FATUM GENERAL INSURANCE ARUBA N.V.

FINANCIAL STATEMENTS

31 DECEMBER 2022

FATUM GENERAL INSURANCE ARUBA N.V.
FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

Independent auditor's report

Grant Thornton Aruba
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Our reference: 138741/ A-33086

To the Board of Directors, the Supervisory Board
and the Shareholder of
Fatum General Insurance Aruba N.V.
Aruba

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., Aruba (the Company) as at 31 December 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the statement of income for the year ended 31 December 2022;
- the statement of comprehensive income for the year ended 31 December 2022;
- the statement of changes in equity for the year ended 31 December 2022;
- the statement of cash flows for the year ended 31 December 2022; and
- the notes to the financial statements for the year ended 31 December 2022

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the 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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Dutch Code of Ethics).

Responsibilities of the Board of Directors and the Supervisory Board for the financial statements

The Board of Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the relevant provisions of Book 2 of the Civil Code applicable for Aruba, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Grant Thornton

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

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board 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.

Aruba, June 23, 2023
Grant Thornton Aruba

Edsel N. Lopez
Partner Advisory & Assurance

FATUM GENERAL INSURANCE ARUBA N.V.
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022
(Expressed in Thousands of Aruban Florins)

	Notes	2022 AFL '000	2021 AFL '000
Assets			
Property, plant and equipment	**5**	323	349
Intangible assets	**6**	22	29
Investment securities	**7**	42,860	42,813
Loans and receivables	**8**	11,338	9,370
Deferred tax assets	**10**	50	69
Reinsurance assets	**11**	5,806	6,514
Deferred acquisition costs	**12**	2,344	2,245
Cash and cash equivalents	**13**	18,699	22,829
Total assets		81,442	84,218
Equity and liabilities			
Share capital	**14.1**	300	300
Share premium	**14.2**	6,003	6,003
Retained earnings		26,796	25,167
Total equity		33,099	31,470
Liabilities			
Insurance contracts	**15**	17,361	17,477
Due to affiliates	**17**	17,333	28,401
Profit tax payable	**18**	376	1,011
Other liabilities	**19**	13,273	5,859
Total liabilities		48,343	52,748
Total equity and liabilities		81,442	84,218

FATUM GENERAL INSURANCE ARUBA N.V.
STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in Thousands of Aruban Florins)

	Notes	2022 AFL '000	2021 AFL '000
Insurance activities			
Insurance premium income	**20 (a)**	34,036	34,557
Insurance premium ceded to reinsurers	**20 (b)**	(19,610)	(18,194)
Reinsurance commission income		6,256	5,817
Net underwriting revenue		20,682	22,180
Policy acquisition expenses	**21**	(6,292)	(6,055)
Net insurance benefits and claims	**22**	(4,721)	(3,801)
Underwriting expenses		(11,013)	(9,856)
Net result from insurance activities		9,669	12,324
Investing activities			
Investment income	**23**	1,910	1,933
Fee income	**24**	455	463
Other income/(losses)	**25**	196	(14)
Net income from investing activities		2,561	2,382
Net income from all activities		12,230	14,706
Net impairment gains/(losses) on financial assets	**26**	618	(399)
Staff cost	**27**	(5,083)	(4,430)
Depreciation and amortization	**27**	(114)	(128)
Operating expenses	**27**	(4,548)	(4,520)
Finance charges		(925)	(1,439)
Operating profit		2,178	3,790
Profit/(loss) before taxation		2,178	3,790
Taxation	**28**	(549)	(1,031)
Profit/(loss) after taxation		1,629	2,759

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

Initialed on behalf of
Grant Thornton Aruba.
For identification purposes only.

FATUM GENERAL INSURANCE ARUBA N.V.
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in Thousands of Aruban Florins)

	2022 AFL '000	2021 AFL '000
Profit/(loss) for the year	1,629	2,759
Other comprehensive income	–	–
Total comprehensive income for the period, net of tax	1,629	2,759
Total comprehensive income attributable to:		
-Owners of the parent	1,629	2,759
-Non-controlling interests	-	-
	1,629	2,759

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

FATUM GENERAL INSURANCE ARUBA N.V.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022
(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 2022	300	6,003	6,303	25,167	31,470
Total comprehensive income/(loss)	–	–	–	1,629	1,629
Balance at 31 December 2022	300	6,003	6,303	26,796	33,099
Balance at 1 January 2021	300	6,003	6,303	22,408	28,711
Total comprehensive income/(loss)	–	–	–	2,759	2,759
Balance at 31 December 2021	300	6,003	6,303	25,167	31,470

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

FATUM GENERAL INSURANCE ARUBA N.V.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in Thousands of Aruban Florins)

	Notes	2022 AFL '000	2021 AFL '000
Cash flows from operating activities			
Profit/(loss) before taxation from continuing operations		2,178	3,790
Adjustment for specific items included on the accruals basis:			
- Finance charges		925	1,439
- Investment income		(1,917)	(1,933)
Adjustment for non-cash items	30	(482)	494
Interest received		1,907	2,162
Operating profit before changes in operating assets/liabilities		2,611	5,952
Net (decrease)/increase in insurance liabilities		(116)	(3,279)
Net (decrease)/increase in reinsurance assets		708	1,910
Net (decrease)/increase in deferred acquisition costs		(99)	(150)
Purchase of financial assets		–	(5,000)
Proceeds from sale of investment securities		–	5,000
Net (increase)/decrease in loans and receivables		684	1,427
Net decrease/(increase) in other operating assets/liabilities		5,302	955
Net decrease/ (increase) in intercompany		(11,068)	6,250
Cash provided by operating activities		(1,978)	13,065
Net taxation paid		(1,165)	(1,500)
Net cash provided by/(used in) operating activities		(3,143)	11,565
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(91)	(39)
Proceeds on sale of property, plant and equipment	5	10	–
Purchase of intangible assets	6	–	–
Net cash provided by/(used in) investing activities		(81)	(39)
Cash flows from financing activities			
Interest paid		(925)	(1,439)
Dividends paid to equity holders of the parent	29	–	–
Net cash provided by/(used in) financing activities		(925)	(1,439)
Net increase/(decrease) in cash and cash equivalents	13	(4,149)	10,087
Balance Cash and Cash Equivalents as of January 1		22,829	12,792
Net increase in Cash		(4,149)	10,087
Net movement in loss allowance		19	(50)
Balance Cash and Cash Equivalents as of December 31		18,699	22,829

The Company presents its statement of cash flows using the indirect method.

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

1. Incorporation and principal activities of the Company

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

The Company is engaged in underwriting all classes of general insurance business.
These financial statements were authorized for issue by the Board of Managing Directors of Fatum General Insurance Aruba N.V. on 23 June, 2023.

2. Significant 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, except as described below.

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 International Financial Reporting Standards (IFRS). 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 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 2022

The following amendment to published standards took effect for the Company's accounting periods beginning on or after 1 January 2022:

IFRS 3 Business Combinations - Amendments - Reference to the Conceptual Framework

Amendments were made to IFRS 3 to update the references to the 2018 Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also clarify that contingent assets, as defined by IAS 37, do not qualify for recognition at the acquisition date.

These amendments had no impact on the financial statements of the Company as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments during the year.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New standards and amendments/revisions to published standards and interpretations effective in 2022 (continued)

IFRS 16 Leases - Amendments - Covid-19-Related Rent Concessions beyond 30 June 2021

In May 2020, the IASB published an amendment to IFRS 16 that provided lessees with relief in the form of an optional practical expedient from assessing whether a rent concession related to Covid-19 is a lease modification. Lessees could elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications.

The practical expedient applied only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the conditions were met:

a. the change in lease payments resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
b. any reduction in lease payments affected only payments originally due on or before 30 June 2021; and
c. there was no substantive change to the other terms and conditions of the lease.

