 - $22,060) have been placed in trust in accordance with the regulations of the Insurance Act.

Surplus reserve

Section 152 of the Insurance Act of Barbados requires the appropriation towards a surplus reserve of at least 25% of net income until the surplus reserve of the Company equals or exceeds the liability in respect of unearned premiums.

As at 31 December 2024 the Company's surplus reserve was in excess of unearned premiums.

The Statutory reserves comprise of the following:

	Catastrophe reserve	Surplus reserve	Total
Balance as at 31 December 2022	**17,466**	**37,388**	**54,854**
Transfer to catastrophe reserve	80	-	80
Balance as at 31 December 2023	**17,546**	**37,388**	**54,934**
Transfer to catastrophe reserve	320	-	320
Balance as at 31 December 2024	**17,866**	**37,388**	**55,254**

B. Earnings per Share

The earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year

	2024 $	2023 $
Income attributable to the Company's equity holders	2,417	(680)
Weighted average number of ordinary shares in issue ('000s)	39,110	39,235
Basic and fully diluted earnings per share	**0.06**	**(0.02)**

(in thousands of Barbados dollars)

20. ACCUMULATED OTHER COMPREHENSIVE INCOME

This consists of unrealised gains and losses on FVOCI investments, gains and losses on employee benefit plans (net of taxes) and revaluation adjustments on land & buildings held as property, plant and equipment:

	2024 $	2023 $
Items that will not be subsequently reclassified to profit or loss		
Re-measurement of post-employment benefit obligation	(16,080)	(11,104)
Changes in the fair value of FVOCI investments	4,832	3,923
Change in property valuation	175	175
Total	**(11,073)**	**(7,006)**

	FVOCI Investments $	Retirement benefit obligation $	Property $	Total $
At 31 December 2023	3,924	(11,105)	175	(7,006)
Change in retirement benefit obligation	-	(4,975)	-	(4,975)
Change in FVOCI investments	908	-	-	908
Change in property valuation	-	-	-	-
At 31 December 2024	**4,832**	**(16,080)**	**175**	**(11,073)**

	FVOCI Investments $	Retirement benefit obligation $	Property $	Total $
At 31 December 2022	3,773	(11,025)	175	(7,077)
Change in retirement benefit obligation	-	(80)	-	(80)
Change in FVOCI investments	151	-	-	151
Change in property valuation	-	-	-	-
At 31 December 2023	**3,924**	**(11,105)**	**175**	**(7,006)**
Other comprehensive income (loss) for the year ended 31 December 2024	**908**	**(4,975)**	**-**	**(4,067)**
Other comprehensive income (loss) for the year ended 31 December 2023	**151**	**(80)**	**-**	**71**

21. OTHER INCOME

This includes fee income from pension administration and investment management services.

	2024 $	2023 $
Rental and service charge income from Joint Venture	3,273	3,295
Other income	1,078	1,289
Total	**4,351**	**4,584**

(in thousands of Barbados dollars)

22. OPERATING EXPENSES

An analysis of the expense incurred by the Group is included in the below table:

	2024			
	Expenses attributed to insurance acquisition cash flows	**Other directly attributable expenses**	**Other operating expenses**	**Total**
Claims and benefits	127	47,415	-	**47,542**
Fees and commissions	8,004	-	-	**8,004**
Employee expenses	9,335	931	4,645	**14,911**
Professional and consulting fees	566	-	3,721	**4,287**
IT maintenance contracts	3,012	-	781	**3,793**
Advertising and business development	652	-	271	**923**
Bank charges and foreign currency purchase tax	1,366	-	(14)	**1,352**
Office rent, building and utility cost	793	-	2,409	**3,202**
Office and administration expenses	188	-	3,256	**3,444**
Audit fee	1,419	-	1,124	**2,543**
Other	491	401	1,378	**2,270**
Depreciation and amortization	-	-	4,013	**4,013**
Total	**25,953**	**48,747**	**21,584**	**96,284**

	2023			
	Expenses attributed to insurance acquisition cash flows	**Other directly attributable expenses**	**Other operating expenses**	**Total**
Claims and benefits	249	38,130	-	**38,379**
Fees and commissions	4,102	-	-	**4,102**
Employee expenses	10,402	755	4,580	**15,737**
Professional and consulting fees	718	-	1,840	**2,558**
IT maintenance contracts	3,916	-	801	**4,717**
Advertising and business development	558	-	167	**725**
Bank charges and foreign currency purchase tax	1,150	-	(55)	**1,095**
Office rent, building and utility cost	1,610	-	1,591	**3,201**
Office and administration expenses	151	-	3,323	**3,474**
Audit fee	1,052	-	329	**1,381**
Other	654	246	804	**1,704**
Depreciation and amortization	-	-	3,099	**3,099**
Total	**24,562**	**39,131**	**16,479**	**80,172**

(in thousands of Barbados dollars)

23. RELATED PARTY TRANSACTIONS

During the year, a number of transactions were entered into with related parties in the normal course of business. The following balances were outstanding at the end of the reporting period.

