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FATUM GENERAL INSURANCE ARUBA N.V.

FINANCIAL STATEMENTS

31 DECEMBER 2023

FATUM GENERAL INSURANCE ARUBA N.V.
FINANCIAL STATEMENTS

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Initialed for identification purposes only
Willemstad, Curaçao

INDEPENDENT AUDITOR'S REPORT

GrantThornton
Initialed for identification purposes only
Willemstad, Curaçao

Grant Thornton

Reference: 135930/MR-2240386

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Independent Auditor's Report

To the 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 2023, 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. Statement of financial position as at 31 December 2023;
2. Statement of income for the year ended 31 December 2023;
3. Statement of comprehensive income for the year ended 31 December 2023;
4. Statement of changes in equity for the year ended 31 December 2023;
5. Statement of cash flows for the year ended 31 December 2023; and
6. Notes to the financial statements, which include a summary of material 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

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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

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;

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- 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, 29 June 2024
Grant Thornton Curaçao

Marisol Roosberg RA

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FATUM GENERAL INSURANCE ARUBA N.V.
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023
(Expressed in Thousands of Aruban Florins)

	Notes	2023 AFL '000	Restated 2022 AFL '000	Restated 2021 AFL'000
Assets				
Property, plant and equipment	**5**	419	323	349
Intangible assets	**6**	214	22	29
Investment securities	**7**	38,836	42,860	42,813
Loans and receivables	**8**	983	3,535	3,549
Deferred tax assets	**10**	333	149	69
Reinsurance assets	**11.1**	1,881	1,407	2,945
Insurance contract assets	**11.1**	522	–	–
Cash and cash equivalents	**12**	16,488	18,699	22,829
Total assets		59,676	66,995	72,583
Equity and liabilities				
Share capital	**13.1**	300	300	300
Share premium	**13.2**	6,003	6,003	6,003
Retained earnings		26,960	24,900	26,295
Total equity		33,263	31,203	32,598
Liabilities				
Insurance contract liabilities	**11.1**	9,873	11,220	8,972
Reinsurance contract liabilities	**11.1**	239	155	–
Due to affiliates	**15**	14,304	19,747	28,401
Profit tax payable	**16**	96	376	1,011
Deferred tax liabilities		–	–	111
Other liabilities	**17**	1,901	4,294	1,490
Total liabilities		26,413	35,792	39,985
Total equity and liabilities		59,676	66,995	72,583

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FATUM GENERAL INSURANCE ARUBA N.V.
STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023
(Expressed in Thousands of Aruban Florins)

	Notes	2023 AFL '000	Restated 2022 AFL '000
Insurance activities			
Insurance revenue	**11.2.1**	35,596	34,036
Insurance service expenses	**11.2.1**	(17,092)	(20,135)
Net expenses from reinsurance contracts held	**11.2.1**	(14,832)	(12,958)
Insurance service result		3,672	943
Investing activities			
Investment income	**18**	1,835	1,910
Fee income	**19**	504	455
Other income/(losses)	**20**	81	196
Net impairment gains/(losses) on financial assets	**21**	168	560
Net income from investing activities		2,588	3,121
Finance expenses from insurance contracts issued	**11.2.1**	(89)	(31)
Finance income from reinsurance contracts held	**11.3.1**	(15)	(11)
Net insurance finance expenses		(104)	(42)
Net insurance and investment result		6,156	4,022
Net income from all activities		6,156	4,022
Other operating expenses	**22**	(3,255)	(4,153)
Finance charges		(803)	(925)
Operating profit		2,098	(1,056)
Share of profit of associated companies		–	–
Profit/(loss) before taxation		2,098	(1,056)
Taxation	**23**	(38)	(339)
Profit/(loss) after taxation		2,060	(1,395)

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

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FATUM GENERAL INSURANCE ARUBA N.V.
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023
(Expressed in Thousands of Aruban Florins)

	2023 AFL '000	Restated 2022 AFL '000
Profit/(loss) for the year	2,060	(1,395)
Other comprehensive income	–	–
Total comprehensive income for the period, net of tax	2,060	(1,395)
Total comprehensive income attributable to:		
-Owners of the parent	2,060	(1,395)
-Non-controlling interests	-	-
	2,060	(1,395)

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

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FATUM GENERAL INSURANCE ARUBA N.V.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023
(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 2023	300	6,003	6,303	24,900	31,203
Total comprehensive income/(loss)	–	–	–	2,060	2,060
Balance at 31 December 2023	300	6,003	6,303	26,960	33,263
Balance at 1 January 2022 - as previously reported	300	6,003	6,303	25,167	31,470
Restatement under IFRS 17 (Note 2.1)	–	–	–	1,128	1,128
Balance at 1 January 2022	300	6,003	6,303	26,295	32,598
Total comprehensive income/(loss)	–	–	–	(1,395)	(1,395)
Balance at 31 December 2022	300	6,003	6,303	24,900	31,203

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

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FATUM GENERAL INSURANCE ARUBA N.V.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023
(Expressed in Thousands of Aruban Florins)

	Notes	2023 AFL '000	Restated 2022 AFL '000
Cash flows from operating activities			
Profit/(loss) before taxation from continuing operations		2,098	(1,056)
Adjustment for specific items included on the accruals basis:			
- Finance charges		803	925
- Investment income		(1,842)	(1,917)
Adjustment for non-cash items	**25**	28	(445)
Interest received		1,862	1,907
Dividends received		–	–
		–	–
Operating profit before changes in operating assets/liabilities		2,949	(586)
Net increase/(decreases) in insurance contract assets/liabilities		(1,869)	2,248
Net (increase)/decrease in reinsurance contract assets/liabilities		(390)	1,693
Purchase of investment securities		(300)	–
Proceeds from sale of investment securities		4,300	–
Net (increase)/decrease in loans and receivables		2,495	517
Net decrease/(increase) in other operating assets/liabilities		(2,393)	2,804
Net decrease/ (increase) in intercompany		(5,443)	(8,654)
Cash provided by operating activities		(651)	(1,978)
Net taxation (paid)/refund		(501)	(1,165)
Net cash provided by/(used in) operating activities		(1,152)	(3,143)
Cash flows from investing activities			
Purchase of property, plant and equipment	**5**	(203)	(91)
Proceeds on sale of property, plant and equipment	**5**	–	10
Purchase of intangible assets	**6**	(213)	–
Net cash provided by/(used in) investing activities		(416)	(81)
Cash flows from financing activities			
Interest paid		(803)	(925)
Dividends paid to equity holders of the parent	**24**	–	–
Net cash provided by/(used in) financing activities		(803)	(925)
Net increase/(decrease) in cash and cash equivalents	**12**	(2,371)	(4,149)
Balance Cash and Cash Equivalents as of January 1		18,699	22,829
Net increase in Cash		(2,371)	(4,149)
Net movement in loss allowance		160	19
Balance Cash and Cash Equivalents as of December 31		16,488	18,699

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

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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 28 Jun, 2024.

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 2023

The following amendment to published standards took effect for the Company's accounting periods beginning on or after 1 January 2023:

IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2 - Amendments - Disclosure of accounting policies

These amendments now require entities to disclose material accounting policies and not significant accounting policies, and explain that accounting policies may be material because of their nature even if the related amounts are immaterial. While immaterial accounting policy information can be disclosured, they should not obscure material accounting policy information. The amendments further clarify that accounting policies are material if they are needed to understand other material information in the financial statements. The amendments also explain how material accounting policy information can be identified, inclusive of examples.

