# FATUM GENERAL INSURANCE ARUBA N.V.

# FINANCIAL STATEMENTS

# 31 DECEMBER 2024

# FATUM GENERAL INSURANCE ARUBA N.V.
## FINANCIAL STATEMENTS

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# INDEPENDENT AUDITOR'S REPORT

Reference: 135930/MR-2250332

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# Independent Auditor's Report

**To board of directors and the supervisory board of directors of Fatum General Insurance Aruba N.V.**

## Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Fatum General Insurance Aruba N.V. (the "entity") as at 31 December 2024, and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

### What we have audited

We have audited the financial statements of Fatum General Insurance Aruba N.V., based in Aruba.

The entity's financial statements comprise:

1. The statement of financial position as at 31 December 2024;
2. the statement of income for the year ended 31 December 2024;
3. the statement of comprehensive income for the year ended 31 December 2024;
4. the statement of changes in equity for the year ended 31 December 2024;
5. the statement of cash flows for the year ended 31 December 2024; and
6. the notes to the financial statements, which include a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRS Accounting Standards as issued by the International Accounting Standards Board and the relevant provisions of Book 2 of the Civil Code applicable for Aruba.

## Basis for our 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 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 entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). Furthermore we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

### Responsibilities for the financial statements and the audit

#### Responsibilities of board of directors and the supervisory board of directors for the financial statements

The board of directors is responsible for the preparation and fair presentation of these financial statements, in accordance with Book 2 of the Civil Code applicable for Aruba and IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as board of directors determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, board of directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, board of directors should prepare the financial statements using the going-concern basis of accounting unless board of directors either intends to liquidate the company or to cease operations or has no realistic alternative but to do so. board of directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board of directors is responsible for overseeing the company's financial reporting process.

#### Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion.

Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements.

Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with International Standards on Auditing (ISAs), ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by board of directors;
- Conclude on the appropriateness of board of directors'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 entity'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 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 entity to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and evaluate whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory board of directors 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.

Curaçao, 9 June 2025

Grant Thornton Curaçao

Marisol Roosberk RA

# FATUM GENERAL INSURANCE ARUBA N.V.
## STATEMENT OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2024
(Expressed in Thousands of Aruban Florins)

| | Notes | 2024<br>AFL '000 | 2023<br>AFL '000 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | **5** | 359 | 419 |
| Intangible assets | **6** | 199 | 214 |
| Investment securities | **7** | 39,769 | 38,836 |
| Loans and receivables | **8** | 846 | 983 |
| Deferred tax assets | **10** | 498 | 333 |
| Reinsurance assets | **11.1** | 4,295 | 1,881 |
| Insurance contract assets | **11.1** | – | 522 |
| Cash and cash equivalents | **12** | 9,387 | 16,488 |
| **Total assets** | | 55,353 | 59,676 |
| **Equity and liabilities** | | | |
| Share capital | **13.1** | 300 | 300 |
| Share premium | **13.2** | 6,003 | 6,003 |
| Retained earnings | | 28,104 | 26,960 |
| **Total equity** | | 34,407 | 33,263 |
| **Liabilities** | | | |
| Insurance contract liabilities | **11.1** | 11,077 | 9,873 |
| Reinsurance contract liabilities | **11.1** | 3,472 | 239 |
| Due to affiliates | **15** | 4,163 | 14,304 |
| Profit tax payable | **16** | 200 | 96 |
| Other liabilities | **17** | 2,034 | 1,901 |
| **Total liabilities** | | 20,946 | 26,413 |
| **Total equity and liabilities** | | 55,353 | 59,676 |

# FATUM GENERAL INSURANCE ARUBA N.V.
## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed in Thousands of Aruban Florins)

| | 2024<br>AFL '000 | 2023<br>AFL '000 |
|---|---|---|
| **Profit/(loss) for the year** | 1,144 | 2,060 |
| **Other comprehensive income** | – | – |
| **Total comprehensive income for the period, net of tax** | 1,144 | 2,060 |
| **Total comprehensive income attributable to:** | | |
| -Owners of the parent | 1,144 | 2,060 |
| -Non-controlling interests | - | - |
| | 1,144 | 2,060 |

The accompanying notes form an integral part of these financial statements.

# FATUM GENERAL INSURANCE ARUBA N.V.
## STATEMENT OF INCOME
## FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed in Thousands of Aruban Florins)

| | Notes | 2024 AFL '000 | 2023 AFL '000 |
|---|---|---|---|
| **Insurance activities** | | | |
| Insurance revenue | **11.2.1** | 41,261 | 35,596 |
| Insurance service expenses | **11.2.1** | (21,974) | (17,092) |
| Net expenses from reinsurance contracts held | **11.2.1** | (16,262) | (14,832) |
| **Insurance service result** | | 3,025 | 3,672 |
| **Investing activities** | | | |
| Investment income | **18** | 1,881 | 1,835 |
| Fee income | **19** | 608 | 504 |
| Other income/(losses) | **20** | 115 | 81 |
| Net impairment gains/(losses) on financial assets | **21** | (11) | 168 |
| **Net income from investing activities** | | 2,593 | 2,588 |
| Finance expenses from insurance contracts issued | **11.2.1** | (67) | (89) |
| Finance income from reinsurance contracts held | **11.3.1** | (11) | (15) |
| **Net insurance finance expenses** | | (78) | (104) |
| **Net insurance and investment result** | | 5,540 | 6,156 |
| **Net income from all activities** | | 5,540 | 6,156 |
| Other operating expenses | **22** | (3,538) | (3,255) |
| Finance charges | | (530) | (803) |
| **Operating profit** | | 1,472 | 2,098 |
| Share of profit of associated companies | | – | – |
| **Profit/(loss) before taxation** | | 1,472 | 2,098 |
| Taxation | **23** | (328) | (38) |
| **Profit/(loss) after taxation** | | 1,144 | 2,060 |

The accompanying notes form an integral part of these financial statements.

# FATUM GENERAL INSURANCE ARUBA N.V.
## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed in Thousands of Aruban Florins)

| | Attributable to equity holders of the parent | | | | |
|---|---|---|---|---|---|
| | Share capital AFL '000 | Share premium AFL '000 | Shareholders' equity AFL '000 | Retained earnings AFL '000 | Total equity AFL '000 |
| **At 1 January 2024** | 300 | 6,003 | 6,303 | 26,960 | 33,263 |
| Total comprehensive income/(loss) | – | – | – | 1,144 | 1,144 |
| **Balance at 31 December 2024** | 300 | 6,003 | 6,303 | 28,104 | 34,407 |
| **Balance at 1 January 2023** | 300 | 6,003 | 6,303 | 24,900 | 31,203 |
| Profit for the year | – | – | – | | – |
| Total comprehensive income/(loss) | – | – | – | 2,060 | 2,060 |
| **Balance at 31 December 2023** | 300 | 6,003 | 6,303 | 26,960 | 33,263 |

The accompanying notes form an integral part of these financial statements.

# FATUM GENERAL INSURANCE ARUBA N.V.
## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed in Thousands of Aruban Florins)

| | Notes | 2024<br>AFL '000 | 2023<br>AFL '000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit/(loss) before taxation from continuing operations | | 1,472 | 2,098 |
| Adjustment for specific items included on the accruals basis: | | | |
| - Finance charges | | 530 | 803 |
| - Investment income | | (1,889) | (1,842) |
| Adjustment for non-cash items | **25** | 263 | 28 |
| Interest received | | 1,748 | 1,862 |
| **Operating profit before changes in operating assets/liabilities** | | 2,124 | 2,949 |
| Net increase/(decreases) in insurance contract assets/liabilities | | 1,726 | (1,869) |
| Net (increase)/decrease in reinsurance contract assets/liabilities | | 819 | (390) |
| Purchase of investment securities | | (5,300) | (300) |
| Proceeds from sale of investment securities | | 4,500 | 4,300 |
| Net (increase)/decrease in loans and receivables | | 119 | 2,495 |
| Net decrease/(increase) in other operating assets/liabilities | | 94 | (2,393) |
| Net decrease/ (increase) in intercompany | | (10,141) | (5,443) |
| **Cash provided by operating activities** | | (6,059) | (651) |
| Net taxation (paid)/refund | | (390) | (501) |
| **Net cash provided by/(used in) operating activities** | | (6,449) | (1,152) |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | **5** | (145) | (203) |
| Proceeds on sale of property, plant and equipment | **5** | 34 | – |
| Purchase of intangible assets | **6** | (27) | (213) |
| **Net cash provided by/(used in) investing activities** | | (138) | (416) |
| **Cash flows from financing activities** | | | |
| Interest paid | | (530) | (803) |
| Dividends paid to equity holders of the parent | **24** | – | – |
| **Net cash provided by/(used in) financing activities** | | (530) | (803) |
| **Net increase/(decrease) in cash and cash equivalents** | **12** | (7,117) | (2,371) |
| Balance Cash and Cash Equivalents as of January 1 | | 16,488 | 18,699 |
| Net increase in Cash | | (7,117) | (2,371) |
| Net movement in loss allowance | | 16 | 160 |
| Balance Cash and Cash Equivalents as of December 31 | | 9,387 | 16,488 |

The Company presents its statement of cash flows using the indirect method.
The accompanying notes form an integral part of these financial statements.

## 1. Incorporation and principal activities of the Company

Fatum General Insurance Aruba N.V. (the Company) is domiciled in Aruba and has its registered office at L.G. Smith Boulevard #162, Aruba. The Company was incorporated on 7 March 2008, however officially started its operations on 1 January 2009. Fatum General Insurance N.V. (the parent) was incorporated in Curacao on 27 December 2002. The address of the registered office is, Cas Coraweg 2, Curacao. The ultimate parent of the Company is Guardian Holdings Limited, Trinidad and Tobago.

The Company is engaged in underwriting all classes of general insurance business.
These financial statements were authorized for issue by the Board of Managing Directors of Fatum General Insurance Aruba N.V. on 5 Jun, 2025.

## 2. Material accounting policies

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

### 2.1 Basis of preparation, statement of compliance with IFRS and going concern assumption

These financial statements are prepared according to Book 2 of the Civil Code of Aruba and in accordance with IFRS Accounting Standards (previously referred to as International Financial Reporting Standards) as issued by the International Accounting Standards Board. They have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, investment properties, derivative financial instruments and financial assets at fair value through profit or loss, which are carried at fair value. The financial statements are prepared using the going concern basis of accounting.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

**(a) New standards and amendments/revisions to published standards and interpretations effective in 2024**

The following amendment to published standards took effect for the Company's accounting periods beginning on or after 1 January 2024:

**IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2 - Amendments - Non-current liabilities with covenants**

These amendments clarify that only covenants that an entity must comply with on or before the end of the reporting period will affect the classification of the related liabilities as current or non-current. It also requires additional disclosures for liabilities that are classified as non-current but are subject to covenants that must be complied with within the next year, failing which settlement is required. This disclosure must include information about the covenants and further details if the facts and circumstances indicate that an entity has difficulty complying with the future covenants.

The Company does not present its statement of financial position split between current and non-current. The Company is exposed to the current/non-current distinction only within the notes to the financial statements where maturity disclosures are required. While the Company may be required to make disclosures about its covenants where breaches will result in the immediate payment of these liabilities, such disclosure is required only where the likelihood of a breach occurring is higher than remote. This is not the case for the Company, and therefore these amendments had no impact on the Company's financial statements.

**IFRS 16 - Leases - Amendments - Lease Liability in a Sale and Leaseback**

These amendments clarify how a seller-lessee subsequently measures sale and leaseback transactions that must be accounted for as a sale. Lease liabilities arising from a leaseback must be measured in a way that does not recognise any amount of the gain/loss that relates to the right of use it retains. The seller-lessee is not however prevented from recognising any gains/losses relating to the partial or full termination of a lease.

These amendments have no impact on the financial statements of the Company as the Company does not have any lease arrangements that are structured as a sale and leaseback arrangement.

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

Supplier finance arrangements are sometimes referred to as supply chain finance, payables finance, or reverse factoring arrangements. They occur where one or more finance providers offer to pay amounts an entity owes its suppliers, and these payments are made at a date that is the same as, or earlier than, the date that payments are required to be made. The entity then repays the finance providers at a later date. Such arrangements provide extended credit terms to an entity, or provide earlier payments terms to the entity's suppliers.

These amendments had no impact on the financial statements of the Company as the Company does not have these types of financial arrangements.

## 2. Material accounting policies (continued)

### 2.1 Basis of preparation (continued)

**(b) New standards, interpretations and revised or amended standards that are not yet effective and have not been early adopted by the Company**

The following is a list of new IFRS, interpretations and amendments issued that are not yet effective as at 31 December 2024 and have not been early adopted by the Company. The Company expects to implement these standards when they become effective.

**Effective 1 January 2025:**
- IAS 21, 'The effects of changes in foreign exchange rates' - Amendments - Lack of exchangeability.

**Effective 1 January 2026:**
- IFRS 9, 'Financial instruments', and IFRS 7, "Financial instruments: Disclosures' - Amendments - Amendments to the classification and measurement of financial instruments.

**Effective 1 January 2027:**
- IFRS 18, 'Presentation and disclosure in financial statements'. This is a new IFRS standard replaces IAS 1, 'Presentation of financial statements'.
- IFRS 19, 'Subsidiaries without Public Accountability: Disclosures'. This is a new IFRS standard.

The Company is currently evaluating the impact of the amendments and the new IFRS standards. The Company expects that the new IFRS standards are likely to have some impact to the Company or to its subsidiaries.

## 2. Material accounting policies (continued)

### 2.2 Foreign currency translation

**(a) Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the ‘functional currency’). The financial statements are presented in thousands of Aruban Florins, which is also the Company's presentation and functional currency.

**(b) Transactions and balances in the financial statements**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

### 2.3 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Depreciation on other assets is charged over the estimated useful lives of the assets using the following rates and methods:

| | | |
|---|---|---|
| Motor vehicles | - | straight-line method, 25% per annum |
| Other plant, machinery, Office furniture & equipment | - | straight line method, 10 - 25% per annum |

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of income. When revalued assets are sold, the amounts included in the revaluation surplus account are transferred to retained earnings.

### 2.4 Intangible assets

**Computer software**

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of identifiable and unique software products controlled by the Company, and which will probably generate economic benefits exceeding costs beyond one year, are also recognized as intangible assets. These costs are amortized over their estimated useful lives. The remaining useful lives of computer software and website development costs range from 1 to 6 years.

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred.

### 2.5 Financial instruments

**(a) Initial recognition and measurement**

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on settlement date, the date on which the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

At initial recognition, the Company measures financial assets at its fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of income.

The Company's financial assets include cash and short-term deposits, investment in debt and equity securities, interest receivable, receivables arising from insurance contracts and reinsurance contracts and other loans and receivables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs. The Company's financial liabilities include trade, intercompany and other payables.

## 2. Material accounting policies (continued)

**2.5 Financial instruments** (continued)

**(b) Classification and subsequent measurement**

**Debt instruments**

Subsequent to initial recognition, the Company's debt instruments are measured in accordance with the business models determined by the Company's respective business units for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classified its debt instruments:

(i) Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. The carrying amounts of these assets are adjusted by any expected credit loss allowance recognized. In addition to certain debt securities, the Company's loans and receivables are carried at amortized cost.

(ii) Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss.

(iii) Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognized in the statement of income in the period in which it arises. The Company may, on initial recognition, irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or fair value through other comprehensive income as fair value through profit or loss, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets held for trading, or are managed and whose performance is evaluated on a fair value basis, are measured at fair value through profit or loss.

The Company reclassifies debt instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be infrequent.

*Business model assessment*

The Company's business units determine their business models at the level that best reflects how it manages groups of financial assets to achieve its business objective. Factors considered by the business units in determining the business model for a group of assets include:

► the stated policies and objectives for the Company of assets and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets with the duration of any related liabilities or expected cash outflows or realizing cash flows through sale of the assets;
► how performance of the Company of assets is evaluated and reported to management;
► the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
► how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
► the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

If cash flows after initial recognition are realized in a way that is different from original expectations, the business units do not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets.

## 2. Material accounting policies (continued)

### 2.5 Financial instruments (continued)

**(b) Classification and subsequent measurement** (continued)

*The solely payment of principal and interest (SPPI) test*

‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount). 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and other basic lending risks and costs, as well as a profit margin.

Where the business model is to hold assets and collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial assets' cash flows represent solely payments of principal and interest. In making this assessment, the business units considers whether the contractual cash flows are consistent with a basis lending arrangement i.e. the definition of interest. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

**Equity instruments**

Subsequent to initial recognition, the Company measures all equity investments at fair value, and changes in the fair value of equity instruments are recognized in the statement of income.