The amendment to IFRS 16, issued on 31 March 2021, extends the date in condition b from 30 June 2021 to 30 June 2022.

The amendment had no material impact on the financial statements of the Company.

IAS 16 Property, Plant and Equipment - Amendments - Proceeds before intended use

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds received from sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendments also clarify that contingent assets, as defined by IAS 37, do not qualify for recognition at the acquisition date.

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

IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Amendments - Onerous contract - Cost of fulfilling a contract

An onerous contract is a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Unavoidable costs are the lower of the net cost of exiting the contract and the costs to fulfil the contract.

The amendments clarify that the direct cost of fulfilling a contract consists of both:

• The incremental costs of fulfilling the contract (e.g., the costs of direct labour and materials); and
• An allocation of other costs that relate directly fulfilling contracts (e.g., an allocation of the depreciation charge on property, plant and equipment used in fulfilling the contract).

The amendments also clarify that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

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

Initialed on behalf of
Grant Thornton Aruba.
For identification purposes only.

FATUM GENERAL INSURANCE ARUBA N.V.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Expressed in Thousands of Aruban Florins)

(Continued)

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New standards and amendments/revisions to published standards and interpretations effective in 2022 (continued)

Annual Improvements to IFRSs 2018 - 2020 Cycle:
IFRS 9 Financial Instruments - Amendments - Fees in the '10 per cent' test for derecognition of financial liabilities

This amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either entity or lender on the other's behalf.

The amendment had no impact on the financial statements of the Company.

Annual Improvements to IFRSs 2018 - 2020 Cycle:
IFRS 16 Leases - Amendments - Illustrative examples

The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

(b) New standards and amendments/revisions to published standards and interpretations effective in 2022 but not applicable to the Company

The following new IFRS amendments that have been issued do not apply to the activities of the Company:

- Annual Improvements to IFRSs 2018 - 2020 Cycle:
  - IFRS 1 First-time Adoption of International Financial Reporting Standards - Amendments - Subsidiary as a first-time adopter
  - IAS 41 Agriculture - Amendments - Taxation in fair value measurements

(c) 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 standards, interpretations and amendments issued that are not yet effective as at 31 December 2022 and have not been early adopted by the Company. The Company expects to implement these standards when they become effective.

Effective 1 January 2023:

- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 - Amendments - Disclosure of accounting poli
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Amendments - Definition of accounting estima
- IAS 12 Income Taxes - Amendments - Deferred tax related to assets and liabilities arising from a single transaction
- IFRS 17 Insurance Contracts

IFRS 17 will materially change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Company's financial statements (See Note (d) below for additional details). All other amendments, effective 1 January 2023, are not expected to have a material impact on the Company's financial statements.

Effective 1 January 2024:

- IAS 1 Presentation of Financial Statements - Amendments - Classification of liabilities as current or non-current

Amendments Postponed:

- IFRS 10 and IAS 28 - Amendments - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - In December 2015, the IASB deferred the effective date of the amendments until such time it has finalised any amendments that result from its research project on the equity method of accounting.

Initialed on behalf of
Grant Thornton Aruba.
For identification purposes only.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) IFRS 17 Insurance Contracts
Effective 1 January 2023:

IFRS 17, 'Insurance Contracts' was issued in May 2017 with an original effective date of 1 January 2021. Amendments to IFRS 17 "Insurance Contracts" were issued in June 2020 and included a two-year deferral of the effective date to 1 January 2023. IFRS 17 will replace IFRS 4, 'Insurance Contracts' and will materially change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Company's financial statements. The Company will implement IFRS 17 effective 1 January 2023.

Transition Approach

IFRS 17 must be applied retrospectively. However, if full retrospective application to a group of contracts is impractical, the modified retrospective or fair value methods may be used. The drivers for impracticability for retrospective application relate to a lack of required data and the use of hindsight, consistent with the principles of IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. The transition approach can have a significant impact on the contractual service margin ("CSM"), and relatedly, on both shareholders' equity and profits on in-force business in future reporting periods. On transition, the Company will apply the fair value approach and the full retrospective approach according to the data that is available for the various groups of contracts, and the date from which it is available.

The fair value approach will be applied only to portfolios within the Life, Health, and Pensions businesses. Within this approach, the CSM is determined to be the difference between the fair value of a group of insurance contracts measured in accordance with IFRS 13 and its fulfillment cash flows at the transition date. Judgements will be made in estimating the fair value of groups of insurance contracts. IFRS 13 requires fair values to be determined using recent market transactions, however this is not available, therefore a valuation approach under IFRS 13 will be applied, with consideration to information from a market participant's perspective.

Redesignation of Finance Assets

The Company, having previously applied IFRS 9, is permitted to change its classification and designation of financial assets. This reassessment is relevant only to eligible financial assets held in connection with insurance contracts under the scope of IFRS 17. Any redesignation will be based on facts and circumstances that exist at the date of initial application of IFRS 17 and will be applied on that date. When applying the IFRS 9 transition requirements, the date of initial application is considered the date of initial application of IFRS 17. Some financial assets will be reclassified upon implementation of IFRS 17.

Level of Aggregation

For measurement purposes, IFRS 17 requires contracts to be grouped together into contracts that are managed together and have similar risk and profitability profiles, all within the same issue year. The resulting portfolios are roughly similar to that which existed under IFRS 4 for internal management reporting purposes, although the profitability and cohort grouping requirements are new. With respect to cohort grouping, the Company decided to apply annual cohorts to all portfolios where the Premium Allocation Approach ("PAA") is applied, and quarterly cohorts to all other portfolios.

Scope, Definition, and Classification

All contracts classified as insurance products under IFRS 4 will continue to be defined as such under IFRS 17, and similarly, all contracts that meet the definition of an insurance contract under IFRS 17 also had done so under IFRS 4. The definition of insurance risk will also be maintained, except to add that benefits payable is determined on a present value basis. Further, there was no significant impact on the recognition and derecognition of insurance contracts under IFRS 4 as compared with IFRS 17.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) IFRS 17 Insurance Contracts (continued)

Measurement Models

The standard requires that insurance liabilities be measured using the General Measurement Model ("GMM"), with modifications to this approach available for certain types of contracts. For contracts with participating features (where a substantial share of the fair value of the related investments and other underlying items is paid to policyholders), the CSM) reflects the variable fee to shareholders, and therefore the Variable Fee Approach ("VFA") will be utilised. For these contracts, the CSM is adjusted to reflect the changes in economic experience and assumptions. The Premium Allocation Approach ("PAA") will be automatically applied to short-term contracts where the profit is realised within twelve months, but also to contracts with durations of up to 2 years, where the PAA eligibility criteria were successfully appliedmet. For all other contracts where the CSM is only adjusted for non-economic assumptions, the GMM will be applied.

Onerous contracts

IFRS 17 requires the identification of groups of onerous contracts. When these groups are identified, the Company is required to recognise a loss immediately in profit or loss along with an increase in the insurance contract liability known as a loss component. Where the Company has reasonable and supportable information to conclude that a set of contracts will all be in the same profitability group for IFRS 17, these contracts are evaluated together based on aggregate expected profitability to determine if the insurance contracts are onerous in the reporting period in which they are first effective.

Reinsurance contracts held

Reinsurance contracts held will apply GMM or PAA, adapted to reflect the characteristics of a reinsurance contract held. For contracts applying the GMM model, the CSM reflects the expected net cost or net gain rather than unearned profit. If certain criteria are met, a loss recovery component can be recognised to offset a portion of the losses recognised on the underlying insurance contracts.

