



Sagicor

GENERAL



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# Annual Report

SAGICOR GENERAL INSURANCE INC

2023



# Mission & Vision

# Mission

Our mission is to become the leading P&C provider in the Caribbean. We will achieve this by crafting a customer centric organization driven by inspired and engaged people.

# Vision

To be a great company committed to improving the lives of people in the communities in which we operate.



# Corporate Overview

# Corporate Overview

We have been in existence for over 140 years offering a comprehensive range of general insurance solutions to individuals and companies. In July 2003, a Special Resolution was passed by the shareholders authorizing an amendment to the Articles of Incorporation to change the name of the company from Barbados Fire and Commercial Insurance Company Limited to Sagicor General Insurance Inc.

Sagicor General has a financial rating of A - (Excellent) issued by A. M. Best after a thorough quantitative and qualitative review of the company, taking into consideration financial performance, balance sheet strength, as well as underwriting and claims philosophies.

Our product lines include Property, Motor, Engineering, Bonds, Marine, Liability and various Miscellaneous classes. Our main premium revenue

is realised from the Property portfolio which accounts for approximately 57% of revenue. Motor is 35% while Marine was 1% and Accident portfolio accounts for 7%. Sagicor General is continuing on an expansion drive to increase its market share, either through organic growth or by way of mergers or acquisitions. We will also extend our reach into other territories.





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Peter Clarke  
Chairman



Keston Howell  
President & CEO

# Chairman & CEO's Report

# Chairman & CEO's Report

2023 was a challenging year for the company as it struggled to replicate its prior year success.

Economic growth moderated in the territories in which Sagicor General Insurance Inc (SGII) operates, with 2023 GDP growth for Barbados, St. Lucia and Antigua & Barbuda estimated by the Economist Intelligence Unit at 4.4%, 3.9% and 5.7% respectively.

In the midst of this moderation in economic growth, SGII operations were impacted by three significant developments. Firstly, the company faced higher reinsurance costs, reduction in reinsurance capacity and lower ceding commissions as hard market conditions persisted in the reinsurance market. This hard market was driven by increased frequency and severity of global catastrophes and reduced capital availability in the retrocession and ILS (Insurance Linked Securities) markets.

Secondly the company completed a restructuring exercise to ensure compliance with the Insurance Act in Trinidad & Tobago. This Act created new compliance obligations for insurers, inclusive of the requirement that we incorporate our insurance businesses in Trinidad and Tobago. This process involved a legal transfer of all Trinidad & Tobago business from SGII to Sagicor General Insurance Trinidad & Tobago Limited (SGITT). As part of

the restructure SGITT is now owned by Sagicor Life Insurance Trinidad & Tobago Limited, a subsidiary of Sagicor Life Inc., the parent of Sagicor General Insurance Inc. This restructure was completed on February 1, 2023 therefore the SGII accounts for 2023 include just one month's operations of the former branch in Trinidad & Tobago.

Thirdly insurers were required to adopt IFRS 17 Insurance Contracts, a new accounting standard beginning on or after January 1, 2023. Compliance with this standard required significant effort and incurred substantial cost and we extend kudos and commendation to the various team members from Sagicor group involved in this exercise. While the new standard is not expected to lead to any significant change in how the company's operating results are determined, it does result in a significant change in the way our financial statements are presented and makes comparison with prior periods difficult.

Net income after tax for 2023 was BBD\$285,000 down from BBD\$7.5 million recorded in 2022. The primary reason for the change in the company's fortunes was a significant increase in our motor claims plus not having eleven (11) months of the Trinidad & Tobago operations. This was driven via a combination of an increase in reported claims together with car

parts inflation which is impacting the entire industry.

We continue to focus on our key strategic objectives of engaging our employees, delighting our customers, preserving capital and improving operational efficiencies via digital transformation. We view 2023 results as a minor setback in the long term success of SGII. In the short to medium term we anticipate that the industry will continue to be impacted by higher reinsurance costs, lower reinsurance capacity, inflation (economic and social), higher motor claims and more frequent and severe weather events. We have already responded to these impacts via rate increases in both the property and motor lines as well as via more stringent underwriting. We are optimistic that this will lead to improved results in 2024.

Dr M. Patricia Downes-Grant and Mr Edward Clarke both retired Sagicor Executives, retired from the board of directors and we would like to thank them for their contribution to the growth and development of the company.

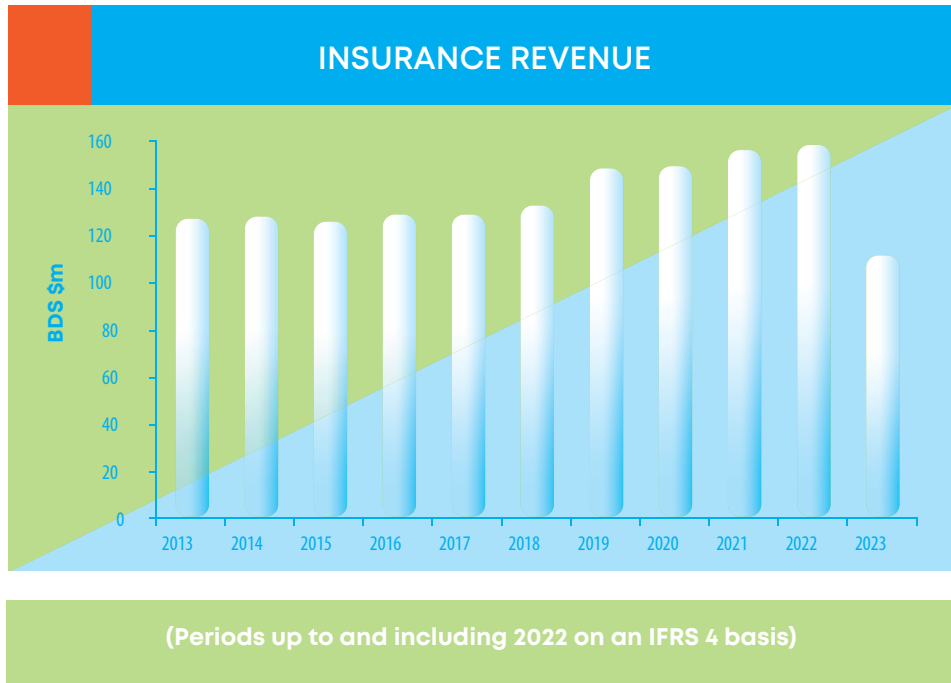
On behalf of the Board of Sagicor General Insurance Inc, we thank our policyholders, clients, management, staff, advisors, agents and business partners for their continued and valued support. ■

# Financial Highlights

## Insurance Results

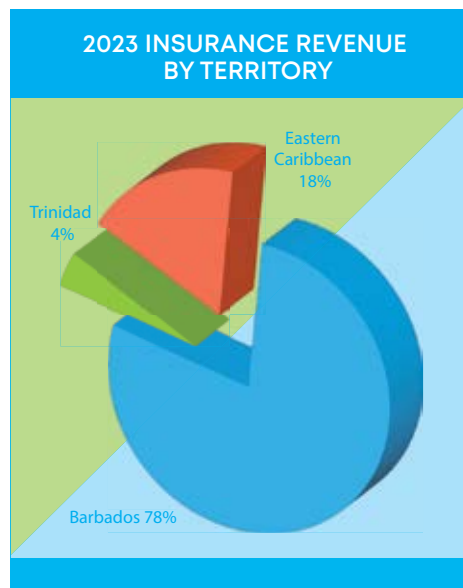
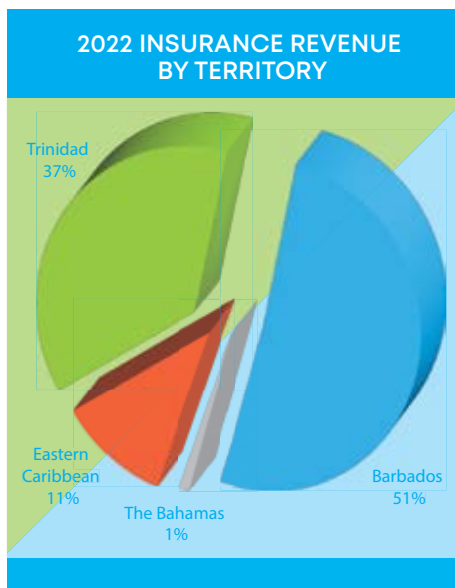
These results include one month of the Trinidad and Tobago branch operations which were spun off into a separate company effective February 1, 2023 as a result Insurance Revenue fell from \$158.3M to \$111.5M. Despite this drop in Insurance Revenue of \$46.8M which was driven mainly by the reorganisation of the Trinidad and Tobago branch, the remaining segments of the business which comprise Barbados and the Eastern Caribbean grew by 7% year on year.

Our core markets continue to consolidate through mergers and acquisitions while still being intensely competitive as new players come into the market. Insurance rates rose across all lines of business as the industry faces an ever-hardening reinsurance market along with the need to combat the increasing claims costs driven by both social and economic inflation.



Barbados' share of the company's insurance revenue is now 78%. The Eastern Caribbean operations

in St. Lucia, Antigua, Dominica saw growth over 2022 of 16% and accounts for 18% of total business.



(Periods up to and including 2022 on an IFRS 4 basis)

# Financial Highlights

The property portfolio grew which represents 57% of the total insurance revenue saw growth both from the increase in rates and new business from the increase in construction activity. Motor remained flat at 35%, while Accident and Liability contributed 7%.

Net expense from reinsurance contracts held for the continuing business rose by 27% year on year reflecting an increase in premiums ceded and well as the increase in Catastrophe XOL reinsurance costs.

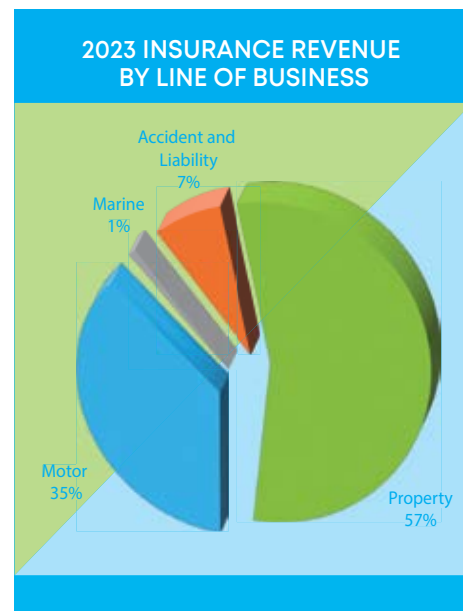
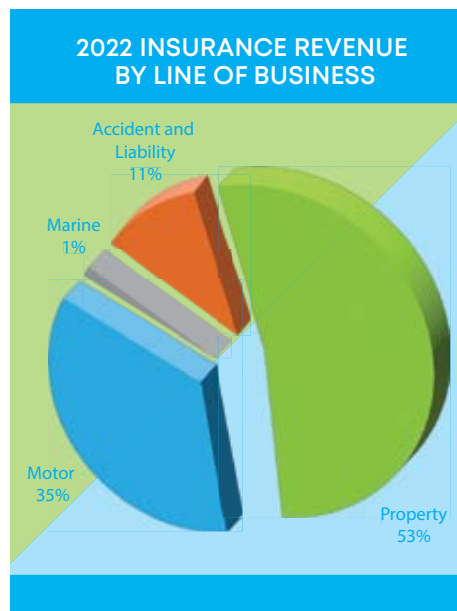
Insurance service expenses which comprise claims costs and acquisition costs while showing a 32% decrease, remained flat year on year for the continuing business segments. The net result was a \$6.8M decline in insurance service results.

## Interest Income

Interest income for 2023 was \$2.9 million down from the \$4.8 million in the prior year, which reflected the income previously earned by the Trinidad & Tobago operations which were now spun-off and those associated investments transferred to the new company.

## Other operating expenses

Other operating expenses for 2023 were \$5.3 million up from \$4.5 million in 2022.



(Periods up to and including 2022 on an IFRS 4 basis)

## Net Income and Comprehensive Income

Net income before taxes for the year was \$0.6 million down from \$9.3 million with a comprehensive loss for 2023 of \$0.4 million compared to a profit of \$7.5 million for 2022.

## Financial Position

The company's financial position remains strong, with shareholders' equity at \$66.6 million up from \$66.3 million in the prior year. Total assets were \$191.7 million a decrease of 18% from the prior year, the decline is all attributable to the transfer of assets and liabilities relating to the Trinidad and Tobago branch to Sagicor General

Insurance Trinidad and Tobago Limited.

During the year, A.M. Best conducted their annual review and reaffirmed the company's A- (Excellent) financial rating. This rating is the outcome of a due diligence on the company's financial and operating performance and reflects the rater's assessment of the company's financial strength, inclusive of the backing of its parent company Sagicor Life Inc. The rating also takes into consideration the structure of our comprehensive reinsurance program which is backed by quality reinsurers. ■



# Annual Report

COR GENERAL INSURANCE INC  
2023

# Board of Directors

# Board of Directors

## Peter Clarke



Mr. Peter Clarke serves as a director of Sagicor Financial Company Ltd., Sagicor Life Inc., Sagicor Group Jamaica Limited and Sagicor Life Jamaica Limited.

Mr. Clarke is a Financial Consultant who practiced as a Barrister-at-Law before embarking on a 22-year career in stockbroking. From 1984-2000, he was the Managing Director of Money Managers Limited, and served as the Chief Executive of West Indies Stockbrokers Limited from 2001 to 2005, when he retired. From 2002 to 2005 he was also a director of the Trinidad and Tobago Chamber of Industry and Commerce. From 1995 to 1999 he was Chairman of the Trinidad and Tobago Stock Exchange, and he is currently a director of that organisation. From 1992 to 1995 Mr. Clarke served as Deputy Chairman of the Trinidad and Tobago Free Zones Company, and he is currently the Chairman of Guardian Media Limited in Trinidad and Tobago.

He is a member of the Finance Council of the Roman Catholic Archdiocese of Port of Spain and sits on the board of several other companies.

He obtained the Bachelor of Arts degree from Yale University, and a law degree from Downing College, Cambridge University. Mr. Clarke was called to the Bar as a member of Gray's Inn in London in 1979, and to the Bar of Trinidad and Tobago in 1980.

## Keston Howell



Mr. Keston Howell is the President and Chief Executive Officer of Sagicor General Insurance Inc., a position he assumed on October 1, 2017.

Mr. Howell has been a member of Sagicor Life Inc.'s (SLI) executive management team since 2005. Prior to assuming the role of the CEO of Sagicor General, he held the post of Executive Vice President and General Manager, SLI with responsibility for the Dutch Caribbean, (Aruba, Curacao, St. Maarten) Belize and Panama. He currently serves as a Director on the Boards of Sagicor General Insurance Inc., Sagicor General Insurance (T&T) Limited, Sagicor Finance Inc., Sagicor Asset Management Inc., Sagicor Asset Management (EC) Limited, Sagicor Funds Inc. and Sagicor Investments Trinidad and Tobago Limited.

His career includes key roles in the financial services sector in Trinidad and Tobago where he held senior positions in the commercial banking sector. He is a past President of the Securities Dealers Association of Trinidad and Tobago and currently serves as a Director on the Boards of the Securities Dealers Association of Trinidad and Tobago and the Association of Trinidad and Tobago Insurance Companies.

Mr. Howell has over 38 years in the banking and insurance industries. He holds a B.Sc. Management Studies (Hons.) from The University of the West Indies, St. Augustine Campus, and an MBA Banking (Merit), from the University of London, London, England.

# Board of Directors

## C. Natasha Small



Mrs. C. Natasha Small is a Finance Executive with over twenty years experience. She is a Chartered Certified Accountant (United Kingdom) and holds a B.Sc. In Accounting with First Class Honours from the University of the West Indies as well as an Associate degree in Law and Accounts from the Barbados Community College. As Group Chief Financial Officer of Goddard Enterprises Limited, a position she has held since 2008, Natasha has played an integral role in the growth and success of the company. She is very passionate about what she does and is known for her strong leadership, decision-making and problem-solving skills while motivating others to high levels of engagement. She is credited as being very goal-oriented, results driven, focused and a voice of reason. Her experience includes acquisitions, divestments, financial planning and analysis and debt restructuring and arranging.

As Group CFO, she is responsible for the development and execution of the Group's Finance strategy, ensuring that adequate resources are available to accomplish the Group's business objectives, planning and coordinating the Group's investing and financing activities and managing the Corporate Finance and accounting functions.

Mrs. Small's overall responsibilities span over 60 operational entities in Barbados, the Caribbean and Latin and South America and across various sectors including the Manufacturing, Automobile, Building Supplies, Catering, Ground Handling, Shipping, Food and Consumer Goods and Insurance industries.

## Robert Trestrail



Mr. Robert Trestrail brings a wealth of experience to the Insurance and Financial Services Industry as his career spans more than 20 years.

A graduate of the University of Toronto, he holds a Bachelor Arts in Economics.

Robert was appointed to the post of President and Chief Executive Officer of Sagicor Life Inc in January 2021.

Prior to this, he served as Executive Vice President and General Manager for the Trinidad & Tobago operations since 2007 and assumed executive responsibility for Dutch Caribbean and Sagicor Life Aruba N.V in 2017.

He is President of the Trinidad & Tobago Insurance Institute (TTII) Board of Governors and a Board Member of Sagicor Investments Trinidad & Tobago Limited, Nationwide Insurance Company Limited, RGM Limited and several of its subsidiaries.

Robert has served as a Board Member of the Trinidad & Tobago Chamber of Industry and Commerce (TTCIC) between 2006-2018, serving as President of the chamber between 2015-2016.

# Board of Directors

## David Wright

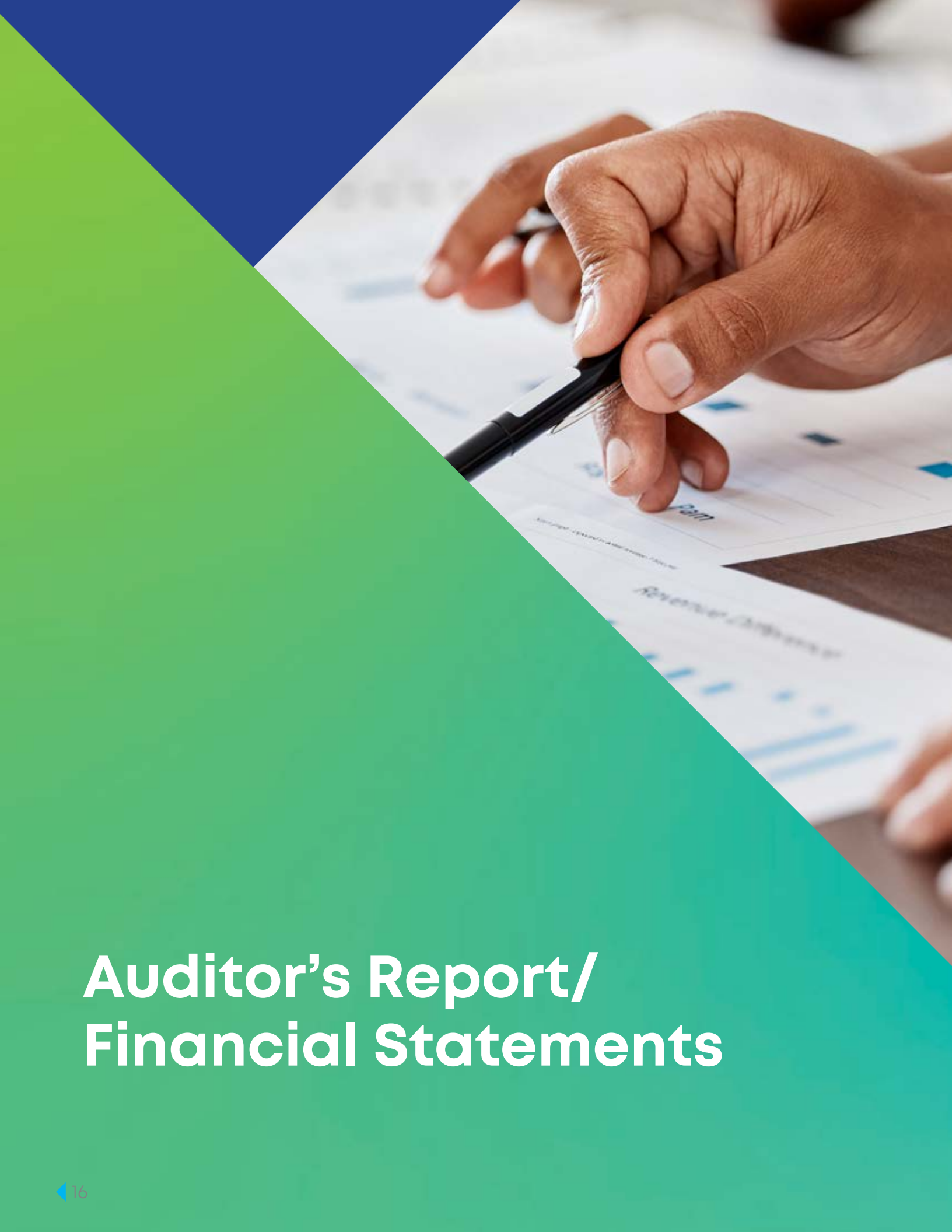


Mr. David Wright is an independent non-executive Director.

A UK qualified accountant, he is the Chief Executive Officer of the HBW Group and has over 35 years experience in the international financial services sector with expertise in insurance, investment management, financial risk management, corporate restructuring, tax planning and trading in securities and precious metals.

He is also trained in information and communications technology with emphasis on implementing process and productivity improvements. Mr. Wright has served on several Boards and Committees in the international financial services sector and in the areas of anti-money laundering and securities legislation.

Mr. Wright is also a director of Sagicor Life Inc. and other companies within the Sagicor Group. He is an avid golfer and sports enthusiast and has a keen interest in the practical applications of science and technology.



# Auditor's Report/ Financial Statements



## Independent auditor's report

To the Shareholders of Sagicor General Insurance Inc.

### Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sagicor General Insurance Inc. (the Company) as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

### *What we have audited*

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2023;
- the statement of income for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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

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

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

PricewaterhouseCoopers SRL, The Financial Services Centre, Bishop's Court Hill, P.O. Box 111, St. Michael, BB14004, Barbados, West Indies  
T: (246) 626 6700, F: (246) 436 1275, [www.pwc.com/bb](http://www.pwc.com/bb)



In preparing the financial statements, management 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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### **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 skepticism 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 management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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**Other matter**

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

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*PricewaterhouseCoopers SRL*

Bridgetown, Barbados  
June 30, 2024

Certain acronyms have been used throughout the financial statements and notes thereto to substitute phrases. The more frequent acronyms and associated phrases are set out below.

<b>Acronym</b>	<b>Phrase</b>
AA	Appointed Actuary
AC	Amortised Cost
AIC	Asset for Incurred Claims
ARC	Asset for Remaining Coverage
EAD	Exposure at Default
ECL	Expected Credit Losses
FCF	Fulfillment Cash Flows
FVOCI	Fair Value Through Other Comprehensive Income
FVTPL	Fair Value Through Profit and Loss
GMM	General Measurement Model
GoB	Government of Barbados
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IFRS IC	International Financial Reporting Standards Interpretations Committee
LGD	Loss Given Default
LIC	Liability for Incurred Claims
LRC	Liability for Remaining Coverage
NPV	Net Present Value
OCI	Other Comprehensive Income
PAA	Premium Allocation Approach
PD	Probability of Default
PAA	Premium Allocation Approach
POCI	Purchased or Originated Credit-Impaired
SICR	Significant Increase in Credit Risk
SPPI	Solely Payments of Principal and Interest

**Sagicor General Insurance Inc.**  
**Statement Of Financial Position**  
**As of December 31, 2023**

*Amounts expressed in Barbados \$ 000*

	Notes	2023	2022 (Restated)	January 1, 2022 (Restated)
<b>ASSETS</b>				
Cash and cash equivalents		51,282	59,174	57,291
Financial investments	5	69,048	133,015	124,793
Reinsurance contracts assets	16	21,845	28,830	25,282
Miscellaneous assets and receivables	6	1,926	1,184	1,407
Amounts receivable from related parties	13	40,233	1	-
Income tax assets	7	1,562	3,746	2,733
Intangible assets	8	2,793	3,470	3,948
Pension assets	22	2,295	3,128	2,782
Property, plant and equipment	9	678	961	5,084
<b>Total assets</b>		<b>191,662</b>	<b>233,509</b>	<b>223,320</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities		9,696	11,272	12,546
Amounts payable to related parties	13	77	12,102	1,519
Income tax liabilities	7	453	356	381
Reinsurance contract liabilities	16	481	931	1,397
Insurance contract liabilities	16	79,864	104,472	96,823
Lease liabilities	10	-	138	292
Loan payable	11	9,484	12,933	16,378
Note payable	12	25,000	25,000	25,000
<b>Total liabilities</b>		<b>125,055</b>	<b>167,204</b>	<b>154,336</b>
<b>EQUITY</b>				
Share capital	14	4,398	3,705	3,705
Reserves	15	31,503	30,885	30,462
Retained earnings		30,706	31,715	34,817
<b>Total equity</b>		<b>66,607</b>	<b>66,305</b>	<b>68,984</b>
<b>Total equity and liabilities</b>		<b>191,662</b>	<b>233,509</b>	<b>223,320</b>

These financial statements have been approved for issue by the Board of Directors on June 27, 2024.



Director



Director

**Sagicor General Insurance Inc.**  
**Statement Of Income**  
As of December 31, 2023

Amounts expressed in Barbados \$ 000

	Notes	2023	2022 (Restated)
Insurance revenue	17	111,470	158,324
Insurance service expenses	17	(62,927)	(93,259)
Net expense from reinsurance contracts held	17	(45,135)	(54,852)
<b>Insurance service result</b>		<b>3,408</b>	<b>10,213</b>
Gain on derecognition of amortised cost investments	18	-	65
Interest income earned from financial assets measured at amortised cost and FVOCI	18	2,864	4,813
Other investment income, net	18	141	140
Credit impairment recovery	18	5	101
<b>Net investment income</b>		<b>3,010</b>	<b>5,119</b>
Finance expense from insurance contracts issued	18	(2,062)	(2,027)
Finance expense from reinsurance contracts held	18	280	289
<b>Net Insurance finance expense</b>		<b>(1,782)</b>	<b>(1,738)</b>
<b>Net insurance and investment result</b>		<b>4,636</b>	<b>13,594</b>
Fees and other income	19	1,694	735
Other operating expenses	20	(5,295)	(4,479)
Interest expense		(396)	(545)
<b>INCOME BEFORE TAXES</b>		<b>639</b>	<b>9,305</b>
Income taxes	23	(354)	(1,833)
<b>NET INCOME FOR THE YEAR</b>		<b>285</b>	<b>7,472</b>

**Sagicor General Insurance Inc.**  
**Statement Of Comprehensive Income**  
As of December 31, 2023

*Amounts expressed in Barbados \$ 000*

	Notes	<u>2023</u>	<u>2022 (Restated)</u>
<b>NET INCOME FOR THE YEAR</b>		<u>285</u>	<u>7,472</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items net of tax that may be reclassified subsequently to income:</b>			
Retranslation of foreign currency operations	26	<u>(12)</u>	<u>110</u>
		<u>(12)</u>	<u>110</u>
<b>Items net of tax that will not be reclassified subsequently to income:</b>			
Unrealised gain arising on revaluation of owner-occupied property	26	-	92
Loss on defined benefit plans	26	<u>(664)</u>	<u>(283)</u>
		<u>(664)</u>	<u>(191)</u>
<b>Other Comprehensive Loss for the year</b>		<u>(676)</u>	<u>(81)</u>
<b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR</b>		<u>(391)</u>	<u>7,391</u>

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

**Sagicor General Insurance Inc.**  
**Statement Of Changes In Equity**  
As of December 31, 2023

Amounts expressed in Barbados \$ 000

	<b>Year ended December 31, 2023</b>			
	<b>Share Capital</b>	<b>Reserves (Restated)</b>	<b>Retained earnings (Restated)</b>	<b>Total (Restated)</b>
	<b>Note 14</b>	<b>Note 15</b>		
<b>Balance, December 31, 2022</b>	<b>3,705</b>	<b>30,885</b>	<b>31,715</b>	<b>66,305</b>
Total comprehensive loss	-	(12)	(379)	(391)
Capital contribution (note 21)	693	-	-	693
Disposal of interest in branch operation	-	(751)	751	-
Transfers and other movements	-	1,381	(1,381)	-
<b>Balance, December 31, 2023</b>	<b>4,398</b>	<b>31,503</b>	<b>30,706</b>	<b>66,607</b>

	<b>Year ended December 31, 2022</b>			
	<b>Share Capital</b>	<b>Reserves (Restated)</b>	<b>Retained earnings (Restated)</b>	<b>Total (Restated)</b>
	<b>Note 14</b>	<b>Note 15</b>		
<b>Balance, December 31, 2021, as reported</b>	<b>3,705</b>	<b>30,288</b>	<b>24,359</b>	<b>58,352</b>
Impact of initial application of IFRS 17	-	174	10,458	10,632
Restated balance as at January 1, 2022	<b>3,705</b>	<b>30,462</b>	<b>34,817</b>	<b>68,984</b>
Total comprehensive income	-	202	7,189	7,391
Dividends declared (note 25)	-	-	(10,070)	(10,070)
Transfers and other movements	-	221	(221)	-
<b>Balance, December 31, 2022</b>	<b>3,705</b>	<b>30,885</b>	<b>31,715</b>	<b>66,305</b>

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

**Sagicor General Insurance Inc.**  
**Statement Of Cash Flows**  
As of December 31, 2023

Amounts expressed in Barbados \$ 000

	Notes	<b>2023</b>	<b>2022</b> <b>(Restated)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before taxation		639	9,305
Adjustments for non-cash items, interest and dividends	27	(1,902)	(565)
Interest and dividends received		1,638	4,066
Interest received from Sagicor Group companies		19	197
Interest paid		(417)	(562)
Income taxes paid		(68)	(3,147)
Changes in operating assets	27	263	(11,056)
Changes in operating liabilities	27	(3,943)	6,538
<b>Net cash (used in) / from operating activities</b>		<b>(3,771)</b>	<b>4,776</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Property, plant and equipment, net	27	(732)	951
Intangible assets, net		-	(240)
<b>Net cash from investing activities</b>		<b>(732)</b>	<b>711</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loan payments		(3,428)	(3,428)
Lease liability principal payments		(4)	(278)
<b>Net cash used in financing activities</b>		<b>(3,432)</b>	<b>(3,706)</b>
<b>Effects of exchange rate differences</b>		<b>43</b>	<b>102</b>
<b>NET DECREASE / INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(7,892)</b>	<b>1,883</b>
Cash and cash equivalents, beginning of year		59,174	57,291
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>		<b>51,282</b>	<b>59,174</b>

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

## 1. INCORPORATION AND PRINCIPAL ACTIVITIES

Sagicor General Insurance Inc. (the “Company”) is incorporated in Barbados and carries on general insurance business in Barbados and certain other Caribbean Islands. The Company’s ultimate parent company is Sagicor Financial Corporation Limited which is incorporated in Bermuda.

On November 27, 2018, Sagicor Financial Corporation Limited entered into a definitive arrangement agreement as amended on January 28, 2019 with Alignvest Acquisition II Corporation pursuant to which on December 6, 2019, Alignvest Acquisition II Corporation acquired all the shares of Sagicor Financial Corporation Limited by way of a scheme of arrangement under the laws of Bermuda under the name change of Sagicor Financial Company Ltd.

On January 31, 2023, in accordance with the Sagicor General Insurance Trinidad & Tobago Limited Vesting Order, 2023 issued by the Minister under Section 263 of the Insurance Act, 2018 of the Republic of Trinidad & Tobago, the general insurance business of Sagicor General Insurance Inc. in Trinidad & Tobago including all property, rights, liabilities and obligations were transferred and vested in Sagicor General Insurance Trinidad & Tobago Limited. See note 29 for further details.

## 2. MATERIAL ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

These financial statements have been prepared in accordance with, and comply with IFRS Accounting Standards (IFRS).

All amounts in these financial statements are shown in thousands of Barbados dollars, unless otherwise stated.

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 where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

### **Amendments to new and existing IFRS effective January 1, 2023, applicable to the Company**

***Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8, (effective for annual periods beginning on or after January 1, 2023).*** The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. There was no significant impact to the Company on adoption of this amendment.

***Amendments to IAS 8 – Definition of Accounting Estimates (effective for annual period beginning on or after January 1, 2023).*** The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. There was no significant impact to the Company on adoption of this amendment.

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

#### Amendments to new and existing IFRS effective January 1, 2023, applicable to the Company (Continued)

**Amendments to IAS 8 – Definition of Accounting Estimates (effective for annual period beginning on or after January 1, 2023).** The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. There was no significant impact to the Company on adoption of this amendment.

**Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction, (effective for annual periods beginning on or after January 1, 2023).** These amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. There was no significant impact to the Company on adoption of this amendment.

#### New IFRS effective January 1, 2023, applicable to the Company

##### **IFRS 17 - Insurance Contracts**

IFRS 17 - Insurance Contracts became effective January 1, 2023 and these financial statements reflect the changes introduced on adoption of this standard.

The standard has brought significant changes to the accounting for insurance and reinsurance contracts. As a result, the Company has restated certain comparative amounts.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and effects of the key changes in the Company's accounting policies resulting from its adoption of IFRS 17 are summarised below.

##### *i. Recognition, measurement and presentation of insurance contracts*

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and reinsurance contracts. It introduces a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts and an explicit risk adjustment for non-financial risk.

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows.

PAA will apply to all insurance contracts of the Company given that the policy's contract boundary is one year or less. Under PAA, insurance contracts are measured based on unearned premiums and the accounting is broadly similar to the Company's historical approach under IFRS 4.

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

#### New IFRS effective January 1, 2023, applicable to the Company (continued)

##### **IFRS 17 - Insurance Contracts (continued)**

###### *i. Recognition, measurement and presentation of insurance contracts (continued)*

Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised.

Income and expenses from reinsurance contracts other than insurance finance income and expenses are now presented as a single net amount in net income / (loss). Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

For an explanation of how the Company accounts for insurance and reinsurance contracts under IFRS 17, see note 2.5.

###### *ii. Changes to presentation and disclosure*

For presentation in the statement of financial position, the Company aggregates insurance contracts issued and reinsurance contracts held, respectively and presents separately:

- Portfolios of insurance contracts issued that are assets
- Portfolios of insurance contracts issued that are liabilities
- Portfolios of reinsurance contracts held that are assets
- Portfolios of reinsurance contracts held that are liabilities

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

The line-item descriptions in the statement of income and other comprehensive income have been changed when compared with last year. Previously, the Company reported the following line items:

- Premium revenue
- Reinsurance expense
- Net premium revenue
- Claims incurred
- Claims reinsured
- Net claims incurred

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Net expense from reinsurance contracts held

## **2. MATERIAL ACCOUNTING POLICIES (continued)**

### **2.1 Basis of preparation (continued)**

#### **New IFRS effective January 1, 2023, applicable to the Company (continued)**

##### **IFRS 17 - Insurance Contracts (continued)**

###### *ii. Changes to presentation and disclosure (continued)*

The Company provides disaggregated qualitative and quantitative information about:

- Amounts recognised in its financial statements from insurance contracts;
- Significant judgements, and changes in those judgements, when applying the standard.

###### *iii. Transition*

The Company adopted IFRS 17 retrospectively and applied the full retrospective approach.

The Company identified, recognised and measured each group of insurance and reinsurance contracts as if IFRS 17 had always been applied and any resulting net difference was recognised in equity.

The Company has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item. The effects of adopting IFRS 17 on the financial statements at January 1, 2022 are presented in the statement of changes in equity.

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

#### **Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company**

Certain new standards and amendments to existing standards have been issued but are not effective for the periods covered by these financial statements. These changes in standards and interpretations will not have significant impact on future presentation, measurement or disclosure of the Company's financial statements.

<b>Amendment</b>	<b>Subject / Comments</b>
IAS 1 – Liabilities as current or non-current, effective January 1, 2024	<p>In January 2020, the IASB made amendments to IAS 1 'Presentation of financial statements' to clarify the criteria for classifying a liability as noncurrent. These are to be applied retroactively.</p> <p>The impact of this standard on the Company is currently being analysed.</p>
IFRS 16 – Leases on sale and leaseback, effective January 1, 2024	<p>In September 2022, the IASB made amendments to IFRS 16 to explain how an entity should account for the lease liability in a sale and leaseback transaction after the transaction date. Sale and leaseback transactions most likely to be impacted are those where some or all of the lease payments are variable lease payments that do not depend on an index or rate.</p> <p>The amendments require that the entity does not recognise any gain or loss that relates to the right of use it retains. However, any gain or loss on partial or full termination of the lease may be recognised in the income statement. These amendments are to be applied retroactively.</p> <p>This standard will have no material effect on the Company.</p>
IAS 7 and IFRS 7 – Supplier finance, effective January 1, 2024 (with transitional reliefs in the first year)	<p>In May 2023, these amendments were issued to improve the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk, in view of investors' and analysts' concerns that the supplier finance arrangements of some entities are not sufficiently visible.</p> <p>This standard will have no material effect on the Company.</p>
IAS 21 – Lack of exchangeability, effective January 1, 2024	<p>In August 2023, the IASB made amendments to IAS 21 to assist entities in the determination of whether a currency is exchangeable in another currency and to outline requirements entities would need to apply when a currency is not exchangeable into another currency at a measurement date for a specified purpose.</p> <p>This standard will have no material effect on the Company.</p>

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

#### **Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company (continued)**

<b>Amendment</b>	<b>Subject / Comments</b>
IFRS S1 – General requirements for the disclosure of sustainability-related financial information, effective January 1, 2024 (subject to endorsement of the standard by local jurisdictions)	In June 2023, the IASB issued IFRS S1 which includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity’s value chain.  The impact of this standard on the Company is currently being analysed.
IFRS S2 – Climate-related disclosures, effective January 1, 2024 (subject to endorsement of the standard by local jurisdictions)	In June 2023, the IASB issued IFRS S2 which sets out requirements for entities to disclose information about climate-related risks and opportunities.  The impact of this standard on the Company is currently being analysed.

### 2.2 Foreign currency translation

#### (a) Functional and presentational currency

Items included in the financial statements of each branch of the Company are measured using the currency of the primary economic environment in which the branch operates (the functional currency).

These financial statements are presented in thousands of Barbados dollars, which is the Company’s presentational currency.

The results and financial position of all branches that have a functional currency other than the presentational currency are translated into the presentational currency as follows:

- Income, other comprehensive income, movements in equity and cash flows are translated at average exchange rates for the year.
- Assets and liabilities are translated at the exchange rates ruling on December 31.
- Resulting exchange differences are recognised in other comprehensive income.

## **2. MATERIAL ACCOUNTING POLICIES (continued)**

### **2.2 Foreign currency translation (continued)**

#### **(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses, which result from the settlement of foreign currency transactions and from the re-translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Non-monetary assets and liabilities, primarily deferred policy acquisition costs and unearned premiums, are maintained at the transaction rates of exchange.

The foregoing exchange gains and losses which are recognised in the income statement are included in other income.

Exchange differences on the re-translation of the fair value of non-monetary items such as equities held at fair value through income are reported as part of the fair value gain or loss. Exchange differences on the re-translation of the fair value of non-monetary items such as equities held as fair value through other comprehensive income (FVOCI) are reported as part of the fair value gain or loss in other comprehensive income.

### **2.3 Property, plant and equipment**

Property, plant and equipment are recorded initially at cost. Subsequent expenditure is capitalised when it will result in future economic benefits to the Company.

Owner-occupied property is re-valued at least every three years to its fair value as determined by independent valuers. Fair value represents the price (or estimates thereof) that would be agreed upon in an orderly transaction between market participants at valuation date. Revaluation of a property may be conducted more frequently if circumstances indicate that a significant change in fair value has occurred.

Movements in fair value are reported in other comprehensive income. Accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset. On disposal of owner-occupied property, the amount included in the fair value reserve is transferred to retained earnings.

## **2. MATERIAL ACCOUNTING POLICIES (continued)**

### **2.3 Property, plant and equipment (continued)**

Depreciation is calculated on the straight-line method to write down the cost or fair value of assets to their residual values over their estimated useful lives. The rates used are as follows:

<b>Asset</b>	<b>Estimated useful life</b>
Buildings	50 years
Furnishings	10 years
Computers & Office equipment	3 to 5 years
Motor vehicles	5 years
Right-of-use assets	Lease term (1.5 to 12 years)

Land is not depreciated.

The carrying amount of an asset is written down immediately through the depreciation account if the carrying amount is greater than its estimated recoverable amount.

Gains or losses recognised in income on the disposal of property, plant and equipment are determined by comparing the net sale proceeds to the carrying value.

### **2.4 Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash balances, call deposits and other liquid balances with original maturities of three months or less from the acquisition date. Cash and cash equivalents do not include balances principally of an investment nature or funds held to meet statutory requirements. Cash equivalents are subject to an insignificant risk of change in value.

### **2.5 Insurance and reinsurance contract assets and liabilities**

The Company uses only Premium Allocation Approach for all insurance contracts and reinsurance contracts.

#### **(a) Definition and classification**

The Company issues insurance contracts that transfer significant insurance risk from the policyholder. The Company defines insurance risk as an insured event that could cause an insurer to pay significant additional benefits in a scenario that has a discernible effect on the economics of the transaction. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Company uses judgement to assess whether a contract transfers insurance risk and whether the accepted insurance risk is significant. Once a contract has been classified as an insurance contract, it remains an insurance contract for its duration, even if the insurance risk reduces significantly over time.

## **2. MATERIAL ACCOUNTING POLICIES (continued)**

### **2.5 Insurance and reinsurance contract assets and liabilities (continued)**

#### (a) Definition and classification (continued)

All insurance contracts originated by the Company are without direct participation features.

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

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

#### (b) Unit of account

The Company manages insurance contracts issued by product lines, where each product line includes contracts that are subject to similar risks. All insurance contracts within a product line represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are:

1. contracts that are onerous at initial recognition;
2. contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or
3. a group of remaining contracts.

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

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

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

Similar to the treatment of the direct (underlying) contracts, the Company divides reinsurance contracts held into contracts with similar insurance risk. The Company obtains reinsurance coverage for its property and casualty insurance risks. The Company manages all reinsurance treaties on the same basis as it does for line of business reporting described above for direct contracts. Applying the grouping requirements to reinsurance contracts held, the Company's policy is to aggregate reinsurance contracts held concluded within a calendar year (annual cohorts) into groups limited to reinsurance contracts arising from a single treaty.

## **2. MATERIAL ACCOUNTING POLICIES (continued)**

### **2.5 Insurance and reinsurance contract assets and liabilities (continued)**

#### (b) Unit of account (continued)

IFRS 17 requires that reinsurance contracts be placed in groups of:

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

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

1. cash flows relating to embedded derivatives that are required to be separated;
2. cash flows relating to distinct investment components; and
3. promises to transfer distinct goods or distinct services other than insurance contract services.

The Company applies IFRS 17 to all remaining components of the contract. The Company does not have any contracts that require further separation of insurance contracts.

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

1. the beginning of the coverage period;
2. the date when the first payment from the policyholder is due or actually received, if there is no due date; and
3. when the Company determines that a group of contracts becomes onerous.

Insurance contracts acquired in a business combination within the scope of IFRS 3 or a portfolio transfer are accounted for as if they were entered into at the date of acquisition or transfer. This treatment is applicable on a going forward basis and not retrospectively.

Groups of reinsurance contracts are recognised at the earlier of:

1. The beginning of the coverage period; and
2. The date at which an onerous group of underlying contracts was recognised if it entered into the reinsurance before that date.

For proportionate contracts, recognition is delayed until the date when the underlying insurance contract is initially recognised, if that date is after the beginning of the coverage period of the group of reinsurance contracts held.