**Financial liabilities**

Subsequent to initial recognition, the Company measures all financial liabilities at amortized cost.

**(c) Derecognition**

A financial asset (or when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:
- The rights to receive cash flows from the asset have expired.
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement.
- The Company has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risk and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received is recognized in the statement of income. In addition, on derecognition of an investment in a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to the statement of income.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

**(d) Modifications of financial assets**

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different from that of the original asset. If the terms are substantially different, the Company derecognizes the original financial asset and recognizes a new financial asset at fair value. The date of modification is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. The Company also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the modification was driven by the debtor being unable to make the originally agreed payments.

If the cash flows of the modified asset are not substantially different, the modification does not result in derecognition of the financial asset. The Company recalculates the gross carrying amount of the financial asset based on revised cash flows, discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets), and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income.

## 2. Material accounting policies (continued)

### 2.6 Impairment of assets

**(a) Financial assets**

At each reporting date, the Company assesses, on a forward-looking basis, the expected credit losses (ECL) associated with its financial assets measured at amortized cost and fair value through other comprehensive income (excluding equity instruments).

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

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments for which credit risk has not increased significantly since initial recognition.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial asset, whereas 12-month ECL are the portion of ECL that results from default events that are possible within the 12 months after the reporting date.

For receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Loss allowances for ECL are presented in the financial statements as follow:

- Financial assets measured at amortized cost: the loss allowance is deducted from the gross carrying amount of the assets in the statement of financial position. Movement in ECL is recognized in the statement of income.
- Debt instruments measured at fair value through other comprehensive income: the loss allowance is recognized in other comprehensive income with the corresponding entry recognized in the statement of income. The loss allowance does not reduce the carrying amount of the financial asset in the statement of financial position.

*Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring as at the reporting date with the risk of default occurring as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

The quantitative assessment to identify whether a significant increase in credit risk has occurred for an exposure is performed by comparing:

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

The qualitative assessment to identify whether credit risk has increased significantly since initial recognition takes into account the following:

- Actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor’s ability to meet its obligations;
- Actual or expected significant changes in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the debtor;
- Significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtor;
- Actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant change in the debtor's ability to meet its debt obligation.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrated otherwise.

Despite the aforementioned, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if the financial instrument has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations. The Company considers a debt instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

## 2. Material accounting policies (continued)

### 2.6 Impairment of assets (continued)

**(a) Financial assets** (continued)

*Credit-impaired financial assets*

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt instruments carried at fair value through comprehensive income are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

- ► Significant financial difficulty of the debtor or issuer;
- ► A breach of contract, such as a default or past due event;
- ► The disappearance of an active market for a financial asset because of financial difficulties;
- ► It is becoming probable that the debtor will enter bankruptcy or other financial reorganization; or
- ► Rating agencies' assessments of creditworthiness.

*Definition of default*

The Company considers a financial asset to be in default when:

- ► the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- ► the debtor is past due more than 90 days unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate

In assessing whether a debtor is in default, the Company considers indicators that are qualitative, quantitative and based on data developed internally and obtained from external sources.

*Write-off*

The Company writes off financial assets, either partially or in full, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity and where the Company's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount.

*Measurement of expected credit losses*

The measurement of expected credit losses is a function of:

(i) Probability of default - an estimate of the likelihood of default over a given time horizon;
(ii) Loss given default - an estimate of the loss arising in the case where a default occurs at a given time; and
(iii) Exposure of default - an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Forward-looking information considered by the Company includes economic data and forecasts published by governmental bodies and monetary authorities, supranational organizations such as the Organization for Economic Cooperation and Development and the International Monetary Fund, and selected private-sector and academic forecasters.

Expected credit losses are measured as the present value of all cash shortfalls i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The mechanics of the expected credit losses method are summarized below:

- ► A financial instrument that is not credit-impaired on initial recognition, a 12-month ECL allowance is calculated. The Company calculates the 12-month ECL allowance based on the expectation of a default occurring in the twelve months following the reporting date. The expected 12-month default probability is applied to a forecast exposure at default and multiplied by the expected loss given default, and discounted by the original effective interest rate.
- ► When a financial instrument has shown a significant increase in credit risk since initial recognition, the Company records an allowance for life-time ECL. The mechanics are similar to 12-month ECL calculation on a financial instrument that is not credit-impaired on initial recognition, but default probability and loss given default are estimated over the life of the instrument.

## 2. Material accounting policies (continued)

### 2.6 Impairment of assets (continued)

**(a) Financial assets** (continued)

*Measurement of expected credit losses (continued)*

- A financial instrument that is credit-impaired, but is not a purchased or originated credit-impaired financial instrument, the Company records an allowance for lifetime ECL calculated similar to lifetime ECL on a financial instrument that has shown a significant increase in credit risk since initial recognition.
- Purchased or credit-impaired financial assets are assets that are credit-impaired on initial recognition. ECL on these assets are always measured on a lifetime basis, discounted by a credit adjusted effective interest rate. The Company has no purchased or credit-impaired financial instruments.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the basis of shared risk characteristics that include: instrument type; credit risk ratings; nature, size and industry of debtors; collateral type; and geographic location of the debtor.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

**(b) Non-financial assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. The recoverable amount is determined on an individual asset basis, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculations on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of three years. For longer periods, a long-term growth rate is applied to project future cash flows after the third year.

Impairment losses of continuing operations are recognized in the statement of income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Company makes an estimate of the recoverable amount. A previous impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income unless the asset is carried at the revalued amount, in which case the reversal is treated as a revaluation increase.

### 2.7 Fair value measurement

The Company measures financial instruments and non-financial assets at fair value at each reporting date.

Fair value is 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible by the Company.

## 2. Material accounting policies (continued)

### 2.7 Fair value measurement (continue)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market. If there is no quoted price in an active market, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. Assets and liabilities, with the exception of freehold and investment properties, included in level 3 are held at cost, being the fair value of the consideration paid on acquisition and are regularly assessed for impairment. Freehold and investment properties included in level 3 are held at fair value which is the estimated replacement value.

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

### 2.8 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liabilities simultaneously.

### 2.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, when they arise, are shown within borrowings in current financial liabilities on the statement of financial position.

Cash and cash equivalents are carried at amortized cost on the statement of financial position.

### 2.10 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

### 2.11 Insurance contracts

#### (a) Summary of measurement approaches

The Company uses the following measurement approaches, based on the type of contracts, as follows:

| **Contracts issued** | **Product Classification** | **Measurement model** |
|---|---|---|
| Property and Casualty | | |
| Property; motor; casualty such as employers’ liability and public liability; marine; accident; engineering; bonding and crime | Insurance contracts | Premium Allocation Approach |
| Short term reinsurance contracts - Property & Casualty | | |
| Property; motor; casualty; marine; accident; engineering; bonding and crime | Reinsurance contracts held | Premium Allocation Approach |

## 2. Material accounting policies (continued)

### 2.11 Insurance contracts (continued)

#### (b) Definition and classification

Insurance contracts are contracts under which the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Company uses judgement to assess whether a contract transfers insurance risk (i.e. if there is a scenario with commercial substance in which the Company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant. The Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more, on a present value basis, than the benefits payable if the insured event did not occur'. All contracts issued by the Company have a significant insurance risk and therefore are classified as insurance contracts.

In the normal course of business, the Company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of significant loss.

All references to insurance contracts in these financial statements apply to insurance contracts issued or acquired and reinsurance contracts held or issued, unless specifically stated otherwise.

Insurance contracts are contracts under which the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Company uses judgement to assess whether a contract transfers insurance risk (i.e. if there is a scenario with commercial substance in which the Company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant. The Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more, on a present value basis, than the benefits payable if the insured event did not occur'. All contracts issued by the Company have a significant insurance risk and therefore are classified as insurance contracts.

In the normal course of business, the Company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of significant loss.

All references to insurance contracts in these financial statements apply to insurance contracts issued or acquired and reinsurance contracts held or issued, unless specifically stated otherwise.

#### (c) Aggregation bases for disclosure purposes

Insurance contracts are classified as follows:

***Property and casualty insurance contracts***

These contracts are principally property, motor, casualty (employers' liability, public liability), and marine contracts.

Property insurance contracts indemnify the Company's customers in the event of a loss from a specified insured peril such as fire, windstorm or earthquake up to the insured amount and within the terms of the policy conditions. These contracts are issued for both private and commercial risks.

Motor insurance contracts indemnify the Company's customers for their legal requirement under the respective country's road traffic legislation, which in certain instances stipulate unlimited coverage for third party liability. These contracts may be extended for additional coverage such as physical damage, theft and personal accident.

Casualty insurance contracts provide coverage for liability exposures that indemnify the Company's customers against actions from third parties, which are subject to the policy limits and conditions. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and employers who become liable to pay compensation to third parties for bodily harm or property damage (public liability).

Marine insurance contracts indemnify the Company's customers for loss or damage to their insured cargo, commercial hull and pleasure craft vessels. Third party coverage is also provided.

## 2. Material accounting policies (continued)

### 2.11 Insurance contracts (continued)

**(c) Aggregation bases for disclosure purposes** (continued)

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders. They arise from events that have occurred up to the statement of financial position date, even if they have not yet been reported to the Company. Liabilities for unpaid claims are estimated using techniques such as the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported ('IBNR'), and to estimate the expected ultimate cost of more complex claims that may be affected by external factors such as court decisions. Estimates are continually revised as more information becomes available and for the effects of anticipated inflation. Adjustments arising on these revisions are recognized within claims expense in the current year.

**(d) Unit of account**

The Company manages insurance contracts issued by product lines and certain sub-categories, where each sub-category includes contracts that are subject to similar risks. All insurance contracts within a specified sub-category represent a portfolio of contracts. All PAA portfolios are disaggregated into annual cohorts regardless of their issue date. All portfolios are further disaggregated as follows:

(i) Contracts that are onerous at initial recognition;
(ii) Contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or
(iii) A group of remaining contracts.

These groups represent the level of aggregation at which insurance contracts are initially recognized and measured. Such groups are not subsequently reconsidered.

For each portfolio of contracts, the Company determines the appropriate level at which reasonable and supportable information is available to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts. The Company uses significant judgement to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

For all long-term and short-term products, sets of contracts usually correspond to policyholder pricing groups that the Company determined to have similar insurance risk and that are priced within the same insurance rate ranges. The Company monitors the profitability of contracts and the likelihood of changes in insurance, financial and other exposures resulting in these contracts becoming onerous at a portfolio level with no information available at a more granular level.

For the property and casualty contracts measured using the PAA, the Company assumes that no such contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. For non-onerous contracts, the Company assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous. This assessment is performed at a portfolio level.

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 Company aggregates reinsurance contracts into quarterly and annual cohorts in line with how this was defined for insurance contracts. These portfolios then were further disaggregated as follows:

(i) Contracts for which there is a net gain at initial recognition, if any;
(ii) Contracts for which at initial recognition there is no significant possibility of a net gain arising subsequently; and
(iii) Remaining contracts in the portfolio, if any.

Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis. The Company tracks internal management information reflecting historical experiences of such contracts' performance, by treaty and sub-divided by line of business. This information is used as a basis for price negotiations with reinsurers as well as setting retention amounts. The Company's assessment of the performance of the treaties have concluded that some reinsurance contracts held are in a net cost position without a significant possibility of a net gain arising subsequently while other reinsurance contracts have a net gain at initial recognition.

Transition approaches that were applied by the Company on adoption of IFRS 17 with respect to contracts aggregation requirements are included in Note 2.1(a).

Before the Company accounts for an insurance contract based on the guidance in IFRS 17, it analyses whether the contract contains components that should be separated. IFRS 17 distinguishes three categories of components that have to be accounted for separately:

- ► Cash flows relating to embedded derivatives that are required to be separated;
- ► Cash flows relating to distinct investment components; and
- ► Promises to transfer distinct goods or distinct non-insurance services.

## 2. Material accounting policies (continued)

### 2.11 Insurance contracts (continued)

**(d) Unit of account** (continued)

The Company does not have any products with components that require separation. The Company therefore applies IFRS 17 to all components of the contract. In assessing whether the contract should be further separated, the following considerations are made:

(i) Whether there is interdependency between the different risks covered;
(ii) Whether components lapse together; and
(iii) Whether components can be priced and sold separately.

The Company does not have any contracts that require further separation of insurance contracts.

**(e) Recognition and Derecognition**

Groups of insurance contracts issued are initially recognized from the earliest of the following:

- ► The beginning of the coverage period;
- ► The date when the first payment from the policyholder is due or actually received, if there is no due date; and
- ► When the Company determines that a group of contracts become onerous.

Insurance contracts acquired in a business combination or a portfolio transfer are accounted for as if they were entered into at the date of acquisition on transfer.

A group of reinsurance contracts held that covers the losses of separate insurance contracts on a proportionate basis (proportionate or quota share reinsurance) is recognized from the earlier of:

- ► The beginning of the coverage period of the group; and
- ► The date the Company recognized an onerous group of underlying insurance contracts, if the Company entered into the related reinsurance contract held in the group at or before that date.

The Company does not recognize a group of quota share reinsurance contracts held until it has recognized at least one insurance contract in a group of the underlying insurance contracts, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held. A gap between the start of the coverage period for a quota share contract and that of the underlying contracts rarely occurs in practice.

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 recognized at the beginning of the coverage period of that group.

Only contracts that meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts' restriction. Composition of the groups is not reassessed in subsequent periods.

<u>Accounting for contract modification and derecognition</u>

An insurance contract is derecognized when it is:

- ► Extinguished (i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- ► The contract is modified and certain additional criteria are met.

When an insurance contract is modified by the Company as a result of an agreement with the counterparties or due to a change in the regulations, the group treats changes in cash flows caused by the modification as changes in estimates of the FCF, unless the conditions for the derecognition of the original contract are met. The Company derecognizes the original contract and recognizes the modified contract as a new contract if any of the following conditions are present:

(a) If the modified terms had been included at contract inception and the Company would have concluded that the modified contract:

(i) Is not in scope of IFRS 17;
(ii) Results in different separable components;
(iii) Results in a different contract boundary; or
(iv) Belongs to a different group of contracts.

(b) The original contract represents an insurance contract with direct participation features, but the modified contract no longer meets that definition, or vice versa; or

## 2. Material accounting policies (continued)

### 2.11 Insurance contracts (continued)

**(e) Recognition and Derecognition** (continued)

When an insurance contract accounted for under the PAA is derecognized, adjustments to remove related rights and obligations to account for the effect of the derecognition result in the following amounts being charged immediately to profit or loss:

(a) If the contract is extinguished, any net difference between the derecognized part of the LRC of the original contract and any other cash flows arising from extinguishment;
(b) If the contract is transferred to the third party, any net difference between the derecognized part of the LRC of the original contract and the premium charged by the third party; or
(c) If the original contract is modified resulting in its derecognition, any net difference between the derecognized part of the LRC and the hypothetical premium that the entity would have charged if it had entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

**(f) Measurement**

<u>Fulfilment cash flows</u>

*Fulfilment cash flows within contract boundary*

The FCF are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Company 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 Company, provided the estimates are consistent with observable market prices for market variables; and
(c) Reflect conditions existing at the measurement date.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. For contracts measured under the PAA, unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the LIC.

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgment and estimation. Refer to Note 3 (b).

Risk of the Company's non-performance is not included in the measurement of groups of insurance contracts issued. In the measurement of reinsurance contracts held, the probability weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer.

The Company estimates certain FCF at a policy level, which is then aggregated into the relevant profitability groups, cohorts, and portfolios.

The Company uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

*Contract boundary*

The Company uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. This assessment is reviewed every reporting period.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation ends when:

(a) The Company has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or
(b) Both of the following criteria are satisfied:

    (i) The Company has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed
    (ii) the pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

## 2. Material accounting policies (continued)

### 2.11 Insurance contracts (continued)

**(f) Measurement** (continued)

In assessing the practical ability to reprice, risks transferred from the policyholder to the Company, such as insurance risk and financial risk, are considered; other risks, such as lapse or surrender and expense risk, are not included.

Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, that are issued together with the main insurance contracts form part of a single insurance contract with all the cash flows within its boundary.

Fulfilment cash flows (continued)

*Fulfilment cash flows within contract boundary* (continued)

*Contract boundary* (continued)

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognized when those contracts meet the recognition criteria.

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

Cash flows that are not directly attributable to a portfolio of insurance contracts, such as some product development and training costs, are recognized in other operating expenses as incurred.

