

**SAGICOR LIFE ARUBA N.V.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2024**

**SAGICOR LIFE ARUBA N.V.**  
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**December 31, 2024**

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**Independent Auditor's Report**

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## Independent auditor's report

To the Board of Directors, the Supervisory Board  
and the Shareholder of  
Sagikor Life Aruba N.V.  
Aruba

Our reference: MR/2250494

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### Our opinion

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

### What we have audited

We have audited the financial statements of Sagikor Life Aruba N.V., based in Aruba.

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2024;
- the statement of income for the year ended December 31, 2024;
- the statement of comprehensive income for the year ended December 31, 2024;
- the statement of changes in equity for the year ended December 31, 2024;
- the statement of cash flows for the year ended December 31, 2024;
- the notes to the financial statements, which include a summary of significant accounting policies.

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

### Basis for opinion

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

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

### Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

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

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

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

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

## ***Auditor's responsibilities for the audit of the financial statements***

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

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

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


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

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

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Aruba, June 30, 2025  
Grant Thornton Curaçao



Marisol Roosberg  
Partner Assurance

**ACRONYMS**

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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
CSM	Contractual Service Margin
EAD	Exposure At Default
ECL	Expected Credit Losses
FCF	Fulfilment Cash Flows
FVTOCI	Fair Value Through Other Comprehensive Income
FVTPL	Fair Value Through Profit and Loss
GMM	General Measurement Model
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IFRS IC	International Financial Reporting Standards Interpretation Committee
LGD	Loss Given Default
LIC	Liability for Incurred Claims
LRC	Liability for Remaining Coverage
MCCSR	Minimum Continuing Capital and Surplus Requirement
OCI	Other Comprehensive Income
PAA	Premium Allocation Approach
PD	Probability of Default
POCI	Purchase or Originated Credit-Impaired
SICR	Significant Increase in Credit Risk
SPPI	Solely Payments of Principal and Interest
VFA	Variable Fee Approach

**SAGICOR LIFE ARUBA N.V.**  
**STATEMENT OF FINANCIAL POSITION**

As of December 31, 2024

Amounts expressed in AFL 000

	Note	2024	2023
<b>ASSETS</b>			
Property, plant and equipment	4	140	209
Financial investments	5	38,309	36,154
Reinsurance contract assets	7	340	301
Insurance contract assets	7	128	124
Miscellaneous assets and receivables	6	37	131
Cash		13,385	12,389
Amounts receivable from Sagicor Group companies	26	5,429	4,122
<b>Total assets</b>		<b>57,768</b>	<b>53,430</b>
<b>LIABILITIES</b>			
Insurance contract liabilities	7	31,910	28,804
Reinsurance contract liabilities	7	2,705	2,788
Investment contract liabilities	7	630	574
Deposit and security liabilities		14	9
Other liabilities / retirement benefit liabilities	16	2,503	2,435
Income tax liabilities	8	324	315
Accounts payable and accrued liabilities	9	2,755	2,720
Amounts payable to Sagicor Group companies	26	5,886	5,994
<b>Total liabilities</b>		<b>46,727</b>	<b>43,639</b>
<b>EQUITY</b>			
Share capital	10	850	839
Retained earnings		10,191	8,952
Total shareholder's equity		11,041	9,791
<b>Total equity</b>		<b>11,041</b>	<b>9,791</b>
<b>Total liabilities and equity</b>		<b>57,768</b>	<b>53,430</b>

These financial statements have been approved for issue by the Board of Directors on June 27, 2025.

  
 Director

  
 Director

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

**SAGICOR LIFE ARUBA N.V.****STATEMENT OF INCOME**

Year ended December 31, 2024

*Amounts expressed in AFL 000*

	Note	2024	2023
Insurance revenue	11	6,732	6,057
Insurance service expenses	11	(4,170)	(5,300)
Net (expense) from reinsurance contracts held	11	(542)	(308)
<b>INSURANCE SERVICE RESULT</b>		<b>2,020</b>	<b>449</b>
Interest income earned from Sagicor Group companies	26	166	157
Interest income earned from financial assets measured at amortised cost and FVTOCI	12	938	1,267
Net credit impairment (loss) / recovery	12	(164)	153
Other investment income	12	1,037	587
<b>NET INVESTMENT INCOME</b>		<b>1,977</b>	<b>2,164</b>
Finance expenses from insurance contracts issued	12	(1,246)	(4,036)
Finance expenses from reinsurance contracts held	12	(194)	(139)
<b>NET INSURANCE FINANCE EXPENSES</b>	12	<b>(1,440)</b>	<b>(4,175)</b>
<b>NET INSURANCE AND INVESTMENT RESULT</b>		<b>2,557</b>	<b>(1,562)</b>
Fees and other income / (expenses)	13	52	(26)
Other operating expenses	14	(890)	(1,256)
Other interest and finance costs	15	(155)	(158)
<b>INCOME / (LOSS) BEFORE TAXES</b>		<b>1,564</b>	<b>(3,002)</b>
Income taxes	17	(343)	(334)
<b>NET INCOME / (LOSS) FOR THE YEAR</b>		<b>1,221</b>	<b>(3,336)</b>

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

**SAGICOR LIFE ARUBA N.V.****STATEMENT OF INCOME**

Year ended December 31, 2024

*Amounts expressed in AFL 000*

	Note	2024	2023
<b>NET INCOME / (LOSS) FOR THE YEAR</b>		<b>1,221</b>	<b>(3,336)</b>
<b>OTHER COMPREHENSIVE INCOME / (LOSS):</b>			
<b>Items net of tax that will not be reclassified subsequently to income:</b>			
Gain on defined benefit plans		18	76
		<b>18</b>	<b>76</b>
<b>Other comprehensive income / (loss)</b>		<b>18</b>	<b>76</b>
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR</b>		<b>1,239</b>	<b>(3,260)</b>