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

These amendments introduced a definition of accounting estimates and included other amendments to help entities distinguish changes in accounting estimates from changes in accounting policies. These amendments had no impact on the financial statements of the Company as the new definitions are consistent with how the Company has distinguished changes in accounting estimates from changes in accounting policies.

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

This is a narrow-scope amendment related to the recognition of deferred tax when an entity accounts for transactions, such as leases or decommissioning obligations, by recognizing both an asset and a liability. The scope of the recognition exemption in IAS 12.15 and IAS 12.24 (recognition exemption) was narrowed so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. This amendment is expected to reduce diversity in the reporting and align the accounting for deferred tax on such transactions with the general principle in IAS 12 of recognizing deferred tax for temporary differences.

IAS 12 Income Taxes - Amendments - International Tax Reform - Pillar Two Model Rules

These amendments clarify the application of IAS 12 to income taxes arising from tax law enacted or substantively enacted to implement the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) Pillar Two model rules (Pillar Two income taxes). The Amendments introduce a mandatory, temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules and disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

These amendments had no impact on the financial statements of the Company.

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2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New standards and amendments/revisions to published standards and interpretations effective in 2023 (continued)

These amendments had no impact on the financial statements of the Company as the Company has no affected taxable and deductible temporary differences.

IFRS 17 Insurance Contracts - New Standard

Effective 1 January 2023, the Company retrospectively adopted IFRS 17, in accordance with the transition provisions laid out by the standard. As stated in the IASB's Project Summary, IFRS 17 is the first comprehensive IFRS to establish the accounting for insurance contracts. IFRS 4 was always meant to be an interim standard, as it did not require insurers to account for insurance contracts in any one specific way and its disclosure requirements were relatively limited. The introduction of IFRS 17 was therefore meant to significantly increase the transparency and consistency of the measurement and reporting of insurance balances and transactions across the industry and reporting territories. In achieving this, the standard's impact was not limited to changes in financial reporting, but also triggered the reconfiguration of other business areas such as product design, budgeting and forecasting, and the collection and storage of data. The fundamental shift in how the finance, actuarial, and information technology teams collaborate cannot be overstated.

IFRS 17 has introduced many new concepts, the three most significant of which are arguably level of aggregation, measurement models, and the contractual service margin ("CSM"). The level of aggregation requirements define how entities can aggregate insurance contracts for measurement and disclosure purposes. This has significant implications for revealing the profitability or onerosity of groups of contracts, with consequential impact to the income statement. The 3 main measurement models allowed by IFRS 17 are the general measurement model ("GMM"), the variable fee approach ("VFA"), and the premium allocation approach ("PAA"). Each model has different implications for the level of data granularity required, data tracking, and degree of financial disclosure. Finally, the CSM may have the most significant and widespread impact of all, targetting insurers' pattern of profitability recognition. While a substantial degree of judgement is still involved, the clear impact of this concept is that the profitability of certain insurance contracts that may have been front-loaded under IFRS 4 are now far more evenly distributed over the lives of those contracts. This has resulted in profits previously recognised under IFRS 4 being clawed back into the insurance liability via the CSM. While any reduced profitability for new insurance contracts may be offset by the re-recognition of profitability for old contracts previously clawed back, the impact on net equity is significant.

IFRS 17 Insurance Contracts - New Standard (continued)

Beyond the introduction of new concepts and their impacts, there is the dramatic increase in disclosure requirements under IFRS 17. There is now a high degree of transparency in how the insurance contract liability changes from year to year, visible by line of business. These disclosures are expected to provide new insights into the health and structure of insurers' business.

In transitioning to IFRS 17, GHL applied allowed alternative transition methods where the full retrospective approach was impracticable. The fair value approach was applied to all long-term insurance and reinsurance contracts in force as at 31 December 2021. The full retrospective approach was applied to all short-term insurance and reinsurance contracts in force from inception, and to all long-term insurance and reinsurance contracts issued on 1 January 2022 and after.

For the long-term portfolios mentioned above, the transition approach was determined at the level of a group of insurance contracts and affected the approach to calculating the CSM on initial adoption of IFRS 17. For the full retrospective approach, the CSM at initial recognition is based on initial assumptions when groups of contracts were recognised and rolled forward to the date of transition as if IFRS 17 had always been applied. For the fair value approach, the pre-transition fulfilment cash flows ("FCF") and experience are not considered.

For insurance contracts issued within the Company's property and casualty businesses, the Company has used the full retrospective approach to identify, recognise and measure insurance acquisition cash flows assets as at transition date, except that the retrospective impairment test has not been performed prior to the transition date. No insurance acquisition cash flows assets were created upon transition relating to other insurance contracts issued or expected to be issued for any line of business.

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2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New standards and amendments/revisions to published standards and interpretations effective in 2023 (continued)

The Company has determined that it would be impracticable to apply the full retrospective approach where any of the following conditions existed:

a. The effects of the full retrospective application were not determinable, for example:

   i. Some reasonable and supportable information about actual historical cash flows might have been available from the Company's systems, but in many cases such information was only available at higher levels or different levels of aggregation compared to the groups required by IFRS 17. This lack of information makes it impracticable to accurately calculate the FCF on a retrospective basis and to segregate groups based on profitability.

   ii. The information necessary to estimate the effect of contracts derecognised before the transition date on allocation of the CSM between past and future periods on the transition date was not available in many cases. This was particularly challenging for large portfolios of long-term contracts for which terms and circumstances (for example, size and number of contracts issued in prior reporting periods) often change.

b. The full retrospective application required assumptions that would have been made in an earlier period, for example:

   i. For contracts with direct participation features, the Company's expectations regarding the policyholder's share of underlying assets at contract inception would not have been possible to recreate without the use of hindsight.
   ii. Difficulties in retrieving relevant reliable information existed where assumptions developed at the date of initial recognition were not on an IFRS 17 basis (such as discount rates, risk adjustment for non-financial risk or expenses).
   iii. Changes in assumptions have not been historically documented on an ongoing basis.
   iv. The older the in force contracts (such as term life products), the more challenging it would have been to retrieve data from the past on assumptions.

c. The full retrospective application required significant estimates of amounts, and it was impossible to distinguish objectively between information about those estimates that provided evidence of circumstances that (i) existed on the date at which those amounts were to be recognised, measured or disclosed; and (ii) would have been available when the financial statements for that prior period were authorised for issue, and other information, for example:

   i. The Company had limited or no information required for the allocation of acquisition cash flows to respective groups of insurance contracts issued or expected to be issued and other overhead expenses to respective groups under IFRS 17. Systems have not been tracking or allocating acquisition costs, because previous accounting policies did not require this.
   ii. The Company has not historically been accumulating information about the changes in estimates that would have been recognised in profit or loss for each accounting period, because they did not relate to future service, and the extent to which changes in the FCF would have been allocated to the loss component.

The Company did not recognise any insurance acquisition cash flow assets at the transition date.

Full Retrospective Approach

The Company has determined that reasonable and supportable information was available for all contracts in force from 1 January 2022. In addition, for insurance contracts originated by the Company that are eligible for the PAA, the Company has concluded that only current and prospective information was required to reflect circumstances at the transition date, which made the full retrospective application practicable and, hence, the only available option for property and casualty contracts issued by the Company.