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

## **2. MATERIAL ACCOUNTING POLICIES (continued)**

### **2.5 Insurance and reinsurance contract assets and liabilities (continued)**

#### **(b) Unit of account (continued)**

Insurance and reinsurance contracts are derecognised when it is:

1. extinguished (that is, when the obligation specified in the insurance contract expires or is discharged or cancelled); or
2. the contract is modified, and additional criteria discussed below are met.

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

- a) if the modified terms had been included at contract inception and the Company would have concluded that the modified contract:
  - i. is not within the scope of IFRS 17;
  - ii. results in different separable components;
  - iii. results in a different contract boundary; or
  - iv. belongs to a different group of contracts.
- b) the original contract was accounted for under the PAA, but the modification means that the contract no longer meets the eligibility criteria for that approach.

When a new contract is required to be recognised as a result of modification and it is within the scope of IFRS 17, the new contract is recognised from the date of modification and is assessed for, amongst other things, contract classification, component separation requirements and contract aggregation requirements.

When an insurance contract accounted for under the PAA is derecognised, adjustments to remove related rights and obligations to account for the effect of the derecognition result in the following amounts being charged immediately to net income / (loss):

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

## **2. MATERIAL ACCOUNTING POLICIES (continued)**

### **2.5 Insurance and reinsurance contract assets and liabilities (continued)**

#### (c) Measurement

##### *Fulfilment cash flows within contract boundary*

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

The estimates of future cash flows:

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

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

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

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

The Company estimates certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts.

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

##### *Contract boundary*

The Company uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts.

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

## **2. MATERIAL ACCOUNTING POLICIES (continued)**

### **2.5 Insurance and reinsurance contract assets and liabilities (continued)**

(c) Measurement (continued)

*Contract boundary (continued)*

A substantive obligation ends when:

- a) the Company has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or
- b) both of the following criteria are satisfied:
  - the Company has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
  - the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

The Company does not have any contracts where it has the right to reassess the risk nor to terminate unilaterally at an individual contract level.

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

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

The contract boundary for the Company's treaties aligns with the notice period where the treaty provides for termination resulting in a series of reinsurance contracts related to that treaty all with the contract boundary equal to the notice period. Any direct contract written and ceded during the period covered by the contract boundary becomes an underlying contract for the reinsurance contract. Cash flows falling within the contract boundary will be determined in relation to the cash flows arising from the direct (underlying) contracts. Since most treaties cover the direct contracts, as long as the direct contracts are in force, the associated cash flows will be projected for the life of the direct contracts.

The excess of loss reinsurance contracts held provide coverage for claims incurred during an accident year. Thus, all cash flows arising from claims incurred and expected to be incurred in the accident year are included in the measurement of the reinsurance contracts held.

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

#### *Insurance acquisition costs*

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

## **2. MATERIAL ACCOUNTING POLICIES (continued)**

### **2.5 Insurance and reinsurance contract assets and liabilities (continued)**

(c) Measurement (continued)

#### *Insurance acquisition costs (continued)*

Insurance acquisition cash flows are allocated to groups of insurance contracts on a systematic and rational basis. Insurance acquisition cash flows that are directly attributable to a group of insurance contracts are allocated:

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

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

Insurance acquisition cash flows arising before the recognition of the related group of contracts are recognised as an asset. Insurance acquisition cash flows arise when they are paid or when a liability is required to be recognised under a standard other than IFRS 17. Such an asset is recognised for each group of contracts to which the insurance acquisition cash flows are allocated. The asset is derecognised, fully or partially, when the insurance acquisition cash flows are included in the measurement of the group of contracts.

Insurance acquisition cash flows assets not yet allocated to a group are assessed for recoverability if facts and circumstances indicate that the assets might be impaired. Impairment losses reduce the carrying amount of these assets and are recognised in insurance service expenses. Previously recognised impairment losses are reversed to the extent that the impairment conditions no longer exist or have improved.

The recoverability assessment is performed in two steps, as follows:

1. an impairment loss is recognised to the extent that the carrying amount of each asset for insurance acquisition cash flows exceeds the expected net cash inflow as determined by the FCF as at initial recognition for the related group of insurance contracts;
2. in addition, when insurance acquisition cash flows directly attributable to a group of contracts are allocated to groups that include expected contract renewals, such insurance acquisition cash flows should not exceed the expected net cash inflow from the expected renewals as determined by the FCF as at initial recognition for the expected renewals; an impairment loss is recognised for the excess to the extent not recognised in step (1) above.

#### *Risk adjustment for non-financial risk*

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

## **2. MATERIAL ACCOUNTING POLICIES (continued)**

### **2.5 Insurance and reinsurance contract assets and liabilities (continued)**

(c) Measurement (continued)

#### *Risk adjustment for non-financial risk (continued)*

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

Methods and assumptions used to determine the risk adjustment for non-financial risk are discussed in note 3.1.3.

(d) Initial and subsequent measurement – Groups of contracts measured under the PAA

The Company has determined that all insurance contracts almost always have a coverage period of one year or less and therefore are automatically eligible for PAA. Where contracts measured under the PAA have a coverage period of more than one year, the Company expects that the LRC under PAA will not be materially different from what would be expected using the GMM.

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

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

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

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

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

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

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

- a) increased for premiums received in the period;
- b) decreased for insurance acquisition cash flows paid in the period;
- c) decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period; and
- d) increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses.

## **2. MATERIAL ACCOUNTING POLICIES (continued)**

### **2.5 Insurance and reinsurance contract assets and liabilities (continued)**

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

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

- a) increased for ceding premiums paid in the period;
- b) decreased for the expected amounts of ceding premiums recognised as reinsurance expenses for the services received in the period.

The Company does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money, because insurance premiums are due within the coverage period of contracts, which is one year or less. The Company has determined that for all groups of contracts issued for which there is no significant financing component, the LRC will not be discounted. At the inception of the contract, the Company considers the facts and circumstances, with the use of judgement, to determine if there is a significant financing component.

The Company adjusts the remaining coverage for reinsurance contracts held for the effect of the risk of reinsurer's non-performance. The Company will reflect non-performance of reinsurers where it holds a net asset for the reinsurance treaty or where the reinsurance treaty does not provide the right of offset.

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

For the LIC, future cash flows are adjusted for the time value of money. The Company reflects the time value of money using discount rates determined at initial recognition that are applied to nominal cash flows that do not vary based on the returns of underlying items.

If facts and circumstances indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or becomes onerous subsequently, the Company increases the carrying amount of the LRC to the amounts of the FCF determined using a methodology similar to the GMM with the amount of such an increase recognised in insurance service expenses, and a loss component is established for the amount of the loss recognised. Subsequently, the loss component is remeasured at each reporting date as the difference between the amounts of the FCF determined using a methodology similar to the GMM relating to the future service and the carrying amount of the LRC without the loss component.

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

## **2. MATERIAL ACCOUNTING POLICIES (continued)**

### **2.5 Insurance and reinsurance contract assets and liabilities (continued)**

(e) Amounts recognised in the statement of income within the insurance service result

#### *Insurance revenue*

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

The Company recognises insurance revenue based on the passage of time over the coverage period of a group of contracts.

#### *Insurance service expenses*

Insurance service expenses include the following:

- a) incurred claims and benefits reduced by loss component allocations;
- b) insurance acquisition cash flows amortisation;
- c) changes that relate to past service – changes in the FCF relating to the LIC; and
- d) changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses; and
- e) insurance acquisition cash flows assets impairment net of reversals.

The amortisation of insurance acquisition cash flows is based on the passage of time.

Other expenses not meeting the above categories are included in other operating expenses in the statement of income.

#### *Net expenses from reinsurance contracts held*

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

- a) ceding premiums paid;
- b) incurred claims recovery reduced by loss-recovery component allocations;
- c) changes that relate to past service – changes in the FCF relating to incurred claims recovery;
- d) effect of changes in the risk of reinsurers' non-performance; and
- e) amounts relating to accounting for onerous groups of underlying insurance contracts issued - income on initial recognition of onerous underlying contracts

Ceding premiums (reinsurance expenses) are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the Company expects to pay in exchange for those services. For groups of reinsurance contracts held, the Company recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

## **2. MATERIAL ACCOUNTING POLICIES (continued)**

### **2.5 Insurance and reinsurance contract assets and liabilities (continued)**

(e) Amounts recognised in the statement of income within the insurance service result (continued)

#### *Net expenses from reinsurance contracts held (continued)*

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part ceding premiums (reinsurance expenses). Ceding commissions that are contingent on claims of the underlying contracts issued reduce incurred claims recovery.

(f) Amounts recognised in the statement of income within net insurance finance income / expenses

#### *Insurance finance income or expenses*

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

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

The Company recognises the entire changes in the risk adjustment for non-financial risk as part of insurance service result.

The Company includes all insurance finance income or expenses for the period in net income / (loss) (that is, the profit or loss option (the PL option) is applied).

The groups of insurance contracts that generate cash flows in a foreign currency are treated as monetary items. Applying IAS 21 at the end of the reporting period, the carrying amount of the group of insurance contracts, is translated into the functional currency at the closing rate. The Company has chosen to present the resulting foreign exchange differences within the line item 'other income'.

#### *Premium Taxes*

Premium taxes (i.e. transaction-based taxes) are cash flows within the boundary of an insurance contract and relate directly to the fulfilment of the insurance contract.

## **2. MATERIAL ACCOUNTING POLICIES (continued)**

### **2.6 Financial assets**

#### (a) Classification of financial assets

The Company utilises a principles-based approach to the classification of financial assets. Debt instruments, including hybrid contracts, are measured at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or amortized cost based on the nature of the cash flows of these assets and the Company's business model. Equity instruments are measured at FVTPL, unless they are not held for trading purposes, in which case an irrevocable election can be made on initial recognition to measure them at FVOCI with no subsequent reclassification to profit or loss.

Financial assets are measured on initial recognition at fair value and are classified as and subsequently measured either at amortised cost, at FVOCI or at FVTPL. Financial assets and liabilities are recognised when the Company becomes a party to the contractual provision of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset.

#### (b) Classification of debt instruments

Classification and subsequent measurement of debt instruments depend on:

- the Company's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories.

##### *Measured at amortised cost*

Debt instruments that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest, such as most loans and advances to banks and customers and some debt securities, are measured at amortised cost. In addition, most financial liabilities are measured at amortised cost. The carrying value of these financial assets at initial recognition includes any directly attributable transactions costs.

##### *Measured at fair value through other comprehensive income (FVOCI)*

Debt instruments held for a business model that is achieved by both collecting contractual cash flows and selling and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI.

## **2. MATERIAL ACCOUNTING POLICIES (continued)**

### **2.6 Financial assets (continued)**

#### *Measured at fair value through profit and loss (FVTPL)*

Debt instruments are classified in this category if they meet one or more of the criteria set out below and are so designated irrevocably at inception:

- where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, or the debt instruments meet the "SPPI" criteria but fail to meet the criteria for amortised cost or FVTOCI based on the business model assessment, the debt instruments are classified and measured at FVTPL; and
- when the debt instruments are held for trading and are acquired principally for the purpose of selling in the short-term or if they form part of a portfolio of financial assets in which there is evidence of short-term profit taking.

#### *Business model assessment*

Business models are determined at the level which best reflects how the Company manages portfolios of assets to achieve business objectives. Judgement is used in determining business models, which is supported by relevant, objective evidence including:

- The nature of liabilities, if any, funding a portfolio of assets;
- The nature of the market of the assets in the country of origination of a portfolio of assets;
- How the Company intends to generate profits from holding a portfolio of assets;
- The historical and future expectations of asset sales within a portfolio.

#### *Solely payments of principal and interest ("SPPI")*

Where the business model is hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement.

#### (c) Impairment of financial assets measured at amortized cost and FVOCI

At initial recognition, allowance (or provision in the case of some loan commitments and financial guarantees) is required for ECL resulting from default events that are possible within the next 12 months (or less, where the remaining life is less than 12 months) ('12-month ECL').

In the event of a significant increase in credit risk (SICR), an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL are recognised are defined as 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment are defined as being in default or otherwise credit-impaired are in 'stage 3'. Purchased or originated credit-impaired financial assets ("POCI") are treated differently as set out below.

## **2. MATERIAL ACCOUNTING POLICIES (continued)**

### **2.6 Financial assets (continued)**

#### (c) Impairment of financial assets measured at amortized cost and FVOCI (continued)

To determine whether the life-time credit risk has increased significantly since initial recognition, the Company considers reasonable and supportable information that is available including information from the past and forward-looking information. Factors such as whether payments of principal and interest are in default, an adverse change in credit rating of the borrower and adverse changes in the borrower's industry and economic environment are considered in determining whether there has been a significant increase in the credit risk of the borrower.

#### (d) Purchased or originated credit-impaired assets (POCI)

Financial assets that are purchased or originated at a deep discount that reflects the incurred credit losses are defined considered to be POCI. These financial assets are credit impaired on initial recognition. The Company calculates the credit-adjusted effective interest rate, which is calculated based on the fair value origination of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows. The ECL of these assets is always measured on a lifetime basis.

At each reporting date, the Company recognises in profit or loss the amount of the change in lifetime expected credit losses as an impairment gain or loss. The Company recognises favourable changes in lifetime expected credit losses as an impairment gain, the gain occurs when the lifetime expected credit losses are less than the amount of expected credit losses that were included in the estimated cash flows on initial recognition.

#### (e) Definition of default

The Company determines that a financial instrument is credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for 90 days or more;
- there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
- the financial asset is otherwise considered to be in default.

If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due.

#### (f) Write-off

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

## **2. MATERIAL ACCOUNTING POLICIES (continued)**

### **2.6 Financial assets (continued)**

(g) The general approach to recognising and measuring ECL

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

#### *Measurement*

Expected credit losses are calculated by multiplying three main components, being the probability of default (“PD”), loss given default (“LGD”) and the exposure at default (“EAD”), discounted at the original effective interest rate. Management has calculated these inputs based on the historical experience of the portfolios adjusted for the current point in time. A simplified approach to calculating the ECL is applied to contract and other receivables which do not contain a significant financing component. Generally, these receivables are due within 12 months unless there are extenuating circumstances. Under this approach, an estimate is made of the life-time ECL on initial recognition (i.e. Stage 3). For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

The PD, LGD and EAD models which support these determinations are reviewed regularly in light of differences between loss estimates and actual loss experience; but given that IFRS 9 requirements have only been applied since January 1, 2019, the Company has been unable to make these comparisons. Therefore, the underlying models and their calibration, including how they react to forward-looking economic conditions remain subject to review and refinement. This is particularly relevant for lifetime PDs, which have not been previously used in regulatory modelling and for the incorporation of ‘downside scenarios’ which have not generally been subject to experience gained through stress testing. The exercise of judgement in making estimations requires the use of assumptions which are highly subjective and sensitive to the risk factors, and particularly to changes in economic and credit conditions across wide geographical areas. Many of the factors have a high degree of interdependency and there is no single factor to which loan impairment allowances are sensitive. Therefore, sensitivities are considered in relation to key portfolios which are particularly sensitive to a few factors and the results should not be further extrapolated.

The main difference between Stage 1 and Stage 2 expected credit losses is the respective PD horizon. Stage 1 estimates will use a maximum of a 12-month PD while Stage 2 estimates will use a lifetime PD. Stage 3 estimates will continue to leverage existing processes for estimating losses on impaired loans, however, these processes will be updated to reflect the requirements of IFRS 9, including the requirement to consider multiple forward-looking scenarios. An expected credit loss estimate will be produced for each individual exposure, including amounts which are subject to a more simplified model for estimating expected credit losses.

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

## **2. MATERIAL ACCOUNTING POLICIES (continued)**

### **2.6 Financial assets (continued)**

#### (g) The general approach to recognising and measuring ECL (continued)

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions.

For a revolving commitment, the Company includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

For defaulted financial assets, based on management's assessment of the borrower, a specific provision of expected life-time losses which incorporates collateral recoveries, is calculated and recorded as the ECL. The resulting ECL is the difference between the carrying amount and the present value of expected cash flows discounted at the original effective interest rate.

#### *Forward looking information*

The estimation and application of forward-looking information will require significant judgment. PD, LGD and EAD 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.

Each macroeconomic scenario used in the expected credit loss calculation will have forecasts of the relevant macroeconomic variables – including, but not limited to, unemployment rates and gross domestic product, for a three-year period, subsequently reverting to long-run averages. Our estimation of expected credit losses in Stage 1 and Stage 2 will be a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. Our base case scenario will be based on macroeconomic forecasts where available. Upside and downside scenarios will be set relative to our base case scenario based on reasonably possible alternative macroeconomic conditions.

Scenario design, including the identification of additional downside scenarios will occur on at least an annual basis and more frequently if conditions warrant. Scenarios will be probability-weighted according to our best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights will be updated on a quarterly basis.

#### (h) Re-classified balances

The Company reclassifies debt instruments when and only where 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 very infrequent and none occurred during the period.

## **2. MATERIAL ACCOUNTING POLICIES (continued)**

### **2.6 Financial assets (continued)**

#### (i) Classification of equity instruments

The Company classifies and subsequently measures all equity investments at FVTPL, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns.

#### (j) Presentation in the statements of income and other comprehensive income (OCI)

Debt and equity instruments measured at FVTPL

Realised changes in fair value, unrealised changes in fair value, interest income and dividend income are included in net investment income.

Debt instruments measured at amortized cost

- Interest income is included in net investment income.
- Credit impairment losses are presented in the income statement.
- Gain or loss on de-recognition is expected to be relatively infrequent and is included in net investment income.

Debt instruments measured at FVOCI

- Interest income is included in net investment income.
- Credit impairment losses are presented in the income statement.
- Unrealised gains and losses arising from changes in fair value are presented in OCI.
- On de-recognition, the cumulative gain or loss in OCI is transferred from OCI to net investment income.

Equity instruments measured at FVOCI

- Dividend income is included in net investment income.
- Unrealised changes in fair value presented in OCI. Any impairment losses are included with fair value changes.
- On de-recognition, the cumulative gain or loss in OCI remains in the fair value reserve for FVOCI assets.

## **2. MATERIAL ACCOUNTING POLICIES (continued)**

### **2.7 Financial liabilities**

During the ordinary course of business, the Company assumes financial liabilities that expose it to financial risk. The recognition and measurement of the Company's financial liabilities are disclosed in the following paragraphs.

#### Loan and Note Payable

Loan and note payable are recognised initially at fair value, being its issue proceeds, net of transaction costs incurred. Subsequently, obligations are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective yield method.

Obligations undertaken for the purposes of financing operations and capital support are classified as notes or loans payable. For notes and loans payable measured at amortised cost, the associated interest is included in interest expense.

#### Fair Value

Fair value amounts represent the price (or estimates thereof) that would be agreed upon in an orderly transaction between market participants at the valuation date.

The estimated fair values of financial liabilities are based on market values of quoted securities as at December 31 where available. In assessing the fair value of non-traded financial liabilities, the Company uses a variety of methods including obtaining dealer quotes for specific or similar instruments and the use of internally developed pricing models, such as the use of discounted cash flows.

### **2.8 Provisions**

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

## **2. MATERIAL ACCOUNTING POLICIES (continued)**

### **2.9 Fees and other income**

Fees and non-insurance commission income are recognised on an accrual basis when the service has been provided. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportionate basis. Asset management fees related to investment funds are recognised rateably over the period in which the service is provided. Performance linked fees or fee components are recognised when the performance criteria are fulfilled. Foreign exchange gains and losses are included in other income. Other income is recognised on an accrual basis when the related service has been provided.

### **2.10 Interest income and interest expense**

Interest income (expense) is computed by applying the effective interest rate based to the gross carrying amount of a financial asset (liability), except for financial assets that are purchased, originated or subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (i.e. after deduction of the loss allowance). Interest includes coupon interest and accrued discount and premium on financial instruments. Dividend income is recorded when declared.

### **2.11 Employee benefits**

#### **(a) Pension benefits**

The Company maintains a defined benefit plan for its employees, the assets of which are held in a fund administered by the parent company, Sagicor Life Inc.

The liability in respect of defined benefit plans is the present value of the defined benefit obligation at December 31 less the fair value of plan assets. The defined benefit obligation is computed using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using appropriate interest rates for the maturity dates and location of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income and retained earnings in the period in which they arise. Past service costs are charged to income in the period in which they arise.

#### **(b) Equity-settled share-based transactions with staff**

The services received in an equity-settled transaction with staff are measured at the fair value of the equity instruments granted. The fair value of those equity instruments is measured at grant date and is determined by the listed price prevailing on that date.

If the equity instruments granted vest immediately and the individual is not required to complete a further period of service before becoming entitled to those instruments, the services received are recognised in full on grant date in the income statement for the period, with a corresponding increase in equity.

## **2. MATERIAL ACCOUNTING POLICIES (continued)**

### **2.11 Employee benefits (continued)**

#### **(b) Equity-settled share-based transactions with staff (continued)**

Where the equity instruments do not vest until the individual has completed a further period of service, the services received are expensed in the income statement during the vesting period.

Non-market vesting conditions are included in assumptions about the number of instruments that are expected to vest. At each reporting financial statement date, the Group revises its estimates of the number of instruments that are expected to vest based on the non-marketing vesting conditions and adjusts the expense accordingly.

The grant by the ultimate Parent Company of its equity instruments to employees of the Company's is treated as a capital contribution in the financial statements of the subsidiary. The full expense relating to the grant is recorded in the subsidiary's income statement.

#### **(c) Termination benefits**

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after the date of the financial statements are discounted to present value.

### **2.12 Taxes**

#### **(a) Premium taxes**

Insurers are subject to tax on premium revenues generated in certain jurisdictions. The principal rates of premium tax are as follows:

Barbados	4% - 4.75%
Eastern Caribbean	3% - 5%

#### **(b) Income taxes**

The Company is subject to taxes on income in the jurisdictions in which business operations are conducted. Rates of taxation in the principal jurisdictions for income year 2023 are as follows:

Barbados	2% of profit before tax
Trinidad and Tobago	30% of net income
Eastern Caribbean	25% - 30% of profit before tax
The Bahamas	0%

## **2. MATERIAL ACCOUNTING POLICIES (continued)**

### **2.12 Taxes (continued)**

#### **(b) Income taxes (continued)**

##### **(i) Current income taxes**

Current tax is the expected tax payable on the taxable income for the year, using the tax rates in effect for the year. Adjustments to tax payable from prior years are also included in current tax.