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

**SAGICOR LIFE ARUBA N.V.**  
**STATEMENT OF CHANGES IN EQUITY**  
Year ended December 31, 2024

*Amounts expressed in AFL 000*

	Share Capital (note 10)	Retained Earnings	Total Shareholder's Equity
<b>Balance as at January 1, 2024</b>	<b>839</b>	<b>8,952</b>	<b>9,791</b>
Total comprehensive income	--	1,239	1,239
Capital contribution	11	--	11
<b>Balance, December 31, 2024</b>	<b>850</b>	<b>10,191</b>	<b>11,041</b>

	Share Capital (note 10)	Retained Earnings	Total Shareholder's Equity
<b>Balance as at January 1, 2023</b>	<b>830</b>	<b>12,212</b>	<b>13,042</b>
Total comprehensive loss	--	(3,260)	(3,260)
Capital contribution	9	--	9
<b>Balance, December 31, 2023</b>	<b>839</b>	<b>8,952</b>	<b>9,791</b>

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

**SAGICOR LIFE ARUBA N.V.**  
**STATEMENT OF CHANGES IN EQUITY**  
Year ended December 31, 2024

*Amounts expressed in AFL 000*

	Note	2024	2023
<b>OPERATING ACTIVITIES</b>			
Income / (Loss) before taxes		1,564	(3,002)
Adjustments for non-cash items, interest and dividends	18	(380)	2,225
Interest and dividends received		1,989	2,209
Interest and dividends received from Sagicor Group companies		166	---
Interest paid		(155)	(158)
Income taxes paid		(334)	(415)
Net change in investments and operating assets	18	(3,781)	(5,480)
Net change in operating liabilities	18	1,733	3,236
<b>Net cash flows - operating activities</b>		<b>802</b>	<b>(1,385)</b>
<b>INVESTING ACTIVITIES</b>			
Property, plant and equipment, net	18	---	(85)
<b>Net cash flows - investing activities</b>		<b>---</b>	<b>(85)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>802</b>	<b>(1,470)</b>
Cash and cash equivalents, beginning of year		12,571	14,041
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	18	<b>13,373</b>	<b>12,571</b>

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

**1. GENERAL INFORMATION**

Sagicor Life Aruba N.V. (the Company) was incorporated in Aruba on 19th December 2007. The incorporation was in keeping with revised registration requirements from the Central Bank of Aruba for all insurance companies operating in that jurisdiction. Prior to incorporation the entity operated as a Branch office. Sagicor Life Aruba N.V. assumed the rights, title and interest in and to the insurance business of the Aruba Branch of Sagicor Capital Life Insurance Company Limited, a transaction which was approved by the Central Bank of Aruba and by virtue of this the obligations of the insurance business of the Branch. As a consequence, all assets of the Branch were transferred to the newly established entity on January 1, 2008 (the effective date of transfer). Further, all rights and liabilities of the Aruba branch were transferred to the Company. Thereafter the Company commenced its operational activity.

Sagicor Life Aruba N.V. is a wholly owned subsidiary of Sagicor Life Inc. Effective December 31, 2014 Sagicor Life Inc was amalgamated with the Company's former parent company Sagicor Capital Life Insurance Company Limited.

Sagicor Life Inc is the name adopted by The Barbados Mutual Life Assurance Society following its conversion from a mutual company to a company with share capital on December 6, 2002 under the Companies Act of Barbados. The Barbados Mutual Life Assurance Society (The Society) was organized as a mutual insurance company established in 1840 and incorporated by a special Act of Parliament of Barbados in 1851.

On November 28, 2002, eligible policyholders of The Society passed a resolution for the demutualization of The Society in accordance with provisions contained in a Policyholder Information Circular and the Insurance (Mutual Company) (Conversion) Regulations 2002 made under the Insurance Act Cap 310A of the laws of Barbados. The demutualization proposal provided for the creation of a holding company under the Companies Act which would issue shares to the eligible policyholders of the converted company while in turn holding all of the voting shares of the converted company. The mechanism of reincorporation, while converting the company from a mutual company to a company with share capital, preserved the corporate existence and legacy of The Society. Upon demutualization, eligible policyholders exchanged their ownership rights and interest in the surplus of The Society for shares in the holding company, Sagicor Financial Corporation Limited (the Parent Company). In addition, the demutualization proposal provided for the establishment of a participating account in respect of in force participating policies of The Society, to manage and protect the future bonus and dividend levels on pre-demutualization participating policies.

On November 27, 2018, Sagicor Financial Corporation Limited ("SFCL") entered into a definitive arrangement agreement, as amended on January 28, 2019, with a predecessor of SFC pursuant to which on December 5, 2019, pursuant to a court-approved arrangement, the predecessor acquired all of the issued and outstanding shares of SFCL. On closing, the predecessor continued to Bermuda and changed its name to Sagicor Financial Company Ltd., whose operations continue as SFC, which owns 100% of the shares in the capital of SFCL.

The Company administers and markets individual life insurance, annuities, group pensions, group life, group creditor life and group health insurance products in Aruba.

For ease of reference, when the term "insurer" is used in the following notes, it refers either to the Company and/or its parent that engage in insurance business.

**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 are prepared in accordance with, and comply with, IFRS Accounting Standards (IFRS).