Contractual Service Margin

CSM is a new concept in IFRS 17. The contractual service margin is a component of the asset or liability for a group of insurance contracts that represents the unearned profit the entity will recognise as it provides services in the future. An entity is required to determine the contractual service margin on initial recognition of a group of insurance contracts as follows:

- For profitable business, expected profits must not be recognised on day one but instead be captured within the CSM to be released as the service is provided over the life of that business.
- For onerous contracts, expected losses must not be deferred in a negative CSM, but instead recognised in full on day one.

Major Accounting Policies
<u>Discount Rates</u>

As allowed by IFRS 17.B80, the Company developed discount rates using the bottom-up approach.

For PAA business, no discounting will be applied to the Liability for Remaining Coverage ("LRC") or to claims and other cash flows that are expected to occur within 1 year of the reporting period.

<u>Risk Adjustment</u>

The Company will use a risk margin approach for the risk adjustment within the Life, Health, and Pensions business units, and will apply a cost of capital approach for the risk adjustment within the Property & Casualty business units.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) IFRS 17 Insurance Contracts (continued)

Major Accounting Policies (continued)
Risk Adjustment (continued)

For the Life companies, the risk adjustment is based on the Margins for Adverse Deviation (MfADs) already used within IFRS 4, except with the financial assumption margins excluded. MfADs meet the criteria within IFRS 17 B.91 which requires a confidence interval to be attached to the level of each margin. In Curacao and Trinidad and Tobago, guidance provided by the insurance regulators, and in Jamaica, best practice, as outlined by the Canadian Institute of Actuaries , define the MfAD range to which the Company must adhere.

Insurance acquisition costs

The Company has elected not to apply the option allowed under IFRS 17.59(a) for contracts measured under the PAA to recognise insurance acquisition cash flows as an expense when incurred. Instead, these costs will be captured within the insurance contract liability and then amortised over the life of the insurance contract. Additionally, cost related to the starting, selling or underwriting of insurance contracts which are directly attributable to a portfolio are eligible to be capitalised on the statement of financial position within insurance acquisition cost as insurance acquisition cash flows and amortised over the life of the related group of insurance contracts to which they are allocated. The Company expects that this will result in additional cost being eligible to be capitalised and amortised as compared to IFRS 4.

Presentation and Disclosure

The Company has made the following presentation and disclosure decisions:

• As allowed by IFRS 17.81, the entire change in the risk adjustment for non-financial risk will be included as part of the insurance service result.

• As allowed by IFRS 17.86, income and expenses from reinsurance contracts held will be presented on a net basis in the statement of income

• As allowed by IFRS 17.89, the Company will disaggregate insurance finance income or expenses between amounts allocated to profit or loss to eliminate accounting mismatches with income and expenses in profit or loss on the underlying items held, and to other amounts allocated to other comprehensive income.

• As allowed by IFRS 17.96(a), the Company will aggregate insurance contracts by type of contract or major product line for disclosure purposes. The categories will be as follows:

o Traditional life & Interest Sensitive without Guarantees
o Unit linked life & Interest Sensitive with Guarantees
o Annuities
o Short-term Group Life & Health
o Property & Casualty

Impact on Insurance Contract Balances and Profitability

IFRS 17 introduces many new measurement criteria that will have an impact on the Company's results, including the following:

• Insurance Revenue
IFRS 17 measures revenue based on the delivery of services to policyholders and, importantly, excludes any premiums related to the investment elements of policies. The determination of what constitutes an investment component is an area of judgement significantly affecting amounts of recognised insurance revenue and insurance service expenses as investment components should be excluded from those. An investment component exists where the contract requires the Company to pay the policyholder even if the insured event does not occur either upon the surrender of the policy or at the request of the policyholder. The impact of this is a reduction of insurance revenue.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) IFRS 17 Insurance Contracts (continued)

Impact on Insurance Contract Balances and Profitability (continued)

IFRS 17 introduces many new measurement criteria that will have an impact on the Company's results, including the following (continued):

• Insurance Revenue (continued)

Applying considerations from IFRS 17 and IFRS 15, 'Contracts with Customers', the Company now combines fronting contracts with the related insurance policies if certain conditions are met, eliminating the premium income against the reinsurance premium expense. This adjustment will reduce insurance revenue and reinsurance expenses by a commensurate amount and therefore has no net impact to profitability.

• Insurance Service Expenses

IFRS 17 requires the identification of all fulfilment cash flows including operating expenses and overheads that are directly attributable to the acquisition and management of insurance contracts. Such expenses have been classified within operating expenses under IFRS 4. A systematic and rational method to identify and allocate such overheads to insurance and reinsurance contracts has been implemented. These expenses will be reallocated – either directly to insurance service expenses, or initially as a reduction in the insurance contract liability, where they are then amortised to the insurance service expense over the contract duration. The result is a reduction in operating expenses, and a commensurate increase in insurance service expenses and decrease in the insurance contract liability.

• Insurance Contract Liability

The establishment of a CSM on in-force business is expected to lead to an increase in insurance contract liabilities and a corresponding decrease in equity upon transition. The CSM represents unearned profits that are expected to amortise into income as services are provided.

Further, the principles underlying IFRS 17 differ from the Caribbean Premium Policy Method (CPPM) that is permitted by IFRS 4. These differences include, but are not limited to:

<u>Discount Rates</u>

Under IFRS 17 the discount rate used to estimate the present value of insurance contract liabilities is based on the characteristics of the liability, whereas under CPPM, the Company uses the rates of returns for current and projected assets supporting insurance contract liabilities to value the liabilities. The difference in the discount rate approach also impacts the timing of investment-related experience earnings emergence. Under CPPM, investment-related experience includes the impact of investing activities. The impact of investing activities is directly related to the CPPM methodology. Under IFRS 17, the impact of investing activities will emerge over the life of the asset and is independent of the liability measurement.

Under IFRS 17, the discount rate used to present value future cashflows is disconnected from the assets the Company holds to support its insurance contract liabilities. As a result, the Company is considering electing the other comprehensive income option under IFRS 17 for insurance contract liabilities and the fair value through other comprehensive income option under IFRS 9 for fixed income assets.

<u>The Timing of Recognition of Losses and Gains</u>

Under IFRS 17, new business gains are recorded on the Statements of Financial Position (in the CSM component of the insurance contract liability) and amortized into income as services are provided. New business losses are recorded into income immediately. Under CPPM, both new business gains and new business losses are recognized in income immediately.

Note that the above changes, while impacting the insurance contract liability, may also have consequential impacts on revenue recognition, insurance service expenses, finance expenses, and other items in the statement of income.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) IFRS 17 Insurance Contracts (continued)

Impact on Insurance Contract Balances and Profitability (continued)

IFRS 17 introduces many new measurement criteria that will have an impact on the Company's results, including the following (continued):

Overall, IFRS 17 will have a significant impact on the Company's financial statements, tax and regulatory capital positions and other financial metrics that are dependent upon IFRS accounting values. Despite these changes in recognition criteria, IFRS 17 does not impact the cash flows generated by the business, and hence, does not impact the economics of the Company's business.

Implementation Project Structure and Status
There is a Group-wide IFRS 17 implementation programme, led by an Executive Project Sponsor, which involves significant enhancements to the Group's IT, actuarial, and finance systems. These three (3) elements were organised into three (3) separate but highly collaborative project streams to ensure attention to detail while achieving the cohesiveness required of the programme. Key tasks within the programme included:

• Identifying data requirements.
This is one of the most significant aspects of the IFRS 17 implementation. This new standard requires a higher level of granularity in cash flow and other data to appropriately measure insurance contracts and make the necessary disclosures for reporting purposes.

• Identifying and implementing changes to systems and processes
As a result of the IFRS 17 implementation, new systems were acquired, and functionality of existing systems were expanded. The new systems centre around the appropriate calculation and allocation of CSM and directly attributable expenses. Functionality was expanded for accounting and reporting systems.