##### **(ii) Deferred income taxes**

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income taxes are computed at tax rates that are expected to apply to the period when the asset is realised or the liability settled. Deferred tax assets are only recognised when it is probable that taxable profits will be available against which the asset may be utilised.

#### **(c) Tax on Assets**

The Company is subject to a tax on assets in Barbados. The tax on assets is 0.35% of adjusted assets held at the end of the period.

## **2. MATERIAL ACCOUNTING POLICIES (continued)**

### **2.13 Dividend distributions**

Dividend distributions on the Company's common shares are recorded in the period during which the dividend declaration has been approved by the directors.

### **2.14 Statutory reserves**

Statutory reserves consist of the surplus account and the catastrophe reserve fund.

In accordance with Section 152 of the Insurance Act 1996-32 of Barbados, the Company is required to appropriate towards surplus at least 25% of net income until such time as the surplus of the Company equals or exceeds the liability in respect of unearned premiums.

In accordance with Section 155 (1)(b) of the Insurance Act 1996-32, the Company established a catastrophe reserve fund for the purpose of settling claims in the event of a catastrophe. The Company may transfer 25% of the net written premiums from the Company's property insurance business annually which is accounted for as an appropriation of retained earnings. The appropriation made in respect of the current year is \$1,381 (2022 - \$1,583).

### **2.15 Presentation of current and non-current assets and liabilities**

In note 30.2, the maturity profiles of financial and insurance assets and liabilities are identified. For other assets and liabilities, balances presented in notes 5, 7, 8, 9 and 10 are non-current unless otherwise stated in those notes.

### **2.16 Intangible Assets**

#### **(a) Goodwill**

Goodwill arising from an acquisition is allocated to appropriate cash generating unit.

Goodwill is tested annually for impairment and whenever there is an indication of impairment. Goodwill is carried at cost less accumulated impairment. An impairment loss is recognised for the amount by which the carrying amount of goodwill exceeds its recoverable amount. The recoverable amount is the higher of an operating segment's (or operation's) fair value less costs to sell and its value in use.

On the disposal of an insurance business, the associated goodwill is de-recognised and is included in the gain or loss on disposal.

## **2. MATERIAL ACCOUNTING POLICIES (continued)**

### **2.16 Intangible Assets (continued)**

#### **(b) Other intangible assets**

Other intangible assets identified on acquisition are recognised only if future economic benefits attributable to the asset will flow to the Company and if the fair value of the asset can be measured reliably. In addition, for the purposes of recognition, the intangible asset must be separable from the business being acquired or must arise from contractual or legal rights. Intangible assets acquired in a business combination are initially recognised at their fair value.

Other intangible assets, which have been acquired directly, are recorded initially at cost.

On acquisition, the useful life of the asset is estimated. If the estimated useful life is definite, then the cost of the asset is amortised over its life, and the asset is tested for impairment when there is evidence of same. If the estimated useful life is indefinite, the asset is tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

#### **(b) Other intangible assets (continued)**

The estimated useful lives of recognised intangible assets are as follows:

<b>Class of intangible asset</b>	<b>Asset</b>	<b>Estimated useful life</b>
Customer related	Customer relationships	5 years

### **2.17 Leases**

At the inception of a rental contract for office space or a contract for the use of an asset, the Company assess whether the contract contains a lease. A contract is, or contains, a lease if it conveys to the Company the right to control the use of the office space or asset for a time period in exchange for consideration. The Company has elected to use the exemption for lease periods with a term of 12 months or less, or those whose underlying asset has a low value, in which case the lease payments are recognised in administrative expenses. Low value assets comprise IT equipment and small items of office furniture.

For a contract that contains a lease, the Company may account for the lease component separately from the non-lease component. As a practical expedient, the Company elected, by class of underlying asset, not to separate the non-lease and lease components, and instead account for the contract as a lease.

As of the date the asset is available for use by the Company (the commencement date), a right-of-use asset and a corresponding lease liability are recognised.

## **2. MATERIAL ACCOUNTING POLICIES (continued)**

### **2.17 Leases (continued)**

The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the Company; and
- (d) restoration costs.

The Company recognises the costs described in paragraph(d) as part of the cost of the right-of-use asset when it incurs an obligation for those costs.

Right-of-use assets are presented within property, plant and equipment and are subsequently measured at cost less depreciation. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

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

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments, less any lease incentives receivable;
- (b) amounts expected to be payable by the lessee under residual value guarantees;
- (c) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Extension and termination options are included in a number of property and equipment leases across the Company. These terms are used to maximize operational flexibility in terms of managing contracts. The extension and termination options need to be approved by Lessor. There are no variable lease payments and there were no residual value guarantees on leases.

Lease payments are allocated between principal and finance cost. The Company recognises interest on the lease liability in each accounting period during the lease term which is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

## **2. MATERIAL ACCOUNTING POLICIES (continued)**

### **2.17 Leases (continued)**

After the commencement date, the lease liability is measured by:

- (a) increasing the carrying amount to reflect interest on the lease liability;
- (b) reducing the carrying amount to reflect the principal portion of lease payments made; and
- (c) remeasuring the carrying amount to reflect reassessment or lease modifications, or to reflect revised fixed lease payments.

Lease liabilities are included in the statement of financial position. The associated interest is included in finance costs in the statement of income. Leases give rise to lease liability principal elements and interest elements in the statement of cash flows.

## **3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The development of estimates and the exercise of judgment in applying accounting policies may have a material impact on the Company's reported assets, liabilities, revenues, benefits and expenses. The items which may have the most effect on the Company's financial statements are set out below.

### **3.1 Insurance and reinsurance contracts**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur. The Company disaggregates information to disclose insurance contracts issued and reinsurance contracts issued separately. This disaggregation has been determined based on how the group is managed.

The Company applies the PAA, to simplify the measurement of insurance contracts. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Company's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Company has elected to discount the cash flows within the LIC for groups of contracts where the cash flows are expected to be paid within a year of the date on which the claim is incurred. For all groups of contracts, the Company includes an explicit risk adjustment for non-financial risk.

### **3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

#### **3.1 Insurance and reinsurance contracts (continued)**

##### **3.1.1 Areas of Judgement**

Areas of judgement which broadly impact the Company's reporting include definition and classification of insurance contracts, the unit of account identified in which insurance contracts are assessed, and the level of aggregation applied for measurement and reporting purposes. Specific areas of judgement and estimates impacting contracts are described in subsequent notes.

For insurance contracts with a coverage period of more than one year and for which the entity applies the PAA, the eligibility assessment might involve significant judgement. All contracts measured by the Company under the PAA have a coverage period of one year or less. Thus, no assessment for the PAA is separately required and no judgement was involved. For contracts measured under the PAA, the assessment of the likelihood of adverse changes in applicable facts and circumstances is an area of judgement.

For insurance contracts issued, management judgement might be required to assess whether facts and circumstances indicate that a group of contracts has become onerous. Further, judgement is required to assess whether facts and circumstances indicate that any changes in the onerous group's profitability and whether any loss component remeasurement is required.

All contracts measured by the Company were determined to be non-onerous on initial recognition.

##### **3.1.2 Liability for incurred claims**

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim counts based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development.

In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Estimates of salvage recoveries and subrogation reimbursements are considered as an allowance in the measurement of ultimate claims costs.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency exchange rates.

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

#### 3.1 Insurance and reinsurance contracts (continued)

##### 3.1.3 Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally require to remove the uncertainty that future cash flows will exceed the expected value amount.

The Company has estimated the risk adjustment by using the margin approach. Risk adjustment percentages were determined according to a confidence level range of 70% to 75%.

##### 3.1.4 Discount Rate

Insurance contract liabilities are calculated by discounting expected future cash flows. Discount rates are composed of an observable component, an assumed ultimate discount rate and interpolation between the two.

During the observable period, a top-down approach was used, where the discount rate is determined as the yield implicit in the fair value of a reference portfolio adjusted for differences between the reference portfolio of assets and respective liability cash flows. Reference portfolios were selected to reflect the currency of the liabilities, the Company's investment strategies and the characteristics of the liabilities and are comprised of a mix of sovereign and corporate bonds available on the markets. The yield from the reference portfolio is adjusted to remove both expected and unexpected credit risk and, where applicable, other asset characteristics that are not related to the insurance contract liabilities. These adjustments are estimated using information from observed historical levels of default for bonds included in the reference portfolio.

Discount rates applied for discounting of future cash flows of insurance contracts are listed below:

	2023				2022			
	1 Year	3 Years	5 Years	10 Years	1 Year	3 Years	5 Years	10 Years
Discount Rate	2.56%	2.91%	3.87%	6.13%	3.21%	3.58%	4.44%	6.42%

##### 3.1.5 Assets for insurance acquisition cash flows

The Company applies judgement in determining the inputs used in the methodology to systematically and rationally allocate insurance acquisition cash flows to groups of insurance contracts. This includes judgements about the amounts allocated to insurance contracts expected to arise from renewals of existing insurance contracts in a group and the volume of expected renewals from new contracts issued in the period.

At the end of each reporting period, the Company revisits the assumptions made to allocate insurance acquisition cash flows to groups and where necessary revises the amounts of assets for insurance acquisition cash flows accordingly.

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

#### 3.2 Impairment of financial assets

In determining ECL (defined in note 2.6(c)), management is required to exercise judgement in defining what is considered a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. Further information about the judgements involved is included in note 2.6 under sections 'Measurement' and 'Forward-looking information'.

##### (a) Establishing staging for debt securities and deposits

The Company's internal credit rating model is a 10-point scale which allows for distinctions in risk characteristics and is referenced to the rating scale of international credit rating agencies.

The scale is set out in the following table:

Category		Sagicor Risk Rating	Classification	S&P	Moody's	Fitch	AM Best
Non-default	Investment Grade	1	Minimal risk	AAA, AA	Aaa, Aa	AAA, AA	aaa, aa
		2	Low risk	A	A	A	a
		3	Moderate risk	BBB	Baa	BBB	bbb
	Non-investment grade	4	Acceptable risk	BB	Ba	BB	bb
		5	Average risk	B	B	B	b
	Watch	6	Higher risk	CCC, CC	Caa, Ca	CCC, CC	ccc, cc
		7	Special mention	C	C	C	c
Default		8	Substandard			DDD	
		9	Doubtful	D	C	DD	d
		10	Loss			D	

The Company uses its internal credit rating model to determine which of the three stages an asset is to be categorized for the purposes of ECL.

Once the asset has experienced a significant increase in credit risk the investment will move from Stage 1 to Stage 2. Sagicor has assumed that the credit risk of a financial instruments has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial asset that is investment grade or Sagicor risk rating of 1-3 is considered low credit risk.

Stage 1 investments are rated (i) investment grade, or (ii) below investment grade at origination and have not been downgraded more than 2 notches since origination. Stage 2 investments are assets which (i) have been downgraded from investment grade to below investment grade, or (ii) are rated below investment grade at origination and have been downgraded more than 2 notches since origination. Stage 3 investments are assets in default.

### **3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

#### **3.2 Impairment of financial assets (continued)**

##### **(b) Establishing staging for other assets measured at amortised cost and lease receivables.**

Exposures are considered to have resulted in a significant increase in credit risk and are moved to stage 2 when:

##### Qualitative test

- accounts that meet the portfolio's 'high risk' criteria and are subject to closer credit monitoring.

##### Backstop Criteria

- accounts that are 30 calendar days or more past due. The 30 days past due criteria is a backstop rather than a primary driver of moving exposures into stage 2.

##### **(c) Forward looking information**

When management determines the macro-economic factors that impact the portfolios of financial assets, they first determine all readily available information within the relevant market. Portfolios of financial assets are segregated based on product type, historical performance and homogenous country exposures. There is often limited timely macro-economic data for Barbados, Eastern Caribbean, Trinidad and The Bahamas. Management assesses data sources from local government, International Monetary Fund and other reliable data sources. A regression analysis is performed to determine which factors are most closely correlated with the credit losses for each portfolio. Where projections are available, these are used to look into the future up to three years and subsequently the expected performance is then used for the remaining life of the product. These projections are re-assessed on a quarterly basis.

#### **3.3 Fair value of securities not quoted in an active market**

The fair value of securities not quoted in an active market may be determined using reputable pricing sources (such as pricing agencies), indicative prices from bond/debt market makers or other valuation techniques. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. The Company exercises judgement on the quality of pricing sources used. Where no market data is available, the Company may value positions using its own models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. The inputs into these models are primarily discounted cash flows.

The models used to determine fair values are periodically reviewed by experienced personnel. The models used for debt securities are based on net present value of estimated future cash flows, adjusted as appropriate for liquidity, and credit and market risk factors.

#### **3.4 Recognition and measurement of intangible assets**

The recognition and measurement of intangible assets, other than goodwill, in a business combination involve the utilisation of valuation techniques which may be very sensitive to the underlying assumptions utilised. These intangibles include customer listings.

For significant amounts of intangibles arising from a business combination, the Company utilises independent professional advisors to assist management in determining the recognition and measurement of these assets.

### **3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

#### **3.5 Impairment of intangible assets**

(a) Goodwill

The assessment of goodwill impairment involves the determination of the value of the cash generating business units to which the goodwill has been allocated. Determination of the value involves the estimation of future cash flows or of income after tax of these business units and the expected returns to providers of capital to the business units.

The Company updates its business unit financial projections annually and applies discounted cash flow or earnings multiple models to these projections to determine if there is any impairment of goodwill. The assessment of whether goodwill is impaired can be highly sensitive to the inputs of cash flows, income after tax, discount rate, growth rate or capital multiple, which are used in the computation. Further details of the inputs used are set out in note 8.

(b) Other intangible assets

The assessment of impairment of other intangible assets involves the determination of the intangible's fair value or value in use. In the absence of an active market for an intangible, its fair value may need to be estimated. In determining an intangible's value in use, estimates are required of future cash flows generated as a result of holding the asset.

### **4. STATUTORY RESTRICTIONS ON ASSETS**

The Company is registered to conduct insurance business under legislation in place in each relevant jurisdiction. This legislation may prescribe a number of requirements with respect to deposits, investment of funds and solvency for the protection of policyholders.

To satisfy the above requirements, cash and invested assets totalling \$82,703 (2022 - \$100,489) have been deposited with or are held in trust to the order of the insurance regulators.

In some countries where the Company operates, there are exchange control or other restrictions on the remittance of funds out of those countries.

**5. FINANCIAL INVESTMENTS**

	<b>2023</b>		<b>2022</b>	
	<b>Carrying value</b>	<b>Fair value</b>	<b>Carrying value</b>	<b>Fair value</b>
<b>Investments at Amortised Cost</b>				
Debt securities	48,115	48,791	103,355	105,456
Mortgage loans	542	561	628	649
Deposits	19,497	19,497	22,530	22,530
	<b>68,154</b>	<b>68,849</b>	<b>126,513</b>	<b>128,635</b>
<b>Investments at FVOCI</b>				
Money market securities	-	-	5,684	5,684
<b>Investments at FVTPL</b>				
Equity securities	894	894	818	818
<b>Total financial investments</b>	<b>69,048</b>	<b>69,743</b>	<b>133,015</b>	<b>135,137</b>

**Debt securities comprise:**

	<b>2023</b>	<b>2022</b>
Government and government-guaranteed debt securities	39,634	65,448
Other securities	8,481	37,907
	<b>48,115</b>	<b>103,355</b>

**6. MISCELLANEOUS ASSETS AND RECEIVABLES**

	<b>2023</b>	<b>2022</b>
Prepaid expenses	270	335
Other accounts receivable	1,656	849
	<b>1,926</b>	<b>1,184</b>

**7. INCOME TAX ASSETS/LIABILITIES**

	<b>2023</b>	<b>2022</b>
Income tax assets	1,314	3,466
Deferred tax assets (note 24)	248	280
	<b>1,562</b>	<b>3,746</b>
Income tax liabilities	453	305
Deferred tax liabilities	-	51
	<b>453</b>	<b>356</b>

**8. INTANGIBLE ASSETS**

	<b>2023</b>		
	<b>Goodwill</b>	<b>Customer relationships</b>	<b>Total</b>
Net book value, beginning of year	2,793	677	3,470
Amortisation	-	(489)	(489)
Divestitures and disposals	-	(188)	(188)
Net book value, end of year	2,793	-	2,793
Represented by:			
Cost or valuation	2,793	3,463	6,256
Accumulated amortisation	-	(3,463)	(3,463)
	2,793	-	2,793
	<b>2022</b>		
	<b>Goodwill</b>	<b>Customer relationships</b>	<b>Total</b>
Net book value, beginning of year	2,793	1,155	3,948
Assumed on acquisition	-	322	322
Amortisation	-	(800)	(800)
Net book value, end of year	2,793	677	3,470
Represented by:			
Cost or valuation	2,793	3,785	6,578
Accumulated amortisation	-	(3,108)	(3,108)
	2,793	677	3,470

Goodwill arises from past acquisitions and is allocated to a cash generating unit (CGU). Goodwill is tested annually for impairment. The recoverable amount of a CGU is determined as the higher of its value in use or its fair value less costs to sell.

The Company obtains independent professional advice in order to select the relevant discount factors, residual growth rates and earnings multiples.

The value in use methodology used is based on cash flows extracted from the financial projections to which appropriate discount factors and residual growth rates are applied.

## 8. INTANGIBLE ASSETS (continued)

The Company recognised goodwill from the acquisition of Harmony General Insurance Company Ltd. in 2018.

The value in use methodology has been used to test goodwill impairment as of December 31, 2023 and 2022. The pre-tax discount factor was 17.4% (2022 – 17.6%) which was derived from an after-tax factor of 17.0% (2022 - 17.2%) using an iterative method. The residual growth rate was 2.0% (2022 - 2.0%).

### Sensitivity

The possible impairment of goodwill is sensitive to changes in the after-tax discount factor and residual growth rate. This is illustrated in the following table.

	2023 test		
	Scenario 1	Scenario 2	Scenario 3
After tax discount factor	17.0%	18.3%	20.2%
Residual growth rate	2.0%	2.0%	1.0%
Reduction in residual growth rate	n/a	n/a	50%
Increase in after tax discount factor	n/a	n/a	10%
Excess of recoverable amount	7,896	5,296	3,296
Impairment	Nil	Nil	Nil

	2022 test		
	Scenario 1	Scenario 2	Scenario 3
After tax discount factor	17.2%	18.2%	19.2%
Residual growth rate	2.0%	2.0%	1.0%
Reduction in residual growth rate	n/a	n/a	50%
Increase in after tax discount factor	n/a	n/a	6%
Excess of recoverable amount	5,282	2,982	(618)
Impairment	Nil	Nil	Nil

**9. PROPERTY, PLANT AND EQUIPMENT**

	<b>2023</b>					
	<b>Freehold land and building</b>	<b>Office furnishings</b>	<b>Right-of-use assets</b>	<b>Software and Computer Equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
Net book value, beginning of year	-	6	132	345	478	961
Additions at cost/reclassifications	-	22	-	218	581	821
Disposals/reclassifications	-	(261)	(219)	(301)	(1,083)	(1,864)
Depreciation charge	-	221	(3)	(241)	(180)	(203)
Depreciation on disposals	-	11	90	105	757	963
Effect of foreign exchange revaluation		2		(1)	(1)	
Net book value, end of year	-	1	-	125	552	678
Represented by:						
Cost or valuation	-	4,511	-	17,665	1,051	23,227
Accumulated depreciation	-	(4,510)	-	(17,540)	(499)	(22,549)
	-	1	-	125	552	678

**9. PROPERTY, PLANT AND EQUIPMENT (continued)**

	<b>2022</b>					
	<b>Freehold land and building</b>	<b>Office furnishings</b>	<b>Right-of-use assets</b>	<b>Software and Computer Equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
Net book value, beginning of year	<b>1,669</b>	<b>181</b>	<b>263</b>	<b>2,475</b>	<b>496</b>	<b>5,084</b>
Additions at cost/reclassifications	-	51	124	572	218	965
Disposals/reclassifications	(1,759)	(1)	-	(118)	(289)	(2,167)
Revaluation	93	-	2	-	-	95
Depreciation charge	(3)	(225)	(257)	(2,696)	(236)	(3,417)
Depreciation on disposals	-	-	-	116	289	405
Effect of foreign exchange revaluation	-	-	-	(4)	-	(4)
Net book value, end of year	<b>-</b>	<b>6</b>	<b>132</b>	<b>345</b>	<b>478</b>	<b>961</b>
Represented by:						
Cost or valuation	-	5,839	2,009	20,696	1,738	30,282
Accumulated depreciation	-	(5,833)	(1,877)	(20,351)	(1,260)	(29,321)
	<b>-</b>	<b>6</b>	<b>132</b>	<b>345</b>	<b>478</b>	<b>961</b>

## 10. LEASE LIABILITIES

The lease liabilities recognised are as follows:

	<b>2023</b>	<b>2022</b>
Current lease liabilities	-	83
Non-current lease liabilities	-	55
	-	138

The lease liabilities relate to the following right-of-use assets:

	<b>2023</b>	<b>2022</b>
Land & buildings	-	129
Motor vehicles	-	3
<b>Total right-of-use assets<sup>(1)</sup></b> (note 9)	-	132

<sup>(1)</sup>Included in property, plant and equipment

## 11. LOAN PAYABLE

	<b>2023</b>	<b>2022</b>
Loan payable	9,484	12,933

On May 24, 2019, the Company entered into a \$24,000 loan agreement with CIBC Caribbean International Bank (Barbados) Limited. The loan matures on July 31, 2024 and bears interest at the rate of 3.50% per annum. It is repayable in quarterly instalments of \$857 plus accrued interest. CIBC Caribbean International Bank (Barbados) Limited can request repayment on demand.