The financial statements are prepared under the historical cost convention except as modified by assets at fair value through other comprehensive income, financial assets and liabilities held at fair value through income, and insurance and reinsurance contract assets and liabilities.

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

Where necessary, prior year comparatives have been reclassified to conform to the presentation in the current year.

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

**Amendments to existing IFRS and IAS effective January 1, 2024**

<b>Standard</b>	<b>Description of amendment</b>
IAS 1 – Non-current liabilities with covenants	<p>These amendments clarify how to classify debt and other liabilities as either current or non-current and aim to improve the information an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within twelve months after the reporting period.</p> <p>This standard has no material effect on the Company</p>
IFRS 16 – Leases on sale and leaseback	<p>These amendments 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 has no material effect on the Company.</p>
IAS 7 and IFRS 7 – Supplier finance	<p>These amendments 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. The amendments provide for transitional reliefs in the first year.</p> <p>This standard has no material effect on the Company.</p>

**2. ACCOUNTING POLICIES (continued)****2.2 Insurance Operations****Summary of significant accounting policies for insurance contracts****(a) Summary of measurement approaches**

The Company uses different measurement approaches, depending on the portfolio of contract issued, as follows:

Contracts Issued	Product Classification	Measurement Model
Traditional Life contracts	Insurance contracts	GMM
Universal life contracts	Insurance contracts without direct participation features	GMM
Living Benefits	Insurance contracts	GMM / PAA
Single premium group creditor	Insurance contracts	GMM
Group Life & Health	Insurance contracts	PAA for policies issued with coverage one year or less
Accumulation annuities, Payout annuities, Endowment without direct participation features	Insurance contracts	GMM

For underlying direct insurance contracts measured under GMM, the corresponding reinsurance contract portfolios are measured using GMM. For underlying direct insurance contracts measured under PAA, the corresponding reinsurance contract portfolios are measured using PAA.

**(b) 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.

Contracts that have a legal form of insurance but do not transfer significant insurance risk and expose the Company to financial risk are classified as investment contracts and are not treated as insurance contracts.

IFRS 17 defines investment components as the amounts that an insurance contract requires an insurer to repay to a policyholder in all circumstances, regardless of whether an insured event has occurred. Investment components which are highly interrelated with the insurance contract of which they form a part are considered non-distinct and are not separately accounted for. However, receipts and payments of the investment components are excluded from insurance revenue and insurance service expenses. The Company uses judgement to assess whether the amounts expected to be paid to the policyholder constitute a substantial share of the fair value returns on the underlying items.

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 and reinsurance contracts issued or acquired and reinsurance contracts held unless specifically stated otherwise.

**2. ACCOUNTING POLICIES (continued)****2.2 Insurance Operations (continued)****Summary of significant accounting policies for insurance contracts (continued)****(c) Unit of account**

The Company manages insurance contracts issued by product lines within an operating segment, 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.

For contracts measured under the GMM, the Company develops rates or prices for the range of insurance contracts that may be issued under a given product form. Rates would typically be intended to result in similar levels of profitability across all insurance contracts issued.

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

Similar to the treatment of the direct (underlying) contracts, the Company divides reinsurance contracts held into contracts with similar insurance risk. The risks for reinsurance contracts in the life business are mortality, morbidity, hybrid and longevity risks which correspond to portfolios of direct contracts. The hybrid risk for reinsurance contracts refers to treaties that cover both mortality and lapse benefits and therefore have more than one type of risk. 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 accompanying 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. 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

Transition approaches that were applied by the Company on adoption of IFRS 17 with respect to contracts aggregation requirements are included in note 3.2.7.

**2. ACCOUNTING POLICIES (continued)****2.2 Insurance Operations (continued)****Summary of significant accounting policies for insurance contracts (continued)****(c) Unit of account (continued)**

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.

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. Most life reinsurance treaties are proportionate and are entered into on or before the underlying contracts are recognised.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included. 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.

Insurance and reinsurance contracts are derecognised when they are:

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.

**2. ACCOUNTING POLICIES (continued)****2.2 Insurance Operations (continued)****Summary of significant accounting policies for insurance contracts (continued)****(c) Unit of account (continued)**

- b) the original contract represents an insurance contract with direct participation features, but the modified contract no longer meets that definition.
- c) 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 not accounted for under the PAA is derecognised from within a group of insurance contracts, the Company:

- a) adjusts the FCF to eliminate the present value of future cash flows and risk adjustment for non-financial risk relating to the rights and obligations removed from the group;
- b) adjusts the CSM (unless the decrease in the FCF is allocated to the loss component of the LRC of the group) in the following manner, depending on the reason for the derecognition:
  - i. if the contract is extinguished, in the same amount as the adjustment to the FCF relating to future service;
  - ii. if the contract is transferred to a third party, in the amount of the FCF adjustment in (a) less the premium charged by the third party;
  - or
  - iii. if the original contract is modified resulting in its derecognition, in the amount of the FCF adjustment for the premium that the Company 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; when recognising the new contract in this case, the Company assumes such a hypothetical premium as actually received; and
- c) adjusts the number of coverage units for the expected remaining insurance contract services, to reflect the number of coverage units removed.

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. ACCOUNTING POLICIES (continued)****2.2 Insurance Operations (continued)****Summary of significant accounting policies for insurance contracts (continued)****(d) Measurement**

Groups of insurance contracts are recognised and measured as the total of the following measurement components:

- a) Fulfilment cash flows which comprise:
  - the present value of future cash flows (including the provisions of financial risk), and
  - the risk adjustment for non-financial risk; and
- b) A CSM, representing the unearned profit that will be recognised in income as insurance contract services are provided.