• Modifying actuarial models.
Changes to actuarial models centred around discount rates and how policies were grouped.

• Determining the appropriate accounting policies and formulating disclosures.
There are many accounting policy options with IFRS 17, but also many ways in which a required policy or disclosure can be formulated. Various approaches were carefully considered before the Group arrived at its final result.

An IFRS 17 Executive and Technical Committee, which includes the Group's CEOs, provides oversight and strategic direction to the implementation programme. A Finance sub-committee was also in place to provide governance over the technical interpretation and accounting policies selected, design and delivery of the programme. During 2022, the Group finalised the build and testing of new actuarial and finance systems and transitioned the new elements of the financial statement close process into its day-to-day operations. IFRS 17 will be implemented effective 1 January 2023, with further refinement and consideration of estimates and areas of judgement ongoing.

2. Significant 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. Significant 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.

2. Significant accounting policies (continued)

2.5 Financial instruments (continued)

(b) Classification and subsequent measurement (continued)

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

Equity instruments

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

2.6 Impairment of assets (continued)

(a) Financial assets (continued)

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

For receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be 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 Group 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 Group 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.

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.

2.6 Impairment of assets (continued)

(b) Impairment of 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.

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 observable.
- 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 and investment contracts

(a) Classification

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

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

(b) Recognition and measurement

Insurance contracts are classified into three main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

(i) Short-term insurance contracts

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

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 (not limited to these perils) up to the insured amount and within the terms of the policy conditions. These contracts are issued for both private and commercial risks. Customers who undertake commercial activities on their premises could also receive compensation for consequential loss/business interruption caused by the insured perils.

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.

For all these contracts, premiums are recognized as revenue (earned premiums) proportionally over the period of coverage. The portion of premiums received on in-force contracts that relate to unexpired risks at the statement of financial position date is reported as an unearned premium liability. Premiums are shown before deduction of commissions payable to agents and brokers and exclude any taxes or duties levied on such premiums. Premium income includes premiums collected by agents and brokers not yet received by the Company.

Unearned premiums represent the portion of premiums written in the current year that relate to periods of insurance subsequent to the statement of financial position, date calculated using either the three hundred and sixty-fifths method or the twenty-fourths method. Unearned premiums relating to marine cargo are calculated using 180 days after the first date of sailing.

2. Significant accounting policies (continued)

2.11 Insurance and investment contracts (continued)

(b) Recognition and measurement (continued)

(i) Short-term insurance contracts (continued)

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

(c) Outstanding claims

Provision for outstanding claims and the related costs of settlement are based on incidents reported before the end of the financial year and include appropriate provisions for claims incurred but not yet reported. Estimates are continually revised as more information becomes available and for the effects of anticipated inflation. Adjustments arising on these revisions are included with claims expense in the current year.

(d) Deferred acquisition costs ("DAC")

Commissions paid to agents and brokers for property and casualty insurance contracts that are related to securing new contracts and renewing existing contracts are expensed over the terms of the policies as premium is earned. All other costs are recognized as expenses when incurred.

(e) Liability adequacy test

At each reporting date, the Group assesses whether its recognized insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate, the deficiency is recognized in the statement of income and the amount of the relevant insurance liabilities is increased.

(f) 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.

The benefits to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

The Company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the statement of income.

(g) Receivables and payables related to insurance contracts and investment contracts

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

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 Company'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.

2. Significant accounting policies (continued)

2.12 Taxation (continued)

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.

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.

2. Significant 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) Premium income

Premium income is recognized on the accrual basis in accordance with the terms of the underlying contracts as outlined 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 the management of the assets of the segregated funds and deposit administration funds and from general policy administration and surrenders. Fees are recognized in the period in which the services are rendered.

2.16 Dividend distribution

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

2.17 Finance charges

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

2.18 Comparative information

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

3. Critical accounting estimates and judgments in applying accounting policies

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

Covid-19 Pandemic

A source of estimation uncertainty that originated in 2020 was the COVID-19 pandemic. While the worst of the health and economic effects of the pandemic have abated, some uncertainty remains in 2022 about the shape of the ongoing economic recovery and many aspects of the economy have not yet recovered to 2019 levels. The Group has made forward-looking projections using the macroeconomic indicators, such as real GDP, unemployment, and inflation, which were available as at the end of the reporting period. The residual uncertainty means an increased likelihood that actual economic outcomes will vary from estimates used, resulting in differences between the current accounting estimates and the actual future results of the Group. These uncertainties predominantly affected the measurement of expected credit losses on financial assets (see Note 3(d)).

(a) The ultimate liability arising from claims made under short-term insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is an important accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims in particular, the claims arising from motor, casualty and health insurance contracts. At 31 December 2022, the carrying amount of short-term insurance contracts (claims) was AFL 4,671 (2021: AFL 5,217).

(b) 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.

(c) 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.

(d) 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.

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

(d) 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.

Covid-19 Pandemic

For the two previous financial years, to incorporate the economic impact of the Covid-19 pandemic, the Company made adjustments to its ECL models such as increasing the likelihood of pessimistic scenarios and overlaying a further pessimistic scenario that explicitly accounts for acute negative economic fallout. For the year ended 31 December 2022, the overlay for the acute negative scenario remains; however, the likelihood attributed to this and other pessmistic scenarios have been reduced given the improvements in the current and expected economic environment. The resulting probability of default and losses given default were applied to all financial assets.

Management also maintains the position that the lifetime default risk of assets with several years remaining to maturity has not significantly changed since the onset of the Covid-19 pandemic, an important factor given that IFRS 9 requires that entities assess the risk of default over the life of expected assets. Such assets account for a significant portion of the Company's investment portfolio.

(e) 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.

(f) 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 2022 was nil (2021: nil).

(g) 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 16.

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 Casualty insurance risks

(a) Frequency and severity of claims

The frequency and severity of claims 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.

(b) Sources of uncertainty in the estimation of future claim payments

Claims on casualty contracts are payable on a claims-occurrence basis. 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 an element of the claims provision relates to claims incurred but not reported (IBNR). There are several variables that affect the amount and timing of cash flows 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.

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 provision for IBNR and a provision for reported claims not yet paid at the reporting date.

4. Management of Insurance and Financial Risk (continued)

4.1 Insurance risk (continued)

4.1.1 Casualty insurance risks (continued)

In calculating the estimated cost of unpaid claims (both reported and IBNR), 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 formulas 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.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where information about the claim event is available. IBNR claims may not be apparent to the insurer until many years after the event that gave rise to the claims has happened. For casualty contracts, the IBNR proportion of the total liability is high and will typically display greater variability between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities.

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

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 15.2 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.

4.1.2 Property insurance contracts

(a) Frequency and severity of claims

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). 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 has the right to re-price the risk on renewal. It also has 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 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. 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.

b) Sources of uncertainty in the estimation of future claim payments

Property claims are analyzed separately for subsidence and non-subsidence claims. The development of large losses/catastrophes is analyzed separately. Non-subsidence 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 IBNR (or no IBNR) is held at year end. The longer time needed to assess the emergence of a subsidence claim makes the estimation process more uncertain.

(Expressed in Thousands of Aruban Florins)

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk

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

Risk management is carried out by Executive Investment Committees and 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 2022		
Total Assets	81,442	81,442
Total Liabilities	48,343	48,343
	33,099	33,099
As at 31 December 2021		
Total Assets	84,218	84,218
Total Liabilities	52,748	52,748
	31,470	31,470

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

(b) Interest rate risk

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

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

(c) Other price risk

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

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

(Expressed in Thousands of Aruban Florins)

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.2 Liquidity risk

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

Certain of the Company's contracts have features that allow them to be terminated at short notice creating a potential liquidity exposure. The Company monitors liquidity on a regular basis. 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 analyze the reinsurance and financial assets and 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. Reinsurance and financial assets are at contractual or expected discounted cash flows.