The loan is secured by a guarantee from the parent company, Sagicor Life Inc.

**12. NOTE PAYABLE**

	<u>2023</u>	<u>2022</u>
Note payable	25,000	25,000

On December 18, 2019, the Company entered into a \$25,000 Surplus Debenture agreement with its parent company Sagicor Life Inc., which was approved by the Financial Services Commission. The Financial Services Commission approved the amount of \$25,000 to be included as contributed regulatory capital for the Company. See note 32.1.

The Surplus Debenture bears interest at the rate of 0.00% per annum and is repayable in part or in full on demand subject to approval by the Financial Services Commission.

**13. AMOUNTS RECEIVABLE FROM / PAYABLE TO RELATED PARTIES**

	<u>2023</u>	<u>2022</u>
Amounts receivable from related parties	40,233	1
Amounts payable to related parties	77	12,102

These amounts are interest free with no stated terms of repayment.

**14. SHARE CAPITAL**

The Company is authorised to issue an unlimited number of common shares with no par value.

	<u>2023</u>	<u>2022</u>
Issued 2,018,087 shares, with no par value	3,705	3,705
Capital Contributed by parent	693	-
	<u>4,398</u>	<u>3,705</u>

## 15. RESERVES

	<b>2023</b>	<b>2022</b> <b>(Restated)</b>
<b>Fair value reserve - property, plant &amp; equipment</b>		
Balance, beginning of year	-	1,270
Unrealised gains arising on revaluation	-	92
Transfer to retained earnings	-	(1,362)
Balance, end of year	-	-
<b>Currency translation reserve:</b>		
Balance, as previously reported	(3,237)	(3,521)
Impact of initial application of IFRS 17	-	174
Restated balance, beginning of year	(3,237)	(3,347)
Retranslation of foreign currency operation	(12)	110
Disposal of interest in branch	3,024	-
Balance, end of year	(225)	(3,237)
<b>Statutory reserves:</b>		
Balance, beginning of year	34,122	32,539
Disposal of interest in branch	(3,775)	-
Transfer to catastrophe reserve	1,381	1,583
Balance, end of year	31,728	34,122
Reserves, end of year	<b>31,503</b>	<b>30,885</b>

## 16. INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES

The table below presents a summary of insurance and reinsurance contract assets and liabilities.

	<b>2023</b>	<b>2022</b>
Reinsurance contract assets	21,845	28,830
Reinsurance contract liabilities	481	931
Insurance contract liabilities	79,864	104,472

**16. INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)**

The following tables explain the components of insurance contract and reinsurance contract assets and liabilities, in addition to changes in these balances for the period.

**i. a) Reconciliation of the liability for remaining coverage and the liability for incurred claims components**

	<b>2023</b>				<b>Total</b>
	<b>LRC</b>		<b>LIC</b>		
	<b>Excluding loss component</b>	<b>Loss component</b>	<b>Present value of future cash flows</b>	<b>Risk adjustment for non-financial risk</b>	
<b>Insurance contracts issued</b> (measured under PAA)					
<b>Insurance contract liabilities, beginning of year</b>	30,938	-	69,669	3,865	104,472
<b>Insurance revenue</b>	(111,470)	-	-	-	(111,470)
<b>Insurance service expenses</b>					
Incurred claims and other directly attributable expenses	-	-	37,538	123	37,661
Insurance acquisition cash flows amortisation	25,266	-	-	-	25,266
<b>Total insurance service expenses</b>	25,266	-	37,538	123	62,927
<b>Total amounts recognised in the insurance services result</b>	(86,204)	-	37,538	123	(48,543)
Finance expenses from insurance contracts issued	-	-	2,062	-	2,062
<b>Total amounts recognised in total comprehensive income</b>	(86,204)	-	39,600	123	(46,481)
Other changes	(7)	-	(6)	(1)	(14)
<b>Cash flows</b>					
Premiums received	115,876	-	-	-	115,876
Claims and other directly attributable expenses paid	-	-	(34,844)	-	(34,844)
Insurance acquisition cash flows	(24,424)	-	-	-	(24,424)
<b>Total cash flows</b>	91,452	-	(34,844)	-	56,608
Other movements – disposal of branch (note 29)	(12,494)	-	(21,022)	(1,205)	(34,721)
<b>Net balance – liability, end of year</b>	23,685	-	53,397	2,782	79,864
<b>Insurance contract liabilities, end of year</b>	23,685	-	53,397	2,782	79,864

**16. INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)**

**i. a) Reconciliation of the liability for remaining coverage and the liability for incurred claims components (continued)**

	2022				Total
	LRC		LIC		
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk	
<b>Insurance contracts issued</b> (measured under PAA)					
<b>Insurance contract liabilities, beginning of year</b>	26,721	-	66,566	3,536	96,823
<b>Insurance revenue</b>	(158,324)	-	-	-	(158,324)
<b>Insurance service expenses</b>					
Incurred claims and other directly attributable expenses	-	-	55,842	326	56,168
Insurance acquisition cash flows amortisation	37,091	-	-	-	37,091
<b>Total insurance service expenses</b>	37,091	-	55,842	326	93,259
<b>Total amounts recognised in the insurance services result</b>	(121,233)	-	55,842	326	(65,065)
Finance expenses from insurance contracts issued	-	-	2,027	-	2,027
Effect of exchange rate changes	(50)	-	101	3	54
<b>Total amounts recognised in total comprehensive income</b>	(121,283)	-	57,970	329	(62,984)
<b>Cash flows</b>					
Premiums received	162,790	-	-	-	162,790
Claims and other directly attributable expenses paid	-	-	(54,867)	-	(54,867)
Insurance acquisition cash flows	(37,290)	-	-	-	(37,290)
<b>Total cash flows</b>	125,500	-	(54,867)	-	70,633
<b>Net balance – liability, end of year</b>	30,938	-	69,669	3,865	104,472
<b>Insurance contract liabilities, end of year</b>	30,938	-	69,669	3,865	104,472

**16. INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)**

**ii. a) Reconciliation of the assets for remaining coverage and the assets for incurred claims components**

	2023				Total
	LRC		LIC		
	Excluding loss recovery component	Loss recovery component	Present value of future cash flows	Risk adjustment for non-financial risk	
<b>Reinsurance contracts held</b> (measured under PAA)					
Reinsurance contract liabilities, beginning of year	(932)	-	1	-	(931)
Reinsurance contract assets, beginning of year	12,501	-	15,351	978	28,830
<b>Net balance – asset, beginning of year</b>	11,569	-	15,352	978	27,899
<b>Net income / (expenses) from reinsurance contracts held</b>					
Reinsurance expenses	(45,662)	-	-	-	(45,662)
Claims recovered	-	-	646	(119)	527
<b>Net income / (expenses) from reinsurance contracts held</b>	(45,662)	-	646	(119)	(45,135)
Finance expenses from insurance contracts issued	-	-	280	-	280
Effect of exchange rate changes	-	-	(6)	-	(6)
<b>Total amounts recognised in total comprehensive income</b>	(45,662)	-	920	(119)	(44,861)
Other changes – disposal of branch (note 29)	(803)	-	(5,387)	(357)	(6,547)
<b>Cash flows</b>					
Premiums paid net of ceding commissions and other directly attributable expenses paid	48,427	-	-	-	48,427
Recoveries from reinsurance	-	-	(3,554)	-	(3,554)
<b>Total cash flows</b>	48,427	-	(3,554)	-	44,873
<b>Net balance – asset end of year</b>	13,531	-	7,331	502	21,364
Reinsurance contract liabilities, end of year	(943)	-	427	35	(481)
Reinsurance contract assets, end of year	14,474	-	6,904	467	21,845
<b>Net balance – asset end of year</b>	13,531	-	7,331	502	21,364

**16. INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES (continued)**

**ii. a) Reconciliation of the assets for remaining coverage and the assets for incurred claims components (continued)**

	2022				Total
	LRC		LIC		
	Excluding loss recovery component	Loss recovery component	Present value of future cash flows	Risk adjustment for non-financial risk	
<b>Reinsurance contracts held</b> (measured under PAA)					
Reinsurance contract liabilities, beginning of year	(1,851)	-	417	37	(1,397)
Reinsurance contract assets, beginning of year	8,510	-	15,800	972	25,282
<b>Net balance – asset, beginning of year</b>	<b>6,659</b>	<b>-</b>	<b>16,217</b>	<b>1,009</b>	<b>23,885</b>
<b>Net income / (expenses) from reinsurance contracts held</b>					
Reinsurance expenses	(62,115)	-	-	-	(62,115)
Claims recovered	-	-	7,295	(32)	7,263
<b>Net income / (expenses) from reinsurance contracts held</b>	<b>(62,115)</b>	<b>-</b>	<b>7,295</b>	<b>(32)</b>	<b>(54,852)</b>
Finance expenses from insurance contracts issued	-	-	289	-	289
Effect of exchange rate changes	(27)	-	20	1	(6)
<b>Total amounts recognised in total comprehensive income</b>	<b>(62,142)</b>	<b>-</b>	<b>7,604</b>	<b>(31)</b>	<b>(54,569)</b>
Other changes	-	-	-	-	-
<b>Cash flows</b>					
Premiums paid net of ceding commissions and other directly attributable expenses paid	67,052	-	-	-	67,052
Recoveries from reinsurance	-	-	(8,469)	-	(8,469)
<b>Total cash flows</b>	<b>67,052</b>	<b>-</b>	<b>(8,469)</b>	<b>-</b>	<b>58,583</b>
<b>Net balance – asset end of year</b>	<b>11,569</b>	<b>-</b>	<b>15,352</b>	<b>978</b>	<b>27,899</b>
Reinsurance contract liabilities, end of year	(932)	-	1	-	(931)
Reinsurance contract assets, end of year	12,501	-	15,351	978	28,830
<b>Net balance – asset end of year</b>	<b>11,569</b>	<b>-</b>	<b>15,352</b>	<b>978</b>	<b>27,899</b>

## 17. INSURANCE REVENUE AND SERVICE EXPENSES

An analysis of insurance revenue, insurance service expenses and net expenses from reinsurance contracts held is included in the following tables.

	<b>2023</b>	<b>2022</b>
<b>Insurance revenue</b>		
Insurance revenue from contracts measured under the PAA	111,470	158,324
<b>Total insurance revenue</b>	<b>111,470</b>	<b>158,324</b>
<b>Insurance service expenses</b>		
Incurred claims and other directly attributable expenses	(37,661)	(56,168)
Insurance acquisition cash flows amortisation	(25,266)	(37,091)
<b>Total insurance service expenses</b>	<b>(62,927)</b>	<b>(93,259)</b>
<b>Net income / (expense) from reinsurance contracts held</b>		
Reinsurance expenses – contracts measured under the PAA	(45,662)	(62,115)
Claims recovered	527	7,263
<b>Total net expense from reinsurance contracts held</b>	<b>(45,135)</b>	<b>(54,852)</b>
<b>Total insurance service result</b>	<b>3,408</b>	<b>10,213</b>

## 18. INVESTMENT INCOME AND INSURANCE FINANCE RESULT

An analysis of net investment income and net insurance finance expenses is presented in the following tables:

	<b>2023</b>	<b>2022</b>
<b>Net investment income</b>		
Gain on derecognition of amortised cost investments	-	65
Interest income earned from financial assets measured at amortised cost and FVOCI:-		
- Debt Securities	2,728	4,660
- Mortgage loans	23	31
- Deposits	104	267
- Money Market Securities	9	(145)
Net gains on FVTPL investments – Equity Securities	121	21
Net credit impairment recovery	5	101
	<u>2,990</u>	<u>5,000</u>
Other investment income	20	119
<b>Total net investment income</b>	<u>3,010</u>	<u>5,119</u>
<b>Net insurance finance expense</b>		
Finance expense from insurance contracts issued	(2,062)	(2,027)
Finance expense from reinsurance contracts held	280	289
<b>Total net insurance finance expense</b>	<u>(1,782)</u>	<u>(1,738)</u>
<b>Summary</b>		
Net investment income	3,010	5,119
Net insurance finance expense	(1,782)	(1,738)
	<u>1,228</u>	<u>3,381</u>
<b>19. FEES AND OTHER INCOME</b>		
	<b>2023</b>	<b>2022</b>
Foreign exchange loss	(2)	(110)
Miscellaneous income	1,696	845
	<u>1,694</u>	<u>735</u>

## 20. OPERATING EXPENSES

An analysis of the expense incurred by the Company in the reporting period is included in the below table:

	2023			
	Expenses attributed to insurance acquisition cash flows	Other directly attributable expenses	Other operating expenses	Total
Employee expenses	6,444	8,914	-	15,358
Asset taxes	-	-	308	308
Depreciation and amortisation	98	105	489	692
Audit, legal and other professional fees	166	111	2,419	2,696
Other administrative expenses	2,796	2,111	2,079	6,986
	9,504	11,241	5,295	26,040

	2022			
	Expenses attributed to insurance acquisition cash flows	Other directly attributable expenses	Other operating expenses	Total
Employee expenses	9,662	10,621	-	20,283
Asset taxes	-	-	205	205
Depreciation and amortisation	1,613	1,804	800	4,217
Audit, legal and other professional fees	114	90	2,304	2,508
Other administrative expenses	3,558	2,875	1,170	7,603
	14,947	15,390	4,479	34,816

Included in Audit, legal and other professional fees above are audit fees of \$384 (2022 - \$266) and other fees paid to the auditor for non-assurance services of \$219 (2022 - \$278).

## 20. OPERATING EXPENSES (continued)

### 20.1 Employee Costs

Included in employee expenses are the following:

	<b>2023</b>	<b>2022</b>
Administrative staff salaries, directors' fees and other short-term benefits	11,737	17,127
Employer's contributions to social security schemes	853	1,137
Employer's contribution to group health and life	461	660
Equity-settled compensation benefits	693	-
Costs - defined benefit pension scheme (note 22)	13	48
Other employee costs	1,601	1,311
	<b>15,358</b>	<b>20,283</b>

## 21 EQUITY COMPENSATION

The ultimate parent company, Sagicor Financial Company Ltd (SFC) has a Long-Term Incentive (LTI) plan and an Employee Share Ownership Plan (ESOP). Employees of Sagicor General Inc have been added to this plan effective January 1, 2022.

### (a) LTI plan – restricted share grants

Restricted share grants have been granted to designated key management. Share grants may vest over a four-year period beginning at the grant date. The vesting of share grants is conditional upon the relative profitability of the Sagicor group as compared to selected peer companies. Relative profitability is measured with reference to the financial year preceding the vesting date.

The movement in restricted share grants during the year is as follows:

	<b>2023</b>	
	<b>Number of grants '000</b>	<b>Weighted Average Price BDS\$</b>
Grants issued	33	9.89
Grants vested	(20)	9.89
Balance, end of year	13	9.89

### (b) ESOP

During 2023, SFCL approved awards under the ESOP in respect of permanent administrative employees. The amount awarded is used to acquire Sagicor Financial Company Ltd. shares. Shares vest over a four-year period in equal tranches and are issued as they vest.

## 22. EMPLOYEE RETIREMENT BENEFITS

The company has contributory defined benefit pension schemes in place for eligible administrative staff. The plans provide defined benefits based on final salary and number of years active service.

The assets of the pension plans are held under deposit administration contracts with Sagicor Life Inc. The plans were valued on December 31, 2023.

(a) The amounts recognised in the financial statements are as follows:

	<u>2023</u>	<u>2022</u>
Present value of funded pension obligations	18,192	21,485
Fair value of pension plan assets	<u>(20,487)</u>	<u>(24,613)</u>
Net asset	<u>(2,295)</u>	<u>(3,128)</u>
Represented by:		
Asset balances	<u>2,295</u>	<u>3,128</u>

**22. EMPLOYEE RETIREMENT BENEFITS (continued)**

(b) Movements in balances:

	2023			2022		
	Retirement obligations	Retirement plan assets	Total	Retirement obligations	Retirement plan assets	Total
<b>Net liability/(asset), beginning of year</b>	21,485	(24,613)	(3,128)	21,581	(24,363)	(2,782)
Current service cost	199	7	206	342	12	354
Interest expense/(income)	1,315	(1,508)	(193)	1,469	(1,799)	(330)
Past service costs	-	-	-	24	-	24
<b>Net expense/(income) recognised in statement of income</b>	1,514	(1,501)	13	1,835	(1,787)	48
Losses/(gains) from changes in Assumptions	338	-	338	(215)	-	(215)
Losses from changes in experience	41	-	41	139	-	139
Losses/(return) on plan assets	-	285	285	-	(179)	(179)
Change in asset ceiling	-	-	-	(1,261)	1,799	538
<b>Net losses/(gains) recognised in other comprehensive income</b>	379	285	664	(1,337)	1,620	283
Contributions made by the Company	-	(389)	(389)	-	(674)	(674)
Contributions made by employees	234	(234)	-	372	(372)	-
Benefits paid	(999)	999	-	(888)	888	-
Other items	(4,421)	4,966	545	(78)	75	(3)
<b>Other movements</b>	(5,186)	5,342	156	(594)	(83)	(677)
<b>Net liability/(asset), end of year</b>	18,192	(20,487)	(2,295)	21,485	(24,613)	(3,128)

**22. EMPLOYEE RETIREMENT BENEFITS (continued)**

(b) Movements in balances: (continued)

The significant actuarial assumptions used were as follows:

	<b>Barbados &amp; Eastern Caribbean</b>
Discount rate	7.75%
Expected return on plan assets	7.75%
Future salary increases	2.50%
Future pension increases	2.00%
Portion of employees opting for early retirement	100.00%

For the next financial year, the total contributions to be made by the Company are estimated at \$405.

The sensitivity of the pension retirement benefit obligations to individual changes in actuarial assumptions is as follows:

	<b>Barbados &amp; Eastern Caribbean</b>
Base pension obligation	18,192
	<b>Effect on pension obligations</b>
Decrease discount rate by 1.0%	2,215
Increase discount rate by 1.0%	(1,800)
Decrease salary growth rate by 0.5%	(331)
Increase salary growth rate by 0.5%	391
Decrease average life expectancy by 1 year	(292)
Increase average life expectancy by 1 year	286

### 23. INCOME TAXES

The income tax expense is comprised of:

	<u>2023</u>	<u>2022</u>
Current tax	322	1,848
Deferred tax	32	(15)
	<u>354</u>	<u>1,833</u>

The income tax on the total income subject to taxation differs from the theoretical amount that would arise using the applicable tax rates as set out below:

	<u>2023</u>	<u>2022</u>
Income subject to tax	639	9,305
Tax calculated at a tax rate of 2% (2022 - 2%)	13	222
Different tax rates in other countries	(171)	724
Movement in deferred tax asset not recognised	404	579
Transfer to catastrophe reserve deductible for tax	(15)	(104)
Expenses not deductible for tax	5	335
Prior year over provision - current/deferred tax	13	155
Income not subject to tax	(10)	(108)
Other taxes	115	30
	<u>354</u>	<u>1,833</u>

## 24. DEFERRED INCOME TAXES

### Analysis of net deferred income tax asset

	<u>2023</u>	<u>2022</u>
Defined benefits liability	(44)	(214)
Unused tax losses	43	136
Accelerated tax depreciation	<u>249</u>	<u>358</u>
	<u>248</u>	<u>280</u>

### Expiry period for unused tax losses

Income year	Brought forward	Utilised	Incurred	Expired	Carry forward	Expires
2018	1,000	(742)	-	(258)	-	2023
2019	1,268	-	-	-	1,268	2024
	<u>2,268</u>	<u>(742)</u>	<u>-</u>	<u>(258)</u>	<u>1,268</u>	

The Company has not recognised a deferred tax asset in the amount of \$73 (2022 - \$5,777). These losses expire between 2024 and 2029 (2023 and 2028).

	<u>Accelerated tax depreciation</u>	<u>Defined benefits liability</u>	<u>Unused tax losses</u>	<u>Total</u>
<b>2023</b>				
Balance, beginning of year	358	(214)	136	280
Release to income statement	55	6	(93)	(32)
Other movements	(164)	164	-	-
Balance, end of year	<u>249</u>	<u>(44)</u>	<u>43</u>	<u>248</u>

	<u>Accelerated tax depreciation</u>	<u>Defined benefits liability</u>	<u>Unused tax losses</u>	<u>Total</u>
<b>2022</b>				
Balance, beginning of year	234	(176)	156	214
Release to income statement	73	(38)	(20)	15
Other movements	51	-	-	51
Balance, end of year	<u>358</u>	<u>(214)</u>	<u>136</u>	<u>280</u>

## 25. DIVIDENDS

No dividends were declared in 2023. A dividend of \$10,070 (\$4.99 per share) was declared in 2022.