These measurement components are outlined below, along with insurance acquisition costs which are allocated to groups of contracts

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

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the Companies 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. Refer to note 3.2.3.

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 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.

**2. ACCOUNTING POLICIES (continued)****2.2 Insurance Operations (continued)****Summary of significant accounting policies for insurance contracts (continued)****(d) Measurement (continued)**Contract boundary (continued)

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

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

With the exception of contracts that change character referred to in the discussion below, 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. For certain universal life and health insurance contracts, the Company has the right to reset premiums to reflect expected experience for the product.

However, the Company does not have the right to reprice at the portfolio level as, within a portfolio, it aggregates contracts with the right to reprice with contracts for which it does not have the right to reprice.

Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, that are issued together with the main insurance contracts form part of a single insurance contract with all of the cash flows within its boundary. Some insurance contracts issued by the Company provide policyholders with an option to alter the nature of the contract by exchanging one contract for another, for example, a term life contract being exchanged for a permanent contract or a deferred annuity contract being exchanged for a payout annuity. The Company assesses its practical ability to reprice such insurance contracts in their entirety to determine if the related cash flows are within or outside the insurance contract boundary.

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 life proportional 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.

**2. ACCOUNTING POLICIES (continued)**

**2.2 Insurance Operations (continued)**

**Summary of significant accounting policies for insurance contracts (continued)**

**(d) Measurement (continued)**

Contract boundary (continued)

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.

**(e) Initial measurement – Groups of contracts not measured under the PAA**

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 Company belongs.

Insurance acquisition cash flows are allocated to groups of insurance contracts on a systematic and rational basis. Insurance acquisition cash flows that are directly attributable to a group of insurance contracts are allocated to 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. ACCOUNTING POLICIES (continued)****2.2 Insurance Operations (continued)****Summary of significant accounting policies for insurance contracts (continued)****(e) Initial measurement – Groups of contracts not measured under the PAA (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 3.2.4.

Contractual service margin

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that the Company will recognise as it provides insurance contract services in the future.

At initial recognition, the CSM is an amount that results in no income or expenses (unless a group of contracts is onerous or insurance revenue and insurance service expenses are recognised) and arises from:

- a) the initial recognition of the FCF;
- b) cash flows arising from the contracts in the group at that date; and
- c) the derecognition of any insurance acquisition cash flows asset.

When the above calculation results in a net outflow, the group of insurance contracts issued is onerous.

A loss from onerous insurance contracts is recognised in net income / (loss) immediately, with no CSM recognised on the statement of financial position on initial recognition, and a loss component is established in the amount of loss recognised (refer to the "Onerous contracts – Loss component" section in (f) Subsequent measurement – Groups of contracts not measured under the PAA).

For groups of reinsurance contracts held, any net gain or net cost at initial recognition is recognised as the CSM unless the net cost of purchasing reinsurance relates to past events, in which case the Company recognises the net cost immediately in net income / (loss). For reinsurance contracts held, the CSM represents a deferred gain or loss that the Company will recognise as a reinsurance expense as it receives insurance contract services from the reinsurer in the future and is calculated as the sum of:

- a) the initial recognition of the FCF; and
- b) cash flows arising from the contracts in the group at that date;
- c) any income recognised in net income / (loss) when the entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group.

A loss-recovery component is established or adjusted within the remaining coverage for reinsurance contracts held for the amount of income recognised in (c) above. This amount 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 contracts held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

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

**2. ACCOUNTING POLICIES (continued)****2.2 Insurance Operations (continued)****Summary of significant accounting policies for insurance contracts (continued)****(e) Initial measurement – Groups of contracts not measured under the PAA (continued)**Contractual service margin (continued)

For insurance contracts acquired in a portfolio transfer or a business combination within the scope of IFRS 3, at initial recognition, the CSM is an amount that results in no income or expenses arising from:

- a) the initial recognition of the FCF; and
- b) cash flows arising from the contracts in the group at that date, including the fair value of the groups of contracts acquired as at the acquisition date as a proxy of the premiums received.

**(f) Subsequent measurement – Groups of contracts not measured under the PAA**

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

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

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

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

Changes in fulfilment cash flows

The FCF are updated by the Company for current assumptions at the end of every reporting period, using the current estimates of the amount, timing and uncertainty of future cash flows and of discount rates.

The way in which the changes in estimates of the FCF are treated depends on which estimate is being updated:

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

For insurance contracts under the GMM, the following adjustments relate to future service and thus adjust the CSM:

- a) experience adjustments – arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes;
- b) changes in estimates of the present value of future cash flows in the LRC, except differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period, determined by comparing (i) the actual investment component that becomes payable in a period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable; and
- c) changes in the risk adjustment for non-financial risk that relate to future service.

**2. ACCOUNTING POLICIES (continued)****2.2 Insurance Operations (continued)****Summary of significant accounting policies for insurance contracts (continued)****(f) Subsequent measurement – Groups of contracts not measured under the PAA (continued)**Changes in fulfilment cash flows (continued)

Adjustments (a), (b) and (c) above are measured using discount rates determined on initial recognition (the locked-in discount rates).

For insurance contracts under the GMM, the following adjustments do not adjust the CSM:

- a) changes in the FCF for the effect of the time value of money and the effect of financial risk and changes thereof;
- b) changes in the FCF relating to the LIC;
- c) experience adjustments – arising from premiums received in the period that do not relate to future service and related cash flows, such as insurance acquisition cash flows and premium-based taxes; and
- d) experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

Changes to the contractual service margin

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

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

The Company prepares financial statements on a quarterly basis. The Company has elected to treat every quarter as a discrete interim reporting period, and estimates made by the Company in previous interim financial statements are not changed when applying IFRS 17 in subsequent interim periods or in the annual financial statements.