			Contractual/Expected Undiscounted Cash Flows		
Insurance and financial liabilities	**Carrying amount AFL '000**	**No stated maturity AFL '000**	**Less than one year AFL '000**	**One - five years AFL '000**	**Over five years AFL '000**
As at 31 December 2022					
Short-term insurance contracts	17,361	–	17,361	–	–
Other liabilities	30,982	–	30,982	–	–
Total	48,343	–	48,343	–	–
As at 31 December 2021					
Short-term insurance contracts	17,477	–	17,477	–	–
Other liabilities	35,271	–	35,271	–	–
Total	52,748	–	52,748	–	–

			Contractual/Expected Discounted Cash Flows		
Reinsurance and financial assets	**Carrying amount AFL '000**	**No stated maturity AFL '000**	**Less than one year AFL '000**	**One - five years AFL '000**	**Over five years AFL '000**
As at 31 December 2022					
Investment securities at fair value through profit and loss	1	1	–	–	–
Investment securities at amortised cost	42,859	–	7,129	35,730	–
Loans and receivables	11,338	–	8,879	2,459	–
Short-term reinsurance assets	5,806	–	5,806	–	–
Cash and cash equivalents	18,699	–	18,699	–	–
Total	78,703	1	40,513	38,189	–

(Expressed in Thousands of Aruban Florins)

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.2 Liquidity risk (continued)

			Contractual/Expected Discounted Cash Flows		
Reinsurance and financial assets	**Carrying amount AFL '000**	**No stated maturity AFL '000**	**Less than one year AFL '000**	**One - five years AFL '000**	**Over five years AFL '000**
As at 31 December 2021					
Investment securities at fair value through profit and loss	1	1	–	–	–
Investment securities at amortised cost	42,812	–	7,120	35,692	–
Loans and receivables	9,370	–	6,770	2,600	–
Short-term reinsurance assets	6,514	–	6,514	–	–
Cash and cash equivalents	22,829	–	22,829	–	–
Total	81,526	1	43,233	38,292	–

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

(a) 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**	
	2022 AFL '000	**2021 AFL '000**	**2022 AFL '000**	**2021 AFL '000**
Investment securities measured at amortised cost	42,909	42,900	42,859	42,812
Loans and receivables including insurance receivables	12,101	11,448	11,338	9,370
Reinsurance contracts	5,806	6,514	5,806	6,514
Cash and cash equivalents	18,756	22,906	18,699	22,829
	79,572	83,768	78,702	81,525

(b) Credit quality of financial assets

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

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

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

(Expressed in Thousands of Aruban Florins)

Initialed on behalf of
Grant Thornton Aruba.
For identification purposes only.

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(b) Credit quality of 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 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
As at 31 December 2021				
AAA	–	–	–	–
AA	–	–	–	–
A	–	–	–	–
BBB	24,878	–	–	24,878
Below BBB	18,022	–	–	18,022
Not rated	–	–	–	–
Gross carrying amount	42,900	–	–	42,900
Loss allowance	(88)	–	–	(88)
Net carrying amount	42,812	–	–	42,812

(Expressed in Thousands of Aruban Florins)

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(b) Credit quality of financial assets (continued)

		Lifetime ECL		
	12-month ECL AFL '000	**Not credit impaired AFL '000**	**Credit impaired AFL '000**	**Total AFL '000**
Loans and receivables				
As at 31 December 2022				
AAA	–	–	–	–
AA	–	–	–	–
A	–	1,711	–	1,711
BBB	–	–	–	–
Below BBB	2,294	–	–	2,294
Not rated	235	7,862	(1)	8,096
Gross carrying amount	2,529	9,573	(1)	12,101
Loss allowance	(68)	(695)	–	(763)
Net carrying amount	2,461	8,878	(1)	11,338
As at 31 December 2021				
AAA	–	–	–	–
AA	–	–	–	–
A	–	583	–	583
BBB	–	–	–	–
Below BBB	2,420	–	–	2,420
Not rated	251	6,566	1,628	8,445
Gross carrying amount	2,671	7,149	1,628	11,448
Loss allowance	(71)	(713)	(1,294)	(2,078)
Net carrying amount	2,600	6,436	334	9,370
Cash and cash equivalents				
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
As at 31 December 2021				
AAA	–	–	–	–
AA	–	–	–	–
A	–	–	–	–
BBB	2,465	–	–	2,465
Below BBB	19,503	–	–	19,503
Not rated	938	–	–	938
Gross carrying amount	22,906	–	–	22,906
Loss allowance	(77)	–	–	(77)
Net carrying amount	22,829	–	–	22,829

(Expressed in Thousands of Aruban Florins)

Initialed on behalf of Grant Thornton Aruba. For identification purposes only.

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(b) Credit quality of 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 2022						
Reinsurance assets	–	–	5,806	–	–	5,806
	–	–	5,806	–	–	5,806
At 31 December 2021						
Reinsurance assets	–	–	6,514	–	–	6,514
	–	–	6,514	–	–	6,514

(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 2022					
Balance at beginning of year	88	–	–	–	88
Exchange rate adjustments	–	–	–	–	–
New assets originated or purchased	13	–	–	–	13
Assets derecognised (excluding write-offs)	–	–	–	–	–
Net transfer to/(from) 12-month ECL	–	–	–	–	–
Net transfer to/(from) lifetime ECL - not credit impaired	–	–	–	–	–
Net transfer to/(from) lifetime ECL - credit impaired	–	–	–	–	–
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				–	

(Expressed in Thousands of Aruban Florins)

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(d) Loss allowance (continued)

		Lifetime ECL		Purchased	
	12-month ECL	Not credit impaired	Credit impaired	credit impaired	Total
Investment securities measured at amortised cost	AFL '000	AFL '000	AFL '000	AFL '000	AFL '000
Year ended 31 December 2021					
Balance at beginning of year	126	–	–	–	126
Exchange rate adjustments	–	–	–	–	–
New assets originated or purchased	13	–	–	–	13
Assets derecognised (excluding write-offs)	–	–	–	–	–
Net transfer to/(from) 12-month ECL	–	–	–	–	–
Net transfer to/(from) lifetime ECL - not credit impaired	–	–	–	–	–
Net transfer to/(from) lifetime ECL - credit impaired	–	–	–	–	–
Remeasurements	(51)	–	–	–	(51)
Amounts written-off	–	–	–	–	–
Amounts recovered	–	–	–	–	–
Balance at end of year	88	–	–	–	88
Contractual amounts outstanding on assets written off during the year but still subject to enforcement activity				–	
Loans and receivables					
Year ended 31 December 2022					
Balance at beginning of year	94	775	1,209	–	2,078
Exchange rate adjustments	–	–	–	–	–
New assets originated or purchased	–	–	–	–	–
Assets derecognised (excluding write-offs)	–	–	–	–	–
Net transfer to/(from) 12-month ECL	–	–	–	–	–
Net transfer to/(from) lifetime ECL - not credit impaired	–	–	–	–	–
Net transfer to/(from) lifetime ECL - credit impaired	–	–	–	–	–
Remeasurements	(3)	(56)	(504)	–	(563)
Amounts written-off	–	(23)	(1,294)	–	(1,317)
Amounts recovered	–	61	504	–	565
Balance at end of year	91	757	(85)	–	763
Contractual amounts outstanding on assets written off during the year but still subject to enforcement activity				(1,317)	
Year ended 31 December 2021					
Balance at beginning of year	133	632	1,012	–	1,777
Exchange rate adjustments	–	–	–	–	–
New assets originated or purchased	–	–	–	–	–
Assets derecognised (excluding write-offs)	–	–	–	–	–
Net transfer to/(from) 12-month ECL	–	–	–	–	–
Net transfer to/(from) lifetime ECL - not credit impaired	–	–	–	–	–
Net transfer to/(from) lifetime ECL - credit impaired	–	–	–	–	–
Remeasurements	(39)	143	283	–	387
Amounts written-off	–	–	(86)	–	(86)
Amounts recovered	–	–	–	–	–
Balance at 31 December	94	775	1,209	–	2,078

(Expressed in Thousands of Aruban Florins)

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(d) Loss allowance (continued)

Loans and receivables	2022 AFL '000	2021 AFL '001
Contractual amounts outstanding on assets written off during the year but still subject to enforcement activity	(1,317)	(86)

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 2022 is AFL 57 (2021: AFL 77). The Company recognised a net impairment gain of AFL 19 for the year ended 31 December 2022 (2021: an expense of AFL 50).