## 26. OTHER COMPREHENSIVE INCOME

	2023			2022		
	Before tax	Tax	After tax	Before tax	Tax	After tax
<b>Items that may be reclassified subsequently to income:</b>						
Retranslation of foreign currency operations	(12)	-	(12)	110	-	110
	(12)	-	(12)	110	-	110
<b>Items that will not be reclassified subsequently to income:</b>						
Unrealised gain arising on revaluation owner-occupied property	-	-	-	92	-	92
Loss on defined benefit plans	(664)	-	(664)	(283)	-	(283)
	(664)	-	(664)	(191)	-	(191)
<b>Other comprehensive loss for the year</b>	(676)	-	(676)	((81)	-	(81)

## 27. CASH FLOWS

### 27.1 Operating activities

	<b>2023</b>	<b>2022</b> <b>(Restated)</b>
<b>Adjustments for non-cash items, interest and dividends</b>		
Interest and other investment income	(2,884)	(4,932)
Impairment recoveries	(5)	(101)
Gain on de-recognition of GoB securities	-	(65)
Dividend income	(45)	(38)
(Gain)/Loss on disposal of securities	(76)	17
Increase/(decrease) in bad debt provision	16	(4)
Interest expense	396	545
Movement in recognised employee retirement benefits	(664)	(283)
Depreciation	203	3,417
Amortisation of intangibles	489	800
Gain on disposal of property, plant and equipment	(27)	(31)
Exchange loss	2	110
Equity based compensation	693	-
	<u>(1,902)</u>	<u>(565)</u>
<b>Changes in operating assets</b>		
Reinsurance contract assets	437	(3,547)
Debt securities	(3,634)	(8,232)
Mortgage loans	86	78
Deposits	(1,542)	925
Receivables and other assets	14	(279)
Loans, deposits and amounts receivable from Sagicor Group	4,902	(1)
	<u>263</u>	<u>(11,056)</u>
<b>Debt securities</b>		
Purchases	(8,185)	(15,675)
Proceeds on maturities and disposals	4,551	7,443
	<u>(3,634)</u>	<u>(8,232)</u>
<b>Changes in operating liabilities</b>		
Insurance contract liabilities	10,111	7,649
Reinsurance contract liabilities	(450)	(466)
Amounts payable to related parties	(12,025)	578
Other liabilities and payables	(1,579)	(1,223)
	<u>(3,943)</u>	<u>6,538</u>

**27. CASH FLOWS (continued)**

**27.2 Investing activities**

	<b>2023</b>	<b>2022</b>
<b>Property, plant and equipment</b>		
Purchases	(821)	(842)
Disposal proceeds	89	1,793
	<u>(732)</u>	<u>951</u>

**27.3 Financing activities**

	<b>2023</b>	<b>2022</b>
<b>Loan payable</b>		
Repayments	(3,428)	(3,428)

## 28. RELATED PARTY TRANSACTIONS

### 28.1 Key management

Key management comprises directors and senior management of the Company. Key management includes those persons at or above the level of Vice-President or its equivalent. Compensation of and loans to these individuals were as follows:

	<u>2023</u>	<u>2022</u>
<b>Compensation</b>		
Salaries, directors' fees and other short-term benefits	907	3,553
Equity-settled and cash settled compensation benefits	455	272
Pension and other retirement benefits	42	127
	<u>1,404</u>	<u>3,952</u>

### 28.2 Other related party transactions

Balances at year end and transactions for the year with related parties are as follows:

	<u>2023</u>	<u>2022</u>
Investment income	42	216
Rental expense	(415)	(122)

Financial investments placed with related parties amounted to \$4,496 (2022 - \$4,613) are interest bearing fixed deposits.

Amounts payable to related parties amounted to \$77 (2022 - \$12,102) and amounts receivable from related parties amounted \$40,233 (2022 - \$1) are interest free with no stated terms of repayment.

During the year, the general insurance business of Trinidad & Tobago branch, including all property, rights, liabilities and obligations were transferred and vested in Sagicor General Insurance Trinidad & Tobago Limited. See note 29 for details.

## 29. DIVESTITURE OF TRINIDAD & TOBAGO BRANCH OPERATIONS

On January 31, 2023, in accordance with the Sagicor General Insurance Trinidad & Tobago Limited Vesting Order, 2023 issued by the Minister under Section 263 of the Insurance Act, 2018 of the Republic of Trinidad & Tobago, the general insurance business of Sagicor General Insurance Inc. in Trinidad & Tobago including all property, rights, liabilities and obligations were transferred and vested in Sagicor General Insurance Trinidad & Tobago Limited.

The summary of net assets divested were as follows:

	<b>CARRYING VALUE</b>
<b>Net assets divested:</b>	
Property, plant and equipment	839
Intangible assets (note 8)	188
Financial investments	70,347
Reinsurance assets	6,547
Cash resources	12,702
Pension assets	545
Income tax assets	1,194
Income tax liabilities	(50)
Miscellaneous liabilities	(1,300)
Other insurance liabilities	(34,721)
Accounts payable and accrued liabilities	(5,715)
Total net assets	<b>50,576</b>
Share of net assets divested	50,576
Disposal consideration included in amounts receivable from related parties	50,576
Gain or loss on divestiture	-

### **30. FINANCIAL RISK**

The Company's activities of issuing insurance contracts and investing insurance premium receipts in a variety of financial and other assets exposes the Company to various financial risks, which include credit, market, liquidity and capital risks. The principal financial and insurance risks are identified in notes 30 and 31.

Effectively managing the risks that Sagicor takes, by optimising the relationship between risk and reward, is integral to the Company's overall profitability and long-term financial viability. The overriding objective of the Company's risk management framework is to enhance its capital base through competitive earnings growth and to protect capital against inherent business risks. This means that the Company accepts certain levels of risk in order to generate returns, and the Company manages the levels of risk assumed through enterprise-wide risk management policies and procedures. Identified risks are assessed as to their potential financial impact and as to their likelihood of occurrence.

#### **30.1 Credit risk**

Credit risk is the exposure resulting from an obligor's potential inability or unwillingness to fulfil its contractual obligations on a timely basis, thereby causing financial loss to the Company. It may arise from the risk of default of a primary obligor and indirectly from a secondary obligor. Credit risks are associated primarily with financial investments, lending and reinsurance portfolios.

Credit risk is managed through risk management practices and controls, which include:

- Credit risk governance practices are in place, including independent monitoring and review and reporting to senior management and the Risk Committee;
- Risk limits have been established for credit risk;
- Specific investment diversification requirements are in place, such as defined investment limits for asset class, geography, and industry;
- Risk-based credit portfolio, counterparty, and sector exposure limits have been established and credit analyses conducted;
- Compliance monitoring practices and procedures including reporting against pre-established investment limits are in place;
- Reinsurance exposures are monitored to ensure that no single reinsurer represents an undue level of credit risk;
- Insurance contract liabilities are established in accordance with Canadian actuarial standards of practice;
- Internal capital targets are established and monitored to ensure they exceed internal targets.

Investment portfolio assets are mostly unsecured.

For mortgage loans, the collateral is real estate property, and the approved loan limit is 75% to 95% of collateral value.

The Company may foreclose on overdue mortgage loans by repossessing the pledged asset and seek to dispose of the pledged asset by sale.

#### **Renegotiated assets**

The Company may renegotiate the terms of any financial investment to facilitate borrowers in financial difficulty. Arrangements to waive, adjust or postpone scheduled amounts due may be entered into. The Company classifies these amounts as past due, unless the original agreement is formally revised, modified or substituted.

### **30. FINANCIAL RISK (continued)**

#### **30.1 Credit risk (continued)**

##### Reinsurance contracts held

The Company enters into reinsurance contracts to manage its insurance risk, however, should a reinsurance counterparty be unable or unwilling to fulfil its contractual obligations credit risk could arise. The Company has credit risk arising from reinsurance contracts held. In section 31.3 further details are provided on reinsurance risk.

##### Rating of financial assets

The Company's credit rating model (note 3.2) applies a rating scale to three categories of exposures:

- Investment portfolios, comprising debt securities, deposits, securities purchased for re-sale, and cash;
- Lending portfolios, comprising mortgage loans;
- Reinsurance exposures, comprise realistic disaster scenarios for property and casualty insurance (see note 31.3).

For lending portfolios, the three default ratings of 8, 9 and 10 are utilised, while for investment portfolios and reinsurance assets, one default rating (8) is utilised.

In sections 30.1.1 and 30.1.2 below, we set out various credit risks and exposures in accordance with assets measured in accordance with IFRS 9.

There were no significant changes in the Company's objectives, policies and procedures for managing risk and the methods used to assess or measure risk compared to the prior year.

### 30. FINANCIAL RISK (continued)

#### 30.1 Credit risk (continued)

##### 30.1.1 Credit risk exposure - financial assets subject to impairment

The total credit risk exposure of the Company at year end is summarised in the following table. For assets measured at FVOCI or amortised cost, credit risk exposure is the gross carrying amount. For assets measured at FVTPL, the Company's credit risk exposure is the carrying amount.

	<b>2023</b>	<b>2022</b>
<b>Investment portfolios:</b>		
Debt securities at amortised cost	48,237	103,566
Money market securities at FVOCI	-	5,685
Deposits at amortised cost	19,519	22,552
	<b>67,756</b>	<b>131,803</b>
<b>Lending portfolios:</b>		
Mortgage loans at amortised cost	558	644
	<b>558</b>	<b>644</b>
Cash and cash equivalents	51,282	59,174
Reinsurance contract assets	21,845	28,830
Miscellaneous assets and receivables	1,656	849
Account receivable from related parties	40,233	1
<b>Total financial statement exposures</b>	<b>183,330</b>	<b>221,301</b>

**30. FINANCIAL RISK (continued)**

**30.1 Credit risk (continued)**

**30.1.1 Credit risk exposure - financial assets subject to impairment (continued)**

Financial assets carried at amortised cost or FVOCI are subject to credit impairment losses which are recognised in the statement of income.

The following tables contain analyses of the credit risk exposure of financial investments subject to an ECL allowance.

	<b>Debt securities - Amortised Cost</b>				<b>Total</b>
	<b>2023</b>				
	<b>Performing</b>		<b>Impaired</b>		
<b>Stage 1 12-month ECL</b>	<b>Stage 2 life-time ECL</b>	<b>Stage 3 life-time ECL</b>			
<b>December 31:</b>					
Credit grade:					
Investment	20,724	-	-	-	20,724
Non-investment	4,406	4,900	-	17,739	27,045
Watch	159	-	-	309	468
Gross carrying amount	25,289	4,900	-	18,048	48,237
Loss allowance	(50)	(41)	-	(31)	(122)
Carrying amount	25,239	4,859	-	18,017	48,115

**30. FINANCIAL RISK (continued)**

**30.1 Credit risk (continued)**

**30.1.1 Credit risk exposure - financial assets subject to impairment (continued)**

	Debt securities - Amortised Cost				Total
	2022				
	ECL Staging			POCI	
Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
<b>December 31:</b>					
Credit grade:					
Investment	56,757	-	-	-	56,757
Non-investment	13,095	14,659	-	18,541	46,295
Watch	159	-	-	355	514
Gross carrying amount	70,011	14,659	-	18,896	103,566
Loss allowance	(53)	(119)	-	(39)	(211)
Carrying amount	69,958	14,540	-	18,857	103,355

**30. FINANCIAL RISK (continued)**

**30.1 Credit risk (continued)**

**30.1.1 Credit risk exposure - financial assets subject to impairment (continued)**

	Mortgage loans – Amortised cost				
	2023				
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	POCI	Total
<b>December 31:</b>					
Credit grade:					
Investment	552	-	-	-	552
Watch	-	-	6	-	6
Gross carrying amount	552	-	6	-	558
Loss allowance	(15)	-	(1)	-	(16)
Carrying amount	537	-	5	-	542

**30. FINANCIAL RISK (continued)**

**30.1 Credit risk (continued)**

**30.1.1 Credit risk exposure - financial assets subject to impairment (continued)**

	Mortgage loans – Amortised cost				
	2022				
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	POCI	Total
<b>December 31:</b>					
Credit grade:					
Investment	634	-	10	-	644
Gross carrying amount	634	-	10	-	644
Loss allowance	(15)	-	(1)	-	(16)
Carrying amount	619	-	9	-	628

**30. FINANCIAL RISK (continued)**

**30.1 Credit risk (continued)**

**30.1.1 Credit risk exposure - financial assets subject to impairment (continued)**

	Deposits - Amortised cost				
	2023				
	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
<b>December 31:</b>					
Credit grade:					
Investment	17,909	-	-	-	17,909
Non-investment	118	-	-	-	118
Watch	1,492	-	-	-	1,492
Gross carrying amount	19,519	-	-	-	19,519
Loss allowance	(22)	-	-	-	(22)
Carrying amount	19,497	-	-	-	19,497

**30. FINANCIAL RISK (continued)**

**30.1 Credit risk (continued)**

**30.1.1 Credit risk exposure - financial assets subject to impairment (continued)**

	Deposits - Amortised cost				
	2022				
	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
<b>December 31:</b>					
Credit grade:					
Investment	17,094	-	-	-	17,094
Non-investment	4,732	-	-	-	4,732
Watch	726	-	-	-	726
Gross carrying amount	22,552	-	-	-	22,552
Loss allowance	(22)	-	-	-	(22)
Carrying amount	22,530	-	-	-	22,530

**30. FINANCIAL RISK (continued)**

**30.1 Credit risk (continued)**

**30.1.1 Credit risk exposure - financial assets subject to impairment (continued)**

At December 31, 2023, no money market funds were held and there was no credit risk exposure.

	Money Market Funds - FVOCI				
	2022				
	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
<b>December 31:</b>					
Credit grade:					
Investment	282	-	-	-	282
Non-investment	5,403	-	-	-	5,403
Gross carrying amount	5,685	-	-	-	5,685
Loss allowance	(1)	-	-	-	(1)
Carrying amount	5,684	-	-	-	5,684

### 30. FINANCIAL RISK (continued)

#### 30.1 Credit risk (continued)

##### 30.1.2 Credit impairment losses - financial assets subject to impairment

The allowance for ECL is recognised in each reporting period and is impacted by a variety of factors, as described below:

- Transfers between stages due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired during the period;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to inputs used in the calculation including the effect of 'step-up' (or 'step down') between 12-month and life-time ECL;
- Impacts on the measurement of ECL due to changes made to models and assumptions; and
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements.

The following tables contain analyses of the movement of loss allowances from January 1, 2023 to December 31, 2023 in respect of financial investments subject to impairment.

	Debt securities - Amortised cost				
	2023				
	ECL Staging			POCI	Total
Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
Loss allowance at January 1, 2023	53	119	-	39	211
Debt securities fully derecognised	(16)	(68)	-	-	(84)
Changes to inputs used in ECL calculation	13	(10)	-	(8)	(5)
Loss allowance at December 31, 2023	50	41	-	31	122
Credit impairment reversal recorded in statement of income					5

**30. FINANCIAL RISK (continued)**

**30.1 Credit risk (continued)**

**30.1.2 Credit impairment losses - financial assets subject to impairment (continued)**

	Debt securities - Amortised cost				
	2022				
	ECL Staging			POCI	Total
Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
Loss allowance at January 1, 2022	32	243	-	48	323
Debt securities originated or purchased	9	-	-	-	9
Debt securities fully derecognised	(2)	-	-	-	(2)
Changes to inputs used in ECL calculation	14	(124)	-	(9)	(119)
Loss allowance at December 31, 2022	53	119	-	39	211
Credit impairment reversal recorded in statement of income					112

**30. FINANCIAL RISK (continued)**

**30.1 Credit risk (continued)**

**30.1.2 Credit impairment losses - financial assets subject to impairment (continued)**

	Mortgage loans - Amortised cost				
	2023				
	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
Loss allowance at January 1, 2023	16	-	-	-	16
Loss allowance at December 31, 2023	16	-	-	-	16
Credit impairment reversal recorded in statement of income					-

	Mortgage loans - Amortised cost				
	2022				
	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
Loss allowance at January 1, 2022	16	-	-	-	16
Loss allowance at December 31, 2022	16	-	-	-	16
Credit impairment reversal recorded in statement of income					-

**30. FINANCIAL RISK (continued)**

**30.1 Credit risk (continued)**

**30.1.2 Credit impairment losses – financial assets subject to impairment (continued)**

	Deposits – Amortised cost				
	2023				
	ECL Staging			POCI	Total
Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
Loss allowance at January 1, 2023	22	-	-	-	22
Deposits originated or purchased	10	-	-	-	10
Deposits fully derecognised	(5)	-	-	-	(5)
Changes to inputs used in ECL calculation	(5)	-	-	-	(5)
Loss allowance at December 31, 2023	22	-	-	-	22
Credit impairment reversal recorded in statement of income					-

	Deposits – Amortised cost				
	2022				
	ECL Staging			POCI	Total
Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
Loss allowance at January 1, 2022	13	-	-	-	13
Deposits originated or purchased	3	-	-	-	3
Deposits fully derecognised	1	-	-	-	1
Changes to inputs used in ECL calculation	5	-	-	-	5
Effect of exchange rate changes	-	-	-	-	-
Loss allowance at December 31, 2022	22	-	-	-	22
Credit impairment charge recorded in statement of income					(10)

**30. FINANCIAL RISK (continued)**

**30.1 Credit risk (continued)**

**30.1.2 Credit impairment losses - financial assets subject to impairment (continued)**

	Money Market Funds - FVOCI				
	2023				
	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
Loss allowance at January 1, 2023	1	-	-	-	1
Funds fully derecognised	(1)	-	-	-	(1)
Loss allowance at December 31, 2023	-	-	-	-	-
Credit impairment reversal recorded in statement of income					-

	Money Market Funds - FVOCI				
	2022				
	ECL Staging			POCI	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
Loss allowance at January 1, 2022	1	-	-	-	1
Loss allowance at December 31, 2022	1	-	-	-	1
Credit impairment loss recorded in statement of income					-

### **30. FINANCIAL RISK (continued)**

#### **30.1 Credit risk (continued)**

##### **30.1.2 Credit impairment losses - financial assets subject to impairment (continued)**

###### (a) Economic variable assumptions

The macroeconomic indicators for all sectors were updated to produce regressions which reasonably explain the relationship between the respective default rates and the macroeconomic variables.

The GBP USD and NZD USD currency pairs were introduced to enhance the explanation of the default rates in the respective sectors. This was considered critical since currency risk and sovereign risk vary among currency pairs and currency shocks can result in major losses for companies and impact their ability to satisfy their debt and consequently result in defaults.

In addition to the currency pairs, it is noted that market indices such as the S&P 500 Financial Index and the Dow Jones Industrial Average Index have demonstrated to have a stronger correlation to the performance of our investments in the financial and industrial sectors.

In summary, the variables utilised have maintained the model's robustness in promoting a reliable and supportable fit between the default rate and the macroeconomic variables.

The Company has selected seven economic factors which provide the overall macroeconomic environment in considering forward looking information for base, upside and downside forecasts. These are as follows:

**30. FINANCIAL RISK (continued)**

**30.1 Credit risk (continued)**

**30.1.2 Credit impairment losses - financial assets subject to impairment (continued)**

(a) Economic variable assumptions (continued)

	As of December 31, 2023			As of December 31, 2022		
<b>GDP Growth (USA)</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Base	1.9%	1.5%	1.8%	0.9%	1.6%	1.5%
Upside	1.9%	1.5%	1.8%	0.9%	1.6%	1.5%
Downside	-1.6%	2.4%	3.9%	-1.0%	2.9%	3.2%
<b>World GDP</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Base	2.9%	3.2%	3.2%	2.7%	3.2%	3.4%
Upside	4.5%	4.9%	4.9%	4.1%	4.8%	5.1%
Downside	2.1%	2.4%	2.4%	1.9%	2.3%	2.4%
<b>WTI Oil Prices/10</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Base	\$14.34	\$13.64	\$13.06	\$15.46	\$14.50	\$13.72
Upside	\$26.21	\$24.93	\$23.89	\$18.70	\$18.70	\$18.70
Downside	\$ 5.56	\$ 5.29	\$ 5.07	\$ 6.28	\$ 5.90	\$ 5.58
<b>DOW Jones Industrial Average Index - EPS</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Base	\$4,111.06	\$4,562.90	\$4,993.56	\$3,641.68	\$4,029.78	\$4,466.26
Upside	\$6,811.70	\$7,560.36	\$8,273.92	\$6,104.44	\$6,755.00	\$7,486.66
Downside	\$2,396.36	\$2,659.74	\$2,910.76	\$2,118.10	\$2,343.84	\$2,597.70
<b>S&amp;P 500 Financial Index - EPS</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Base	\$ 84.80	\$ 91.86	\$ 90.46	\$ 79.32	\$ 94.12	\$103.28
Upside	\$135.12	\$146.36	\$144.16	\$127.36	\$151.12	\$165.82
Downside	\$ 54.20	\$ 58.70	\$ 57.82	\$ 51.80	\$ 61.48	\$ 67.46

**30. FINANCIAL RISK (continued)**

**30.1 Credit risk (continued)**

**30.1.2 Credit impairment losses - financial assets subject to impairment (continued)**

(a) Economic variable assumptions (continued)

<b>GBP/USD</b>	<b>As of December 31, 2023</b>			<b>As of December 31, 2022</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Base	\$1.27	\$1.28	\$1.28	\$1.22	\$1.21	\$1.21
Upside	\$1.38	\$1.44	\$1.49	\$1.35	\$1.41	\$1.45
Downside	\$1.17	\$1.12	\$1.07	\$1.08	\$1.02	\$0.96

<b>NZD/USD</b>	<b>As of December 31, 2023</b>			<b>As of December 31, 2022</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Base	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63	\$0.62
Upside	\$0.70	\$0.72	\$0.74	\$0.72	\$0.74	\$0.76
Downside	\$0.56	\$0.53	\$0.51	\$0.55	\$0.51	\$0.48

**30. FINANCIAL RISK (continued)**

**30.1 Credit risk (continued)**

**30.1.2 Credit impairment losses - financial assets subject to impairment (continued)**

(a) Economic variable assumptions (continued)

<b>As of December 31, 2023</b>			
	<b>Expected state for the next 12 months</b>	<b>Scenario</b>	
		<b>Barbados</b>	<b>Trinidad &amp; Tobago</b>
Unemployment rate	Base	Negative	Negative
	Upside	Stable	Stable
	Downside	Super Negative	Super Negative
GDP growth	Base	Negative	Negative
	Upside	Stable	Stable
	Downside	Super Negative	Super Negative

<b>As of December 31, 2022</b>			
	<b>Expected state for the next 12 months</b>	<b>Scenario</b>	
		<b>Barbados</b>	<b>Trinidad &amp; Tobago</b>
Unemployment rate	Base	Negative	Negative
	Upside	Stable	Stable
	Downside	Super Negative	Super Negative
GDP growth	Base	Negative	Negative
	Upside	Stable	Stable
	Downside	Super Negative	Super Negative

### 30. FINANCIAL RISK (continued)

#### 30.1 Credit risk (continued)

##### 30.1.2 Credit impairment losses - financial assets subject to impairment (continued)

###### (b) Loss given default (LGD)

From the inception of IFRS 9, the Company has used the LGD for sovereigns as provided by Moody's. The 45% LGD in Moody's current report represents the losses derived using the average trading prices method for US denominated external debt. Due to the limited trading activity and the small percentage of US denominated sovereign debt in our portfolio we do not believe it is appropriate to use the average trading price method. An analysis of this calculation shows that this LGD includes losses for places such as Greece, Russia and African countries and does not truly reflect a Caribbean experience.