The Company does not publish interim financial statements for the last quarter in the year. If an estimate reported in the previous quarter changes significantly in the fourth quarter, the nature and amount of such changes are disclosed in the annual statements.

For reinsurance contracts held, at the end of each reporting period, the carrying amount of the CSM is adjusted by the Company to reflect the effect of the following changes:

- a) The effect of any new contracts added to the group.
- b) Interest accreted on the carrying amount of the CSM.
- c) Income recognised in the statement of income when the entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group. A loss-recovery component is established or adjusted within the remaining coverage for reinsurance contracts held for the amount of income recognised.
- d) Reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held.

**2. ACCOUNTING POLICIES (continued)****2.2 Insurance Operations (continued)****Summary of significant accounting policies for insurance contracts (continued)****(f) Subsequent measurement – Groups of contracts not measured under the PAA (continued)**Changes to the contractual service margin (continued)

- e) Changes in the FCF, to the extent that the change relates to future service, unless the change results from a change in FCF allocated to a group of underlying insurance contracts that does not adjust the CSM for the group of underlying insurance contracts.
- f) The amount recognised in net income / (loss) for insurance contract services received during the period, determined after all other adjustments above.

Income referred to in (c) above 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 is entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

Interest accretion on the CSM

Under the GMM, interest is accreted on the CSM using an average discount rate determined at initial recognition that is applied to nominal cash flows that do not vary based on the returns of underlying items. The discount rate used for accretion of interest on the CSM is determined using the top-down approach. The locked-in discount rate for a group is determined as the average of the discount rates applied at the beginning and ending of each period.

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

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

Release of the CSM to net income / (loss)

The amount of the CSM recognised in net income / (loss) for insurance contract services in the period is determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of insurance contracts based on coverage units.

The coverage period is defined as a period during which the entity provides insurance contract services. Insurance contract services include coverage for an insured event (insurance coverage), the generation of an investment return for the policyholder, if applicable (investment-return service) for the contracts under the GMM. The period of investment-return service or investment-related service ends at or before the date when all amounts due to current policyholders relating to those services have been paid. Investment-return services are provided only when an investment component exists in insurance contracts or the policyholder has a right to withdraw an amount, and the Company expects these amounts to include an investment return that is achieved by the Company by performing investment activities to generate that investment return.

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

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

**2. ACCOUNTING POLICIES (continued)****2.2 Insurance Operations (continued)****Summary of significant accounting policies for insurance contracts (continued)****(f) Subsequent measurement – Groups of contracts not measured under the PAA (continued)**Release of the CSM to net income / (loss) (continued)

The Company uses the amount that it expects the policyholder to be able to validly claim in each period if an insured event occurs as the basis for the quantity of benefits with respect to insurance coverage. For investment-return and investment-related services, policyholders' account values are used to determine the quantity of benefits provided.

The Company determines coverage units as follows:

Product	Coverage Units
Traditional Life contracts	Sum insured
Universal life contracts	Sum insured plus fund value
Living Benefits	Sum insured
Single premium group creditor	Sum insured / maximum benefit
Accumulation annuities, Payout annuities, Endowment without direct participation features	Greater of maturity benefit or sum insured and Payout for Payout annuities

The Company reflects the time value of money in the allocation of the CSM to coverage units, 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.

For reinsurance contracts held, the CSM is released to net income / (loss) as insurance contract services are received from the reinsurer in the period.

The coverage period for these reinsurance contracts is determined based on the coverage period of all underlying contracts whose cash flows are included in the reinsurance contract boundary. Refer to the Contract boundary section in note 2.2 (d) above.

Onerous contracts – Loss component

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

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

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

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

Decreases in the FCF relating to the future in subsequent periods reduce the remaining loss component and reinstate the CSM after the loss component is reduced to zero. Subsequent increases in FCF are allocated in relation to the entity's share of the fair value of the underlying items. Increases in the FCF relating to the future in subsequent periods increase the loss component.

**2. ACCOUNTING POLICIES (continued)****2.2 Insurance Operations (continued)****Summary of significant accounting policies for insurance contracts (continued)****(f) Subsequent measurement – Groups of contracts not measured under the PAA (continued)**Onerous contracts – Loss component (continued)

When the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group, a loss-recovery component is established or adjusted within the asset for remaining coverage for reinsurance contracts held. The loss-recovery component results in an amount immediately recognised within the statement of income within the net income / (expense) from reinsurance contracts held.

Subsequently, the loss-recovery component is adjusted to reflect changes in the loss component of an onerous group of underlying insurance contracts. The loss-recovery component is further adjusted, if required, to ensure that it does not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Company expects to recover from the Company of reinsurance contracts held.

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

The Company has determined that all contracts within the Group Life and Health lines of business (with the exception of the Single premium group creditor products) have a coverage period of one year or less and are therefore 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 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.

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 not to discount the cash flows within the LIC for certain 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 included an explicit risk adjustment for non-financial risk.

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. ACCOUNTING POLICIES (continued)**

**2.2 Insurance Operations (continued)**

**Summary of significant accounting policies for insurance contracts (continued)**

**(g) 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 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 of amounts due from reinsurers against amounts due to reinsurers.

There are no investment components within reinsurance contracts issued and reinsurance contracts held that are measured under the PAA. For contracts measured under the PAA and GMM, the LIC is measured similarly. Future cash flows are adjusted for the time value of money.

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.