*Insurance acquisition costs*

The Company defines acquisition cash flows as cash flows that arise from costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to the portfolio of insurance contracts to which the group belongs. Insurance acquisition cash flows are allocated to groups of insurance contracts on a systematic and rational basis. Insurance acquisition cash flows that are directly attributable to a group of insurance contracts are allocated:

(a) To that group; and
(b) To groups that will include insurance contracts that are expected to arise from renewals of the insurance contracts in that group.

Insurance acquisition cash flows not directly attributable to a group of contracts but directly attributable to a portfolio of contracts are allocated to groups of contracts in the portfolio or expected to be in the portfolio.

The Company does not pay (or recognize a liability, applying a standard other than IFRS 17) directly attributable acquisition costs to originate a group of insurance contracts before they are recognized. The Company therefore does not recognize insurance acquisition cash flows assets.

*Risk adjustment for non-financial risk*

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfills insurance contracts.

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer.

Methods and assumptions used to determine the risk adjustment for non-financial risk are discussed in Note 3 (c).

Initial and subsequent measurement - Groups of contracts measured under the PAA

The Company uses the PAA for measuring contracts with a coverage period of one year or less. The PAA eligibility test was applied to risk-attaching reinsurance contracts, and it was concluded that the PAA can also be used for such contracts.

For insurance contracts issued, insurance acquisition cash flows are deferred and recognized over the coverage period of contracts in a group.

For insurance contracts issued, on initial recognition, the Company measures the LRC at the amounts of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the prepaid acquisition cash flows asset and the derecognition of any other relevant pre-recognition cash flows.

For reinsurance contracts held, on initial recognition, the Company measures the remaining coverage at the amount of ceding premiums paid.

## 2. Material accounting policies (continued)

### 2.11 Insurance contracts (continued)

**(f) Measurement** (continued)

Initial and subsequent measurement - Groups of contracts measured under the PAA (continued)

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

(a) The LRC; and
(b) The LIC, comprising the FCF related to past service allocated to the group at the reporting date.

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

(a) The remaining coverage; and
(b) The incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

(a) Increased for premiums received in the period, excluding amounts that relate to premium receivables included in the LIC;
(b) Decreased for insurance acquisition cash flows paid in the period;
(c) Decreased for the amounts of expected premiums received recognized as insurance revenue for the services provided in the period; and
(d) Increased for the amortization of insurance acquisition cash flows in the period recognized as insurance service expenses.

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

(a) Increased for ceding premiums paid in the period; and
(b) Decreased for the amounts of ceding premiums recognized as reinsurance expenses for the services received in the period.

The Company does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money as insurance premiums are due within the coverage of contracts, which is one year or less.

There are no investment components within insurance contracts issued and reinsurance contracts held that are measured under the PAA.

For contracts measured under the PAA, the LIC is measured similarly to the LIC's measurement under the GMM. The health insurance contracts typically have a settlement period of one year and less, and therefore the future cash flows are not adjusted for the time value of money. For property and casualty and group life insurance contracts, future cash flows are adjusted for the time value of money since these insurance contracts sometimes have claims with a settlement period of over one year. Some of these insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim (salvage). The Company may also have the right to pursue third parties for payment of some or all costs (subrogation). The estimated cost of claims includes a deduction for the expected value of salvage and other recoveries.

When a loss is recognized on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group, the carrying amount of the asset for remaining coverage for reinsurance contracts held measured under the PAA is increased by the amount of income recognized in profit or loss and a loss-recovery component is established or adjusted for the amount of income recognized. The referred income is calculated by multiplying the loss recognized on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Company expects to recover from the reinsurance contract held that are entered into before or at the same time as the loss is recognized on the underlying insurance contracts.

When underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the Company applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

Where applicable, changes in the loss-recovery component are disaggregated between net income from reinsurance contracts held (refer to note 2.11 (i) and insurance finance income or expenses for the effect of the time value of money, financial risk and effect of changes therein in proportion to the disaggregation applied to the changes in the underlying loss component.

The Company does not have any reinsurance contracts held measured under the PAA with underlying contracts measured under the GMM.

## 2. Material accounting policies (continued)

### 2.11 Insurance contracts (continued)

#### (g) Amounts recognized in comprehensive income

Insurance service result from insurance contracts issued

*Insurance revenue*

As the Company provides services under the group of insurance contracts, it reduces the LRC and recognizes insurance revenue. The amount of insurance revenue recognized in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration the Company expects to be entitled to in an exchange for those services.

For groups of insurance contracts measured under the PAA, the Company recognizes insurance revenue based on the passage of time over the coverage period of a group of contracts.

*Insurance service expenses*

Insurance service expenses include the following:

(a) Incurred claims and benefits excluding investment components reduced by loss component allocations;
(b) Other incurred directly attributable insurance service expenses, including amounts of any other pre-recognition cash flows assets (other than insurance acquisition cash flows) derecognized at the date of initial recognition;
(c) Amortization of insurance acquisition cash flows;
(d) Changes that relate to past service (i.e. changes in the FCF relating to the LIC); and
(e) Changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components).
(f) Insurance acquisition cash flows assets impairment.

For contracts measured under the PAA, amortization of insurance acquisition cash flows is based on the passage of time.

Other expenses not meeting the above categories are included in other operating expenses in the statement of profit or loss.

Insurance service result from reinsurance contracts held

*Net income (expenses) from reinsurance contracts held*

The Company 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;
(c) Other incurred directly attributable insurance service expenses;
(d) Changes that relate to past service – changes in the FCF relating to incurred claims recovery;
(e) Effect of changes in risk of reinsurer non-performance;
(f) Amounts relating to accounting for onerous groups of underlying insurance contracts issued:

   i. Income on initial recognition of onerous underlying contracts;
   ii. Reinsurance contracts held under the GMM: reversals of a loss-recovery component other than changes in the FCF of reinsurance
   iii. Reinsurance contracts held under the GMM: changes in the FCF of reinsurance contracts held from onerous underlying contracts.

Reinsurance expenses are recognized similarly to insurance revenue. The amount of reinsurance expenses recognized 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 groups of reinsurance contracts held measured under the PAA, the Company recognizes 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. Ceding commissions that are contingent on claims of the underlying contracts issued reduce incurred claims recovery.

## 2. Material accounting policies (continued)

**2.11 Insurance contracts** (continued)

**(g) Amounts recognized in comprehensive income** (continued)

Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

(a) The effect of the time value of money and changes in the time value of money; and
(b) The effect of financial risk and changes in financial risk.

For contracts measured under the PAA, the main amounts within insurance finance income or expenses are:

(a) Interest accreted on the LIC; and
(b) The effect of changes in interest rates and other financial assumptions.

The Company does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses.

For the contracts measured under the PAA, the Company includes all insurance finance income or expenses for the period in profit or loss (i.e. the profit or loss option (the PL option) is applied).

**(h) Classification**

The Company issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable on a present value basis if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

A number of insurance contracts contain a discretionary participation feature, which entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

a) That are likely to be a significant portion of the total contractual benefits;
b) Whose amount or timing is contractually at the discretion of the Company; and
c) That are contractually based on:
   (i) the performance of a specified pool of contracts or a specified type of contract;
   (ii) realized and/or unrealized investment returns on a specified pool of assets held by the Company; or
   (iii) the profit or loss of the Company, fund or other entity that issues the contract.

The terms and conditions of these contracts set out the basis for the determination of the amounts on which discretionary benefits are based and within which the Company may exercise its discretion as to the quantum and timing of their payments to contract holders, which will be subject to the advice of the Company's actuary or a locally appointed actuary.

**(i) Reinsurance contracts held**

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inward reinsurance) are included with insurance contracts.

**(j) Receivables and payables other than those for contracts under IFRS 17**

Receivables and payables are recognized when due. These include amounts due to and from agents and brokers. If there is objective evidence that the receivable is impaired, the Company reduces the carrying amount of the receivable accordingly and recognizes that impairment loss in the statement of income.

**(k) Insurance finance reserve**

The insurance finance reserve comprises the cumulative insurance finance income and expenses recognized in other comprehensive income. If the Company derecognizes a contract without direct participation features as a result of a transfer to a third party or a contract modification, then any remaining amounts of accumulated other comprehensive income for the contract are reclassified to profit or loss as a reclassification adjustment.

## 2. Material accounting policies (continued)

### 2.12 Taxation

Taxation in the statement of income comprises current and deferred income tax.

Current income tax charges are based on taxable profits for the year, which differ from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated at tax rates that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted or substantively enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is charged or credited to the statement of income, except where it relates to items charged or credited to the statement of comprehensive income, in which case, deferred tax is also dealt with in the statement of comprehensive income.

### 2.13 Employee benefits

**(a) Pension plans**

The Company operates both defined benefit and defined contribution plans, the assets of which are held in a separate trustee-administered fund. The plans are fully funded by payments from the Company and voluntary contributions from employees after taking account of the recommendations of the independent qualified actuaries.

The pension plan assets are fully recognized in Fatum Holding N.V. and the expenses are allocated to the subsidiaries. The asset or liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. Plan assets exclude any insurance contracts issued by the Company. There are no restriction applicable on plan assets.

For defined benefit plans, the pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the statement of income so as to spread the regular cost over the service lives of employees in accordance with the advice of a qualified actuary, who carries out full valuations of the plans every year. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Remeasurements of the net defined benefit liability, which comprise of actuarial gains and losses and the return on plan assets (excluding interest), are recognized immediately through other comprehensive income in the statement of comprehensive income. The defined benefit plan mainly exposes the Company to actuarial risks such as investment risk, interest rate risk and longevity risk.

Starting 2008 all employees entering in service are eligible to a defined contribution plan. The company adopted for 2011 and beyond a defined contribution plan. This means that a fixed amount for future pension obligations will be applied for the employees and that there is no back office costs anymore. The accrued rights of the employees of a defined benefit plan up till 2010 remain intact. The assets are held in a separate trustee-administered fund.

The Company's contributions to the defined contribution pension plans are charged to the statement of income in the year to which they relate.

**(b) Post retirement medical benefit obligations**

The Company provides post-retirement medical benefits to its permanent employees who retire from active service, their spouses and their dependents. The entitlement to these benefits is based on the employee remaining in service up to retirement age or leaving service due to ill health. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit plans. All actuarial gains and losses are recognized immediately through other comprehensive income in the statement of comprehensive income. External qualified actuaries carry out a valuation of these obligations. Post retirement medical benefit obligations are fully recognized in Fatum Holding N.V. and the expenses are allocated to the subsidiaries.

**(c) Bonus plans**

The Company recognizes a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholder after certain adjustments. The Company recognizes a provision where contractually obligated or where there is a past practice that has created a constructive obligation.

## 2. Material accounting policies (continued)

### 2.14 Provisions

Provisions are made when the Company has a present legal or constructive obligation as a result of past events, for which is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

### 2.15 Revenue recognition

Revenue comprises the fair value for services rendered after eliminating revenue within the Company. Revenue is recognized as follows:

**(a) Insurance revenue**
Insurance revenue is recognized in accordance with the requirements of IFRS 17 as laid out in Note 2.11.

**(b) Investment income**
Interest income is recognized using the effective interest method. Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- ► Purchased or originated credit-impaired financial assets, for which the original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset.
- ► Financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, for which interest revenue is calculated by applying the effective interest rate to their amortized cost i.e. net of the expected credit loss provision.

Dividend income is recognized when the right to receive payment is established.

**(c) Commission income**
Commissions are recognized on the accrual basis when the services have been provided.

**(d) Fee income**
Fees are earned from general policy administration and surrenders. Fees are recognized in the period in which the services are rendered.

### 2.16 Dividend distribution

Dividend distribution to the Company’s shareholder is recognized as an appropriation in the Company’s financial statements in the period in which the dividends are approved by the Company’s shareholder.

### 2.17 Finance charges

Finance charges are recognized as an expense in the period in which they are incurred except to the extent that they are capitalized when directly attributable to the acquisition, construction or production of an investment property or in developing properties for sale.

### 2.18 Comparative information

Where necessary, comparative data have been adjusted to conform with changes in presentation in the current year.

## 3. Critical accounting estimates and judgments in applying accounting policies

The Company makes estimates and assumptions that may affect the reported amounts of assets and liabilities during the succeeding financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**(a) Insurance contracts**

Definition and classification

Definition and classification determines whether contracts are in the scope of IFRS 17 and, for contracts determined to be in scope of IFRS 17, what measurement model is applicable.

Determining whether a contract issued accepts significant insurance risk and, similarly, whether a reinsurance contract held transfers significant insurance risk requires judgement. Refer to Note 2.11(b) which gives details on how the Company determines the classification of insurance products with investment components as insurance or investment contracts.

Determining whether a contract issued that does not transfer significant insurance risk meets the definition of an investment contract with discretionary participation features requires judgement. The Company does not issue any investment contracts with discretionary participation features.

Determining whether contracts that were determined to be in the scope of IFRS 17 meet the definition of an insurance contract with direct participation features requires judgement:

a) Whether the pool of underlying items is clearly identified;
b) Whether amounts that an entity expects to pay to the policyholders constitute a substantial share of the fair value returns on
c) Whether the Group expects the proportion of any change in the amounts to be paid to the policyholders that vary with the

The Group applies the PAA to the insurance contracts with a coverage period of more than one year. The eligibility assessment involved significant judgement on whether the application of the PAA will produce a measurement of the liability for the LRC that would not differ materially from the one that would be produced applying the GMM.

The Company act as agents in relation to the insurance contract services being provided by other parties via fronting arrangements. Where the Company has determined that it retains no credit or insurance risk on these contracts, the assets and liabilities arising out of these arrangements are not accounted for under IFRS 17, but are instead accounted for under the relevant IFRS Accounting Standard. Where the Company retains insurance or credit risk, these arrangements are accounted for as 100% reinsured contracts.

Unit of account

Judgement is involved in combination of insurance contracts and separation of distinct components, however the Company neither separated components of its insurance contracts nor combined any insurance contracts.

Judgements involved in the identification of portfolios of contracts, as required by paragraph 14 of IFRS 17 (that is, having similar risks and being managed together) are not an area of significant judgement for the Company. This is due to the Company historically managing its insurance and reinsurance portfolios in a way that, consistent with regulatory considerations, clearly distinguishes groups of products by their associated risks.

Judgement is required in aggregating insurance contracts issued on initial recognition into groups of onerous contracts, groups of contracts with no significant possibility of becoming onerous and groups of other contracts. A similar grouping assessment is required for reinsurance contracts held.

For contracts measured under the PAA, the assessment of the likelihood of adverse changes in applicable facts and circumstances is an area of judgement.

For insurance contracts issued measured under the PAA, management judgement is required to assess whether facts and circumstances indicate that a group of contracts has become onerous. Further, judgement is required to assess whether facts and circumstances indicate any changes in the onerous group's profitability and whether any loss component remeasurement is required. In 2024 and 2023, the Company did not identify any facts or circumstances that might have indicated that a group of contracts measured under the PAA had become onerous. All contracts measured by the Group in 2024 and 2023 under the PAA were determined to be non-onerous on initial recognition.

(Expressed in Thousands of Aruban Florins)

## 3. Critical accounting estimates and judgements in applying accounting policies (continued)

**(b) Discount rates**

The top-down approach was used to derive the discount rate for the cash flows within the Dutch Caribbean. One curve was used for Curacao and Aruba due to the similarities in corporate and retail interest rates, the interconnectedness of the islands, identical exchange rate regimes and similar statuses within the Dutch Kingdom. Under this approach, the discount rate is determined based on a combination of a local currency yield curve and a US Treasury yield curve, in keeping with the standard financial profile for life insurance portfolios in the Dutch Caribbean. For the local currency yield curve, observations of interest rates within the Dutch Caribbean market were used as a starting point. The observations included time deposit rates from commercial banks, interest rates on commercial loans, and mortgage interest rates from various financial institutions. Given that there is no active secondary market for local investments, a specified Illiquidity Premium was not considered necessary. The US Treasury curve represents a risk free curve therefore no credit spreads will be deducted. An Illiquidity Premium will be added to this curve to account for the lesser liquidity of the Company's insurance portfolio versus US Treasury investments.

Observable market information was used from 2010 to capture the low interest environment that much of the world, including the Caribbean, has been in since the 2008 financial crisis. Going back further than this point was considered inappropriate as it is not reflective of the current economic environment.

Cash flows varying based on underlying items are discounted using a discount rate that reflects the variability of the underlying assets. Insurance contracts with direct participating features include investment components where cash flows vary based on the return of investment assets. The cash flows arising from the investment component are discounted using the expected return of the assets supporting the investment component. There are limited financial guarantees in these products. The liabilities associated with these guarantees are measured using a market consistent deterministic interest scenario.