Accordingly, the Company has: identified, recognised and measured each group of insurance contracts and each insurance acquisition cash flows asset in this category as if IFRS 17 had always applied (except that a retrospective impairment test has not been performed); derecognised any existing balances that would not exist if IFRS 17 had always applied; and recognised any resulting net difference in equity.

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2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New standards and amendments/revisions to published standards and interpretations effective in 2023 (continued)

Fair Value Approach

After making reasonable efforts to gather necessary historical information, the Company has determined that, for certain groups of contracts, such information was not available or was not available in a form that would enable it to be used without undue cost and effort. It was therefore impracticable to apply the full retrospective approach, and the fair value approach was used for these groups. The Company applied significant judgement in determining the transition amounts under this approach.

Judgements in applying the fair value approach

The Company applied the fair value approach to insurance contracts that were originated on 31 December 2021 and prior. Applying the fair value approach, the Company determined the CSM to be the difference between the fair value of a group of insurance contracts, measured in accordance with IFRS 13, 'Fair Value Measurement' (IFRS 13), and its FCF at the transition date. The Company did not apply the deposit floor when measuring insurance contracts when using the fair value approach on transition.

The fair value of an insurance liability is the price that a market participant would be willing to pay to assume the obligation and the remaining risks of the in-force contracts as at the transition date. Where available, recent market transactions were used to estimate the fair value of groups of contracts. In the absence of recent market transactions for similar contracts, a present value technique was used to value groups of contracts.

In estimating the fair value of groups of insurance contracts, the following considerations were applied:

a. only future cash flows within the boundaries of the insurance contracts were included in the fair value estimation, excluding future renewals and new business that would be outside the contract boundary of the contracts under IFRS 17;
b. assumptions about expected future cash flows and risk allowances were adjusted for the market participant's view, as required by IFRS 13; and
c. other sources of profit were included to reflect what a market participant would require for accepting obligations under insurance contracts, beyond the risk adjustment for non-financial risk.

Given the lack of a liquid and observable market of insurance liabilities in the Caribbean, the fair value of insurance contracts was estimated using a method consistent with the income approach. There are two techniques that is consistent with this namely: the adjusted fulfilment cash flows and embedded or appraisal value. The Company used the adjusted fulfilment cash flows as it is similar to the technique used to determine the fulfilment cash flows; however, adjusted to reflect the perspective of a market participant (IFRS 13) rather than the entity's view (IFRS 17).

The Company used significant judgement to determine adjustments required to reflect the market participant's view, and it considered the following:

Definition and classification	The following assessments were performed using the criteria described in note 3, based on the information available as at the transition date: a. An assessment of whether a contract issued that does not transfer significant insurance risk meets the definition of an investment contract with discretionary participation features within the scope of IFRS 17; and b. An assessment of whether an insurance contract issued meets the definition of an insurance contract with direct participation features.

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2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New standards and amendments/revisions to published standards and interpretations effective in 2023 (continued)

Fair Value Approach (continued)

Aggregation of contracts	Groups of contracts include contracts issued more than one year apart.
Discount rates	The discount rates at the dates of initial recognition were determined at the transition date, as described in note 3 (b). The determination of an appropriate market discount rate to determine the fair value at initial recognition included the application of the Company's own credit risk. This was calculated as a percentage of the Company's FCF. It was incorporated as a reduction to the Company's FCF, to derive the adjusted fulfilment cash flows (AFCF). The Company also included its reported Capital Adequacy requirements as of 31 December, 2021 to determine the Cost of Capital (COC). The COC was then calculated as the discounted value of the base solvency at the hurdle rate and applying a cost of capital factor. The Target Available Capital was calculated as the base solvency buffer, net of diversification benefit, multiplied by the target capital ratio (175%). This was further reduced by the Risk Adjustment for territories where the Capital regime is based solely on the Best Estimate Liability, though for the others, the Risk Adjustment reduction was not applied. The COC was then calculated as the discounted value of the base solvency at the hurdle rate and applying a cost of capital factor.
FCF	The FCF were estimated prospectively as at the transition date, and were determined as the present value of the Company's cash flows, consistent with the typical actuarial approach to determining the best estimate liability and risk adjustment. The ratios of Capital Adequacy risk components to the FCF were used to estimate the Company's risk components for the life of the business. The base solvency was calculated as the sum of the risk components. The Target Available Capital was calculated as the base solvency buffer net of diversification benefit multiplied by the target capital ratio, less Risk Adjustment.
CSM	The CSM (for insurance contracts issued) were estimated to be the difference between the fair value of a group of insurance contracts, measured in accordance with IFRS 13 as described above, and its FCF at the transition date. All relevant sources of required profit were considered, particularly for blocks of business that have significant additional capital considerations. The profit margin was calculated as the sum of COC, Risk Provision release and the other sources of profit, with each item in the profit margin calculation discounted at the hurdle rate.

The Company did not recognise any insurance acquisition cash flow assets at the transition date. The Company disaggregated insurance finance income or expenses between profit or loss and other comprehensive income for all groups of insurance contracts measured under the GMM.

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2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New standards and amendments/revisions to published standards and interpretations effective in 2023 (continued)

Fair Value Approach (continued)

Restatement under IFRS 17

The initial application of IFRS 17 resulted in an increase of total equity of AFL 1.1 million as at 1 January 2022. The opening IFRS 17 statement of financial position and related adjustments are presented below:

	As previously reported 31 Dec 2021 AFL '000	IFRS 17 Initial application adjustments 1 Jan 2022 AFL '000	Restated 1 Jan 2022 AFL '000
Assets			
Loans and receivables	9,370	(5,821)	3,549
Deferred tax assets	69	-	69
Reinsurance contract assets	6,514	(3,569)	2,945
Deferred acquisition costs	2,245	(2,245)	-
Other assets	66,020	–	66,020
Total assets	84,218	(11,635)	72,583
Equity and liabilities			
Share capital	300	-	300
Share premium	6,003	-	6,003
Retained earnings	25,167	1,128	26,295
Total equity	31,470	1,128	32,598
Insurance contract liabilities	17,477	(8,505)	8,972
Due to affiliates	28,401	-	28,401
Deferred tax liabilities	-	111	111
Other liabilities	6,870	(4,369)	2,501
Total liabilities	52,748	(12,763)	39,985
Total equity and liabilities	84,218	(11,635)	72,583

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2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New standards and amendments/revisions to published standards and interpretations effective in 2023 (continued)

Restatement under IFRS 17 (continued)

The initial application adjustments arise principally from:

- The measurement of the Risk Adjustment, which is similar to the Margins for Adverse Deviation previously estimated under IFRS 4, but with some differences in measurement under IFRS 17. Refer to Note 2.11(f).
- Changes in the determination of Discount Rates under IFRS 17. Refer to Note 3(b).
- Other measurement changes, such as the manner in which contracts are aggregated for measurement purposes and how contract boundaries are defined. Refer to Note 2.11(d) and 2.11(f).
- Presentation changes, resulting in several assets and liabilities being reclassified from other areas of the financial statements, and now included within insurance contract liabilities or reinsurance contract assets.

Redesignation of Financial Assets
As the Conpany had applied IFRS 9 to annual reporting periods before the intial application of IFRS 17, the Company was eligible to redesignate eligible financial assets.

A financial asset is eligible only if it is held in respect of activity connected with contracts within the scope of IFRS 17. The Company carried out an assessment of its financial assets, splitting these into those contractually linked to insurance contracts (e.g., its equity-linked and unit-linked portfolios), those in the general fund which support other insurance portfolios, and other investments which may support non-insurance contracts (e.g., investment contract liabilities) or which are used for general investment purposes.