(e) Financial assets subject to ECL

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

		Lifetime ECL		Purchased	
Investment securities measured at amortised cost	**12-month ECL AFL '000**	**Not credit impaired AFL '000**	**Credit impaired AFL '000**	**credit impaired AFL '000**	**Total AFL '000**
Year ended 31 December 2022					
Balance at beginning of year	42,900	–	–	–	42,900
Exchange rate adjustments	–	–	–	–	–
New assets originated or purchased	–	–	–	–	–
Assets derecognised (excluding write-offs)	–	–	–	–	–
Net transfer to/(from) 12-month ECL	–	–	–	–	–
Net transfer to/(from) lifetime ECL - not credit impaired	–	–	–	–	–
Net transfer to/(from) lifetime ECL - credit impaired	–	–	–	–	–
Remeasurements	–	–	–	–	–
Amounts written-off	–	–	–	–	–
Amounts recovered	–	–	–	–	–
Changes in interest accrual	9	–	–	–	9
Balance at end of year	42,909	–	–	–	42,909
Year ended 31 December 2021					
Balance at beginning of year	43,124	–	–	–	43,124
Exchange rate adjustments	–	–	–	–	–
New assets originated or purchased	5,000	–	–	–	5,000
Assets derecognised (excluding write-offs)	(5,000)	–	–	–	(5,000)
Net transfer to/(from) 12-month ECL	–	–	–	–	–
Net transfer to/(from) lifetime ECL - not credit impaired	–	–	–	–	–
Net transfer to/(from) lifetime ECL - credit impaired	–	–	–	–	–
Remeasurements	–	–	–	–	–
Amounts written-off	–	–	–	–	–
Amounts recovered	–	–	–	–	–
Changes in interest accrual	(224)	–	–	–	(224)
Balance at end of year	42,900	–	–	–	42,900

(Expressed in Thousands of Aruban Florins)

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(e) 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 2022					
Balance at beginning of year	3,085	6,734	1,629	–	11,448
Exchange rate adjustments	–	–	–	–	–
New assets originated or purchased	126	–	–	–	126
Assets derecognised (excluding write-offs)	(270)	–	(839)	–	(1,109)
Net transfer to/(from) 12-month ECL	–	–	–	–	–
Net transfer to/(from) lifetime ECL - not credit impaired	–	–	–	–	–
Net transfer to/(from) lifetime ECL - credit impaired	–	–	–	–	–
Remeasurements	–	–	–	–	–
Amounts written-off	–	(23)	(1,294)	–	(1,317)
Amounts recovered	–	61	504	–	565
Other movements	1	296	–	–	297
Balance at end of year	2,942	7,068	–	–	10,010
Year ended 31 December 2021					
Balance at beginning of year	4,110	8,374	1,347	–	13,831
Exchange rate adjustments	–	–	–	–	–
New assets originated or purchased	113	(1,272)	–	–	(1,159)
Assets derecognised (excluding write-offs)	(268)	–	–	–	(268)
Net transfer to/(from) 12-month ECL	–	–	–	–	–
Net transfer to/(from) lifetime ECL - not credit impaired	–	–	–	–	–
Net transfer to/(from) lifetime ECL - credit impaired	–	(282)	282	–	–
Remeasurements	–	–	–	–	–
Amounts written-off	–	(86)	–	–	(86)
Amounts recovered	–	–	–	–	–
Other movements	(870)	–	–	–	(870)
Balance at end of year	3,085	6,734	1,629	–	11,448

(f) Modified financial assets

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

(g) 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.

(h) Concentrations of risks of financial assets with credit risk exposure

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

(Expressed in Thousands of Aruban Florins)

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(h) Concentrations of risks of 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.

	2022 AFL'000	2021 AFL'000
Financial institutions	53,884	57,967
Public sector	7,675	7,674
Insurance and reinsurance	11,477	12,123
Other industries	5,666	3,761
	78,702	81,525

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 2022 and 2021.

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

	AFL '000
2022	
Regulatory capital held	33,099
Minimum regulatory capital	5,488
2021	
Regulatory capital held	31,470
Minimum regulatory capital	5,143

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

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

(Expressed in Thousands of Aruban Florins)

5. Property, plant and equipment

	Office furniture, plant and equipment AFL '000	Motor vehicles AFL '000	Total AFL '000
Year ended 31 December 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
Year ended 31 December 2021			
Balance at beginning of year	127	302	429
Additions	39	–	39
Disposals and adjustments	–	–	–
Depreciation charge	(25)	(94)	(119)
Balance at end of year	141	208	349
At 31 December 2021			
Cost or valuation	1,194	768	1,962
Accumulated depreciation	(1,053)	(560)	(1,613)
Balance at end of year	141	208	349

Depreciation expense of AFL 105 (2021: AFL 119) has been charged in other operating expenses.

6. Intangible assets

	Other AFL'000	Total AFL'000
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
Year ended 31 December 2021		
Balance at beginning of year	38	38
Amortization	(9)	(9)
Balance at end of year	29	29
At 31 December 2021		
Cost	47	47
Accumulated amortization	(18)	(18)
Balance at end of year	29	29

Other intangible assets represent computer software costs.

(Expressed in Thousands of Aruban Florins)

7. Investment securities

	2022		2021	
	Carrying value AFL '000	Fair value AFL '000	Carrying value AFL '000	Fair value AFL '000
Investment securities	42,860	43,202	42,813	42,655
	42,860	43,202	42,813	42,655
Investment securities mandatorily measured at fair value through profit or loss (FVPL-M)	1	1	1	1
Investment securities measured at amortised cost (AC)	42,859	43,201	42,812	42,654
Total investment securities	42,860	43,202	42,813	42,655

	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	–	–	–
	–	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

	FVPL-D	FVPL-M	FVOCI	AC
Current	–	–	–	7,129
Non-current	–	1	–	35,730
	–	1	–	42,859

The carrying amount of investment securities above that were pledged as collateral for liabilities was nil (2021: nil).

(Expressed in Thousands of Aruban Florins)

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7. Investment securities (continued)

	Carrying value				Fair value
	FVPL-D 2021 AFL '000	FVPL-M 2021 AFL '000	FVOCI 2021 AFL '000	AC 2021 AFL '000	AC 2021 AFL '000
Equity securities:					
- Listed	–	–	–	–	–
- Unlisted	–	1	–	–	–
Debt securities:					
- Government securities	–	–	–	7,467	8,122
- Debentures and corporate bonds	–	–	–	–	–
	–	–	–	7,467	8,122
Deposits (more than 90 days)	–	–	–	34,800	33,899
Other	–	–	–	–	–
	–	–	–	34,800	33,899
	–	1	–	42,267	42,021
Interest receivable	–	–	–	633	633
Loss allowance	–	–	–	(88)	–
	–	1	–	42,812	42,654
Current	–	–	–	7,120	
Non-current	–	1	–	35,692	
	–	1	–	42,812	

8. Loans and receivables

	2022 AFL '000	2021 AFL '000
Premiums receivable	7,124	5,911
Deposits with /balances due from reinsurers	1,711	583
Prepayments	–	–
Commercial and other loans	2,528	2,670
Other receivables	737	2,284
Accrued interest on commercial and other loans	1	–
Provision for impairment of other loans and receivables		
Loss allowance	(763)	(2,078)
	11,338	9,370
Current	8,879	6,771
Non-current	2,459	2,599
	11,338	9,370

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:	2022 AFL '000	2021 AFL '000
Net interest income	91	132
Net income for the year (Note 27)	91	132

(Expressed in Thousands of Aruban Florins)

9. Pension plan assets/liabilities (continued)

The principal actuarial assumptions used for accounting purposes were:

	2022	2021
Discount rates	5.13%	2.91%
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 (2021: NISTT2012) has been used which is considered representative for the plan.