The Company's sovereign exposure is primarily in the Caribbean region where bond markets are very thinly traded. For this reason, an internal valuation method is used to produce reasonable fixed income prices. This methodology is essentially a discounted cash flow exercise and these valuations form part of our requisite disclosures for financial reporting purposes.

Using Moody's NPV method results in a loss given default (LGD) of approximately 35% regardless of the inclusion of members CARICOM solely or all global defaults. Furthermore, Barbados, the most recent defaulted bond issuer in the Caribbean suffered a maximum loss of approximately 36% on the restructured domestic debt which is in line with the LGD using the NPV method.

In light of the above, we adopted the NPV method for determining the LGD for Caribbean Sovereigns and reduced the LGD to 35% as derived from the calculation.

The ECL impact of changes in LGD rates is summarised as follows:

Loss Given Default	2023			
	Actual value applied	Change in threshold	ECL impact of	
			Increase in value	Decrease in value
Investments - Corporate Debts	53%	(- /+ 5) %	7	(7)
Investments - Sovereign Debts (excluding Government of Barbados)	35%	(- /+ 5) %	10	(10)
Loss Given Default	2022			
	Actual value applied	Change in threshold	ECL impact of	
			Increase in value	Decrease in value
Investments - Corporate Debts	53%	(- /+ 5) %	15	(15)
Investments - Sovereign Debts (excluding Government of Barbados)	35%	(- /+ 5) %	11	(11)

**30. FINANCIAL RISK (continued)**

**30.1 Credit risk (continued)**

**30.1.2 Credit impairment losses - financial assets subject to impairment (continued)**

(c) Scenario design

The weightings assigned to each economic scenario as at December 31, 2023 are set out in the following table.

	<b>Base – 80% Upside – 10% Downside – 10%</b>		<b>Base – 80% Upside – 10% Downside – 10%</b>	
	<b>Increase in ECL</b>		<b>Decrease in ECL</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Investments – excluding Government of Barbados	9	18	(9)	(18)
Lending products	-	1	-	(1)

### **30. FINANCIAL RISK (continued)**

#### **30.2 Liquidity risk**

Liquidity risk is the exposure that the Company may encounter difficulty in meeting obligations associated with financial or insurance liabilities. Liquidity risk also arises when excess funds accumulate resulting in the loss of opportunity to increase investment returns. The Company monitors cash inflows and outflows in each operating currency. Through experience and monitoring, the Company is able to maintain sufficient liquid resources to meet current obligations.

The Company is exposed to daily calls on its available cash resources to pay claims, and for operating expenses and taxes. The Company does not maintain cash resources to meet all these needs as experience shows that a minimum level of revenue flows and maturing investments can be predicted with a high level of certainty.

#### **(a) Insurance and reinsurance contract liabilities**

The Company's insurance and reinsurance contract liabilities have expected discounted cash flows, which have been estimated by actuarial or other statistical methods. Insurance contract liabilities of \$53,397 (2022 - \$69,669) and reinsurance contract liabilities of \$427 (2022 - \$1) have expected discounted cash flows maturing within one year.

**30. FINANCIAL RISK (continued)**

**30.2 Liquidity risk (continued)**

(b) Financial liabilities and commitments

The maturity profiles of the Company's financial liabilities and commitments are summarised in the following tables. Amounts are analysed by their earliest contractual maturity dates and consist of the contractual un-discounted cash flows. Where the interest rate of an instrument for a future period has not been determined as of the date of the financial statements, it is assumed that the interest rate then prevailing continues until final maturity.

2023	2023 – Contractual un-discounted cash flows		
	On demand or within 1 year	1 to 5 years	Total
<b>Financial liabilities:</b>			
Loan payable	9,484	-	9,484
Note payable	25,000	-	25,000
Lease liability	-	-	-
Amounts payable to related parties	77	-	77
Accounts payable and accrued liabilities	9,696	-	9,696
<b>Total financial liabilities</b>	<b>44,257</b>	<b>-</b>	<b>44,257</b>

2022	2022 - Contractual un-discounted cash flows		
	On demand or within 1 year	1 to 5 years	Total
<b>Financial liabilities:</b>			
Loan payable	12,933	-	12,933
Notes payable	25,000	-	25,000
Lease liability	83	55	138
Amounts payable to related parties	12,102	-	12,102
Accounts payable and accrued liabilities	11,272	-	11,272
<b>Total financial liabilities</b>	<b>61,390</b>	<b>55</b>	<b>61,445</b>

### 30. FINANCIAL RISK (continued)

#### 30.2 Liquidity risk

##### (c) Reinsurance contract assets

Reinsurance contract assets are stated at their carrying values recognised in the financial statements. Reinsurance contract assets of \$6,904 (2022 – \$15,351) have expected discounted cash flows within one year.

##### (d) Financial assets

The contractual maturity periods of monetary financial assets are summarised in the following table. Amounts are stated at their carrying values recognised in the financial statements.

2023	2023 – Contractual un-discounted cash flows			
	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total
<b>Financial Assets:</b>				
Debt securities	4,298	15,888	27,929	48,115
Mortgage loans	74	305	163	542
Deposits	19,497	-	-	19,497
Money market securities	-	-	-	-
Amounts receivable from related parties	40,233	-	-	40,233
Other accounts receivable	1,656	-	-	1,656
Cash and cash equivalents	51,282	-	-	51,282
<b>Total financial assets</b>	<b>117,040</b>	<b>16,193</b>	<b>28,092</b>	<b>161,325</b>
2022	2022 – Contractual un-discounted cash flows			
	Maturing within 1 year	Maturing 1 to 5 years	Maturing after 5 years	Total
<b>Financial Assets:</b>				
Debt securities	12,044	35,071	56,240	103,355
Mortgage loans	74	371	183	628
Deposits	22,331	199	-	22,530
Money market securities	5,684	-	-	5,684
Amounts receivable from related parties	1	-	-	1
Other accounts receivable	849	-	-	849
Cash and cash equivalents	59,174	-	-	59,174
<b>Total financial assets</b>	<b>100,157</b>	<b>35,641</b>	<b>56,423</b>	<b>192,221</b>

### **30. FINANCIAL RISK (continued)**

#### **30.3 Interest rate risk**

The Company is exposed to interest rate risks. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The occurrence of an adverse change in interest rates on invested assets may result in financial loss to the Company in fulfilling the contractual returns on insurance and financial liabilities.

The return on investments may be variable, fixed for a term or fixed to maturity. On reinvestment of a matured investment, the returns available on the new investment may be significantly different from the returns formerly achieved. This is known as reinvestment risk.

For financial liabilities, returns are usually contractual and may only be adjusted on contract renewal or contract re-pricing.

The Company is therefore exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase or decrease as a result of such changes. Interest rate changes may also result in losses if asset and liability cash flows are not closely matched with respect to timing and amount.

The Company manages its interest rate risk by a number of measures, including where feasible the selection of assets which best match the maturity of liabilities.

**30. FINANCIAL RISK (continued)**

**30.3 Interest rate risk (continued)**

The table below summarises the exposures to interest rate risks of the Company's monetary insurance and financial liabilities. It includes liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. Insurance liabilities are categorised by their expected maturities.

<b>2023</b>	<b>Exposure within 1 year</b>	<b>Exposure 1 to 5 years</b>	<b>Exposure after 5 years</b>	<b>Not exposed to interest</b>	<b>Total</b>
Loan payable	9,429	-	-	55	9,484
Note payable	-	-	-	25,000	25,000
Lease liabilities	-	-	-	-	-
Insurance contract liabilities	-	-	-	79,864	79,864
Reinsurance contract liabilities	-	-	-	481	481
Amounts payable to related parties	-	-	-	77	77
Accounts payable and accrued liabilities	-	-	-	9,696	9,696
<b>Total</b>	<b>9,429</b>	<b>-</b>	<b>-</b>	<b>115,173</b>	<b>124,602</b>

<b>2022</b>	<b>Exposure within 1 year</b>	<b>Exposure 1 to 5 years</b>	<b>Exposure after 5 years</b>	<b>Not exposed to interest</b>	<b>Total</b>
Loan payable	12,933	-	-	-	12,933
Note payable	-	-	-	25,000	25,000
Lease liabilities	83	55	-	-	138
Insurance contract liabilities	-	-	-	104,472	104,472
Reinsurance contract liabilities	-	-	-	931	931
Amounts payable to related parties	-	-	-	12,102	12,102
Accounts payable and accrued liabilities	-	-	-	11,272	11,272
<b>Total</b>	<b>13,016</b>	<b>55</b>	<b>-</b>	<b>153,777</b>	<b>166,848</b>

### 30. FINANCIAL RISK (continued)

#### 30.3 Interest rate risk (continued)

The table below summarises the exposures to interest rate and reinvestment risks of the Company's monetary insurance and financial assets. It includes assets at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. Reinsurance contract assets are categorised by their expected maturities.

<b>2023</b>	<b>Exposure within 1 year</b>	<b>Exposure 1 to 5 years</b>	<b>Exposure after 5 years</b>	<b>Not exposed to interest</b>	<b>Total</b>
Debt securities	4,246	15,732	27,339	798	48,115
Equity securities	-	-	-	894	894
Mortgage loans	74	305	163	-	542
Deposits	19,347	-	-	150	19,497
Reinsurance contract assets	-	-	-	21,845	21,845
Amounts receivable from related parties	-	-	-	40,233	40,233
Other accounts receivable	-	-	-	1,656	1,656
Cash and cash equivalents	-	-	-	51,282	51,282
<b>Total</b>	<b>23,667</b>	<b>16,037</b>	<b>27,502</b>	<b>116,858</b>	<b>184,064</b>

<b>2022</b>	<b>Exposure within 1 year</b>	<b>Exposure 1 to 5 years</b>	<b>Exposure after 5 years</b>	<b>Not exposed to interest</b>	<b>Total</b>
Debt securities	11,921	34,703	55,773	958	103,355
Equity securities	-	-	-	818	818
Mortgage loans	74	371	183	-	628
Deposits	22,242	196	-	92	22,530
Money market securities	5,684	-	-	-	5,684
Reinsurance contract assets	-	-	-	28,830	28,830
Amounts receivable from related parties	-	-	-	1	1
Other accounts receivable	-	-	-	849	849
Cash and cash equivalents	-	-	-	59,174	59,174
<b>Total</b>	<b>39,921</b>	<b>35,270</b>	<b>55,956</b>	<b>90,722</b>	<b>221,869</b>

### 30.3 Interest rate risk (continued)

The table below summarises the average interest yields on financial assets held during the year.

	<b>2023</b>	<b>2022</b>
Debt securities	6.0%	4.8%
Mortgage loans	4.1%	4.8%
Deposits	0.6%	0.3%

#### Sensitivity

The Company's operations are not exposed to a significant degree of interest rate risk.

### 30. FINANCIAL RISK (continued)

#### 30.4 Foreign exchange risk

The Company is exposed to foreign exchange risk as a result of fluctuations in exchange rates since its financial assets and liabilities are denominated in a number of different currencies.

In order to manage the risk associated with movements in currency exchange rates, the Company seeks to maintain investments and cash in each operating currency, which are sufficient to match liabilities denominated in the same currency. A limited proportion is invested in United States dollar assets which management considers diversifies the range of investments available, and in the long-term are likely to either maintain capital value and/or provide satisfactory returns.

Assets and liabilities by currency are summarised in the following tables.

2023	BBD \$000 equivalents of balances denominated in			Total
	Barbados \$	Trinidad \$	Other Currencies	
<b>ASSETS</b>				
Cash resources	14,881	-	36,401	51,282
Financial investments <sup>(1)</sup>	28,216	11,412	28,526	68,154
Reinsurance contract assets <sup>(1)</sup>	-	-	21,845	21,845
Other accounts receivable <sup>(1)</sup>	1,307	-	349	1,656
Amounts receivable from related parties <sup>(1)</sup>	40,233	-	-	40,233
Total monetary assets	84,637	11,412	87,121	183,170
Other assets <sup>(2)</sup>	8,226	-	266	8,492
Total assets	92,863	11,412	87,387	191,662
<b>LIABILITIES</b>				
Accounts payable and accruals	8,060	-	1,636	9,696
Amounts payable to related parties	-	-	77	77
Reinsurance contract liabilities	-	-	481	481
Insurance contract liabilities	73,784	-	6,080	79,864
Lease liabilities	-	-	-	-
Loan payable	9,484	-	-	9,484
Notes payable	25,000	-	-	25,000
Total monetary liabilities	116,328	-	8,274	124,602
Income tax liabilities <sup>(2)</sup>	-	-	453	453
Total liabilities	116,328	-	8,727	125,055
<b>Net position</b>	<b>(23,465)</b>	<b>11,412</b>	<b>78,660</b>	<b>66,607</b>

(1) Monetary balances only

(2) Non-monetary balances, income tax balances and retirement plan assets

**30. FINANCIAL RISK (continued)**

**30.4 Foreign exchange risk (continued)**

2022	BBD \$000 equivalents of balances denominated in			Total
	Barbados \$	Trinidad \$	Other Currencies	
<b>ASSETS</b>				
Cash resources	3,132	7,788	48,254	59,174
Financial investments <sup>(1)</sup>	29,244	65,080	37,873	132,197
Reinsurance contract assets <sup>(1)</sup>	-	-	28,830	28,830
Other accounts receivables <sup>(1)</sup>	525	44	280	849
Amounts receivable from related parties <sup>(1)</sup>	1	-	-	1
Total monetary assets	32,902	72,912	115,237	221,051
Other assets <sup>(2)</sup>	8,385	3,728	345	12,458
Total assets	41,287	76,640	115,582	233,509
<b>LIABILITIES</b>				
Accounts payable and accruals	6,785	3,407	1,080	11,272
Amounts payable to related parties	11,070	962	70	12,102
Reinsurance contract liabilities	-	-	931	931
Insurance contract liabilities	63,519	33,663	7,290	104,472
Lease liabilities	2	136	-	138
Loan payable	12,933	-	-	12,933
Notes payable	25,000	-	-	25,000
Total monetary liabilities	119,309	38,168	9,371	166,848
Income tax liabilities <sup>(2)</sup>	-	-	356	356
Total liabilities	119,309	38,168	9,727	167,204
<b>Net position</b>	<b>(78,022)</b>	<b>38,472</b>	<b>105,855</b>	<b>66,305</b>

(1) Monetary balances only

(2) Non-monetary balances, income tax balances and retirement plan assets

Sensitivity

The exposure to currency risk results primarily from currency risk relating to the future cash flows of monetary financial instruments. This occurs when a financial instrument is denominated in a currency other than the functional currency of the unit to which it belongs. In this instance, a change in currency exchange rates results in the financial instrument being retranslated at the year-end date and the exchange gain or loss is taken to income.

Financial instruments held by branches are predominantly denominated in the branches' functional currency and as such branches are not exposed to significant exposure from fluctuations in exchange rates.

## **30. FINANCIAL RISK (continued)**

### **30.5 Fair value of financial instruments**

The fair value of financial instruments is measured according to a fair value hierarchy which reflects the significance of market inputs in the valuation. The hierarchy is described and discussed in sections (i) to (iii) below.

(i) Level 1 – unadjusted quoted prices in active markets for identical instruments.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other independent source, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Company considers that market transactions should occur with sufficient frequency that is appropriate for the particular market, when measured over a continuous period preceding the date of the financial statements. If there is no data available to substantiate the frequency of market transactions of a financial instrument, then the instrument is not classified as Level 1.

(ii) Level 2 – inputs that are observable for the instrument, either directly or indirectly

A financial instrument is classified as Level 2 if:

- The fair value is derived from quoted prices of similar instruments which would be classified as Level 1; or
- The fair value is determined from quoted prices that are observable but there is no data available to substantiate frequent market trading of the instrument.

In estimating the fair value of non-traded financial assets, the Company uses a variety of methods such as obtaining dealer quotes and using discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are discounted at market derived rates for government securities in the same country of issue as the security; for non-government securities, an interest spread is added to the derived rate for a similar government security rate according to the perceived additional risk of the non-government security.

In assessing the fair value of non-traded financial liabilities, the Company uses a variety of methods including obtaining dealer quotes for specific or similar instruments and the use of internally developed pricing models, such as the use of discounted cash flows. If the non-traded liability is backed by a pool of assets, then its value is equivalent to the value of the underlying assets.

(iii) Level 3 – inputs for the instrument that are not based on observable market data.

A financial instrument is classified as Level 3 if:

- The fair value is derived from quoted prices of similar instruments that are observable and which would be classified as Level 2; or
- The fair value is derived from inputs that are not based on observable market data.

Level 3 assets designated include mortgage loans. These assets are valued with inputs other than observable market data.

The techniques and methods described in the preceding section (ii) for non-traded financial assets and liabilities may also be used in determining the fair value of Level 3 instruments.

**30. FINANCIAL RISK (continued)**

**30.5 Fair value of financial instruments (continued)**

(a) Financial instruments carried at fair value

The results of applying the fair value hierarchy to the Company's financial instruments are set out in the tables below:

	Level 1	Level 2	Level 3	Total
<b>2023</b>				
Equity securities	894	-	-	894
Money market securities	-	-	-	-
	894	-	-	894
<b>2022</b>				
Equity securities	818	-	-	818
Money market securities	5,684	-	-	5,684
	6,502	-	-	6,502

There were no transfers occurring in 2023 or 2022 between levels 1, 2 and 3.

(b) Financial instruments carried at amortised cost

The carrying values of the Company's non-traded financial assets and financial liabilities carried at amortised cost approximate their fair value in notes 6, 11 and 13. The fair value hierarchy of other financial instruments carried at amortised cost as of December 31, 2023 is set out in the following tables.

	Level 1	Level 2	Level 3	Total
<b>2023</b>				
Debt securities	2,744	11,335	34,712	48,791
Mortgage loans	-	-	561	561
	2,744	11,335	35,273	49,352
<b>2022</b>				
Debt securities	-	13,103	92,353	105,456
Mortgage loans	-	-	649	649
	-	13,103	93,002	106,105

### 30. FINANCIAL RISK (continued)

#### 30.6 Equity price risk

The Company is exposed to equity price risk arising from changes in the market values of its equity securities. The Company mitigates this risk by establishing overall limits of equity holdings for each investment portfolio and by maintaining diversified holdings within each portfolio of equity securities.

#### Sensitivity

The following table shows how a change in market equity prices may impact assets and liabilities in addition to the impact on net income. The analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some assumptions might be correlated.

2023				2022			
20% increase in equity prices		20% decrease in equity prices		20% increase in equity prices		20% decrease in equity prices	
Impact on Assets	Impact on Net income	Impact on Assets	Impact on Net income	Impact on Assets	Impact on Net income	Impact on Assets	Impact on Net income
178	178	(178)	(178)	164	164	(164)	(164)

### 31. INSURANCE RISK

For insurance contracts issued by the Company, risks arise from loss events such as accidents, fires, floods, tropical storms, hurricanes and other extreme weather events. Risk can also arise from inflation on expenses and claims. As a result, there is a risk that our actual loss experiences will emerge differently than estimated when the product was designed and priced or repriced and may require us to revise estimated potential loss exposures and the related loss reserves.

The objective of the Company is to ensure that sufficient reserves are available to cover the liabilities associated with these insurance and reinsurance contracts that it issues. The risk exposure is mitigated by diversification across the portfolios of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance held arrangements. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are established to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly settling claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities and pricing appropriately.

Amounts recoverable from reinsurers are estimated in a manner consistent with underlying insurance contract liabilities and in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance held, to the extent that any reinsurer is unable to meet its obligations. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

Total insurance coverage on insurance policies provides a quantitative measure of absolute risk. However, claims arising in any one year are a very small proportion in relation to the total insurance coverage provided. The following table shows the concentration of gross and net insurance contract liabilities by type of contract at December 31.

<b>Total insurance coverage</b>		<b>2023</b>	<b>2022</b>
Property	Gross	10,379,816	18,991,290
	Net	2,519,283	3,667,360
Motor	Gross	699,342	992,763
	Net	699,342	992,763
Accident & Liability	Gross	4,306,865	6,304,515
	Net	4,074,940	5,692,368
Marine	Gross	162,764	204,373
	Net	158,756	204,269
Total	Gross	15,548,787	26,492,941
	Net	7,452,321	10,556,760

All contracts are measured under PAA. Short-term contracts are typically for one year's coverage, with an option to renew under terms that may be amended by the Company. In establishing the amount of premium, the Company principally assesses the estimated benefits which may be payable under the contract. In determining the premium payable under the contract, the Company considers the nature and amount of the risk assumed, and recent experience and industry statistics of the benefits payable. This is the process of underwriting, which establishes appropriate pricing guidelines, and may include specific tests and enquiries which determine the Company's assessment of the risk. The Company may also establish deductibles to limit amounts of potential losses incurred.

### **31. INSURANCE RISK (continued)**

A proportion of risks assumed are written by third parties under delegated underwriting authorities. The third parties are assessed in advance and are subject to authority limits and reporting procedures. The performance of contracts written by each delegated authority is monitored periodically.

Policy benefits payable under short-term contracts are generally triggered by an insurable event, i.e. a property or casualty claim. Settlement of these benefits is expected generally within six months. However, some benefits are settled over a longer duration.

The principal risks arising from short-term insurance contracts are underwriting, claims, availability of reinsurance and claims liability estimation and credit risk in respect of reinsurance counterparties.

#### **31.1 Underwriting risk**

Risks are priced to achieve an adequate return on capital on the business as a whole. This return is expressed as a premium target return. Budgeted expenses and reinsurance costs are included in the pricing process. Various pricing methodologies including benchmark exposure rates and historic experience are used and are generally applied by class of insurance. All methods produce a technical price, which is compared against the market to establish a price margin.

Pricing techniques are subject to constant review from independent pricing audits, claims patterns, underwriters' input, market developments and actuarial best practice. There are minimum pricing margins for each class of business.