The Company did not opt for any redesignation of financial assets.

(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 2023 and have not been early adopted by the Company. The Company expects to implement these standards when they become effective.

Effective 1 January 2024:

- IAS 7, 'Statement of Cash Flows' and IFRS 7, 'Financial Instruments: Disclosures' - Amendments - Supplier finance arrangements.
- IAS 1, 'Presentation of Financial Statements' - Amendments - Classification of liabilities as current or non-current.
- IAS 1, 'Presentation of Financial Statements' - Amendments - Non-current liabilities with covenants.
- IFRS 16, 'Leases' - Amendments - Lease liability in a sale and lease back.

Effective 1 January 2025:

- IFRS 1, 'First-time Adoption of International Financial Reporting Standards' and IAS 21, 'The Effects of Changes in Foreign Exchange Rates' - Amendments - Lack of exhangeablility.

The Company is currently evaluating the impact of these amendments, however they are not expected to have a material impact on the Company's financial statements.

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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 programmes are recognized as an expense as incurred.

2.5 Financial instruments

(a) Initial recognition and measurement

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised 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.

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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) Amortised 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 amortised cost. The carrying amounts of these assets are adjusted by any expected credit loss allowance recognised. In addition to certain debt securities, the Company's loans and receivables are carried at amortised 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 recognised in profit or loss.

(iii) Fair value through profit or loss: Assets that do not meet the criteria for amortised 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 recognised 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 amortised 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 realising 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 realised 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.

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 amortisation 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.

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2. Material accounting policies (continued)

2.5 Financial instruments (continued)

(b) Classification and subsequent measurement (continued)

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 recognised in the statement of income.

Financial liabilities

Subsequent to initial recognition, the Company measures all financial liabilities at amortised 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 derecognised 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 recognised 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 amortised cost, the difference between the asset's carrying amount and the sum of the consideration received is recognised 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 derecognised 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 derecognises the original financial asset and recognises 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 recognised 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 recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income.

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 amortised 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 recognised 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.

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2. Material accounting policies (continued)

2.6 Impairment of assets (continued)

(a) Financial assets (continued)

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

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

- Financial assets measured at amortised cost: the loss allowance is deducted from the gross carrying amount of the assets in the statement of financial position. Movement in ECL is recognised in the statement of income.
- Debt instruments measured at fair value through other comprehensive income: the loss allowance is recognised in other comprehensive income with the corresponding entry recognised 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 organisations, 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 behaviour 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'.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised 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 reorganisation; or
- Rating agencies' assessments of creditworthiness.

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2. Material accounting policies (continued)

2.6 Impairment of assets (continued)

(a) Financial assets (continued)

Definition of default

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

- ► the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- ► the 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 organisations 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 summarised 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.
- ► 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.

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2. Material accounting policies (continued)

2.6 Impairment of assets (continued)

(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.

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.

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2. Material accounting policies (continued)

2.7 Fair value measurement (continue)

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 amortised 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		
Poperty; motor; casualty; marine; accident; engineering; bonding and crime	Reinsurance contracts held	Premium Allocation Approach

(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 unecrain 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.

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2. Material accounting policies (continued)

2.11 Insurance contracts (continued)

(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.

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 recognised 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 recognised 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 determing whether contracts have a significant possibility of becoming onerous. This assessment is performed at a portfolio level.

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2. Material accounting policies (continued)

2.11 Insurance contracts (continued)

(d) Unit of account (continued)

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.

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 recognised 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 recognised from the earlier of:

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

The Company does not recognise a group of quota share reinsurance contracts held until it has recognised 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 recognised at the beginning of the coverage period of that group.

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2. Material accounting policies (continued)

2.11 Insurance contracts (continued)

(e) Recognition and Derecognition

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 derecognised 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 derecognises the original contract and recgonises 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 particiaption features, but the modified contract no longer meets that definition, or vice versa; or

When an insurance contract accounted for under the PAA is derecognised, 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 derecognised 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 derecognised 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 derecognised 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.

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2. Material accounting policies (continued)

2.11 Insurance contracts (continued)

(f) Measurement (continued)

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 jugement 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

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.

<u>Fulfilment cash flows</u> (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 recognised when those contracts meet the recognition

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 recognised in other operating expenses as incurred.

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2. Material accounting policies (continued)

2.11 Insurance contracts (continued)

(f) Measurement (continued)

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 recongise a liability, applying a standard other than IFRS 17) directly attributable acquisition costs to originate a group of insurance contracts before they are recognised. The Company therefore does not recognise 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).

<u>Initial and subsequent measurement - Groups of contracts measured under the PAA</u>

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 recognised 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.

<u>Initial and subsequent measurement - Groups of contracts measured under the PAA</u> (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.

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2. Material accounting policies (continued)

2.11 Insurance contracts (continued)

(f) Measurement (continued)

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 recognised as insurance revenue for the services provided in the period; and
(d) Increased for the amortisation of insurance acquisition cash flows in the period recgonised 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 recognised 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 recognised 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 recognised in profit or loss and a loss-recovery component is established or adjusted for the amount of income recognised. The referred income is calculated by multiplying the loss recognised 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 recognised 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.

(g) Amounts recognised in comprehensive income

<u>Insurance service result from insurance contracts issued</u>

Insurance revenue

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

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

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2. Material accounting policies (continued)

2.11 Insurance contracts (continued)

(g) Amounts recognised in comprehensive income (continued)

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) derecognised at the date of initial recognition;
(c) Amortisation 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, amortisation 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 recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received services at an amount that reflects the portion of ceding premiums the Group expects to pay in exchange for those services.

For groups of reinsurance contracts held measured under the PAA, the Company recgonises 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.

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 interst 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 underthe 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).

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2. Material accounting policies (continued)

2.11 Insurance contracts (continued)

(h) Classification

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) realised and/or unrealised 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 recognised 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 recognises that impairment loss in the statement of income.

(k) Insurance finance reserve

The insurance finance reserve comprises the cumulative insurance finance income and expenses recognised in other comprehensive income. If the Company derecognises 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.

2.12 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 recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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.

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2. Material accounting policies (continued)

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.

2.14 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.

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2. Material accounting policies (continued)

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 recognised in accordance with the requirements of IFRS 17 as laid out in Note 2.11.

(b) Investment income

Interest income is recognised 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 amortised 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 amortised cost i.e. net of the expected credit loss provision.

Dividend income is recognised 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.

In accordance with the transition requirements of IFRS 17, the Company is exempted from disclosing the impact of the adjustment arising from the implementation of IFRS 17 on each financial statement line item affected and on earnings per share for the current period and for each prior period presented. Although exempted, the Company has presented the adjustments to the 31 December 2021 statement of financial position in Note 2.1.

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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 2022 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 2022 and 2023 under the PAA were determined to be non-onerous on initial recognition.

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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 2023			
	1 year	**5 years**	**10 years**	**20 years**
Property and casualty	4.1%	3.8%	0.0%	0.0%

	As at 31 December 2022			
	1 year	**5 years**	**10 years**	**20 years**
Property and casualty	3.1%	4.1%	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.

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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 2023 and 2022.

(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

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

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

(g) Impairment losses on financial assets (continued)

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 2023 was nil (2022: 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.

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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.

	2023	2022
	AFL'000	**AFL'000**
Business	8,583	8,130
Residential	1,213	1,149
	9,796	9,279

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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.