The weighted average yield curves used to discount the estimates of future cash flows that do not vary based on the returns of the underling items are as follows:

| | As at 31 December 2024 | | | |
|---|---|---|---|---|
| | **1 year** | **5 years** | **10 years** | **20 years** |
| Property and casualty | 3.4% | 4.7% | 0.0% | 0.0% |

| | As at 31 December 2023 | | | |
|---|---|---|---|---|
| | **1 year** | **5 years** | **10 years** | **20 years** |
| Property and casualty | 4.1% | 3.8% | 0.0% | 0.0% |

**(c) Estimates of future cash flows to fulfil insurance contracts**

Included in the measurement of each group of contracts in the scope of IFRS 17 are all the future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability weighted expected future cash flows. The Company estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Company uses information about past events, current conditions and forecasts of future conditions. The Company's estimate of future cash flows is based on a best estimate deterministic scenario that specifies the amount, timing and probability of cash flows.

Expenses related cash flows are determined at a cohort level and are allocated on a systematic basis similar to the activity based costing method. The Group has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature. Acquisition cash flows and expenses of an administrative policy maintenance nature are allocated to groups of contracts based on the number of contracts initiated for the period, and in force for the period, respectively. Claims settlement related expense are allocated based on the number of claims incurred.

For the short-term insurance contracts, uncertainty in the estimation of future claims and benefit payments arises primarily from the severity and frequency of claims and uncertainties regarding future inflation rates leading to claims and claims-handling expenses growth.

Assumptions used to develop estimates about future cash flows are reassessed at each reporting date and adjusted where required.

## 3. Critical accounting estimates and judgements in applying accounting policies (continued)

**(d) Methods used to measure the risk adjustment for non-financial risk**

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Company's degree of risk aversion. The Company estimates an adjustment for non-financial risk separately from all other estimates.

For insurers in the Property and Casualty Segment, the risk adjustment was calculated on a one-year basis given the short-term nature of the contracts in this segment. These calculations are performed at a Line of Business level, which is effectively equivalent to a portfolio, summed for all territories. The risk adjustment is then allocated to the various territories on a basis proportional to the discounted present value of future cash flows. To determine the variability of the reserves for property and casualty contracts, the Company used the Overdispersed- Poisson (ODP) Bootstrap approach. The ODP Bootstrap approach is widely used in the Property & Casualty industry for estimating loss reserve variability. The Company used this approach to replicate the paid and incurred chain-ladder methods. The various portfolios were analysed using aggregated loss triangles up to a particular accident year that combined the various territories for which valuations are carried out. Due to data limitations within the group insurance portfolio, data from other Guardian Group P&C entities has been used to determine this estimate. This approach aligns with cost and effort constraints as outlined in IFRS 17. The confidence level range was 70% to 95%.

The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed in 2024 and 2023.

**(e) Business model assessment**

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

**(f) Fair valuation of financial assets**

The fair value of financial assets that are not traded in an active market is determined by using an internally developed bond valuation model. Assumptions used in this model are validated and periodically reviewed internally by qualified personnel. Since 2014 the Company has developed an internal investment valuation methodology based on the yield curves published by the Central Bank of Curacao and St. Maarten (CBCS) to estimate the fair value of local fixed rate securities that do not have regular prices in an active market. The yield curve used to value Aruban investments is the CBCS curve before issuance of debt to the Netherlands.

**(g) Impairment losses on financial assets**

The measurement of expected credit loss allowance for financial assets measured at amortised cost and fair value through other comprehensive income requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's expected credit loss calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the expected credit loss models that are considered accounting judgements and estimates include:

- ► The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime expected credit loss basis and the qualitative assessment
- ► The segmentation of financial assets when their ECL is assessed on a collective basis
- ► Development of ECL models, including the various formulas and the choice of inputs
- ► Development of forward-looking scenarios probability weighted based on macroeconomic trends and expectations
- ► Determination of associations between macroeconomic scenarios and, economic inputs and the effect on probabilities of default, exposure at default and loss given default

## 3. Critical accounting estimates and judgments in applying accounting policies (continued)

**(g) Impairment losses on financial assets** (continued)

The Company regularly review its internal models in the context of actual loss experience and adjust when necessary.

*Forward-looking macroeconomic variables*

The estimation and application of forward-looking information requires significant judgment. PD and LGD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. The estimation of ECL on 12-month ECLs and Lifetime ECLs is a discounted probability-weighted estimate that considers three future macroeconomic scenarios, with macroeconomic projections varying by territory. The base case scenario assumes that a stable economic enviroment where current conditions, based on available macroeconomic data, will largely continue. Upside and downside scenarios are set relative to the base case scenario based on reasonably possible alternative macroeconomic conditions, considering macroeconomic forecasts and trends.

Scenarios are reassessed on at least an annual basis and more frequently if conditions warrant. Scenarios are probability-weighted separately for each territory modeled according to the best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights are updated on an annual basis or more frequently as warranted.

**(h) Taxation**

The Company is subject to income taxes according to Aruban laws. Some estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

**(i) Impairment of non-financial assets**

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from approved budgets and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The carrying amount of impairment provisions on non-financial assets as at 31 December 2024 was nil (2023: nil).

**(j) Post employment benefits**

In conducting valuation exercises to measure the effect of all post employment benefit plans throughout the Company, the Company's external qualified actuaries use judgment and assumptions in determining discount rates, salary increases, pension increases and health care costs. These assumptions are detailed in Note 9 and Note 14.

(Expressed in Thousands of Aruban Florins)

## 4. Management of insurance and financial risk

The Company issues contracts that transfer insurance risk or financial risk or both. This section summarizes these risks and the way the Company manages them.

### 4.1 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. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

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

#### 4.1.1 Property and Casualty insurance risks

**(a) Exposures to risks and how they arise**

Property

For property insurance contracts, climatic changes give rise to more frequent and severe extreme weather events (for example, flooding and hurricanes) and their consequences (for example, subsidence claims). The cost of rebuilding properties, of replacement or indemnity for contents and the time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from storm or flood damage.

Casualty

There are several variables that affect the risk arising from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted. The compensation paid on these contracts is the monetary awards granted for bodily injury suffered by employees (for employer's liability cover) or members of the public (for public liability cover). Such awards are lump-sum payments that are calculated as the present value of the lost earnings and rehabilitation expenses that the injured party will incur as a result of the accident.

**(b) Objectives, policies and processes for managing risks**

Property

For certain contracts, the Company has also limited the number of claims that can be paid in any policy year or introduced a maximum amount payable for claims in any policy year. The Company also has the right to re-price the risk on renewal and the ability to impose deductibles and reject fraudulent claims. These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claims payment limits are always included to cap the amount payable on occurrence of the insured event. The Company analyses the property exposures using in-house and external modelling tools and purchases sufficient reinsurance protection to cover its perceived liabilities.

The Company's reinsurance arrangements include proportional quota share and surplus arrangements and non-proportional excess of loss placements on a per claimant and a per occurrence basis.

Property insurance risk concentration by product and geography is included in the tables below with reference to the carrying amount of the net insurance contract liabilities arising from these contracts.

| | 2024<br>AFL'000 | 2023<br>AFL'000 |
|---|---|---|
| Business | 9,367 | 8,583 |
| Residential | 1,324 | 1,213 |
| | 10,691 | 9,796 |

(Expressed in Thousands of Aruban Florins)

## 4. Management of Insurance and Financial Risk (continued)

**4.1 Insurance risk** (continued)

**4.1.1 Property and Casualty insurance risks** (continued)

**(b) Objectives, policies and processes for managing risks** (continued)

Casualty

Risk exposures for casualty insurance can be affected by several factors. The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (subrogation).

The Company’s reinsurance arrangements include non-proportional excess of loss placements on a per claimant and a per occurrence basis.

Casualty insurance risk concentration by product and is included in the tables below with reference to the carrying amount of the insurance contract liabilities arising from these contracts.

| | 2024<br>AFL'000 | 2023<br>AFL'000 |
|---|---|---|
| Employer's Liability cover | 10 | (12) |
| Public Liabilitiy cover | 376 | (433) |
| | 386 | (445) |

**(c) Methods used to measure risks**

Property

The development of large losses/catastrophes is analysed separately. Non-catastrophes and small claims can be estimated with greater reliability, and the Company's estimation processes reflect all the factors that influence the amount and timing of cash flows from these contracts. The shorter settlement period for these claims allows the Company to achieve a higher degree of certainty about the estimated cost of claims and relatively little claims are expected to have occurred without being reported at year end. The longer time needed to assess the emergence of a large /catastrophes claims makes the estimation process more uncertain.

Casualty

The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and a large element of the claims provision relates to claims incurred but not reported.

The estimated cost of claims includes direct expenses to be incurred in settling claims. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a liability for incurred claims, consisting of probability weighted discounted cash flows and a risk adjustment, and a liability for remaining coverage, consisting of the unearned premiums received less acquisition costs.

In calculating the liability, the Company's estimation techniques are a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a particular financial year in relation to such claims) and an estimate based upon actual claims experience using predetermined formula where greater weight is given to actual claims experience as time passes.

The initial loss-ratio estimate is an important assumption in the estimation technique and is based on previous years’ experience, adjusted for factors such as premium rate changes, anticipated market experience and historical claims inflation.

(Expressed in Thousands of Aruban Florins)

## 4. Management of Insurance and Financial Risk (continued)

**4.1 Insurance risk** (continued)

**4.1.1 Property and Casualty insurance risks** (continued)

**(c) Methods used to measure risks** (continued)

Casualty (continued)

In estimating the liability for incurred claims, 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 or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio. The portion of the liability for incurred claims that have not yet been reported 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. These claims may not be apparent to the insurer until many years after the event that gave rise to the claims has happened.

Where possible, the Company adopts multiple techniques to estimate the required level of provisions. This provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Note 11.5 presents the development of the estimate of ultimate claim cost for claims notified in a given year. This gives an indication of the accuracy of the Company's estimation technique for claims payments.

**(d) Changes in assumptions**

The Company's assumptions in respect of property and casualty insurance contracts have not significantly changed from the prior year.

**(e) Sensitivity analysis**

The following table presents information on how reasonably possible changes in assumptions made by the group with regard to underwriting risk variables impact profit or loss and equity before and after risk mitigation by reinsurance contracts held. These contracts are measured under the PAA, and thus, only the LIC component of insurance liabilities is sensitive to possible changes in underwriting risk variables.

| | **2024** | | | |
|---|---|---|---|---|
| | **Property** | | **Casualty** | |
| | **Profit or loss impact AFL'000** | **Equity impact AFL'000** | **Profit or loss impact AFL'000** | **Equity impact AFL'000** |
| Worsening of unpaid claims and expenses - 5% increase | | | | |
| Net insurance contract liabilities | (124) | (93) | (68) | (51) |
| Net reinsurance contract assets | 25 | 19 | 32 | 24 |

| | **2023** | | | |
|---|---|---|---|---|
| | **Property** | | **Casualty** | |
| | **Profit or loss impact AFL'000** | **Equity impact AFL'000** | **Profit or loss impact AFL'000** | **Equity impact AFL'000** |
| Worsening of unpaid claims and expenses - 5% increase | | | | |
| Net insurance contract liabilities | (490) | (368) | (22) | (17) |
| Net reinsurance contract assets | 72 | 54 | 10 | 8 |

(Expressed in Thousands of Aruban Florins)

## 4. Management of Insurance and Financial Risk (continued)

### 4.2 Financial risk

The Company is exposed to financial risk through its financial assets, financial liabilities (investment contracts and borrowings), reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The components of this financial risk are interest rate risk, equity price risk, foreign currency risk, liquidity risk and credit risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

Risk management is carried out by Executive Investment Committees and Risk Management departments, with direct support from the Actuarial departments, as well as the respective business units. It is conducted in accordance with policies and frameworks approved by the Company's Board of Directors, ensuing alignment with the ogranisation's risk appetite, governance standards, and strategic objectives. The Company identifies, evaluates and manages financial risks in close co-operation with the Company's operating units. The Board provides principles for overall risk management as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

### 4.2.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk - currency risk, interest rate risk and other price risk, each of which are considered below.

**(a) Currency risk**
All the Company's liabilities are denominated in local currency and are matched with local assets. The strategy for dealing with foreign exchange risk is to offset as far as possible foreign currency liabilities with assets denominated in the same currency.

The tables below summarizes the Company's exposure to foreign currency exchange rate risk as at 31 December. The Company's assets and liabilities at carrying amounts are included in the table, categorized by the currency at their carrying amount.

| | AFL<br>AFL '000 | Total<br>AFL '000 |
|---|---|---|
| **As at 31 December 2024** | | |
| Total Assets | 55,353 | 55,353 |
| Total Liabilities | 20,946 | 20,946 |
| | 34,407 | 34,407 |
| **As at 31 December 2023** | | |
| Total Assets | 59,676 | 59,676 |
| Total Liabilities | 26,413 | 26,413 |
| | 33,263 | 33,263 |

Since the Company's assets and liabilities are in local currency, the Company is not exposed to currency risk.

**(b) Interest rate risk**

The Company is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The major element of interest rate risk within the Company is the risk that the interest earned on the Company's investments is insufficient to meet the interest rates credited or guaranteed to policyholders.

Since the investment securities consist mainly of bonds measured at amortised cost with fixed interest rates, no sensitivity analysis has been performed.

**(c) Other price risk**
Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company is exposed to equity securities price risk because of investments held by the Company and classified on the statement of financial position as fair value through profit or loss. The Company manages its price risk by limiting the amount of its investments in equities and by monitoring movements in equity prices.

Due to the fact that the investment securities are almost all local investments measured at amortised cost, which are not market traded, no sensitivity analysis has been made because of the immateriality of the same.

(Expressed in Thousands of Aruban Florins)

## 4. Management of Insurance and Financial Risk (continued)

### 4.2 Financial risk (continued)

#### 4.2.2 Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due, at a reasonable cost. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions.

Certain of the Company's contracts have features that allow them to be terminated at short notice creating a potential liquidity exposure. The Company monitors liquidity on a regular basis. For each significant subsidiary an internally constituted Executive Investment Committees set limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover claims.

There are no individual contracts or policyholders who have the potential to influence the withdrawal of a significant amount of liabilities.

The following tables analyse the insurance and financial liabilities of the Company into relevant maturity groupings based on the remaining period to the contractual or expected maturity date, alongside the remaining contractual maturities of the Company's financial assets. Financial liabilities are at contractual undiscounted cash flows and investment contracts are at expected undiscounted cash flows. Insurance contract liabilities include both actual and expected contractual undiscounted cash flows as they relate to both the LRC and the LIC.

| | | Contractual/Expected Undiscounted Cash Flows | | | | | | |
|---|---|---|---|---|---|---|---|---|
| As at 31 December 2024 | Carrying amount AFL '000 | Total AFL '000 | 1 year AFL '000 | 2 years AFL '000 | 3 years AFL '000 | 4 years AFL '000 | 5 years AFL '000 | Over 5 years AFL '000 |
| Reinsurance contract liabilities | 3,472 | 3,455 | 3,455 | - | - | - | - | - |
| Property and casualty | 11,077 | 11,157 | 10,591 | 448 | 86 | 16 | 16 | - |
| Related party balances | 4,163 | 4,163 | 4,163 | - | - | - | - | - |
| Other liabilities | 2,034 | 2,029 | 2,029 | - | - | - | - | - |
| | 20,746 | 20,804 | 20,238 | 448 | 86 | 16 | 16 | - |
| Investment securities | 39,769 | 42,404 | 20,157 | 18,191 | 181 | 481 | 171 | 3,223 |
| Loans and receivables | 846 | 971 | 971 | - | - | - | - | - |
| Reinsurance contract assets | 4,295 | 4,275 | 4,275 | - | - | - | - | - |
| Insurance contract assets | - | - | - | - | - | - | - | - |
| Cash and cash equivalents | 9,387 | 9,401 | 9,401 | - | - | - | - | - |
| Total financial assets | 54,297 | 57,051 | 34,804 | 18,191 | 181 | 481 | 171 | 3,223 |

(Expressed in Thousands of Aruban Florins)

## 4. Management of Insurance and Financial Risk (continued)

### 4.2 Financial risk (continued)

#### 4.2.2 Liquidity risk (continued)

| | | Contractual/Expected Undiscounted Cash Flows | | | | | | |
|---|---|---|---|---|---|---|---|---|
| As at 31 December 2023 | Carrying amount AFL '000 | Total AFL '000 | 1 year AFL '000 | 2 years AFL '000 | 3 years AFL '000 | 4 years AFL '000 | 5 years AFL '000 | Over 5 years AFL '000 |
| Reinsurance contract liabilities | 239 | 239 | 239 | - | - | - | - | - |
| Property and casualty | 9,873 | 9,391 | 9,105 | 281 | 5 | - | - | - |
| Related party balances | 14,304 | 14,304 | 14,304 | - | - | - | - | - |
| Other liabilities | 1,901 | 1,895 | 1,895 | - | - | - | - | - |
| | 26,317 | 25,829 | 25,543 | 281 | 5 | - | - | - |
| Investment securities | 38,836 | 42,621 | 6,143 | 18,446 | 15,238 | 129 | 429 | 2,236 |
| Loans and receivables | 983 | 957 | 957 | - | - | - | - | - |
| Reinsurance contract assets | 1,881 | 1,835 | 1,835 | - | - | - | - | - |
| Insurance contract assets | 522 | 522 | 522 | - | - | - | - | - |
| Cash and cash equivalents | 16,488 | 16,519 | 16,519 | - | - | - | - | - |
| Total financial assets | 58,710 | 62,454 | 25,976 | 18,446 | 15,238 | 129 | 429 | 2,236 |

#### 4.2.3 Credit risk

Credit risk is defined as the potential for loss that can occur as a result of an individual, counterparty or issuer being unable or unwilling to honour its contractual obligations to the Company. Each subsidiary in the various jurisdictions has an Executive Investment Committee (EIC) that sets credit limits and monitors exposure by constraining the magnitude and tenor of the exposure to counterparties and issuers. Some of the credit risk mitigation techniques include, where appropriate, the right to require initial collateral or margin, the right to terminate transactions, and the right to obtain collateral (including guarantees) should unfavourable events occur.