Parent and affiliate entities	**Amounts due from related parties**		**Amounts due to related parties**	
	2024	**2023**	**2024**	**2023**
	$	**$**	**$**	**$**
Hamilton Financial Limited – (dividends payable)	-	-	(3,356)	(4,475)
JPK Capital (affiliate)	-	-	(477)	(234)
Total	**-**	**-**	**(3,833)**	**(4,709)**

The Company entered into a management services agreement with JPK Capital Holdings (Barbados) Inc. where $2,859 (2023 - $2,897) was incurred and are disclosed within “office and administrative expenses”. (See **Note 22**). The amounts outstanding are unsecured, carry no rate of interest and will be settled in cash. No guarantees have been given or received.

During the year, a property claim was made by Joe Poulin on a Barbados property which burned down. The claim was reserved at $3,600 and subsequently settled after the year end at $2,400.

Key management personnel have been defined as the executive team and board of directors of the Group. The following transactions were carried out with key management:

A. Sales of Insurance Contracts and Other Services

	2024	**2023**
	$	**$**
Sales of insurance contracts and pension services:		
- Key management	68	50
Purchase of services:	-	74
- Key management		

B. Key Management Compensation

Key management includes those persons at or above the level of Senior Vice President including Directors. The following table shows compensation to key management:

	2024	**2023**
	$	**$**
Salaries, directors’ fees and other short-term employee benefits	2,485	2,572
Post-employment benefits	9	149
Total	**2,494**	**2,721**

The total interests of all directors and officers in the common shares of the Company at 31 December 2024 were 3,500 (2023 – 3,500) shares. No rights to subscribe for shares in the Company have been granted or exercised by any director or officer.

(in thousands of Barbados dollars)

23. RELATED PARTY TRANSACTIONS (CONTINUED)

C. Loans to Related Parties

Loans are extended to key management of the Company and to companies related to key management. These loans are collateralised by the property acquired with the proceeds of the loan. Mortgage terms are typically no more than (20) years in duration and interest rates are 50bps below the rates charged by the Company to non-related parties. As at year ended 31 December 2024 there were no loan commitments to members of key management (2023 - nil).

	2024 $	2023 $
At 1 January	759	2,517
Loan advances	-	(1,660)
Loan repayments	(391)	(130)
Interest charges	27	32
Total as at 31 December	**395**	**759**

D. Management Fees

Included in other income were management fees as follows:

	2024 $	2023 $
Mortgage Insurance Fund	217	-
Staff Pension Funds	269	296
Total	**486**	**296**

(in thousands of Barbados dollars)

24. COMMITMENTS AND CONTINGENCIES

A. Operating Leases

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2024 $	2023 $
No later than 1 year	1,622	1,625
Total	**1,622**	**1,625**

The future minimum lease payments payable under non-cancellable operating leases (as lessee) are as follows:

	2024 $	2023 $
No later than 1 year	72	30
Later than 1 year and no later than 5 years	210	-
Total	**282**	**30**

24. COMMITMENTS AND CONTINGENCIES (Continued)

B. Commitments

The Group has commitments made in the normal course of business that are to be disbursed upon fulfillment of certain contractual conditions. At 31 December 2024, commitments under loan agreements amount to $79 (2023 - $79) and under investment agreements amount to $825 (2023 - $1,125) (see also **Note 8A**).

C. Contingencies

The Group from time to time is subject to legal actions arising in the normal course of business for an insurance company. It is inherently difficult to predict the outcome of any of these proceedings with certainty and it is possible that an adverse resolution could have a material adverse effect on the consolidated financial statements of the Group. However, based on information presently known, management does not expect that it is probable that the outcome of existing legal action, relating to an interpretation of contract terms, will have a material adverse effect on the consolidated financial position of the Group. Actual results could differ from management's best estimates.

25. DIVIDENDS

	2024 $	2023 $
Interim dividend 2024 – $0.05 per share (2023 - $0.05 per share)	1,922	1,967
Final dividend 2024 – $0.10 per share (2023 - $0.20 per share)	3,920	7,842
Total	**5,842**	**9,809**

26. SUBSEQUENT EVENTS

A) Dividends
During the 2025 financial year, the Group declared the following dividends to its shareholders:

Final dividend for the year ended December 31, 2024**:**
The Board of Directors declared a final dividend of $0.10 per share with a record date of January 28, 2026, amounting to a total distribution of $3,920. The dividend will be paid in February 2026 to shareholders on the record.

B) Other matters

i. The Group responded to a request for proposal (RFP) by the Government of Barbados (GOB) for the development of a beachfront property in Holetown on September 29, 2021. In March 2025, a memorandum of understanding was executed between Barbados Tourism Investment Inc. and The Group related to this development.
ii. At the 2023 Annual General Meeting, three independent non-executive directors were appointed to further strengthen the Company's corporate governance framework. Owing to delays in the completion of the 2024 audited financial statements, the Group has been unable to file its annual financial statements and annual returns within the prescribed timelines. Consequently, the Group is currently engaged in discussions with the Financial Services Commission (FSC), which may result in the imposition of regulatory fines.