	2023	2022
	AFL'000	AFL'000
Employer's Liability cover	(12)	52
Public Liabilitiy cover	(433)	1,889
	(445)	1,941

(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.

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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.

	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

	2022			
	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	(464)	(348)	(97)	(73)
Net reinsurance contract assets	16	12	47	35

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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 Actuarial departments of operating units under policies approved by the Company's board of directors. The Company identifies, evaluates and hedges 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 AFL '000	Total AFL '000
As at 31 December 2023		
Total Assets	59,676	59,676
Total Liabilities	26,413	26,413
	33,263	33,263
As at 31 December 2022		
Total Assets	66,995	66,995
Total Liabilities	35,792	35,792
	31,203	31,203

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.

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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. An internally constituted Executive Investment Committee sets 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. Financial liabilities are at contractual undiscounted cash flows, and insurance contracts 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.

As at 31 December 2023		**Contractual/Expected Undiscounted Cash Flows**		
	Carrying amount	**up to 1 year**	**1 to 5 years**	**Over 5 years**
	ANG'000	**ANG'000**	**ANG'000**	**ANG'000**
Investment securities	38,836	6,143	34,241	2,236
Loans and receivables	983	–	145	–
Reinsurance contract assets	1,881	1,881	–	–
Insurance contract assets	522	522	–	–
Cash and cash equivalents	16,488	16,488	–	–
Total assets	58,710	25,034	34,386	2,236

As at 31 December 2023		**Contractual/Expected Undiscounted Cash Flows**		
	Carrying amount	**up to 1 year**	**1 to 5 years**	**Over 5 years**
	ANG'000	**ANG'000**	**ANG'000**	**ANG'000**
Reinsurance contract liabilities	239	239	–	–
Insurance contract liabilities	9,873	9,105	286	–
Related party balances	14,304	14,304	–	–
Other liabilities	1,901	1,901	–	–
Total Liabilities	26,317	25,549	286	-

As at 31 December 2023				
Total Assets	58,710	25,034	34,386	2,236
Total Liabilities	26,317	25,549	286	–
	32,393	(515)	34,100	2,236

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4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.2 Liquidity risk (continued)

As at 31 December 2022		**Contractual/Expected Undiscounted**		
	Carrying amount ANG'000	**up to 1 year ANG'000**	**1 to 5 years ANG'000**	**Over 5 years ANG'000**
Investment securities	42,860	1,697	44,388	2,354
Loans and receivables	3,535	316	1,513	4,162
Reinsurance contract assets	1,407	1,407	–	–
Insurance contract assets	–	–	–	–
Cash and cash equivalents	16,488	16,488	–	–
Total assets	64,290	19,908	45,901	6,516

As at 31 December 2022		**Contractual/Expected Undiscounted Cash Flows**		
	Carrying amount	**up to 1 year**	**to 5 years**	**'er 5 years**
Reinsurance contract liabilities	155	186	–	–
Insurance contract liabilities	11,220	12,653	965	19
Related party balances	19,747	19,747	–	–
Other liabilities	4,294	4,294	–	–
Total Liabilities	35,416	36,880	965	19
As at 31 December 2022				
Total Assets	64,290	19,908	45,901	6,516
Total Liabilities	35,416	36,880	965	19
	28,874	(16,972)	44,936	6,497

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 us. The Company 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, or 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.

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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	
	2023	**2022**	**2023**	**2022**
	AFL '000	**AFL '000**	**AFL '000**	**AFL '000**
Investment securities measured at amortised cost	38,890	42,909	38,836	42,859
Loans and receivables including insurance receivables	1,035	3,624	983	3,535
Reinsurance contracts	1,881	1,407	1,881	1,407
Cash and cash equivalents	16,519	18,756	16,488	18,699
	58,325	66,696	58,188	66,500

(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.

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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 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

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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 2022				
AAA	–	–	–	–
AA	–	–	–	–
A	–	–	–	–
BBB	42,909	–	–	42,909
Below BBB	–	–	–	–
Not rated	–	–	–	–
Gross carrying amount	42,909	–	–	42,909
Loss allowance	(50)	–	–	(50)
Net carrying amount	42,859	–	–	42,859

	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 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

	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 2022				
AAA	–	–	–	–
AA	–	–	–	–
A	–	–	–	–
BBB	–	–	–	–
Below BBB	2,294	–	–	2,294
Not rated	235	1,095	–	1,330
Gross carrying amount	2,529	1,095	–	3,624
Loss allowance	(67)	(22)	–	(89)
Net carrying amount	2,462	1,073	–	3,535

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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
Cash and cash equivalents				
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

	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 2022				
AAA	–	–	–	–
AA	–	–	–	–
A	–	–	–	–
BBB	18,538	–	–	18,538
Below BBB	218	–	–	218
Not rated	–	–	–	–
Gross carrying amount	18,756	–	–	18,756
Loss allowance	(57)	–	–	(57)
Net carrying amount	18,699	–	–	18,699

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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 2023						
Reinsurance assets	–	–	1,881	–	–	1,881
	–	–	1,881	–	–	1,881
At 31 December 2022						
Reinsurance assets	–	–	1,407	–	–	1,407
	–	–	1,407	–	–	1,407

(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 2023					
Balance at beginning of year	50	–	–	–	50
New assets originated or purchased	1	–	–	–	1
Remeasurements	4	–	–	–	4
Amounts written-off	–	–	–	–	–
Amounts recovered	–	–	–	–	–
Balance at end of year	55	–	–	–	55
Contractual amounts outstanding on assets written off during the year but still subject to enforcement activity				–	

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Expressed in Thousands of Aruban Florins)
(Continued)

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(d) Loss allowance (continued)

Investment securities measured at amortised cost	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 2022					
Balance at beginning of year	88	–	–	–	88
New assets originated or purchased	13	–	–	–	13
Remeasurements	(51)	–	–	–	(51)
Amounts written-off	–	–	–	–	–
Amounts recovered	–	–	–	–	–
Balance at end of year	50	–	–	–	50
Contractual amounts outstanding on assets written off during the year but still subject to enforcement activity				–	
Loans and receivables					
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 end of year	1	51	–	–	52
Contractual amounts outstanding on assets written off during the year but still subject to enforcement activity				(24)	
Year ended 31 December 2022					
Balance at beginning of year	70	40	1,294	–	1,404
New assets originated or purchased	–	–	–	–	–
Remeasurements	(3)	5	(504)	–	(502)
Amounts written-off	–	(23)	(1,294)	–	(1,317)
Amounts recovered	–	–	504	–	504
Balance at 31 December	67	22	–	–	89
Contractual amounts outstanding on assets written off during the year but still subject to enforcement activity				(1,317)	

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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 secutrities.

The impairment allowance on cash and cash equivalents as at 31 December 2023 is AFL 31 (2022: AFL 57). The Company recognised a net impairment gain of AFL 160 for the year ended 31 December 2023 (2022: a gain of AFL 20).

(e) Credit Risk - Economic Variable Assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 December 2023 and 2022 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.