Collateral held as security for mortgage loans and other loans includes physical or tangible residential and commercial edifices as well as legal rights to insurance portfolio and other assets of the respective borrowers. The EIC initiates regular portfolio reviews, monitors counterparty creditworthiness, and evaluates potential transaction risks with a view towards early problem identification and protection against unacceptable credit-related losses.

(Expressed in Thousands of Aruban Florins)

## 4. Management of Insurance and Financial Risk (continued)

### 4.2 Financial risk (continued)

#### 4.2.3 Credit risk (continued)

**(a) Credit risk management and exposures for insurance and reinsurance assets**

The Company has significant credit risk arising from reinsurance contracts held. Credit risk associated with future premium inflows from insurance contracts issued is mitigated by the Company's ability to terminate insurance contract services when policyholders fail to meet their premium payment obligations.

The Company structures the levels of credit risk arising from ceded reinsurance by incorporating limits into its reinsurance treaties on the maximum size of policy and maximum amount of benefits that can be provided per insured life. The Company does not seek to manage its credit risk via other characteristics such as limiting exposure to a single counterparty or groups of counterparties, given the relative size of the Company to its reinsurers.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder.

**(b) Assets bearing credit risk**

The Company actively monitors the financial status of its reinsurers both by reference to publicly available information and the Financial Strength Ratings of A.M. Best. All of the Company's reinsurers are rated superior by A.M. Best. A rating of superior is assigned to reinsurance companies that have, in the opinion of A.M. Best, a superior ability to meet their ongoing obligations to the primary insurer.

Below is an analysis of assets bearing credit risk.

| | Gross exposure | | Net carrying amount | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | AFL '000 | AFL '000 | AFL '000 | AFL '000 |
| Investment securities measured at amortised cost | 39,831 | 38,890 | 39,769 | 38,836 |
| Loans and receivables including insurance receivables | 907 | 1,035 | 846 | 983 |
| Reinsurance contracts assets | 4,295 | 1,881 | 4,295 | 1,881 |
| Insurance contract assets | – | – | 522 | 522 |
| Cash and cash equivalents | 9,401 | 16,519 | 9,387 | 16,488 |
| | 54,434 | 58,325 | 54,819 | 58,710 |

**(c) Credit quality of reinsurance and financial assets**

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings if available or to a rating assigned by the investment manager using an approach consistent with that used by Standard and Poor's. The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Standard & Poor's issued credit rating.

**AAA**
An obligation rated 'AAA' has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

**AA**
An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment is very strong.

(Expressed in Thousands of Aruban Florins)

## 4. Management of Insurance and Financial Risk (continued)

### 4.2 Financial risk (continued)

#### 4.2.3 Credit risk (continued)

**(c) Credit quality of reinsurance and financial assets** (continued)

**A**

An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

**BBB**

An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

**Below BBB**

Obligations rated 'Below BBB' are regarded as having significant speculative characteristics. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

**Not Rated**

This indicates that there is insufficient information on which to base a rating. These balances are current and are monitored regularly for impairment. This classification includes obligations due from individuals, short term securities and receivables arising under contracts of insurance underwritten in the international property and casualty business of the Company.

The following tables set out the credit quality analysis for financial assets measured at amortised cost.

| | | Lifetime ECL | | |
|---|---|---|---|---|
| **Investment securities measured at amortised cost** | **12-month ECL AFL '000** | **Not credit impaired AFL '000** | **Credit impaired AFL '000** | **Total AFL '000** |
| **As at 31 December 2024** | | | | |
| AAA | – | – | – | – |
| AA | – | – | – | – |
| A | – | – | – | – |
| BBB | 38,998 | – | – | 38,998 |
| Below BBB | 833 | – | – | 833 |
| Not rated | – | – | – | – |
| Gross carrying amount | 39,831 | – | – | 39,831 |
| Loss allowance | (62) | – | – | (62) |
| Net carrying amount | 39,769 | – | – | 39,769 |

(Expressed in Thousands of Aruban Florins)

## 4. Management of Insurance and Financial Risk (continued)

**4.2 Financial risk** (continued)

**4.2.3 Credit risk** (continued)

**(c) Credit quality of reinsurance and financial assets** (continued)

| | 12-month ECL AFL '000 | Lifetime ECL Not credit impaired AFL '000 | Lifetime ECL Credit impaired AFL '000 | Total AFL '000 |
|---|---|---|---|---|
| **As at 31 December 2023** | | | | |
| AAA | – | – | – | – |
| AA | – | – | – | – |
| A | – | – | – | – |
| BBB | 38,890 | – | – | 38,890 |
| Below BBB | – | – | – | – |
| Not rated | – | – | – | – |
| Gross carrying amount | 38,890 | – | – | 38,890 |
| Loss allowance | (54) | – | – | (54) |
| Net carrying amount | 38,836 | – | – | 38,836 |

| | 12-month ECL AFL '000 | Lifetime ECL Not credit impaired AFL '000 | Lifetime ECL Credit impaired AFL '000 | Total AFL '000 |
|---|---|---|---|---|
| **Loans and receivables** | | | | |
| **As at 31 December 2024** | | | | |
| AAA | – | – | – | – |
| AA | – | – | – | – |
| A | – | – | – | – |
| BBB | – | – | – | – |
| Below BBB | – | – | – | – |
| Not rated | 158 | 749 | – | 907 |
| Gross carrying amount | 158 | 749 | – | 907 |
| Loss allowance | – | (61) | – | (61) |
| Net carrying amount | 158 | 688 | – | 846 |

| | 12-month ECL AFL '000 | Lifetime ECL Not credit impaired AFL '000 | Lifetime ECL Credit impaired AFL '000 | Total AFL '000 |
|---|---|---|---|---|
| **As at 31 December 2023** | | | | |
| AAA | – | – | – | – |
| AA | – | – | – | – |
| A | – | – | – | – |
| BBB | – | – | – | – |
| Below BBB | – | – | – | – |
| Not rated | 145 | 890 | – | 1,035 |
| Gross carrying amount | 145 | 890 | – | 1,035 |
| Loss allowance | (1) | (51) | – | (52) |
| Net carrying amount | 144 | 839 | – | 983 |

(Expressed in Thousands of Aruban Florins)

## 4. Management of Insurance and Financial Risk (continued)

### 4.2 Financial risk (continued)

#### 4.2.3 Credit risk (continued)

**(c) Credit quality of reinsurance and financial assets** (continued)

| | | Lifetime ECL | | |
|---|---|---|---|---|
| | 12-month ECL AFL '000 | Not credit impaired AFL '000 | Credit impaired AFL '000 | Total AFL '000 |
| **Cash and cash equivalents** | | | | |
| **As at 31 December 2024** | | | | |
| AAA | – | – | – | – |
| AA | – | – | – | – |
| A | – | – | – | – |
| BBB | 9,144 | – | – | 9,144 |
| Below BBB | 257 | – | – | 257 |
| Not rated | – | – | – | – |
| Gross carrying amount | 9,401 | – | – | 9,401 |
| Loss allowance | (14) | – | – | (14) |
| Net carrying amount | 9,387 | – | – | 9,387 |

| | | Lifetime ECL | | |
|---|---|---|---|---|
| | 12-month ECL AFL '000 | Not credit impaired AFL '000 | Credit impaired AFL '000 | Total AFL '000 |
| **As at 31 December 2023** | | | | |
| AAA | – | – | – | – |
| AA | – | – | – | – |
| A | – | – | – | – |
| BBB | 16,500 | – | – | 16,500 |
| Below BBB | 19 | – | – | 19 |
| Not rated | – | – | – | – |
| Gross carrying amount | 16,519 | – | – | 16,519 |
| Loss allowance | (31) | – | – | (31) |
| Net carrying amount | 16,488 | – | – | 16,488 |

(Expressed in Thousands of Aruban Florins)

## 4. Management of Insurance and Financial Risk (continued)

**4.2 Financial risk** (continued)

**4.2.3 Credit risk** (continued)

**(c) Credit quality of reinsurance and financial assets** (continued)

The following table sets out the credit quality analysis for reinsurance assets and financial assets (excluding equity instruments) measured at fair value through profit or loss.

| | AAA AFL '000 | AA AFL '000 | A AFL '000 | BBB AFL '000 | Below BBB AFL '000 | Total AFL '000 |
|---|---|---|---|---|---|---|
| **At 31 December 2024** | | | | | | |
| Reinsurance assets | – | – | 4,295 | – | – | 4,295 |
| | – | – | 4,295 | – | – | 4,295 |
| **At 31 December 2023** | | | | | | |
| Reinsurance assets | – | – | 1,881 | – | – | 1,881 |
| | – | – | 1,881 | – | – | 1,881 |

**(c) Credit-impaired reinsurance and financial assets and collateral held**

There are no assets which are credit-impaired.

**(d) Loss allowance**

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial asset. Reconciling items include the following:

- New assets originated or purchased, which reflect the allowance related to assets newly recognized during the period.
- Assets derecognised, which reflect the allowance related to assets derecognized during the period without a credit loss being incurred, including those assets that were derecognized following a modification of terms.
- Net transfer to/(from) 12-month ECL and lifetime ECL, which are presumed to occur before any corresponding remeasurement of the allowance.
- Remeasurements, which comprise the impact of changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions; changes in the measurement following a transfer between 12-month ECL and lifetime ECL; and unwinding of the time value discount due to the passage of time.

| | | Lifetime ECL | | | |
|---|---|---|---|---|---|
| **Investment securities measured at amortised cost** | **12-month ECL AFL '000** | **Not credit impaired AFL '000** | **Credit impaired AFL '000** | **Purchased credit impaired AFL '000** | **Total AFL '000** |
| **Year ended 31 December 2024** | | | | | |
| Balance at beginning of year | 54 | – | – | – | 54 |
| New assets originated or purchased | 1 | – | – | – | 1 |
| Remeasurements | 8 | – | – | – | 8 |
| Amounts written-off | (1) | – | – | – | (1) |
| Amounts recovered | – | – | – | – | – |
| Balance at end of year | 62 | – | – | – | 62 |
| Contractual amounts outstanding on assets written off during the year but still subject to enforcement activity | | | | – | |

(Expressed in Thousands of Aruban Florins)

## 4. Management of Insurance and Financial Risk (continued)

**4.2 Financial risk** (continued)

**4.2.3 Credit risk** (continued)

**(d) Loss allowance** (continued)

| | | Lifetime ECL | | Purchased | |
|---|---|---|---|---|---|
| **Investment securities measured at amortised cost** | **12-month ECL AFL '000** | **Not credit impaired AFL '000** | **Credit impaired AFL '000** | **Purchased credit impaired AFL '000** | **Total AFL '000** |
| **Year ended 31 December 2023** | | | | | |
| Balance at beginning of year | 49 | – | – | – | 49 |
| New assets originated or purchased | 1 | – | – | – | 1 |
| Remeasurements | 4 | – | – | – | 4 |
| Amounts written-off | – | – | – | – | – |
| Amounts recovered | – | – | – | – | – |
| Balance at end of year | 54 | – | – | – | 54 |
| Contractual amounts outstanding on assets written off during the year but still subject to enforcement activity | | | | – | |
| **Loans and receivables** | | | | | |
| **Year ended 31 December 2024** | | | | | |
| Balance at beginning of year | 1 | 51 | – | – | 52 |
| New assets originated or purchased | – | – | – | – | – |
| Remeasurements | – | 18 | – | – | 18 |
| Amounts written-off | (1) | (8) | – | – | (9) |
| Amounts recovered | – | – | – | – | – |
| Balance at end of year | – | 61 | – | – | 61 |
| Contractual amounts outstanding on assets written off during the year but still subject to enforcement activity | | | | (9) | |
| **Year ended 31 December 2023** | | | | | |
| Balance at beginning of year | 67 | 22 | – | – | 89 |
| New assets originated or purchased | – | – | – | – | – |
| Remeasurements | (66) | 53 | – | – | (13) |
| Amounts written-off | – | (24) | – | – | (24) |
| Amounts recovered | – | – | – | – | – |
| **Balance at 31 December** | 1 | 51 | – | – | 52 |
| Contractual amounts outstanding on assets written off during the year but still subject to enforcement activity | | | | (24) | |

(Expressed in Thousands of Aruban Florins)

## 4. Management of Insurance and Financial Risk (continued)

**4.2 Financial risk** (continued)

**4.2.3 Credit risk** (continued)

**(d) Loss allowance** (continued)

**Cash and cash equivalents**

Impairment on cash and cash equivalents measured at amortised cost has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Company uses a similar approach for the assessment of expected credit losses for cash and cash equivalents to those used for debt securities.

The impairment allowance on cash and cash equivalents as at 31 December 2024 is AFL 14 (2023: AFL 31). The Company recognised a net impairment gain of AFL 16 for the year ended 31 December 2024 (2023: a gain of AFL 160).

**(e) Credit Risk - Economic Variable Assumptions**

The most significant period-end assumptions used for the ECL estimate as at 31 December 2024 and 2023 are set out below.

The PDs and LGDs are impacted by changes in the historical data sets gathered from external rating agencies such as Moody's.

| | 2024 Assumptions | | | 2023 Assumptions | | |
|---|---|---|---|---|---|---|
| | GDP growth | Inflation | Weigths | GDP growth | Inflation | Weigths |
| **Scenario** | | | | | | |
| Base | Stable | Positive | 55% - 70% | Stable | Positive | 55% - 70% |
| Optimistic | Positive | Positive | 5% - 35% | Positive | Positive | 5% - 35% |
| Pessimistic | Negative | Negative | 5% - 20% | Negative | Negative | 5% - 20% |
| Acute pessimistic | Negative | Negative | 5% | Negative | Negative | 0.05 |

Refer to Note 3(d) for descriptions of the scenarios.