10. Deferred taxation

The deferred tax assets consist of the following amounts:

	2022 AFL '000	2021 AFL '000
- To be recovered after more than 12 months	50	69
- To be recovered within 12 months	–	–
	50	69

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:	2022 AFL '000	2021 AFL '000
Balance at beginning of year	69	91
Credit/(charge) for the year (Note 28)	(19)	(22)
Changes on initial application of IFRS 9	–	–
Balance at end of year	50	69

11. Reinsurance assets

	2022 AFL '000	2021 AFL '000
Short-term insurance contracts:		
Claims reported and loss adjustment expenses (Note 15.1(a))	822	1,658
Unearned premiums (Note 15.1(b))	4,984	4,856
	5,806	6,514
Current	5,806	6,514
Non-current	–	–
Total reinsurers’ share of insurance liabilities	5,806	6,514

12. Deferred acquisition costs

	2022 AFL '000	2021 AFL '000
Balance at beginning of year	2,245	2,095
Increase in the year	2,344	2,245
Release in the year	(2,245)	(2,095)
Balance at end of year	2,344	2,245
Current	2,344	2,245
Non-current	–	–
	2,344	2,245

(Expressed in Thousands of Aruban Florins)

13. Cash and cash equivalents

	2022 AFL '000	2021 AFL '000
Cash at bank and in hand	7,079	8,114
Short term deposits (90 days or less)	11,677	14,792
Cash and cash equivalents	18,756	22,906
Loss allowance	(57)	(77)
Net cash and cash equivalents	18,699	22,829
At beginning of year	22,829	12,792
Net movement in loss allowance	19	(50)
	22,848	12,742
At end of year	18,699	22,829
Net increase / (decrease) in cash used in cash flow	(4,149)	10,087

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% (2021: 0.25% – 2%).

14. Shareholder's Equity

14.1 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 (2021: 300 shares).

14.2 Share premium

The share premium of AFL 6,003 (2021: AFL 6,003) concerns that portion of the capital issued above par.

15. Insurance contracts

	2022 AFL '000	2021 AFL '000
Short-term insurance contracts:		
Claims reported and loss adjustment expenses (Note 15.1(a))	4,671	5,217
Unearned premiums (Note 15.1(b))	12,690	12,260
Total gross insurance liabilities	17,361	17,477
Current	17,361	17,477
Non-current	–	–
	17,361	17,477

(Expressed in Thousands of Aruban Florins)

15.1 Movements in insurance liabilities and reinsurance assets

Short-term insurance contracts:

(a) Claims and loss adjustment expenses/claims incurred but not reported

	2022			2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Year ended 31 December	AFL '000	AFL '000	AFL '000	AFL '000	AFL '000	AFL '000
Notified claims	5,217	(1,658)	3,559	9,157	(4,627)	4,530
Incurred but not reported	–	–	–	–	–	–
Total at beginning of year	5,217	(1,658)	3,559	9,157	(4,627)	4,530
Cash paid for claims settled in the year	(5,834)	1,403	(4,431)	(8,445)	3,673	(4,772)
Increase in liabilities	5,288	(567)	4,721	4,505	(704)	3,801
Total at end of year	4,671	(822)	3,849	5,217	(1,658)	3,559
Notified claims	4,671	(822)	3,849	5,217	(1,658)	3,559
	4,671	(822)	3,849	5,217	(1,658)	3,559

(b) Provisions for unearned premiums

	2022			2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	AFL '000	AFL '000	AFL '000	AFL '000	AFL '000	AFL '000
Total at beginning of year	12,260	(4,856)	7,404	11,599	(3,797)	7,802
Increase in the period	12,690	(4,984)	7,706	12,260	(4,856)	7,404
Release in the period	(12,260)	4,856	(7,404)	(11,599)	3,797	(7,802)
Total at end of year	12,690	(4,984)	7,706	12,260	(4,856)	7,404

15.2 Development claim tables - short-term insurance contracts

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, which is considered to be the most appropriate for the business written by the Company.

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

	Total
	AFL '000
Insurance claims - gross	
- By accident year	4,671
- By underwriting year	–
Total liability (Note 15.1 (a))	4,671

(Expressed in Thousands of Aruban Florins)

15. Insurance contracts (continued)

15.2 Development claim tables - short-term insurance contracts (continued)

	Total AFL '000
Insurance claims - net	
- By accident year	3,849
- By underwriting year	–
Total liability (Note 15.1 (a))	3,849

Insurance claims - gross

Accident year	**2017 AFL '000**	**2018 AFL '000**	**2019 AFL '000**	**2020 AFL '000**	**2021 AFL '000**	**2022 AFL '000**	**Total AFL '000**
Estimate of ultimate claims costs:							
- at end of accident year	10,522	10,002	8,937	12,561	6,663	7,378	
- one year later	8,848	8,306	6,919	10,726	5,232		
- two years later	8,601	8,215	6,884	10,169			
- three years later	8,615	8,037	6,832				
- four years later	8,586	8,023					
- five years later	8,607						
Current estimate of cumulative claims	8,607	8,023	6,832	10,169	5,232	7,376	46,239
Cumulative payments to date	(8,358)	(7,850)	(6,507)	(9,976)	(4,681)	(4,415)	(41,787)
Liability recognized in the statement of financial position	249	173	325	193	551	2,961	4,452
Liability in respect of prior years							219
Total liability							4,671

Insurance claims - net

Accident year	**2017 AFL '000**	**2018 AFL '000**	**2019 AFL '000**	**2020 AFL '000**	**2021 AFL '000**	**2022 AFL '000**	**Total AFL '000**
Estimate of ultimate claims costs:							
- at end of accident year	10,013	8,728	8,276	7,246	5,724	6,372	
- one year later	8,389	7,022	6,335	5,576	4,328		
- two years later	8,196	6,943	6,252	5,403			
- three years later	8,210	6,844	6,204				
- four years later	8,179	6,846					
- five years later	8,202						
Current estimate of cumulative claims	8,202	6,846	6,204	5,403	4,328	6,372	37,355
Cumulative payments to date	(7,951)	(6,673)	(5,984)	(5,316)	(3,917)	(3,884)	(33,725)
Liability recognized in the statement of financial position	251	173	220	87	411	2,488	3,630
Liability in respect of prior years							219
Total liability							3,849

The results of the liability adequacy tests shows that the carrying amount of the insurance liabilities is adequate.

16. 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:	**2022 AFL '000**	**2021 AFL '000**
Interest cost	62	59
Current service cost	51	39
Expense for the year (Note 27)	113	98

(Expressed in Thousands of Aruban Florins)

16. Post retirement medical benefit obligations (continued)

The principal actuarial assumptions used were as follows:	**2022 AFL '000**	**2021 AFL '000**
Discount rate	5.13%	2.91%
Healthcare cost escalation	2.56%	2.00%
Pre-retirement mortality	NISTT2012	NISTT2012
Post retirement mortality	Ignored	Ignored

There is no standard mortality table available for Aruba. For this reason the standard NISTT2012 (2021: NISTT2012) has been used which is considered representative for the plan.