	2023 Assumptions			2022 Assumptions		
	GDP growth	Inflation	Weigths	GDP growth	Inflation	Weigths
Scenario						
Base	Stable	Positive	55% -	Stable	Positive	55% - 60%
Optimistic	Positive	Positive	5% - 35%	Positive	Positive	7.5% - 40%
Pessimistic	Negative	Negative	5% - 20%	Negative	Negative	5% - 25%
Acute pessimistic	Negative	Negative	5%	Negative	Negative	5% - 7.5%

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		Change in PD	Impact on	
	2023	2022		2023	2022
				AFL '000	AFL '000
Investment securities measured at fair value through other comprehensive income	0%	0%	+/- 20%	-	-
Investment securities measured at amortised cost	0.39% - 0.27%	0.21% - 0.21%	+/- 20%	11	10
Loans and receivables	0.51% - 0.51%	0.4% - 4.46%	+/- 20%	2	18
Cash and cash equivalents	0.04% - 7.09%	0.05% - 7.47%	+/- 20%	6	11
				19	39

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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.

Investment securities measured at amortised cost	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 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
Year ended 31 December 2022					
Balance at beginning of year	42,900	–	–	–	42,900
New assets originated or purchased	–	–	–	–	–
Assets derecognised (excluding write-offs)	–	–	–	–	–
Remeasurements	–	–	–	–	–
Amounts written-off	–	–	–	–	–
Amounts recovered	–	–	–	–	–
Changes in interest accrual	9	–	–	–	9
Balance at end of year	42,909	–	–	–	42,909

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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 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
Year ended 31 December 2022					
Balance at beginning of year	2,670	655	1,629	–	4,954
New assets originated or purchased	128	–	–	–	128
Assets derecognised (excluding write-offs)	(270)	–	(839)	–	(1,109)
Remeasurements	–	–	–	–	–
Amounts written-off	–	(23)	(1,294)	–	(1,317)
Amounts recovered	–	–	504	–	504
Other movements	1	463	–	–	464
Balance at end of year	2,529	1,095	–	–	3,624

(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.

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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.

	2023	2022
	AFL'000	AFL'000
Financial institutions	49,539	55,290
Public sector	7,666	7,675
Insurance and reinsurance	686	–
Consumers/individuals	145	235
Real estate	–	3,300
Other industries	152	–
	58,188	66,500

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 2023 and 2022.

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

	AFL '000
2023	
Regulatory capital held	33,263
Minimum regulatory capital	5,170
2022	
Regulatory capital held	31,203
Minimum regulatory capital	5,488

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.

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5. Property, plant and equipment

	Office furniture, plant and equipment AFL '000	Motor vehicles AFL '000	Total AFL '000
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
Year ended 31 December 2022			
Balance at beginning of year	141	208	349
Additions	37	54	91
Disposals and adjustments	–	(10)	(10)
Depreciation charge	(52)	(55)	(107)
Balance at end of year	126	197	323
At 31 December 2022			
Cost or valuation	1,231	812	2,043
Accumulated depreciation	(1,105)	(615)	(1,720)
Balance at end of year	126	197	323

Depreciation expense of AFL 52 (2022: AFL 55) has been charged in other operating expenses.

6. Intangible assets

	Other AFL'000	Total AFL'000
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
Year ended 31 December 2022		
Balance at beginning of year	29	29
Amortization	(7)	(7)
Balance at end of year	22	22
At 31 December 2022		
Cost	47	47
Accumulated amortization	(25)	(25)
Balance at end of year	22	22

Other intangible assets represent computer software costs.

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7. Investment securities

	2023		2022	
	Carrying value AFL '000	Fair value AFL '000	Carrying value AFL '000	Fair value AFL '000
Investment securities	38,836	39,783	42,860	43,202
	38,836	39,783	42,860	43,202
Investment securities mandatorily measured at fair value through profit or loss (FVPL-M)	–	–	1	1
Investment securities measured at amortised cost (AC)	38,836	39,783	42,859	43,201
Total investment securities	38,836	39,783	42,860	43,202

	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	–	–	–	–	–
	–	–	–	–	–
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
	–	–	–	38,267	39,160
Interest receivable	–	–	–	623	623
Loss allowance	–	–	–	(54)	–
	–	–	–	38,836	39,783
Current	–	–	–	5,110	
Non-current	–	–	–	33,726	
	–	–	–	38,836	

The carrying amount of investment securities above that were pledged as collateral for liabilities was nil (2022: nil).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023
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7. Investment securities (continued)

	Carrying value				Fair value
	FVPL-D 2022 AFL '000	FVPL-M 2022 AFL '000	FVOCI 2022 AFL '000	AC 2022 AFL '000	AC 2022 AFL '000
Equity securities:					
- Listed	–	–	–	–	–
- Unlisted	–	1	–	–	–
Debt securities:					
- Government securities	–	–	–	7,467	7,959
- Debentures and corporate bonds	–	–	–	–	–
	–	–	–	7,467	7,959
Deposits (more than 90 days)	–	–	–	34,800	34,600
Other	–	–	–	–	–
	–	–	–	34,800	34,600
	–	1	–	42,267	42,559
Interest receivable	–	–	–	642	642
Loss allowance	–	–	–	(50)	–
	–	1	–	42,859	43,201
Current	–	–	–	7,129	
Non-current	–	1	–	35,730	
	–	1	–	42,859	

8. Loans and receivables

	2023 AFL '000	2022 AFL '000
Premiums receivable		
Deposits with /balances due from reinsurers		
Prepayments		
Commercial and other loans	145	2,528
Other receivables	890	1,095
Accrued interest on commercial and other loans		1
Provision for impairment of other loans and receivables		
Loss allowance	(52)	(89)
	983	3,535
Current	839	1,073
Non-current	144	2,462
	983	3,535

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:	2023 AFL '000	2022 AFL '000
Net interest income	5	76
Net income for the year	5	76

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9. Pension plan assets/liabilities (continued)

The principal actuarial assumptions used for accounting purposes were:

	2023	**2022**
Discount rates	4.89%	5.13%
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 (2022: NISTT2012) has been used which is considered representative for the plan.

10. Deferred taxation

The deferred tax assets consist of the following amounts:

	2023 **AFL '000**	**2022** **AFL '000**
- To be recovered after more than 12 months	333	149
- To be recovered within 12 months	–	–
	333	149

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:	**2023** **AFL '000**	**2022** **AFL '000**
Balance at beginning of year	149	(42)
Credit/(charge) for the year (Note 23)	184	191
Changes on initial application of IFRS 9	–	–
Balance at end of year	333	149

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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(Continued)

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 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	-
As at 31 December 2022			
Net Insurance contract liabilities			
- Insurance contract liabilities excluding insurance acquisition cash flows assets and other pre-recognition cash flows	11,220	10,236	984
- Insurance acquisition cash flow assets	-	-	-
- Other pre-recognitition cash flows	-	-	-
Net Insurance contract liabilities	11,220	10,236	984
As represented by:			
- Insurance contract liability	11,220	10,236	984
- Insurance contract asset	-	-	-
	11,220	10,236	984
Net Reinsurance contract assets			
- Reinsurance contract assets excluding other pre-recognition cash flows	1,252	1,252	-
- Other pre-recognition cash flows	-	-	-
Net Reinsurance contract assets	1,252	1,252	-
As represented by:			
- Reinsurance contract liability	(155)	(155)	-
- Reinsurance contract asset	1,407	1,407	-
	1,252	1,252	-

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(Continued)