**(f) Credit Risk - Sensitivity analysis**

Set out below are the changes in ECL allowance at the reporting date that would result from a reasonably possible change in the probabilities of default (PDs) used by the Group.

| | Actual PDs applied 2024 | Actual PDs applied 2023 | Change in PD | Impact on ECL 2024 AFL '000 | Impact on ECL 2023 AFL '000 |
|---|---|---|---|---|---|
| Investment securities measured at fair value through other comprehensive income | 0% | 0% | +/- 20% | - | - |
| Investment securities measured at amortised cost | 0.22% - 1.88% | 0.39% - 0.2 | +/- 20% | 13 | 11 |
| Loans and receivables | 0.04% - 6.94% | 0.51% - 0.51 | +/- 20% | 2 | 2 |
| Cash and cash equivalents | 0.1% - 1.88% | 0.04% - 7.0 | +/- 20% | 3 | 6 |
| | | | | 18 | 19 |

(Expressed in Thousands of Aruban Florins)

## 4. Management of Insurance and Financial Risk (continued)

### 4.2 Financial risk (continued)

#### 4.2.3 Credit risk (continued)

**(g) Financial assets subject to ECL**

The following tables show an analysis of changes in the gross carrying amount of financial assets subject to ECL.

| | | Lifetime ECL | | Purchased | |
|---|---|---|---|---|---|
| **Investment securities measured at amortised cost** | **12-month ECL AFL '000** | **Not credit impaired AFL '000** | **Credit impaired AFL '000** | **credit impaired AFL '000** | **Total AFL '000** |
| **Year ended 31 December 2024** | | | | | |
| Balance at beginning of year | 38,890 | – | – | – | 38,890 |
| New assets originated or purchased | 5,300 | – | – | – | 5,300 |
| Assets derecognised (excluding write-offs) | (4,500) | – | – | – | (4,500) |
| Amounts written-off | (1) | – | – | – | (1) |
| Other movements | 23 | – | – | – | 23 |
| Changes in interest accrual | 119 | – | – | – | 119 |
| Balance at end of year | 39,831 | – | – | – | 39,831 |
| **Year ended 31 December 2023** | | | | | |
| Balance at beginning of year | 42,909 | – | – | – | 42,909 |
| New assets originated or purchased | 300 | – | – | – | 300 |
| Assets derecognised (excluding write-offs) | (4,300) | – | – | – | (4,300) |
| Remeasurements | – | – | – | – | – |
| Amounts written-off | – | – | – | – | – |
| Amounts recovered | – | – | – | – | – |
| Changes in interest accrual | (19) | – | – | – | (19) |
| Balance at end of year | 38,890 | – | – | – | 38,890 |

(Expressed in Thousands of Aruban Florins)

## 4. Management of Insurance and Financial Risk (continued)

**4.2 Financial risk** (continued)

**4.2.3 Credit risk** (continued)

**(g) Financial assets subject to ECL** (continued)

| Loans and receivables | 12-month ECL AFL '000 | Lifetime ECL: Not credit impaired AFL '000 | Lifetime ECL: Credit impaired AFL '000 | Purchased credit impaired AFL '000 | Total AFL '000 |
|---|---|---|---|---|---|
| **Year ended 31 December 2024** | | | | | |
| Balance at beginning of year | 145 | 890 | – | – | 1,035 |
| New assets originated or purchased | 124 | – | – | – | 124 |
| Assets derecognised (excluding write-offs) | (111) | – | – | – | (111) |
| Remeasurements | – | – | – | – | – |
| Amounts written-off | (1) | (8) | – | – | (9) |
| Amounts recovered | – | – | – | – | – |
| Other movements | 1 | (133) | – | – | (132) |
| Balance at end of year | 158 | 749 | – | – | 907 |
| **Year ended 31 December 2023** | | | | | |
| Balance at beginning of year | 2,529 | 1,095 | – | – | 3,624 |
| New assets originated or purchased | 35 | – | – | – | 35 |
| Assets derecognised (excluding write-offs) | (2,418) | – | – | – | (2,418) |
| Remeasurements | – | – | – | – | – |
| Amounts written-off | – | (24) | – | – | (24) |
| Amounts recovered | – | – | – | – | – |
| Other movements | (1) | (181) | – | – | (182) |
| Balance at end of year | 145 | 890 | – | – | 1,035 |

**(h) Modified financial assets**

There are no financial assets that were modified while having a loss allowance measured at an amount equal to lifetime ECL.

**(i) Assets obtained by taking possession of collateral**

There were no financial nor non-financial assets obtained by the Company during the year by taking possession of collateral held as security and held at year end. The Company's policy is to pursue timely realisation of collateral in an orderly manner. The Company does not generally use non-cash collateral for its own operations.

**(j) Concentrations of risks of reinsurance and financial assets with credit risk exposure**

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company’s performance to developments affecting a particular industry.

(Expressed in Thousands of Aruban Florins)

## 4. Management of Insurance and Financial Risk (continued)

**4.2 Financial risk** (continued)

**4.2.3 Credit risk** (continued)

**(j) Concentrations of risks of reinsurance and financial assets with credit risk exposure** (continued)

The following table breaks down the Company's main credit risk exposure at their carrying amounts, as categorized by the industry sectors of counterparties.

| | **2024 AFL'000** | **2023 AFL'000** |
|---|---|---|
| Financial institutions | 44,686 | 49,539 |
| Public sector | 8,765 | 7,666 |
| Insurance and reinsurance | 688 | 686 |
| Consumers/individuals | 158 | 145 |
| Real estate | – | – |
| Other industries | – | 152 |
| | 54,297 | 58,188 |

**4.2.4 Capital management**

The Company's capital includes share capital, reserves and retained earnings.

- to comply with the capital requirements required by the regulators;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

In Aruba, where the Company operates, the local insurance regulator indicates the required minimum amount and type of capital that must be held in addition to their insurance liabilities. The minimum required capital must be maintained at all times throughout the year. The Company monitors these requirements throughout the year to ensure compliance.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 2023.

The table below summarizes the minimum required capital. The Company has complied with the minimum capital requirements.

| | **AFL '000** |
|---|---|
| **2024** | |
| Regulatory capital held | 34,407 |
| Minimum regulatory capital | 5,400 |
| **2023** | |
| Regulatory capital held | 33,263 |
| Minimum regulatory capital | 5,170 |

The Company was incorporated in 2008 with an initial capital of AFL 300.

The Company is being supervised by the local regulator being the Central Bank of Aruba. The Central Bank of Aruba requires a minimum solvency for General Insurance companies that constitute the highest outcome of 15% of the gross premiums booked in the preceding year or the average gross claims recorded in the annual report over the past three years. The company applies a safety margin above this minimum requirement of at least 100%. The company has always managed to comply with the minimum requirement establised by the Central Bank of Aruba as well as its own.

(Expressed in Thousands of Aruban Florins)

## 5. Property, plant and equipment

| | Office furniture, plant and equipment AFL '000 | Motor vehicles AFL '000 | Total AFL '000 |
|---|---|---|---|
| **Year ended 31 December 2024** | | | |
| Balance at beginning of year | 96 | 323 | 419 |
| Additions | 13 | 132 | 145 |
| Disposals and adjustments | – | (34) | (34) |
| Depreciation charge | (39) | (132) | (171) |
| Balance at end of year | 70 | 289 | 359 |
| **At 31 December 2024** | | | |
| Cost or valuation | 1,262 | 1,095 | 2,357 |
| Accumulated depreciation | (1,192) | (806) | (1,998) |
| Balance at end of year | 70 | 289 | 359 |
| **Year ended 31 December 2023** | | | |
| Balance at beginning of year | 126 | 197 | 323 |
| Additions | 18 | 185 | 203 |
| Disposals and adjustments | – | – | – |
| Depreciation charge | (48) | (59) | (107) |
| Balance at end of year | 96 | 323 | 419 |
| **At 31 December 2023** | | | |
| Cost or valuation | 1,249 | 997 | 2,246 |
| Accumulated depreciation | (1,153) | (674) | (1,827) |
| Balance at end of year | 96 | 323 | 419 |

Depreciation expense of AFL 48 (2023: AFL 59) has been charged in other operating expenses.

## 6. Intangible assets

| | Other AFL'000 | Total AFL'000 |
|---|---|---|
| **Year ended 31 December 2024** | | |
| Balance at beginning of year | 214 | 214 |
| Additions | 27 | 27 |
| Amortization | (42) | (42) |
| Balance at end of year | 199 | 199 |
| **At 31 December 2024** | | |
| Cost | 287 | 287 |
| Accumulated amortization | (88) | (88) |
| Balance at end of year | 199 | 199 |
| **Year ended 31 December 2023** | | |
| Balance at beginning of year | 22 | 22 |
| Additions | 213 | 213 |
| Amortization | (21) | (21) |
| Balance at end of year | 214 | 214 |
| **At 31 December 2023** | | |
| Cost | 260 | 260 |
| Accumulated amortization | (46) | (46) |
| Balance at end of year | 214 | 214 |

Other intangible assets represent computer software costs.

(Expressed in Thousands of Aruban Florins)

## 7. Investment securities

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | **Carrying value AFL '000** | **Fair value AFL '000** | **Carrying value AFL '000** | **Fair value AFL '000** |
| Investment securities | 39,769 | 40,499 | 38,836 | 39,783 |
| | 39,769 | 40,499 | 38,836 | 39,783 |
| Investment securities mandatorily measured at fair value through profit or loss (FVPL-M) | – | – | – | – |
| Investment securities measured at amortised cost (AC) | 39,769 | 40,499 | 38,836 | 39,783 |
| **Total investment securities** | 39,769 | 40,499 | 38,836 | 39,783 |

| | Carrying value | | | | Fair value |
|---|---|---|---|---|---|
| | **FVPL-D 2024 AFL '000** | **FVPL-M 2024 AFL '000** | **FVOCI 2024 AFL '000** | **AC 2024 AFL '000** | **AC 2024 AFL '000** |
| Equity securities: | | | | | |
| - Listed | – | – | – | – | – |
| - Unlisted | – | – | – | – | – |
| | – | – | – | – | – |
| Debt securities: | | | | | |
| - Government securities | – | – | – | 8,489 | 8,659 |
| - Debentures and corporate bonds | – | – | – | – | – |
| | – | – | – | 8,489 | 8,659 |
| Deposits (more than 90 days) | – | – | – | 30,600 | 31,098 |
| Other | – | – | – | – | – |
| | – | – | – | 30,600 | 31,098 |
| | – | – | – | 39,089 | 39,757 |
| Interest receivable | – | – | – | 742 | 742 |
| Loss allowance | – | – | – | (62) | – |
| | – | – | – | 39,769 | 40,499 |
| Current | – | – | – | 17,709 | |
| Non-current | – | – | – | 22,060 | |
| | – | – | – | 39,769 | |

The carrying amount of investment securities above that were pledged as collateral for liabilities was nil (2023: nil).

(Expressed in Thousands of Aruban Florins)

## 7. Investment securities (continued)

| | Carrying value | | | | Fair value |
|---|---|---|---|---|---|
| | FVPL-D 2023 AFL '000 | FVPL-M 2023 AFL '000 | FVOCI 2023 AFL '000 | AC 2023 AFL '000 | AC 2023 AFL '000 |
| Equity securities: | | | | | |
| - Listed | – | – | – | – | – |
| - Unlisted | – | 1 | – | – | – |
| Debt securities: | | | | | |
| - Government securities | – | – | – | 7,467 | 7,895 |
| - Debentures and corporate bonds | – | – | – | – | – |
| | – | – | – | 7,467 | 7,895 |
| Deposits (more than 90 days) | – | – | – | 30,800 | 31,265 |
| Other | – | – | – | – | – |
| | – | – | – | 30,800 | 31,265 |
| | – | 1 | – | 38,267 | 39,160 |
| Interest receivable | – | – | – | 623 | 623 |
| Loss allowance | – | – | – | (54) | – |
| | – | 1 | – | 38,836 | 39,783 |
| Current | – | – | – | 5,110 | |
| Non-current | – | 1 | – | 33,726 | |
| | – | 1 | – | 38,836 | |

## 8. Loans and receivables

| | 2024 AFL '000 | 2023 AFL '000 |
|---|---|---|
| Premiums receivable | | |
| Deposits with /balances due from reinsurers | | |
| Prepayments | | |
| Commercial and other loans | 158 | 145 |
| Other receivables | 749 | 890 |
| Accrued interest on commercial and other loans | | |
| Provision for impairment of other loans and receivables | | |
| Loss allowance | (61) | (52) |
| | 846 | 983 |
| Current | 688 | 839 |
| Non-current | 158 | 144 |
| | 846 | 983 |

## 9. Pension plan assets/liabilities

The following information explains the quantification of the assets and liabilities recognized in the statement of financial position and the net income for the year in accordance with the provisions of IAS 19. Pension plan assets are fully recognized in the statement of financial position of Fatum Holding N.V.

| The amount in the statement of income is made up as follows: | 2024 AFL '000 | 2023 AFL '000 |
|---|---|---|
| Net interest income | 100 | 5 |
| Net income for the year | 100 | 5 |

(Expressed in Thousands of Aruban Florins)

## 9. Pension plan assets/liabilities (continued)

The principal actuarial assumptions used for accounting purposes were:

| | 2024 | 2023 |
|---|---|---|
| Discount rates | 5.58% | 4.89% |
| Future salary increases | 0.00% | 0.00% |
| Post retirement mortality table | NISTT2012 | NISTT2012 |
| Pre-retirement mortality | Ignored | Ignored |
| Withdrawal from service | Ignored | Ignored |
| Future pension increases | Ignored | Ignored |
| Proportion of employees opting for early retirement | Ignored | Ignored |

There is no standard mortality table available for Aruba. For this reason the standard NISTT2012 (2023: NISTT2012) has been used which is considered representative for the plan.

## 10. Deferred taxation

The deferred tax assets consist of the following amounts:

| | 2024<br>AFL '000 | 2023<br>AFL '000 |
|---|---|---|
| - To be recovered after more than 12 months | 498 | 333 |
| - To be recovered within 12 months | – | – |
| | 498 | 333 |

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable.

| The movement on the net deferred tax account is as follows: | 2024<br>AFL '000 | 2023<br>AFL '000 |
|---|---|---|
| Balance at beginning of year | 333 | 149 |
| Credit/(charge) for the year (Note 23) | 165 | 184 |
| Changes on initial application of IFRS 9 | – | – |
| Balance at end of year | 498 | 333 |

(Expressed in Thousands of Aruban Florins)

## 11. Insurance contracts

### 11.1 Composition of the balance sheet

| | Property and casualty AFL '000 | Current portion AFL '000 | Non-Current Portion AFL '000 |
|---|---|---|---|
| **As at 31 December 2024** | | | |
| *Net Insurance contract liabilities* | | | |
| - Insurance contract liabilities excluding insurance acquisition cash flows assets and other pre-recognition cash flows | 11,077 | 10,096 | 981 |
| - Insurance acquisition cash flow assets | - | - | - |
| - Other pre-recognitition cash flows | - | - | - |
| Net Insurance contract liabilities | 11,077 | 10,096 | 981 |
| As represented by: | | | |
| - Insurance contract liability | 11,077 | 10,096 | 981 |
| - Insurance contract asset | - | - | - |
| | 11,077 | 10,096 | 981 |
| *Net Reinsurance contract assets* | | | |
| - Reinsurance contract assets excluding other pre-recognition cash flows | 823 | 823 | - |
| - Other pre-recognition cash flows | - | - | - |
| Net Reinsurance contract assets | 823 | 823 | - |
| As represented by: | | | |
| - Reinsurance contract liability | (3,472) | (3,472) | - |
| - Reinsurance contract asset | 4,295 | 4,295 | - |
| | 823 | 823 | - |
| **As at 31 December 2023** | | | |
| *Net Insurance contract liabilities* | | | |
| - Insurance contract liabilities excluding insurance acquisition cash flows assets and other pre-recognition cash flows | 9,351 | 9,131 | 220 |
| - Insurance acquisition cash flow assets | - | - | - |
| - Other pre-recognitition cash flows | - | - | - |
| Net Insurance contract liabilities | 9,351 | 9,131 | 220 |
| As represented by: | | | |
| - Insurance contract liability | 9,873 | 9,653 | 220 |
| - Insurance contract asset | (522) | (522) | - |
| | 9,351 | 9,131 | 220 |
| *Net Reinsurance contract assets* | | | |
| - Reinsurance contract assets excluding other pre-recognition cash flows | 1,642 | 1,642 | - |
| - Other pre-recognition cash flows | - | - | - |
| Net Reinsurance contract assets | 1,642 | 1,642 | - |
| As represented by: | | | |
| - Reinsurance contract liability | (239) | (239) | - |
| - Reinsurance contract asset | 1,881 | 1,881 | - |
| | 1,642 | 1,642 | - |

(Expressed in Thousands of Aruban Florins)

## 11. Insurance contracts (continued)

### 11.2 Insurance revenue and expenses

#### 11.2.1 Insurance revenue and insurance service result

| | 2024<br>AFL '000 | 2023<br>AFL '000 |
|---|---|---|
| ***Insurance revenue*** | | |
| Insurance revenue from contracts measured under the PAA | 41,261 | 35,596 |
| **Total insurance revenue** | 41,261 | 35,596 |
| ***Insurance service expenses*** | | |
| Incurred claims and other directly attributable expenses | (14,223) | (10,890) |
| Other pre-recognition cash flows assets derecognised at the date of initial recognition | - | - |
| Changes that relate to past service – changes in the FCF relating to the LIC | 789 | 1,019 |
| Losses on onerous contracts and reversal of those losses | - | - |
| Insurance acquisition cash flows amortisation | (8,540) | (7,221) |
| **Total insurance service expenses** | (21,974) | (17,092) |
| ***Net income (expenses) from reinsurance contracts held*** | | |
| Reinsurance expenses - contracts measured under the PAA | (16,870) | (14,734) |
| Other incurred directly attributable expenses | (378) | (411) |
| Effect of changes in the risk of reinsurers non-performance | - | - |
| Incurred claims recovery | 1,094 | 562 |
| Changes that relate to past service – changes in the FCF relating to incurred claims recovery | (108) | (249) |
| Income on initial recognition of onerous underlying contracts | - | - |
| **Total net expenses from reinsurance contracts held** | (16,262) | (14,832) |
| **Total insurance service result** | 3,025 | 3,672 |