**(h) 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.

**2. ACCOUNTING POLICIES (continued)**

**2.2 Insurance Operations (continued)**

**Summary of significant accounting policies for insurance contracts (continued)**

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

Insurance revenue (continued)

For contracts not measured under the PAA, insurance revenue comprises the following:

- Amounts relating to the changes in the LRC:
  - a) claims and other directly attributable expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:
    - i. amounts allocated to the loss component;
    - ii. repayments of investment components and policyholder rights to withdraw an amount
    - iii. insurance acquisition expenses; and
    - iv. amounts related to the risk adjustment for non-financial risk (see (b));
  - b) changes in the risk adjustment for non-financial risk, excluding:
    - i. changes included in insurance finance income / (expenses);
    - ii. changes that relate to future coverage (which adjust the CSM); and
    - iii. amounts allocated to the loss component;
  - c) amounts of the CSM recognised for the services provided in the period;

In period cash-flow variance would go through CSM if they are investment component, premium experience not related to past service or policy loan cash flow variances.

Insurance acquisition cash flows recovery is determined by allocating the portion of premiums related to the recovery of those cash flows based on the applicable coverage units of each group.

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

Insurance service expenses

Insurance service expenses include the following:

- a) incurred claims and benefits, excluding investment component and policy loans, 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;
- 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.

For contracts not measured under the PAA, amortisation of insurance acquisition cash flows is reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue, as described above.

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

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

**2. ACCOUNTING POLICIES (continued)****2.2 Insurance Operations (continued)****Summary of significant accounting policies for insurance contracts (continued)****(h) Amounts recognised in the statement of income within the insurance service result (continued)**Net income / (expenses) from reinsurance contracts held

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

- a) reinsurance expenses;
- b) incurred claims recovery, excluding investment components 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:
  - i. income on initial recognition of onerous underlying contracts;
  - ii. reinsurance contracts held under the GMM: reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held; and
  - iii. reinsurance contracts held under the GMM: changes in the FCF of reinsurance contracts held from onerous underlying contracts.

Reinsurance expenses (ceding premiums) 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 measured under the PAA, the Company recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts

For contracts measured under the GMM, reinsurance expenses comprise the following amounts relating to the changes in the remaining coverage:

- a) claims and other directly attributable expenses recovery in the period, measured at the amounts expected to be incurred at the beginning of the period, excluding:
  - i. amounts allocated to the loss-recovery component;
  - ii. amounts related to the risk adjustment for non-financial risk (see (b));
- b) changes in the risk adjustment for non-financial risk, excluding:
  - i. changes included in finance income / (expenses) from reinsurance contracts held;
  - ii. changes that relate to future coverage (which adjust the CSM); and
  - iii. amounts allocated to the loss-recovery component;
- c) amounts of the CSM recognised for the services received in the period; and
- d) experience adjustments – arising from premiums paid in the period other than those that relate to future service.

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.

**2. ACCOUNTING POLICIES (continued)**

**2.2 Insurance Operations (continued)**

**Summary of significant accounting policies for insurance contracts (continued)**

**(i) 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.

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

- a) interest accreted on the FCF and the CSM; and
- b) the effect of changes in interest rates and other financial assumptions.

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

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

The Company disaggregates changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses. 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).

**2.3 Foreign currency translation**

**(a) Functional and presentational currency**

The financial statements are presented in thousands of Aruba florins, which is the Company's presentation currency.

**(b) Reporting units**

The results and financial position of reporting units that have a functional currency other than the Company's presentational currency are translated as follows:

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

Currencies which are pegged to the United States dollar are converted to the United States dollar by reference to the pegged rates. Currencies which float are converted to the United States dollar by reference to the average of buying and selling rates quoted by the respective central banks.

**(c) 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 retranslation 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.

**2. ACCOUNTING POLICIES (continued)****2.3 Foreign currency translation (continued)**

Exchange differences on the retranslation 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 retranslation of the fair value of non-monetary items such as equities held as FVOCI are reported as part of the fair value gain or loss in other comprehensive income.

The group of insurance contracts, including the CSM, 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, including the CSM, is translated into the functional currency at the closing date. The Company has chosen to present the resulting foreign exchanges differences within the line item 'other income'.

**2.4 Furniture and Equipment**

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

Depreciation is calculated on the straight-line method to write down the cost or fair value of furniture and equipment to residual value over the estimated useful life.

Estimated useful lives are reviewed annually and are as follows:

<b>Asset</b>	<b>Estimated useful life</b>
Furnishings	10 years
Vehicles	4 to 5 years
Computer and office equipment	3 to 10 years

An impairment loss is recognised for the amount by which an 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.

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

**2.5 Financial investments****(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 ("FVTOCI") or amortised 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 FVTOCI 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 FVTOCI or at FVTPL. Financial assets 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.

**2. ACCOUNTING POLICIES (continued)****2.5 Financial investments (continued)****(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.

Therefore, in order to determine the appropriate basis, the following methods may be used:

**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 to 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. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial assets are classified and measured at FVTPL.

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 (FVTOCI)**

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 FVTOCI. These comprise primarily debt securities and money market funds.

**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 classified 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.

**2. ACCOUNTING POLICIES (continued)****2.5 Financial investments (continued)****(c) Impairment of financial assets measured at amortised cost and FVTOCI**

At initial recognition of a financial asset, allowance (or provision in the case of some loan commitments and financial guarantees) is required for Expected Credit Losses (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 and are included in 'stage 3'. Purchased or originated credit-impaired financial assets ("POCI") are treated differently as set out below.