11. Insurance contracts (continued)

11.2 Insurance revenue and expenses

11.2.1 Insurance revenue and insurance service result

	2023 AFL '000	2022 AFL '000
Insurance revenue		
Insurance revenue from contracts measured under the PAA	35,596	34,036
Total insurance revenue	35,596	34,036
Insurance service expenses		
Incurred claims and other directly attributable expenses	(10,890)	(14,017)
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	1,019	1,042
Losses on onerous contracts and reversal of those losses	-	-
Insurance acquisition cash flows amortisation	(7,221)	(7,160)
Total insurance service expenses	(17,092)	(20,135)
Net income (expenses) from reinsurance contracts held		
Reinsurance expenses - contracts measured under the PAA	(14,734)	(13,313)
Other incurred directly attributable expenses	(411)	(415)
Effect of changes in the risk of reinsurers non-performance	-	1,119
Incurred claims recovery	562	(349)
Changes that relate to past service – changes in the FCF relating to incurred claims recovery	(249)	-
Income on initial recognition of onerous underlying contracts	-	-
Total net expenses from reinsurance contracts held	(14,832)	(12,958)
Total insurance service result	3,672	943

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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	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**

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(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)

	2022				
	LRC		LIC		
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk	Total
Opening insurance contract liabilities	4,536	-	4,094	342	8,972
Opening insurance contract assets					-
Net balance as at 1 January	**4,536**	**-**	**4,094**	**342**	**8,972**
Insurance revenue	(34,036)				(34,036)
Insurance service expenses					
Incurred claims and other directly attributable expenses	-	-	13,778	239	14,017
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	-	-	(773)	(269)	(1,042)
Losses on onerous contracts and reversal of those losses	-	-			-
Insurance acquisition cash flows amortisation	7,160	-		-	7,160
Insurance service expenses	7,160	-	13,005	(30)	20,135
Insurance service result	(26,876)	-	13,005	(30)	(13,901)
Finance expenses from insurance contracts issued	-		31	-	31
Total amounts recognised in comprehensive income	(26,876)	-	13,036	(30)	(13,870)
Investment components	-	-	-	-	-
Insurance acquisition cash flows asset and other pre-recognition cash flows derecognised and other changes	-	-	-		-
Cash flows					
Premiums received	35,303	-	-	-	35,303
Claims and other directly attributable expenses paid	-	-	(12,651)	-	(12,651)
Insurance acquisition cash flows	(6,534)	-	-	-	(6,534)
Total cash flows	28,769	-	(12,651)	-	16,118
Exchange rate adjustment	-		-	-	-
Net balance as at 31 December	6,429	-	4,479	312	11,220
Closing insurance contract liabilities	6,429	-	4,479	312	11,220
Closing insurance contract assets					-
Net balance as at 31 December	**6,429**	**-**	**4,479**	**312**	**11,220**

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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	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	-	-	(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**

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(Continued)

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)

	2022				
	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	1,352	-	1,377	216	2,945
Opening reinsurance contract liabilities	-	-	-	-	-
Net balance as at 1 January	**1,352**	**-**	**1,377**	**216**	**2,945**
Exchange rate adjustment	**-**	**-**	**-**	**-**	**-**
Net income (expenses) from reinsurance contracts held					
- Reinsurance expenses	(13,313)	-			(13,313)
- Other incurred directly attributable expenses	-	-	(415)		(415)
- Incurred claims recovery	-	-	1,020	99	1,119
- Changes that relate to past service – changes in the FCF relating to incurred claims recovery	-	-	(155)	(194)	(349)
- 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	**(13,313)**	**-**	**450**	**(95)**	**(12,958)**
Finance income from reinsurance contracts held	-		(11)	-	(11)
Total amounts recognised in comprehensive income	**(13,313)**	**-**	**439**	**(95)**	**(12,969)**
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	12,234	-	-	-	12,234
Recoveries from reinsurance	-	-	(958)	-	(958)
Total cash flows	**12,234**	**-**	**(958)**	**-**	**11,276**
Net balance as at 31 December	**273**	**-**	**858**	**121**	**1,252**
Closing reinsurance contract assets	428	-	858	121	1,407
Closing reinsurance contract liabilities	(155)	-	-	-	(155)
Net balance as at 31 December	**273**	**-**	**858**	**121**	**1,252**

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(Continued)

11. Insurance contracts (continued)

11.4 Insurance finance expenses

	2023 AFL '000	2022 AFL '000
Finance income (expenses) from insurance contracts issued		
- Interest accreted	(96)	(50)
- Effect of changes in interest rates and other financial assumptions	7	19
- Foreign exchange differences	-	-
Finance expenses from insurance contracts issued	(89)	(31)
Finance income (expenses) from reinsurance contracts held		
- Interest accreted	(15)	(21)
- Effect of changes in interest rates and other financial assumptions	-	10
Finance income from reinsurance contracts held	(15)	(11)
Net insurance finance expenses	(104)	(42)
Summary of the amounts recognised in profit or loss		
- Insurance service result	3,672	943
- Net investment income - other (Note 18 to 21)	2,588	3,121
- Finance expenses from insurance contracts issued	(89)	(31)
- Finance income from reinsurance contracts held	(15)	(11)
Net insurance and investment result	6,156	4,022

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 AFL'000
Insurance claims - gross	
- By accident year	2,804
Insurance claims - net	
- By accident year	2,330

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.

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(Continued)

11. Insurance contracts (continued)

11.5 Claims development tables (continued)

Insurance claims - gross

Accident year	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**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	14,163	10,522	10,002	6,991	6,342	4,505	5,914	6,440	6,440
- one year later	12,478	8,848	8,672	7,020	10,774	5,081	5,535	-	5,535
- two years later	12,349	7,488	8,224	5,281	10,380	4,872	-	-	4,872
- three years later	11,709	8,610	6,752	6,892	9,930	-	-	-	9,930
- four years later	11,685	8,588	8,040	6,586	-	-	-	-	6,586
- five years later	11,591	8,581	7,890	-	-	-	-	-	7,890
- six years later	11,587	8,574	-	-	-	-	-	-	8,574
- seven years later	11,516	-	-	-	-	-	-	-	11,516
Cumulative gross claims	11,516	8,574	7,890	6,586	9,930	4,872	5,535	6,440	61,343
Cumulative payments to date	(11,516)	(8,368)	(7,925)	(6,486)	(9,956)	(4,765)	(5,458)	(4,144)	(58,618)
Gross claims liabilities	–	206	(35)	100	(26)	107	77	2,296	2,725
Gross claims liabilities in respect of prior years									–
Effect of discounting									(40)
Effect of the risk adjustment margin for non-financial risk									119
Gross LIC for contracts originated									2,804

Insurance claims - net

Accident year	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**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	10,874	10,013	8,728	8,276	4,786	4,174	5,288	5,694	5,694
- one year later	8,914	8,389	7,022	6,435	5,621	3,971	4,686	-	4,686
- two years later	8,822	8,196	6,962	6,299	8,301	4,016	-	-	4,016
- three years later	8,744	8,205	6,872	6,294	5,241	-	-	-	5,241
- four years later	8,742	8,181	6,847	6,010	-	-	-	-	6,010
- five years later	8,656	8,176	6,712	-	-	-	-	-	6,712
- six years later	8,651	8,167	-	-	-	-	-	-	8,167
- seven years later	8,580	-	-	-	-	-	-	-	8,580
Cumulative gross claims	8,580	8,167	6,712	6,010	5,241	4,016	4,686	5,694	49,106
Cumulative payments to date	(8,580)	(7,960)	(6,748)	(5,963)	(5,300)	(3,990)	(4,652)	(3,616)	(46,809)
Gross claims liabilities	–	207	(36)	47	(59)	26	34	2,078	2,297
Gross claims liabilities in respect of prior years									–
Effect of discounting									(45)
Effect of the risk adjustment margin for non-financial risk									78
Gross LIC for contracts originated									2,330

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12. Cash and cash equivalents

	2023 AFL '000	2022 AFL '000
Cash and cash equivalents	16,488	18,699
Cash and cash equivalents in mutual funds	–	–
	16,488	18,699
Cash at bank and in hand	7,465	7,079
Short term deposits (90 days or less)	9,054	11,677
Cash and cash equivalents	16,519	18,756
Loss allowance	(31)	(57)
Net cash and cash equivalents	16,488	18,699
At beginning of year	18,699	22,829
Net movement in loss allowance	160	19
	18,859	22,848
At end of year	16,488	18,699
Net increase / (decrease) in cash used in cash flow	(2,371)	(4,149)

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% (2022: 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 (2022: 300 shares).