Annually, the overall risk appetite is reviewed and approved. The risk appetite is defined as the maximum loss the Company is willing to incur from a single event or proximate cause. Risks are only underwritten if they fall within the risk appetite. Individual risks are assessed for their contribution to aggregate exposures by nature of risk, by geography, by correlation with other risks, before acceptance. Underwriting a risk may include specific tests and enquiries which determine the Company's assessment of the risk. The Company may also establish deductibles, exclusions, and coverage limits which will limit the potential losses incurred. Inaccurate pricing or inappropriate underwriting of insurance contracts, which may arise from poor pricing or lack of underwriting control, can lead to either financial loss or reputational damage to the insurer.

#### **31.2 Claims risk**

Incurred claims are triggered by an event and may be categorised as:

- Attritional losses, which are expected to be of reasonable frequency and are less than established threshold amounts;
- Large losses, such as major fires and accidents, which are expected to be relatively infrequent, are greater than established threshold amounts;
- Catastrophic losses, which are an aggregation of losses arising from one incident or proximate cause such as hurricanes or earthquakes, affecting one or more classes of insurance. These losses are infrequent and are generally very substantial.

The Company records claims based on submissions made by claimants. In certain instances additional information is obtained from loss adjustors, medical reports and other specialist sources. However, the possibility exists that claim submissions are either fraudulent or are not covered under the terms of the policy. The initial claim recorded may only be an estimate, which has to be refined over time until final settlement occurs. In addition, from the pricing methodology used for risks, it is assumed that at any particular date, there are claims incurred but not reported.

### **31. INSURANCE RISK (continued)**

#### **31.2 Claims risk (continued)**

Claims risk is the risk that incurred claims may exceed expected losses. Claim risk may arise from:

- Invalid claim submissions;
- The frequency of incurred claims;
- The severity of incurred claims;
- The development of incurred claims.

The Company carries significant insurance risks concentrated in certain countries within the Caribbean. Significant concentration of insurance risk occurs in Barbados and St. Lucia.

Total insurance coverage on insurance policies quantify some of the risk exposures. Typically, claims arising in any one year are a very small proportion in relation to the total insurance coverage provided.

The total insurance coverage before and after reinsurance on property and casualty risks are summarised in the table earlier.

The net amounts disclosed are inclusive of the reinsurance applicable on proportional treaties. The retentions on the excess of loss treaties have not been included.

Concentration of risk is mitigated through risk selection, event limits, quota share reinsurance and excess of loss reinsurance. Levels of reinsurance cover are summarised in note 31.3.

The Company assesses its exposures by modelling realistic disaster scenarios of potential catastrophic events. Claims arising from wind storms, earthquakes, floods, terrorism, failure or collapse of a major corporation (with liability insurance cover) and events triggering multi coverage corporate liability claims are considered to be the potential sources of catastrophic losses arising from insurance risks.

Realistic disaster scenarios modelled for 2023 resulted in estimated gross and net losses as follows:

<b>Scenario:</b>	<b>Gross loss</b>	<b>Net loss</b>
Hurricane affecting Barbados and St. Lucia: Used assumption of this event having a 200 year return period	648,691	10,000

Therefore, the occurrence of one or more catastrophic events in any year may have a material impact on the reported net income of the Company.

## 31. INSURANCE RISK (continued)

### 31.2 Claims risk (continued)

#### 31.2.1 Claims development table

In addition to sensitivity analysis, the development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The table below illustrates how the Company's estimate of the ultimate claims liability for accident years 2014 - 2023 has changed at successive year ends, up to 2023. Updated unpaid claims and other directly attributable expenses related to claims management in each successive year, as well as amounts paid to date, are used to derive the revised amounts for the ultimate claims liability for each accident year used in the development calculations. The most recent estimate is then reconciled to the liability for incurred claims recognised in the statement of financial position.

Gross	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Estimate of ultimate claims incurred (undiscounted, inclusive of other directly attributable expenses):											
At the end of financial year	17,474	22,325	11,315	48,198	26,495	31,115	27,034	30,614	33,541	32,481	
One year later	21,515	17,415	14,074	56,480	23,942	27,333	23,156	26,272	30,331		
Two years later	22,127	17,836	17,121	56,562	22,937	25,701	21,803	24,495			
Three years later	21,396	14,664	16,852	55,855	22,030	23,608	21,999				
Four years later	14,889	14,329	16,656	56,065	21,621	23,543					
Five years later	15,094	14,108	16,894	56,334	21,514						
Six years later	15,189	13,907	17,283	56,345							
Seven years later	15,230	14,078	17,138								
Eight years later	14,764	14,115									
Nine years later	14,950										
Current estimate of cumulative claims	14,950	14,115	17,138	56,345	21,514	23,543	21,999	24,495	30,331	32,481	256,911
Cumulative payments to date	(14,142)	(12,170)	(15,399)	(54,396)	(18,689)	(20,242)	(18,592)	(19,536)	(20,675)	(13,568)	(207,409)
Gross undiscounted liabilities for incurred claims	808	1,945	1,739	1,949	2,825	3,301	3,407	4,959	9,656	18,913	49,502
Liability in respect of prior years											6,298
Effect of discounting											(5,911)
Effect of the risk adjustment margin for non-financial risk											2,782
Other											3,508
Total gross liability for incurred claims											56,179

### 31. INSURANCE RISK (continued)

#### 31.2 Claims risk (continued)

##### 31.2.1 Claims development table (continued)

The reinsurers' share of the gross LIC is set out below in the following table.

Reinsurance	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Estimate of reinsurance recoveries (on undiscounted claims incurred and other directly attributable expenses):											
At the end of financial year	9,472	14,349	1,318	15,889	2,258	1,218	3,012	7,308	6,175	1,800	
One year later	12,965	9,437	3,450	24,873	1,996	1,138	3,182	5,881	5,056		
Two years later	13,759	9,823	6,834	25,369	1,993	1,024	3,136	5,973			
Three years later	12,779	6,819	6,673	25,285	2,018	931	3,223				
Four years later	6,090	6,373	6,526	25,270	2,011	931					
Five years later	6,159	6,164	6,631	25,589	1,991						
Six years later	6,195	6,124	6,817	25,626							
Seven years later	6,226	6,201	6,858								
Eight years later	6,023	6,214									
	6,067										
Current estimate of reinsurance recoveries	6,067	6,214	6,858	25,626	1,991	931	3,223	5,973	5,056	1,800	63,739
Cumulative reinsurance receipts to date	(5,845)	(5,046)	(6,164)	(24,748)	(1,986)	(904)	(3,088)	(5,431)	(4,323)	(412)	(57,947)
Gross recoverable from reinsurers	222	1,168	694	878	5	27	135	542	733	1,388	5,792
Recoverable in respect of prior years											1,986
Effect of discounting											(825)
Effect of the risk adjustment margin for non-financial risk											502
Other											378
Total recoverable from reinsurers											7,833

Historical balances in the tables above have been adjusted to present balances for the Barbados and Eastern Caribbean territories only, consistent with the transfer of all property, rights, liabilities and obligations to Sagicor General Insurance Trinidad & Tobago Limited (note 29).

### 31. INSURANCE RISK (continued)

#### 31.3 Reinsurance risk

To limit its exposure of potential loss on an insurance policy, the Company may cede certain levels of risk to a reinsurer. Reinsurance, however, does not discharge the Company's liability. Reinsurance risk is the risk that reinsurance is not available to mitigate the potential loss on an insurance policy. The risk may arise from:

- The credit risk of holding a recovery from a reinsurer;
- The failure of a reinsurance layer upon the occurrence of a catastrophic event.

The Company selects reinsurers which have well established capability to meet their contractual obligations and which generally have a Sagicor credit risk rating of 1 or 2. The Company also places reinsurance coverage with various reinsurers to limit its exposure to any one reinsurer. The credit ratings of reinsurers are monitored frequently.

For its property risks, the Company uses quota share and excess of loss catastrophe reinsurance treaties to obtain reinsurance cover. Catastrophe reinsurance is obtained for multiple claims arising from one event or occurring within a specified time period. However, treaty limits may apply and may expose the Company to further claim exposure. Under some treaties, when treaty limits are reached, the Company may be required to pay an additional premium to reinstate the reinsurance coverage. For other insurance risks, the Company limits its exposure by event or per person by excess of loss or quota share treaties.

Retention limits represent the level of risk retained by the Company. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. Claim amounts in excess of reinsurance treaty limits revert to the insurer. Principal features of retention programs used are summarised in the tables below.

Type of risk	Retention by Company
Property risks	Maximum retention of \$9,000 (2022 - \$9,000) for a single non-catastrophic event; Maximum retention of \$10,000 (2022 - \$10,000) for a catastrophic event in Barbados and Trinidad; Quota share retention to a maximum of 20% in respect of the treaty limits; Quota share retention is further reduced to a maximum of \$750 (2022 - \$750) per risk for all territories except Trinidad which has a maximum net retention of \$375. Maximum net retention of \$10,000 for a single catastrophic 1st event in Barbados and \$5,000 in Antigua, St. Lucia, Dominica, Trinidad and Bahamas. For all territories a deductible of \$5,000 will apply for a 2nd and 3rd event. treaty limits apply.
Motor and liability risks	Maximum retention of \$1,500 for a single event; treaty limits apply.
Miscellaneous accident risks	Maximum retention of \$150 for a single event; treaty limits apply.
Engineering business risks	Maximum retention of \$1,000 for a single risk; treaty limits apply for material damage and for liability claims.
Marine risks	Maximum retention of \$250 for a single event; treaty limits apply.
Bond risks	Maximum retention of \$600 for a single risk; Quota share retention to maximum of 15% in respect of the treaty limits; treaty limits apply.
Property, motor, marine, and engineering risk	Catastrophic excess of loss reinsurance cover is available per event for amounts in excess of treaty limits for property, motor, marine and engineering risks; treaty limits apply to catastrophic excess of loss coverage.

**31. INSURANCE RISK (continued)**

**31.3 Reinsurance risk (continued)**

In order to assess the potential reinsurance recoveries on the occurrence of a catastrophic insurance event, the Sagicor credit risk ratings of the reinsurance recoverable are assessed using the following realistic disaster scenarios:

Hurricane with a 200 year return period affecting Barbados and St. Lucia; and

Earthquake with a 250 year return period affecting Trinidad all within a 24 hour period (2022 only).

The reinsurance recoveries derived from the above are assigned internal credit ratings as follows:

<b>Reinsurance assets by Credit rating</b>	<b>Classification</b>	<b>2023</b>	<b>2022</b>
1	Minimal risk	269,251	780,591
2	Low risk	353,319	821,841
3	Moderate risk	16,120	44,055
<b>Total</b>		<b>638,690</b>	<b>1,646,487</b>
<b>Less: Reinsurance liability</b>		-	-
<b>Total Reinsurance Assets</b>		<b>638,690</b>	<b>1,646,487</b>

## 32. CAPITAL MANAGEMENT

### 32.1 Capital resources

The Company manages its capital resources according to the following objectives:

- To comply with capital requirements established by insurance regulatory authorities;
- To safeguard its ability as a going concern and to provide adequate returns to shareholders by pricing insurance contracts commensurately with the level of risk;
- To maintain a strong capital base to support the future development of company operations.

The principal capital resource of the Company at the financial statement date is as follows:

	<b>2023</b>	<b>2022</b>
Equity	66,607	66,305
Surplus notes (note 12)	25,000	25,000
Total capital resources	91,607	91,305

The Company deploys its capital resources through its operating activities. These operating activities are carried out by branches which are insurance operations. The capital is deployed in such a manner as to ensure that branches have adequate and sufficient capital resources to carry out their activities and to meet regulatory requirements.

The Financial Services Commission has approved the Surplus Debenture in the amount of \$25,000 (note 12) to be included as part of the Company's regulatory contributed capital.

### 32.2 Capital adequacy

Management monitors the adequacy of the Company's capital to ensure compliance with the solvency requirements of the territories in which it operates and to safeguard its ability as a going concern to continue to provide benefits and returns to shareholders.

At year-end the Company was in compliance with all of its regulatory capital requirements in all territories.

### 32.3 Covenants

#### CIBC Caribbean 3.50% loan agreement

COVENANT	DESCRIPTION
Debt service coverage ratio	The guarantor, Sagicor Life Inc, must maintain a minimum debt service coverage ratio of 1.5 to 1.0.
Effective net worth	The subsidiary net worth must not fall below \$30.0 million.
Total funded debt to net worth	The total funded debt to net worth ratio of the subsidiary must not exceed 1.0 to 1.0.

At December 31, 2023, the Company was in compliance with the specified covenants.

**33. SUBSEQUENT EVENT**

On May 28, 2024, the Company declared a dividend of \$7.45 per share or \$15,034 to all shareholders on record as at May 31, 2024.

An overhead photograph of a meeting around a white table. A person in a grey suit is using a calculator while looking at documents. Another person is writing on a document. The table has papers, a green folder, and a white cup. The image is partially covered by a large green and blue diagonal graphic on the left side.

# Advisors & Bankers

# Advisors & Bankers

## Appointed Actuary

Eckler Ltd.

## Auditor

PricewaterhouseCoopers SRL

## Counsel

Sir Richard Cheltenham, QC, Ph.D.

## Bankers

CIBC Caribbean

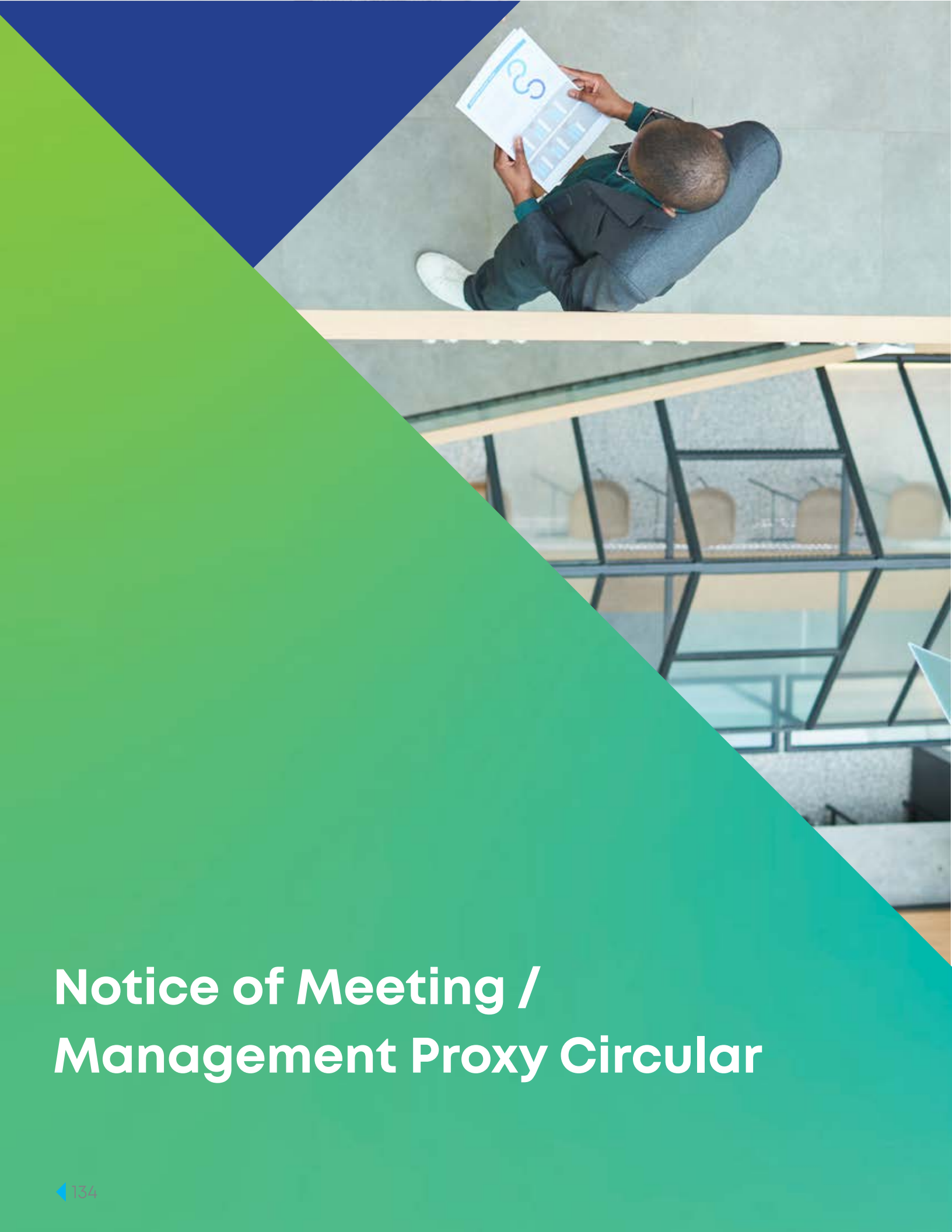
First Citizens Bank (Barbados) Limited

The Bank of Nova Scotia

RBC Royal Bank (Barbados) Limited

Republic Bank (EC) Limited

Sagicor Bank (Barbados) Limited



# Notice of Meeting / Management Proxy Circular

# Notice of Meeting

NOTICE IS HEREBY GIVEN that the TWENTY-EIGHTH ANNUAL GENERAL MEETING of the Shareholders of SAGICOR GENERAL INSURANCE INC. will be held at Cecil F. de Caires Building, Wildey, St. Michael, Barbados, on Thursday, September 19, 2024, at 10:30 a.m. to transact the following business:

1. To receive and consider the Financial Statements of the Company and the Reports of the Directors and Auditors for the year ended December 31, 2023.
2. To elect Directors:-  
Mr. Peter Clarke and Mr. David Wright are the Directors whose terms of office expire at the close of this meeting and being eligible offer themselves for re-election

for terms expiring at the close of the third annual meeting following this meeting.

3. To re-appoint the incumbent Auditors for the ensuing year and to authorise the Directors to fix their remuneration.
4. To transact such other business as may properly come before the meeting and at any adjournment thereof.



.....  
Andrew C. Greaves  
Corporate Secretary  
August 14, 2024

## Proxies

A shareholder who is entitled to attend and vote at the meeting may appoint a proxy to attend and vote in his stead. A proxy need not be a shareholder. Proxy forms must be lodged at the Company's registered office at Cecil F. de Caires Building, Wildey, St. Michael, Barbados, not less than forty-eight (48) hours before the meeting. A form of Proxy is enclosed for your convenience.



# Sagicor General Insurance Inc. Company No. 42724

## Management Proxy Circular

Management is required by the Companies Act Cap. 308 of the Laws of Barbados (hereinafter called the "Companies Act") to send with the Notice convening the meeting, forms of proxy. By complying with the Companies Act, Management is deemed to be soliciting proxies within the meaning of the Companies Act.

This Management Proxy Circular accompanies the Notice of the Twenty-Eighth Annual General Meeting of the Shareholders of Sagicor General Insurance Inc. (hereinafter called the "Company") to be held on Thursday, September 19, 2024 at 10:30 a.m. (hereinafter called the "Meeting") and is furnished in connection with the solicitation by the Management of the Company of proxies for use at the Meeting, or any adjournment thereof. It is expected that the solicitation will primarily be by mail. The cost of the solicitation will be borne by the Company.

### Revocation Of Proxy

Any shareholder having given a proxy has the right to revoke it by depositing an instrument in writing executed by the shareholder, or his attorney authorised in writing, with the Corporate Secretary at the registered office of the Company at Cecil F. de Caires Building, Wildey, St. Michael Barbados, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used or with the Chairman of such Meeting on the day of the Meeting or adjournment thereof.

### Record Date, Notice Of Meeting & Voting Shares

The Directors of the Company have not fixed a record date for determining the shareholders who are entitled to receive notice of the Meeting. In accordance with the Companies Act, the statutory record date applies. Only the holders of common shares of the Company of record at the close of business on the day immediately preceding the day on which the Notice is given under Section 109 (1) of the Companies Act will be entitled to receive notice of the Meeting.

Only the holders of common shares of the Company will be entitled to attend and vote at the Meeting. Each holder is entitled to one vote for each share held. As at the date hereof there are 2,018,087 common shares of the Company outstanding.

### Presentation Of Financial Statements And Auditors' Report

The Financial Statements of the Company for the year ended December 31, 2023 and the Auditors' Report thereon, are included in the 2023 Annual Report which is being mailed to shareholders with this Notice of the Annual General Meeting and Management Proxy Circular.

### Election Of Directors

The Board of Directors currently consists of five (5) members. The number of Directors to be elected at the Meeting is two (2). Mr. Peter Clarke and Mr. David Wright will

retire by normal rotation at the end of the Meeting. Being eligible, the Board proposes Mr. Peter Clarke and Mr. David Wright as nominees for re-election as Directors of the Company, and for whom it is intended that votes will be cast for their re-election as Directors pursuant to the form of proxy hereby enclosed.

The term of office for the Directors so elected will expire at the close of the third annual general meeting of the shareholders of the Company following their election.

The Directors recommend the appointment of Mr. Peter Clarke and Mr. David Wright for the terms stated above or until their successors are elected or appointed.

The Management of the Company does not contemplate that any of the persons named above will, for any reason, become unable to serve as a Directors.

### Appointment Of Auditors

It is proposed to re-appoint the firm of PricewaterhouseCoopers, the incumbent Auditors, as Auditors of the Company to hold office until the next annual general meeting of Shareholders.

### Discretionary Authority

Management knows of no matter to come before the Meeting other than the matters referred to in the Notice of Meeting enclosed herewith. However, if any matters which are

# Sagicor General Insurance Inc. Company No. 42724

## Management Proxy Circular

not known to Management should properly come before the Meeting or any adjournment thereof, the shares represented by proxies will be voted on such matters in accordance with the best judgment of the proxy nominee. Similar discretionary authority is conferred with respect to amendments to the matters identified in the Notice of the Meeting.

The contents of this Management Proxy Circular and the sending thereof to the holders of the common shares of the Company have been approved by the Directors of the Company.

No Directors' statement is submitted pursuant to Section 71(2) of the Companies Act. No Auditors' statement is submitted pursuant to Section 163(1) of the Companies Act.

Date: August 14, 2024.



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Andrew C. Greaves  
Corporate Secretary