To determine whether the lifetime 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 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 shall recognise in profit or loss the amount of the change in lifetime expected credit losses as an impairment gain or loss. The Company will recognise 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. ACCOUNTING POLICIES (continued)****2.5 Financial investments (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 lifetime 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, 2018, the historical period for such review is limited. 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 pre-January 1, 2018 processes for estimating losses on impaired loans, however, these processes will be updated as experience develops, 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 judgement.

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 lifetime 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.

**2. ACCOUNTING POLICIES (continued)**

## 2.5 Financial investments (continued)

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

#### Forward-looking information

The estimation and application of forward-looking information will require significant judgement. 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) Modification of loans

The Company sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers and debt instruments. When this happens, the Company assesses whether the new terms are substantially different from the original terms. The Company does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flow to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency in which the loan is denominated.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Company derecognises the original financial asset and recognises a new asset at fair value and recalculates the new effective interest rate for the asset. The date of negotiation is consequently considered to be the date of initial recognition for impairment calculation purposes and the purpose of determining if there has been a significant increase in credit risk.

### (i) Reclassified 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.

### (j) 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 FVTOCI. The Company's policy is to designate equity investments as FVTOCI when those investments are held for purposes other than to generate investment returns.

## 2. ACCOUNTING POLICIES (continued)

**2.5 Financial investments (continued)****(k) Embedded derivatives**

The Company may hold debt securities and preferred equity securities which may contain embedded derivatives. The embedded derivative of a financial asset is classified in the same manner as the host contract.

**(l) Presentation in the statements of income and other comprehensive income (OCI)**Financial instruments measured at FVTPL

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

Financial instruments measured at amortised cost

- Interest income is included in interest income earned from financial assets measured at amortised cost in the statement of income.
- Credit impairment losses are presented in the statement of income.
- Gain or loss on derecognition of debt instruments is presented in the statement of income.

Financial instruments measured at FVTOCI

- Interest income is included in interest income earned from financial assets measured at FVTOCI in the statement of income.
- Credit impairment losses are presented in the statement of income.
- Unrealised gains and losses arising from changes in fair value are presented in OCI.
- On derecognition, the cumulative fair value gain or loss is transferred from OCI and is presented in the statement of income.

Equity securities measured at FVTOCI

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

**2.6 Financial liabilities**

During the ordinary course of business, the Company issues investment contracts or otherwise assumes financial liabilities that expose the Company to financial risk.

Classification

Financial liabilities are measured at initial recognition at fair value and are classified as or subsequently measured either at amortised cost, or at fair value through income (FVTPL). Financial liabilities are recognised when the Company becomes a party to the contractual provision of the instrument.

Financial liabilities are derecognised when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires.

Deposit liabilities

Deposits are recognised initially at fair value and are subsequently stated at amortised cost using the effective yield method.

**2. ACCOUNTING POLICIES (continued)**

**2.6 Financial liabilities (continued)**Fair value

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

Presentation in the statement of income

For deposit and security liabilities measured at amortised cost, the associated interest expense is included within interest costs.

For financial liabilities measured at FVTPL, the associated interest and fair value changes are included in interest costs.

**2.7 Offsetting financial instruments**

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

**2.8 Presentation of current and non-current assets and liabilities**

In note 19.5, the maturity profiles of financial and insurance assets and liabilities are identified. For other assets and liabilities, balances presented in notes 4,5,7 and 16 are non-current unless otherwise stated in those notes.

**2.9 Employee benefits****(a) Pension benefits**

Group companies have various pension schemes in place for their employees. Some schemes are defined benefit plans and others are defined contribution plans.

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 on government bonds for the maturity dates and currency 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 or non-controlling interest in the period in which they arise. Past service costs are charged to income in the period in which they arise.

For defined contribution plans, the Company pays contributions to the pension schemes on a mandatory or contractual basis. Once paid, the Company has no further payment obligations. Contributions are recognised in income in the period in which they are due.

Where a minimum funding requirement exists, the Company assesses the obligation, to determine whether the additional contributions would affect the measurement of the defined benefit asset or liability.

**2. ACCOUNTING POLICIES (continued)**

**2.9 Employee benefits (continued)****(b) Other retirement benefits**

Certain Group subsidiaries provide supplementary health and life insurance benefits to qualifying employees upon retirement. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income and retained earnings or non-controlling interest in the period in which they arise.

**(c) Profit-sharing and bonus plans**

The Company recognises a liability and an expense for bonuses and profit-sharing, based on various profit and other objectives of the Company or of individual subsidiaries. An accrual is recognised where there are contractual obligations or where past practice has created a constructive obligation.

**(d) Equity compensation benefits**

The Parent Company has a number of share-based compensation plans in place for administrative, sales and managerial staff.

*(i) 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.

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.

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 Company 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.

Amounts held in the reserve for equity compensation benefits are transferred to share capital or non-controlling interest either on the distribution of share grants or on the exercise of share options.

The grant by the Parent Company of its equity instruments to employees of Group subsidiaries 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.

*(ii) Cash-settled share-based transactions with staff*

The services received in a cash-settled transaction with staff and the liability to pay for those services, are recognised at fair value as the individual renders service. Until the liability is settled, the fair value of the liability is re-measured at the date of the financial statements and at the date of settlement, with any changes in fair value recognised in income during that period.

**2. ACCOUNTING POLICIES (continued)**

**2.9 Employee benefits (continued)****(d) Equity compensation benefits (continued)***(iii) Measurement of the fair value of equity instruments granted*

The equity instruments granted consist either of grants of, or options to purchase common shares of listed entities within the Sagicor group. For common shares granted, the listed price prevailing on the grant date determines the fair value. For options granted, the fair value is determined by reference to the Black-Scholes valuation model, which incorporates factors and assumptions that knowledgeable, willing market participants would consider in setting the price of the equity instruments.