13.2 Share premium

The share premium of AFL 6,003 (2021: 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:	2023 AFL '000	2022 AFL '000
Interest cost	39	62
Current service cost	34	51
Expense for the year (Note 22)	73	113

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14. Post retirement medical benefit obligations (continued)

	2023	2022
The principal actuarial assumptions used were as follows:		
Discount rate	7.42%	5.13%
Healthcare cost escalation	0.00%	2.56%
Pre-retirement mortality	0	NISTT2012
Post retirement mortality	0% - 5%	Ignored

There is no standard mortality table available for Aruba. For this reason the standard NISTT2012 (2022: NISTT2012) has been used which is considered representative for the plan.

15. Due to affiliates

	2023	2022
	AFL '000	AFL '000
Fatum Holding N.V.	14,304	19,747
	14,304	19,747

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

	2023	2022
	AFL '000	AFL '000
Profit tax 2009	(1)	(1)
Profit tax 2013	31	31
Profit tax 2016	(188)	(188)
Profit tax 2017	5	5
Profit tax 2018	76	-
Profit tax 2019	(10)	(10)
Profit tax 2021	8	8
Profit tax 2022	28	531
Profit tax 2023	147	–
Total profit tax payable	96	376

17. Other liabilities

	2023	2022
	AFL '000	AFL '000
Fronting contracts and insurance brokerage related payables	759	1,922
Sundry payables	1,142	2,372
	1,901	4,294
Sundry payables		
Accrued expenses	–	241
Provision personnel expenses	776	677
Government taxes and levies	5	5
Performance Incentive/Staff Bonus	240	425
Other	121	1,024
Total sundry payables	1,142	2,372

The carrying amounts of other liabilities approximate their fair value.

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18. Investment income

	2023 AFL '000	2022 AFL '000
Interest income from:		
- Amortised cost investment securities	1,667	1,707
- Loans and receivables	168	201
- Cash and cash equivalents	7	9
- Third party investment expenses	(7)	(7)
	1,835	1,910

19. Fee income

	2023 AFL '000	2022 AFL '000
Policy administration and asset management services:		
- Insurance contracts	504	455
	504	455

20. Other income/(loss)

	2023 AFL '000	2022 AFL '000
Foreign exchange (losses)/gains	86	99
Other income	(5)	97
	81	196

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

	2023 AFL '000	2022 AFL '000
Investment securities measured at amortised cost	(5)	38
Loans and receivables	13	502
Cash and cash equivalents	160	20
	168	560

22. Operating expenses

	2023 AFL '000	2022 AFL '000
Staff cost	5,679	6,206
Depreciation and amortization	128	114
Other expenses	5,345	5,842
Total attributable and non-attributable operating expenses	11,152	12,162
Directly attributable insurance expenses	(6,677)	6,647
Directly attributable reinsurance expenses	(411)	415
Amounts attributed to insurance acquisition cash flows incurred during the year	(809)	947
Other operating expenses	3,255	4,153

Staff cost includes:

	2023	2022
Wages, salaries and bonuses	2,915	2,740
Health and medical	70	85
Staff Training	56	49
National Insurance	703	672
Pension costs	340	376
Post retirement medical benefit obligation (Note 14)	73	113
Other	1,522	2,171
	5,679	6,206

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22. Operating expenses (continued)

Other expenses include:	**2023 AFL '000**	**2022 AFL '000**
Office & building expenses	1,553	1,335
Marketing expenses	409	319
Information Technology Expenses	469	473
Projects	217	366
Roadside Assistance	830	744
Other	1,867	2,605
	5,345	5,842

23. Taxation

	2023 AFL '000	**2022 AFL '000**
Profit before taxation	2,098	(1,056)
Current tax	222	530
Prior year taxation adjustment	–	–
Deferred tax (Note 10)	(184)	(191)
Tax charge for the period	38	339

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 25.0% (2022: 25.0%).

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 2023 and 2022.

25. Adjustment for non-cash items in operating profit

	2023 AFL '000	**2022 AFL '000**
Increase in value of recognisable pension plan assets	68	19
Depreciation (Note 22)	128	114
Impairment of financial assets (Note 21)	(168)	(560)
Other non- cash expense	–	(18)
	28	(445)

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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 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	–	–	–	–
	–	–	–	–
At 31 December 2022				
Assets measured at fair value:				
Financial assets at fair value through profit or loss:				
Equity securities	–	–	1	1
	–	–	1	1

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 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)	–

	At 1 January 2022 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 2022 AFL '000
Assets measured at fair value:								
Financial assets at fair								
Equity securities	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.

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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 2023	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	–	7,895	–	7,895
Deposits	–	31,265	–	31,265
Other	–	145	–	145
	–	39,305	–	39,305

At 31 December 2022	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	–	7,959	–	7,959
Deposits	–	34,600	–	34,600
Other	–	2,726	–	2,726
	–	45,285	–	45,285

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.

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%.

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.

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28. Related party disclosures (continued)

The following transactions were carried out with related parties:	**2023 AFL'000**	**2022 AFL'000**
(a) Transactions with subsidiaries and associates		
- Balances included in the insurance contracts:		
Boogaard Group	1,718	1,769
	1,718	1,769
- Commissions included in the insurance service expenses:		
Boogaard Group	2,965	2,703
	2,965	2,703
- Allocated staff cost and other operating expenses in the statement of income:		
Staff cost		
Fatum Holding N.V.	2,383	1,749
Other operating expenses		
Fatum Holding N.V.	1,861	1,231
Fatum Life N.V.	189	189
	4,433	3,169
- Finance charges included in the statement of income:		
Fatum Holding N.V.	803	925
	803	925

Taxation

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

(b) Transactions with key management personnel:		
Sales of insurance contracts and other services to key management	13	5
Key management personnel compensation:		
- Salaries and other short-term employee benefits	1,162	796

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 3,007 (2022: ANG 4,566). 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.

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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

Effective January 1, 2024, the activities of Elvira Verzekeringen N.V. (a related company within the Fatum Group) have been transferred to the Company. Elvira is engaged in the underwriting of travel insurance. The net assets transferred have a valuation of approx. AFL 4.972M and the transaction shall be completed during the course of 2024.

31. Authorisation of Financial Statements

The financial statements for the year ended 31 December 2023 (including comparatives) were approved by the Board of Directors of Fatum Holding N.V. on 28 Jun, 2024.

Managing Director:

Olivier van de Gevel

Managing Director:

Barbara Pochettino

Supervisory Director:

Monica Kock

Supervisory Director:

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Omar van der Dijs

Supervisory Director:

DocuSigned by:

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Jacobus Veel

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