(Expressed in Thousands of Aruban Florins)

## 11. Insurance contracts (continued)

### 11.2 Property and casualty - Insurance contracts issued (continued)

#### 11.2.1 Reconciliation of the liability for remaining coverage and the liability for incurred claims (continued)

| | 2024 | | | | |
|---|---|---|---|---|---|
| | LRC | | LIC | | |
| | Excluding loss component | Loss component | Present value of future cash flows | adjustment for non-financial risk | Total |
| Opening insurance contract liabilities | 7,069 | - | 2,685 | 119 | 9,873 |
| Opening insurance contract assets | (522) | - | - | - | (522) |
| **Net balance as at 1 January** | **6,547** | **-** | **2,685** | **119** | **9,351** |
| **Insurance revenue** | (41,261) | | | | (41,261) |
| **Insurance service expenses** | | | | | |
| Incurred claims and other directly attributable expenses | - | - | 14,021 | 202 | 14,223 |
| Other pre-recognition cash flows assets derecognised at the date of initial recognition | - | - | - | - | - |
| Changes that relate to past service – changes in the FCF relating to the LIC | - | - | (588) | (201) | (789) |
| Losses on onerous contracts and reversal of those losses | - | - | - | - | - |
| Insurance acquisition cash flows amortisation | 8,540 | - | - | - | 8,540 |
| **Insurance service expenses** | 8,540 | - | 13,433 | 1 | 21,974 |
| **Insurance service result** | (32,721) | - | 13,433 | 1 | (19,287) |
| Finance expenses from insurance contracts issued | - | - | 67 | - | 67 |
| **Total amounts recognised in comprehensive income** | (32,721) | - | 13,500 | 1 | (19,220) |
| Investment components | - | - | - | - | - |
| Insurance acquisition cash flows asset and other pre-recognition cash flows derecognised and other changes | - | - | - | - | - |
| **Cash flows** | | | | | |
| Premiums received | 37,307 | - | - | - | 37,307 |
| Claims and other directly attributable expenses paid | - | - | (12,680) | - | (12,680) |
| Insurance acquisition cash flows | (4,708) | - | - | - | (4,708) |
| **Total cash flows** | 32,599 | - | (12,680) | - | 19,919 |
| Exchange rate adjustment | - | | - | - | - |
| Contracts recognised on acquisition/incoming portfolio transfer | 706 | | 321 | - | 1,027 |
| **Net balance as at 31 December** | 7,131 | - | 3,826 | 120 | 11,077 |
| Closing insurance contract liabilities | 7,131 | - | 3,826 | 120 | 11,077 |
| Closing insurance contract assets | - | | | | - |
| **Net balance as at 31 December** | **7,131** | **-** | **3,826** | **120** | **11,077** |

# FATUM GENERAL INSURANCE ARUBA N.V.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024**

(Expressed in Thousands of Aruban Florins)

(Continued)

## 11. Insurance contracts (continued)

### 11.2 Property and casualty - Insurance contracts issued (continued)

#### 11.2.1 Reconciliation of the liability for remaining coverage and the liability for incurred claims (continued)

| | 2023 | | | | |
|---|---|---|---|---|---|
| | LRC | | LIC | | |
| | Excluding loss component | Loss component | Present value of future cash flows | Risk adjustment for non-financial risk | Total |
| Opening insurance contract liabilities | 6,429 | - | 4,479 | 312 | 11,220 |
| Opening insurance contract assets | | | | | - |
| **Net balance as at 1 January** | **6,429** | **-** | **4,479** | **312** | **11,220** |
| **Insurance revenue** | (35,596) | - | - | - | (35,596) |
| **Insurance service expenses** | | | | | |
| Incurred claims and other directly attributable expenses | - | - | 10,817 | 73 | 10,890 |
| Other pre-recognition cash flows assets derecognised at the date of initial recognition | - | - | - | - | - |
| Changes that relate to past service – changes in the FCF relating to the LIC | - | - | (758) | (261) | (1,019) |
| Losses on onerous contracts and reversal of those losses | - | - | - | - | - |
| Insurance acquisition cash flows amortisation | 7,221 | - | - | - | 7,221 |
| **Insurance service expenses** | 7,221 | - | 10,059 | (188) | 17,092 |
| **Insurance service result** | (28,375) | - | 10,059 | (188) | (18,504) |
| Finance expenses from insurance contracts issued | - | - | 89 | - | 89 |
| **Total amounts recognised in comprehensive income** | (28,375) | - | 10,148 | (188) | (18,415) |
| Investment components | - | - | - | - | - |
| Insurance acquisition cash flows asset and other pre-recognition cash flows derecognised and other changes | - | - | - | - | - |
| **Cash flows** | | | | | |
| Premiums received | 35,497 | - | - | - | 35,497 |
| Claims and other directly attributable expenses paid | - | - | (11,942) | - | (11,942) |
| Insurance acquisition cash flows | (7,004) | - | - | - | (7,004) |
| **Total cash flows** | 28,493 | - | (11,942) | - | 16,551 |
| Exchange rate adjustment | - | | - | (5) | (5) |
| **Net balance as at 31 December** | 6,547 | - | 2,685 | 119 | 9,351 |
| Closing insurance contract liabilities | 7,069 | - | 2,685 | 119 | 9,873 |
| Closing insurance contract assets | (522) | | | | (522) |
| **Net balance as at 31 December** | **6,547** | **-** | **2,685** | **119** | **9,351** |

(Expressed in Thousands of Aruban Florins)

## 11. Insurance contracts (continued)

### 11.3 Property and casualty - Reinsurance contracts held (continued)

#### 11.3.1 Reconciliation of the remaining coverage and incurred claims (continued)

| | 2024 | | | | |
|---|---|---|---|---|---|
| | Remaining coverage | | Incurred claims | | |
| | Excluding loss-recovery component | Loss-recovery component | Present value of future cash flows | adjustment for non-financial risk | Total |
| Opening reinsurance contract assets | 1,407 | - | 433 | 41 | 1,881 |
| Opening reinsurance contract liabilities | (239) | - | - | - | (239) |
| **Net balance as at 1 January** | **1,168** | **-** | **433** | **41** | **1,642** |
| **Exchange rate adjustment** | **-** | | **-** | **-** | **-** |
| **Net income (expenses) from reinsurance contracts held** | | | | | |
| - Reinsurance expenses | (16,870) | - | - | - | (16,870) |
| - Other incurred directly attributable expenses | - | - | (378) | - | (378) |
| - Incurred claims recovery | - | - | 1,025 | 69 | 1,094 |
| - Changes that relate to past service – changes in the FCF relating to incurred claims recovery | - | - | (38) | (70) | (108) |
| - Income on initial recognition of onerous underlying contracts | - | - | - | - | - |
| - Changes in the FCF of reinsurance contracts held from onerous underlying contracts | - | - | - | - | - |
| - Effect of changes in the risk of reinsurers non-performance | - | - | - | - | - |
| **Net income (expenses) from reinsurance contracts held** | **(16,870)** | **-** | **609** | **(1)** | **(16,262)** |
| Finance income from reinsurance contracts | - | - | (11) | - | (11) |
| **Total amounts recognised in comprehensive income** | **(16,870)** | **-** | **598** | **(1)** | **(16,273)** |
| Investment components | - | - | - | - | - |
| Other pre-recognition cash flows derecognised and other changes | - | - | - | - | - |
| **Cash flows** | | | | | |
| Premiums paid net of ceding commissions and other directly attributable expenses paid | 15,153 | - | - | - | 15,153 |
| Recoveries from reinsurance | - | - | (556) | - | (556) |
| **Total cash flows** | **15,153** | **-** | **(556)** | **-** | **14,597** |
| Contracts recognised on acquisition/incoming portfolio transfer | 628 | | 229 | - | 857 |
| **Net balance as at 31 December** | **79** | **-** | **704** | **40** | **823** |
| Closing reinsurance contract assets | 3,551 | - | 704 | 40 | 4,295 |
| Closing reinsurance contract liabilities | (3,472) | - | - | - | (3,472) |
| **Net balance as at 31 December** | **79** | **-** | **704** | **40** | **823** |

(Expressed in Thousands of Aruban Florins)

## 11. Insurance contracts (continued)

### 11.3 Property and casualty - Reinsurance contracts held (continued)

#### 11.3.1 Reconciliation of the remaining coverage and incurred claims (continued)

| | 2023 | | | | |
|---|---|---|---|---|---|
| | Remaining coverage | | Incurred claims | | |
| | Excluding loss-recovery component | Loss-recovery component | Present value of future cash flows | Risk adjustment for non-financial risk | Total |
| Opening reinsurance contract assets | 428 | - | 858 | 121 | 1,407 |
| Opening reinsurance contract liabilities | (155) | - | - | - | (155) |
| **Net balance as at 1 January** | **273** | **-** | **858** | **121** | **1,252** |
| **Exchange rate adjustment** | **-** | **-** | **-** | **-** | **-** |
| **Net income (expenses) from reinsurance contracts held** | | | | | |
| - Reinsurance expenses | (14,734) | - | - | - | (14,734) |
| - Other incurred directly attributable expenses | - | - | (411) | - | (411) |
| - Incurred claims recovery | - | - | 549 | 13 | 562 |
| - Changes that relate to past service – changes in the FCF relating to incurred claims recovery | - | - | (156) | (93) | (249) |
| - Income on initial recognition of onerous underlying contracts | - | - | - | - | - |
| - Changes in the FCF of reinsurance contracts held from onerous underlying contracts | - | - | - | - | - |
| - Effect of changes in the risk of reinsurers non-performance | | - | - | - | - |
| **Net income (expenses) from reinsurance contracts held** | **(14,734)** | **-** | **(18)** | **(80)** | **(14,832)** |
| Finance income from reinsurance contracts held | - | - | (15) | - | (15) |
| **Total amounts recognised in comprehensive income** | **(14,734)** | **-** | **(33)** | **(80)** | **(14,847)** |
| Investment components | - | - | - | - | - |
| Other pre-recognition cash flows derecognised and other changes | - | - | - | - | - |
| **Cash flows** | | | | | |
| Premiums paid net of ceding commissions and other directly attributable expenses paid | 15,629 | - | - | - | 15,629 |
| Recoveries from reinsurance | - | - | (392) | - | (392) |
| **Total cash flows** | **15,629** | **-** | **(392)** | **-** | **15,237** |
| **Net balance as at 31 December** | **1,168** | **-** | **433** | **41** | **1,642** |
| Closing reinsurance contract assets | 1,407 | - | 433 | 41 | 1,881 |
| Closing reinsurance contract liabilities | (239) | - | - | - | (239) |
| **Net balance as at 31 December** | **1,168** | **-** | **433** | **41** | **1,642** |

(Expressed in Thousands of Aruban Florins)

## 11. Insurance contracts (continued)

### 11.4 Insurance finance expenses

| | 2024<br>AFL '000 | 2023<br>AFL '000 |
|---|---|---|
| **Finance income (expenses) from insurance contracts issued** | | |
| - Interest accreted | (72) | (96) |
| - Effect of changes in interest rates and other financial assumptions | 5 | 7 |
| - Foreign exchange differences | - | - |
| **Finance expenses from insurance contracts issued** | (67) | (89) |
| **Finance income (expenses) from reinsurance contracts held** | | |
| - Interest accreted | (11) | (15) |
| - Effect of changes in interest rates and other financial assumptions | - | - |
| **Finance income from reinsurance contracts held** | (11) | (15) |
| **Net insurance finance expenses** | (78) | (104) |
| **Summary of the amounts recognised in profit or loss** | | |
| - Insurance service result | 3,025 | 3,672 |
| - Net investment income - other (Note 18 to 21) | 2,593 | 2,588 |
| - Finance expenses from insurance contracts issued | (67) | (89) |
| - Finance income from reinsurance contracts held | (11) | (15) |
| **Net insurance and investment result** | 5,540 | 6,156 |

### 11.5 Claims development tables

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. Claims development tables are disclosed on an accident year basis (where the reference is to the actual date of the event that caused the claim).

| | Total<br>AFL'000 |
|---|---|
| Insurance claims - gross | |
| - By accident year | 3,946 |
| Insurance claims - net | |
| - By accident year | 3,202 |

The Company provides information on the gross and net claims development for the current reporting period and seven years prior to it. The Company considers that there is no significant uncertainty with regard to claims that were incurred more than seven years before the reporting period.

The top half of each table below illustrates how the Company's estimate of total claims outstanding for each accident year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing on the consolidated statement of financial position as per the following summary.

(Expressed in Thousands of Aruban Florins)

## 11. Insurance contracts (continued)

**11.5 Claims development tables** (continued)

**Insurance claims - gross**

| **Accident year** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| | **AFL '000** | **AFL '000** | **AFL '000** | **AFL '000** | **AFL '000** | **AFL '000** | **AFL '000** | **AFL '000** | **AFL '000** |
| Estimate of ultimate claims costs: | | | | | | | | | |
| - at end of accident year | 10,522 | 10,002 | 8,937 | 12,561 | 4,505 | 5,914 | 6,440 | 8,343 | 8,343 |
| - one year later | 8,848 | 8,672 | 7,020 | 10,726 | 5,081 | 5,535 | 5,295 | - | 5,295 |
| - two years later | 8,601 | 8,224 | 6,885 | 10,380 | 4,872 | 5,975 | - | - | 5,975 |
| - three years later | 8,610 | 8,037 | 6,892 | 9,930 | 4,899 | - | - | - | 4,899 |
| - four years later | 8,588 | 8,040 | 6,586 | 9,948 | - | - | - | - | 9,948 |
| - five years later | 8,581 | 7,890 | 6,615 | - | - | - | - | - | 6,615 |
| - six years later | 8,574 | 7,958 | - | - | - | - | - | - | 7,958 |
| - seven years later | 8,560 | - | - | - | - | - | - | - | 8,560 |
| Cumulative gross claims | 8,560 | 7,958 | 6,615 | 9,948 | 4,899 | 5,975 | 5,295 | 8,343 | 57,593 |
| Cumulative payments to date | (8,428) | (7,917) | (6,572) | (9,948) | (4,817) | (5,451) | (4,942) | (5,612) | (53,687) |
| Gross claims liabilities | 132 | 41 | 43 | – | 82 | 524 | 353 | 2,731 | 3,906 |
| Gross claims liabilities in respect of prior years | | | | | | | | | – |
| Effect of discounting | | | | | | | | | (80) |
| Effect of the risk adjustment margin for non-financial risk | | | | | | | | | 120 |
| Gross LIC for contracts originated | | | | | | | | | 3,946 |

**Insurance claims - net**

| **Accident year** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| | **AFL '000** | **AFL '000** | **AFL '000** | **AFL '000** | **AFL '000** | **AFL '000** | **AFL '000** | **AFL '000** | **AFL '000** |
| Estimate of ultimate claims costs: | | | | | | | | | |
| - at end of accident year | 10,013 | 8,728 | 8,276 | 7,246 | 4,174 | 5,288 | 5,694 | 6,913 | 6,913 |
| - one year later | 8,389 | 7,022 | 6,435 | 5,576 | 3,971 | 4,686 | 4,681 | - | 4,681 |
| - two years later | 8,196 | 6,962 | 6,299 | 5,403 | 4,016 | 5,132 | - | - | 5,132 |
| - three years later | 8,205 | 6,872 | 6,294 | 5,241 | 4,086 | - | - | - | 4,086 |
| - four years later | 8,181 | 6,847 | 6,010 | 5,292 | - | - | - | - | 5,292 |
| - five years later | 8,176 | 6,712 | 6,042 | - | - | - | - | - | 6,042 |
| - six years later | 8,167 | 6,780 | - | - | - | - | - | - | 6,780 |
| - seven years later | 8,153 | - | - | - | - | - | - | - | 8,153 |
| Cumulative gross claims | 8,153 | 6,780 | 6,042 | 5,292 | 4,086 | 5,132 | 4,681 | 6,913 | 47,079 |
| Cumulative payments to date | (8,021) | (6,740) | (6,050) | (5,292) | (4,034) | (4,646) | (4,340) | (4,757) | (43,880) |
| Gross claims liabilities | 132 | 40 | (8) | – | 52 | 486 | 341 | 2,156 | 3,199 |
| Gross claims liabilities in respect of prior years | | | | | | | | | – |
| Effect of discounting | | | | | | | | | (77) |
| Effect of the risk adjustment margin for non-financial risk | | | | | | | | | 80 |
| Gross LIC for contracts originated | | | | | | | | | 3,202 |

(Expressed in Thousands of Aruban Florins)

## 12. Cash and cash equivalents

| | 2024<br>AFL '000 | 2023<br>AFL '000 |
|---|---|---|
| Cash and cash equivalents | 9,387 | 16,488 |
| Cash and cash equivalents in mutual funds | – | – |
| | 9,387 | 16,488 |
| | | |
| Cash at bank and in hand | 5,920 | 7,465 |
| Short term deposits (90 days or less) | 3,481 | 9,054 |
| Cash and cash equivalents | 9,401 | 16,519 |
| Loss allowance | (14) | (31) |
| Net cash and cash equivalents | 9,387 | 16,488 |
| | | |
| At beginning of year | 16,488 | 18,699 |
| Net movement in loss allowance | 16 | 160 |
| | 16,504 | 18,859 |
| At end of year | 9,387 | 16,488 |
| Net increase / (decrease) in cash used in cash flow | (7,117) | (2,371) |

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates. The interest rate on short term bank deposits ranged from 0.25% - 2% (2023: 0.25% – 2%).