17. Due to affiliates

	2022 AFL '000	**2021 AFL '000**
Fatum Holding N.V.	17,333	28,401
	17,333	28,401

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%.

18. Profit tax payable

	2022 AFL '000	**2021 AFL '000**
Profit tax 2009	(1)	(1)
Profit tax 2013	31	31
Profit tax 2016	(188)	(188)
Profit tax 2017	5	5
Profit tax 2019	(10)	157
Profit tax 2020	–	-
Profit tax 2021	8	1,007
Profit tax 2022	531	–
Total profit tax payable	376	1,011

19. Other liabilities

	2022 AFL '000	**2021 AFL '000**
Due to agents brokers and policyholder	2,091	–
Amount due to reinsurers and co-insurers	8,342	4,085
Sundry payables	2,840	1,774
	13,273	5,859
Sundry payables		
Accrued expenses	241	205
Provision personnel expenses	543	89
Commission payable	443	285
BBO Tax	5	364
Suspense account	774	421
Other	834	410
Total sundry payables	2,840	1,774

The carrying amounts of other liabilities approximate their fair value.

(Expressed in Thousands of Aruban Florins)

Initialed on behalf of Grant Thornton Aruba. For identification purposes only.

20. Net premium income

	2022 AFL '000	2021 AFL '000
(a) Insurance premium income		
Short-term insurance contracts:		
- premiums receivable	34,466	35,218
- change in unearned premium provision	(430)	(661)
	34,036	34,557
(b) Insurance premium ceded to reinsurers		
Short-term reinsurance contracts:		
- premiums payable	(19,885)	(19,481)
- change in unearned premium provision	275	1,287
	(19,610)	(18,194)

21. Policy acquisition expenses

	2022 AFL '000	2021 AFL '000
Commissions	6,292	6,055
Other expenses for the acquisition of insurance and investment contracts	–	–
	6,292	6,055

22. Net insurance benefits and claims

	2022 AFL '000	2021 AFL '000
Insurance claims and loss adjustment expenses - gross	5,288	4,505
Insurance claims and loss adjustment expenses - recovered from reinsurers	(567)	(704)
	4,721	3,801

2022	Gross AFL '000	Reinsurance AFL '000	Net AFL '000
Insurance claims and loss adjustment expenses			
Current year claims and loss adjustment expenses	7,378	(1,006)	6,372
Additional cost for prior year claims and loss adjustment expenses	(2,090)	439	(1,651)
Total claims and loss adjustment expenses	5,288	(567)	4,721

2021	Gross AFL '000	Reinsurance AFL '000	Net AFL '000
Insurance claims and loss adjustment expenses			
Current year claims and loss adjustment expenses	6,663	(939)	5,724
Additional cost for prior year claims and loss adjustment expenses	(2,158)	235	(1,923)
Total claims and loss adjustment expenses	4,505	(704)	3,801

23. Investment income

	2022 AFL '000	2021 AFL '000
Interest income from:		
- Amortised cost investment securities	1,707	1,715
- Loans and receivables	201	211
- Cash and cash equivalents	9	7
- Third party investment expenses	(7)	–
	1,910	1,933

24. Fee income

	2022 AFL '000	2021 AFL '000
Policy administration and asset management services:		
- Insurance contracts	455	463
	455	463

(Expressed in Thousands of Aruban Florins)

Initialed on behalf of Grant Thornton Aruba. For identification purposes only.

25. Other income/(loss)

	2022 AFL '000	2021 AFL '000
Foreign exchange (losses)/gains	99	(14)
Other income	97	–
	196	(14)

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

	2022 AFL '000	2021 AFL '000
Investment securities measured at amortised cost	37	38
Loans and receivables	562	(387)
Cash and cash equivalents	19	(50)
	618	(399)

27. Operating expenses

	2022 AFL '000	2021 AFL '000
Staff cost	5,083	4,430
Depreciation and amortization	114	128
Auditors' remuneration	115	86
Directors' fees	46	28
Other expenses	4,387	4,406
	9,745	9,078
Staff cost includes:		
Wages, salaries and bonuses	2,975	2,502
Health and medical	60	44
Staff Training	51	15
National Insurance	472	539
Pension costs	551	383
Net result on pension plan assets (Note 9)	(91)	(132)
Post retirement medical benefit obligation (Note 16)	113	98
Other	952	981
	5,083	4,430
Average number of employees	28	27
Other expenses include:		
Office & building expenses	902	848
Marketing expenses	185	122
Information Technology Expenses	592	509
Projects	417	929
Roadside Assistance	744	661
Other	1,547	1,337
	4,387	4,406

28. Taxation

	2022 AFL '000	2021 AFL '000
Profit before taxation	2,178	3,790
Current tax	530	1,009
Prior year taxation adjustment	–	–
Deferred tax (Note 10)	19	22
Tax charge for the period	549	1,031

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% (2021: 25.0%).

(Expressed in Thousands of Aruban Florins)

29. 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 2022 and 2021.

30. Adjustment for non-cash items in operating profit

	2022 AFL '000	2021 AFL '000
Increase in value of recognisable pension plan assets	22	(33)
Depreciation (Note 27)	114	128
Impairment of financial assets (Note 26)	(618)	399
(Gain)/loss on disposal of property, plant and equipment	–	–
	(482)	494

31. 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 2022	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	–	–	1	1
	–	–	1	1
At 31 December 2021				
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 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

	At 1 January 2021 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 2021 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.

(Expressed in Thousands of Aruban Florins)

31. 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 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	–	642	–	642
	–	43,201	–	43,201
At 31 December 2021				
Assets for which fair values are disclosed:				
Investment securities measured at amortised cost:				
Government securities	–	8,122	–	8,122
Deposits	–	33,899	–	33,899
Other	–	633	–	633
	–	42,654	–	42,654

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

32. 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%.

33. 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.

(Expressed in Thousands of Aruban Florins)

33. Related party disclosures (contineued)

The following transactions were carried out with related parties:	**2022 AFL'000**	**2021 AFL'000**
(a) Transactions with subsidiaries and associates		
- Balances included in the Loans and receivables:		
Boogaard Group	1,769	1,745
	1,769	1,745
- Commissions included in the policy acquisition expenses:		
Boogaard Group	2,703	2,708
	2,703	2,708
- Allocated staff cost and other operating expenses in the statement of income:		
Staff cost		
Fatum Holding N.V.	1,749	1,184
Other operating expenses		
Fatum Holding N.V.	1,231	1,478
Fatum Life N.V.	189	213
	3,169	2,875
- Finance charges included in the statement of income:		
Fatum Holding N.V.	925	1,439
	925	1,439

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	5	8
Key management personnel compensation:		
- Salaries and other short-term employee benefits	796	677

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, by Fatum Holding, for the year was ANG 4,566 (2021: ANG 3,180). 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 allocated to the subsidiaries which participate in the plan.

34. Commitments

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

35. Subsequent events

There have been no other material post balance sheet events that could require disclosure or adjustment to the 31 December 2022 financial statements.

36. Authorisation of Financial Statements

The financial statements for the year ended 31 December 2022 (including comparatives) were approved by the Board of Directors of Fatum Holding N.V. on 23 June, 2023.

Managing Director:

Jacques P. van der Scheer

Managing Director:

Barbara Pochettino

Supervisory Director:

DocuSigned by:
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Monica Kock

Supervisory Director:

DocuSigned by:
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Omar van der Dijs

Supervisory Director:

DocuSigned by:
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Ravi Tewari

Supervisory Director:

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Jacobus Veel