## 13. Shareholder's Equity

### 13.1 Share capital

*Authorized*
300 shares with a par value of AFL 1 each.

*Issued and fully paid*
300 shares of a par value of AFL 1 each (2023: 300 shares).

### 13.2 Share premium

The share premium of AFL 6,003 (2023: AFL 6,003) concerns that portion of the capital issued above par.

## 14. Post retirement medical benefit obligations

Post retirement benefit obligations are fully recognized in the statement of financial position of Fatum Holding N.V. The balances are charged to the intercompany account. The change for the year, however, is recognized in the statement of income of the subsidiaries and is made up as follows:

| The amount in the statement of income is made up as follows: | 2024<br>AFL '000 | 2023<br>AFL '000 |
|---|---|---|
| Interest cost | 91 | 39 |
| Current service cost | 48 | 34 |
| Expense for the year (Note 22) | 139 | 73 |

(Expressed in Thousands of Aruban Florins)

## 14. Post retirement medical benefit obligations (continued)

| The principal actuarial assumptions used were as follows: | 2024 AFL '000 | 2023 AFL '000 |
|---|---|---|
| Discount rate | 5.58% | 7.42% |
| Healthcare cost escalation | 3.90% | 0.00% |
| Pre-retirement mortality | NISTT2012 | NISTT2012 |
| Post retirement mortality | Ignored | 0%-5% |

There is no standard mortality table available for Aruba. For this reason the standard NISTT2012 (2023: NISTT2012) has been used which is considered representative for the plan.

## 15. Due to affiliates

| | 2024 AFL '000 | 2023 AFL '000 |
|---|---|---|
| Fatum Holding N.V. | 4,163 | 14,304 |
| | 4,163 | 14,304 |

A number of transactions are entered into with related parties in the normal course of business. These transactions are carried out on commercial terms and interest rate percentage is 5.0%.

## 16. Profit tax payable

| | 2024 AFL '000 | 2023 AFL '000 |
|---|---|---|
| Profit tax 2009 | – | (1) |
| Profit tax 2013 | – | 31 |
| Profit tax 2016 | (188) | (188) |
| Profit tax 2017 | – | 5 |
| Profit tax 2018 | – | 76 |
| Profit tax 2019 | – | (10) |
| Profit tax 2021 | – | 8 |
| Profit tax 2022 | – | 28 |
| Profit tax 2023 | – | 147 |
| Profit tax 2024 | 388 | – |
| Total profit tax payable | 200 | 96 |

## 17. Other liabilities

| | 2024 AFL '000 | 2023 AFL '000 |
|---|---|---|
| Fronting contracts and insurance brokerage related payables | 687 | 759 |
| Sundry payables | 1,347 | 1,142 |
| | 2,034 | 1,901 |
| **Sundry payables** | | |
| Accrued expenses | – | – |
| Provision personnel expenses | 739 | 776 |
| Government taxes and levies | 5 | 5 |
| Performance Incentive/Staff Bonus | 123 | 240 |
| Other | 480 | 121 |
| Total sundry payables | 1,347 | 1,142 |

The carrying amounts of other liabilities approximate their fair value.

(Expressed in Thousands of Aruban Florins)

## 18. Investment income

| | 2024<br>AFL '000 | 2023<br>AFL '000 |
|---|---|---|
| Interest income from: | | |
| - Amortised cost investment securities | 1,868 | 1,667 |
| - Loans and receivables | 6 | 168 |
| - Cash and cash equivalents | 15 | 7 |
| - Third party investment expenses | (8) | (7) |
| | 1,881 | 1,835 |

## 19. Fee income

| | 2024<br>AFL '000 | 2023<br>AFL '000 |
|---|---|---|
| Policy administration and asset management services: | | |
| - Insurance contracts | 608 | 504 |
| | 608 | 504 |

## 20. Other income/(loss)

| | 2024<br>AFL '000 | 2023<br>AFL '000 |
|---|---|---|
| Foreign exchange (losses)/gains | (13) | 86 |
| Gain/(loss) on disposal of PPE | (1) | – |
| Other income | 129 | (5) |
| | 115 | 81 |

## 21. Net impairment gains/(losses) on financial assets

| | 2024<br>AFL '000 | 2023<br>AFL '000 |
|---|---|---|
| Investment securities measured at amortised cost | (9) | (5) |
| Loans and receivables | (18) | 13 |
| Cash and cash equivalents | 16 | 160 |
| | (11) | 168 |

## 22. Operating expenses

| | 2024<br>AFL '000 | 2023<br>AFL '000 |
|---|---|---|
| Staff cost | 5,324 | 5,679 |
| Depreciation and amortization (Note 25) | 213 | 128 |
| Other expenses | 5,270 | 5,345 |
| Total attributable and non-attributable operating expenses | 10,807 | 11,152 |
| Directly attributable insurance expenses | (6,192) | (6,677) |
| Directly attributable reinsurance expenses | (378) | (411) |
| Amounts attributed to insurance acquisition cash flows incurred during the year | (699) | (809) |
| Other operating expenses | 3,538 | 3,255 |
| | | |
| **Staff cost includes:** | | |
| Wages, salaries and bonuses | 2,639 | 2,915 |
| Health and medical | 80 | 70 |
| Staff Training | 58 | 56 |
| National Insurance | 669 | 703 |
| Pension costs | 207 | 340 |
| Post retirement medical benefit obligation (Note 14) | 139 | 73 |
| Other | 1,532 | 1,522 |
| | 5,324 | 5,679 |

(Expressed in Thousands of Aruban Florins)

## 22. Operating expenses (continued)

| | 2024 | 2023 |
|---|---|---|
| **Other expenses include:** | **AFL '000** | **AFL '000** |
| Office & building expenses | 1,270 | 1,553 |
| Marketing expenses | 370 | 409 |
| Information Technology Expenses | 447 | 469 |
| Projects | 233 | 217 |
| Roadside Assistance | 980 | 830 |
| Other | 1,970 | 1,867 |
| | 5,270 | 5,345 |

## 23. Taxation

| | 2024 | 2023 |
|---|---|---|
| | **AFL '000** | **AFL '000** |
| Profit before taxation | 1,472 | 2,098 |
| Current tax | 493 | 222 |
| Prior year taxation adjustment | – | – |
| Deferred tax (Note 10) | (165) | (184) |
| **Tax charge for the period** | 328 | 38 |

The corporate tax rate is 25%. The effective tax rate differs from the corporate tax rate taking into account any tax credits, non-deductible tax expenses and prior year adjustment, where applicable. The Company has the transparent status for profit tax purposes, however on February 26, 2019 a request has been sent to the tax authorities to revoke the transparent status with retrospective effect to January 1st, 2012. The request is under examination.

The effective tax rate is 22.3% (2023: 1.8%).

## 24. Dividends

Although there is no restriction on dividend payment based upon legal reserves, dividend payment requires previous approval of the regulators of the markets where the Company operates.No dividends were declared and paid in 2024 and 2023.

## 25. Adjustment for non-cash items in operating profit

| | 2024 | 2023 |
|---|---|---|
| | **AFL '000** | **AFL '000** |
| Increase in value of recognisable pension plan assets | 39 | 68 |
| Depreciation (Note 22) | 213 | 128 |
| Impairment of financial assets (Note 21) | 11 | (168) |
| | 263 | 28 |

(Expressed in Thousands of Aruban Florins)

## 26. Fair values measurement

The following table provides the fair value measurement of the Company's assets and liabilities that are disclosed at fair value in the statement of financial position.

| At 31 December 2024 | Level 1 AFL '000 | Level 2 AFL '000 | Level 3 AFL '000 | Total fair value AFL '000 |
|---|---|---|---|---|
| **Assets measured at fair value:** | | | | |
| Financial assets at fair value through profit or loss: | | | | |
| Equity securities | – | – | – | – |
| | – | – | – | – |

| At 31 December 2023 | Level 1 AFL '000 | Level 2 AFL '000 | Level 3 AFL '000 | Total fair value AFL '000 |
|---|---|---|---|---|
| **Assets measured at fair value:** | | | | |
| Financial assets at fair value through profit or loss: | | | | |
| Equity securities | – | – | – | – |
| | – | – | – | – |

There were no transfers between level 1 and level 2 during the period.

**Reconciliation of movements in level 3 financial instruments measured at fair value**

The following table shows a reconciliation of the opening and closing recorded amount of Level 3 assets and which are recorded at fair value.

| | At 1 January 2024 AFL '000 | Exchange rate adjustment AFL '000 | Total gain/(loss) in statement of income AFL '000 | Purchases AFL '000 | Sales AFL '000 | Transfers into/(out of) Level 3 AFL '000 | Other movements AFL '000 | At 31 December 2024 AFL '000 |
|---|---|---|---|---|---|---|---|---|
| **Assets measured at fair value:** | | | | | | | | |
| Financial assets at fair | | | | | | | | |
| Equity securities | 1 | – | – | – | – | – | (1) | – |
| | 1 | – | – | – | – | – | (1) | – |

| | At 1 January 2023 AFL '000 | Exchange rate adjustment AFL '000 | Total gain/(loss) in statement of income AFL '000 | Purchases AFL '000 | Sales AFL '000 | Transfers into/(out of) Level 3 AFL '000 | Other movements AFL '000 | At 31 December 2023 AFL '000 |
|---|---|---|---|---|---|---|---|---|
| **Assets measured at fair value:** | | | | | | | | |
| Financial assets at fair | | | | | | | | |
| Equity securities | 1 | – | – | – | – | – | (1) | 1 |
| | 1 | – | – | – | – | – | (1) | 1 |

The Company does not regard that any reasonable change in the valuation assumptions of Level 3 assets and liabilities will have any significant impact on the financial statements.

(Expressed in Thousands of Aruban Florins)

## 26. Fair value measurement (continued)

The following table provides the fair value measurement of the Company's assets and liabilities that are not measured at fair value in the statement of financial position but whose fair values are disclosed in the notes to the accounts.

| At 31 December 2024 | Level 1 AFL '000 | Level 2 AFL '000 | Level 3 AFL '000 | Total fair value AFL '000 |
|---|---|---|---|---|
| **Assets for which fair values are disclosed:** | | | | |
| Investment securities measured at amortised cost: | | | | |
| Government securities | – | 8,659 | – | 8,659 |
| Deposits | – | 31,098 | – | 31,098 |
| Other | – | 158 | – | 158 |
| | – | 39,915 | – | 39,915 |
| **At 31 December 2023** | | | | |
| **Assets for which fair values are disclosed:** | | | | |
| Investment securities measured at amortised cost: | | | | |
| Government securities | – | 7,895 | – | 7,895 |
| Deposits | – | 31,265 | – | 31,265 |
| Other | – | 145 | – | 145 |
| | – | 39,305 | – | 39,305 |

**Valuation techniques and inputs used in Level 2 and Level 3 fair value measurements**

The following table presents the valuation techniques and key inputs that were used to determine the fair value of assets and liabilities categorised under level 2 and level 3 of the fair value hierarchy:

| | Valuation technique | Range | Siginificant unobservable input |
|---|---|---|---|
| **Assets** | | | |
| Financial assets at fair value through P&L: | | | |
| Equity securities | cost | n/a | no |
| Goverrment securities | discounted cash flow | n/a | yes |
| Debentures & corporate bonds | discounted cash flow | n/a | yes |

## 27. Contingent liabilities

**Legal proceedings**

The Company is defendant in various legal actions, including in connection with its activities as insurer, investor and its position as employer and taxpayer. In the opinion of the directors, after taking appropiate legal advice, the outcome of such actions will not give rise to any significant loss.

**Global Anti-Base Erosion (GloBE) Model Rules - Pillar 2**

The Company has a sister company in Bermuda where corporation income tax legislation was enacted that does not fall within the definition of Pillar Two legislation. The Company also has a sister company in the Netherlands where Pillar Two legislation was enacted. Neither of these implementations resulted in additional current taxes arising in either territory for the financial year ended 31 December 2024. Further, there is no expectation that the Pillar Two legislation enacted in the Netherlands will result in additional taxes that are material for the Company in the foreseeable future.

**Taxation**

The accrued profit tax charge is based on an estimate of the corporation rate applicable which takes investment allowance, accelerated depreciation and non-deductible expenses for tax into account. The tax rate applicable in Aruba is 25%.

(Expressed in Thousands of Aruban Florins)

## 28. Related party disclosures

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The immediate parent is Fatum General Insurance N.V., the parent is Fatum Holding N.V. and the ultimate parent of the Company is Guardian Holding Limited.

A number of transactions are entered into with related parties in the normal course of business.

| The following transactions were carried out with related parties: | **2024 AFL'000** | **2023 AFL'000** |
|---|---|---|
| (a) Transactions with subsidiaries and associates | | |
| - Balances included in the insurance contracts: | | |
| Boogaard Group | 2,121 | 1,718 |
| | 2,121 | 1,718 |
| - Commissions included in the insurance service expenses: | | |
| Boogaard Group | 3,952 | 2,965 |
| | 3,952 | 2,965 |
| - Allocated staff cost and other operating expenses in the statement of income: | | |
| *Staff cost* | | |
| Fatum Holding N.V. | 2,551 | 2,383 |
| *Other operating expenses* | | |
| Fatum Holding N.V. | 2,115 | 1,861 |
| Fatum Life N.V. | 202 | 189 |
| | 4,868 | 4,433 |
| - Finance charges included in the statement of income: | | |
| Fatum Holding N.V. | 530 | 803 |
| | 530 | 803 |

*Taxation*
Transactions with respect to profit tax are included in the intercompany balances.

(b) Transactions with key management personnel:

| | 2024 | 2023 |
|---|---|---|
| *Sales of insurance contracts and other services to key management* | 9 | 13 |
| *Key management personnel compensation:* | | |
| - Salaries and other short-term employee benefits | 790 | 1,162 |

Key management personnel compensation is included in the staff costs of Fatum Life Aruba N.V. and Fatum General Insurance Aruba N.V.

(c) Transactions with the pension fund:

Stichting Pensioenfonds Fatum (the pension fund) is a related party. The pension fund does not hold shares in Fatum Holding N.V. or any associates. The Company's transactions with the pension fund relate to contributions paid to the pension plans for the Fatum Holding Group. The total pension premium paid to the pension fund for the year was ANG 3,094 (2023: ANG 3,007). The pension contract is between Fatum Holding N.V. and the pension fund. Fatum Holding N.V. bears all the risk and rewards related to this contract. Pension expenses are being allocated to the subsidiaries which participate in the plan.

**FATUM GENERAL INSURANCE ARUBA N.V.**
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024**
(Expressed in Thousands of Aruban Florins)
(Continued)

## 29. Commitments

As at the year end, the Company has not entered into any commitments not provided for in these financial statements.

## 30. Subsequent events

On March 31, 2025, the Caribbean guilder (XCG) was introduced as the official currency of Curaçao and Sint Maarten, replacing the Netherlands Antillean guilder (ANG or NAf) having the same exchange rate (XCG 1= ANG 1). The transition to this new currency does not have financial consequences for the Company.

## 31. Authorisation of Financial Statements

The financial statements for the year ended 31 December 2024 (including comparatives) were approved by the Board of Directors of Fatum General Insurance Aruba N.V. on 5 Jun, 2025.

**Managing Director:**

Roberto Lejuez

**Managing Director:**

Barbara Pochettino

**Supervisory Director:**

Monica Kock

**Supervisory Director:**

DocuSigned by:
04C53AE6B03D482...

Omar van der Dijs

**Supervisory Director:**

DocuSigned by:
2869DF94B3A5421...

Jacobus Veel