**(e) 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.

**2.10 Taxes**Income taxes

Rates of taxation in Aruba for income year 2024 and 2023 are as follows:

Life insurance and non-registered annuities	Registered annuities	Other lines of business
22% of 10% of premiums	22% of 20% of premiums	22% of 20% of premiums

*(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 enacted or substantially enacted by the end of the reporting period. Deferred tax assets are only recognised when it is probable that taxable profits will be available against which the asset may be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to do so and they relate to the same entity. Deferred tax, related to fair value re-measurement of FVTOCI investments and cash flow hedges which are recorded in other comprehensive income, is recorded in other comprehensive income and is subsequently recognised in income together with the deferred gain or loss.

**2. ACCOUNTING POLICIES (continued)**

**2.11 Other liabilities / Retirement benefit liabilities**

Liabilities 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.

**2.12 Common shares**

In exchange for consideration received, the Company has issued common shares that are classified as equity. Incremental costs directly attributable to the issue of common shares are recorded in share capital as a deduction from the share issue proceeds.

**2.13 Statutory reserves**

Statutory reserves are established when regulatory accounting requirements result in lower distributable profits or when an appropriation of retained earnings is required by law to protect policyholders, insurance beneficiaries or depositors.

**2.14 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.

**2.15 Fees and other income**

Fees and other revenue are recognised on an accrual basis when the related service has been provided.

**2.16 Cash flows**

The following classifications apply to the cash flow statement.

Cash flows from operating activities consist of cash flows arising from revenues, benefits, expenses, taxes, operating assets and operating liabilities. Cash flows from investing activities consist of cash flows arising from long-term tangible and intangible assets to be utilised in the business and in respect of changes in subsidiary holdings, insurance businesses, and associated company and joint venture investments. Cash flows from financing activities consist of cash flows arising from the issue, redemption and exchange of equity instruments and notes and loans payable and from equity dividends payable to holders of such instruments.

Cash and cash equivalents comprise:

- cash balances,
- call deposits,
- money market funds,
- other liquid balances with maturities of three months or less from the acquisition date, less
- bank overdrafts which are repayable on demand.

Cash equivalents are subject to an insignificant risk of change in value and excludes restricted cash.

**2. ACCOUNTING POLICIES (continued)**

**2.17 Future accounting developments and reporting changes**

Certain new standards and amendments to existing standards have been issued but are not effective for the periods covered by these financial statements. The changes in standards and interpretations which may have a significant effect on future presentation, measurement or disclosure of the Company's financial statements are summarised in the following tables.

Amendments	Subject/Comments
IAS 21 – Lack of exchangeability – effective January 1, 2025	<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>
IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments – effective January 1, 2026 (with the option for early adoption)	<p>In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 related to “Classification and Measurement of Financial Instruments”, to address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9 - Financial Instruments.</p> <p>These amendments address the following:</p> <ul style="list-style-type: none"> <li>• Clarify requirements for timing and derecognition of some financial assets and liabilities;</li> <li>• Clarify and add guidance for assessing whether a financial asset meets the SPPI criterion;</li> <li>• Add new disclosures for certain instruments with contractual terms that can change cash flows; and</li> <li>• Provide updates to disclosures for equity instruments designated at FVTOCI.</li> </ul> <p>The impact of this standard on the Company is currently being analysed.</p>
IFRS 18 – Presentation and Disclosure in Financial Statements – effective January 1, 2027	<p>In April 2024, the IASB issued amendments which seek to ensure that financial statements correctly represent an entity's assets, liabilities, equity, income and expenses.</p> <p>The standard addresses the following:</p> <ul style="list-style-type: none"> <li>• The structure of the statement of income;</li> <li>• Required disclosures in the financial statements for certain income or loss performance measures that are reported outside of an entity's financial statements; and</li> <li>• Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.</li> </ul> <p>The impact of this standard on the Company is currently being analysed.</p>

**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, income and other comprehensive income. 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.

### 3.2 Contracts not measured under PAA

#### 3.2.1 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 not measured under PAA are described in subsequent notes.

#### Definition and classification

- Whether contracts are within the scope of IFRS 17
- For contracts determined to be within the scope of IFRS 17, what measurement model is applicable. The Company is required to determine the classification of contracts issued in Participating product lines as insurance or investment contracts. The following contracts issued by the Company are considered:
  - Insurance contracts with discretionary participation features, for which the Company applies significant judgement in the determination of whether contracts meet the definition of investment contracts with discretionary participation features.
  - Insurance contracts with direct participation features, based on the Company's assessment of whether contracts that are determined to be within the scope of IFRS 17 meet the definition of an insurance contract with direct participation features as follows:
    - whether the pool of underlying items is clearly identified;
    - whether amounts that an entity expects to pay to the policyholders constitute a substantial share of the fair value returns on the underlying items; and
    - whether the Company expects the proportion of any change in the amounts to be paid to the policyholders that vary with the change in fair value of the underlying items to be substantial.
- Whether a contract issued accepts significant insurance risk and, similarly, whether a reinsurance contract held transfers significant insurance risk.

#### Unit of account

The Company was required to make judgements involved in combination of insurance contracts and separation of distinct components:

- Combination of insurance contracts - whether the contracts with the same or related counterparty achieve or are designed to achieve, an overall commercial effect and require combination.
- Separation – whether components in insurance contracts are distinct (that is, they meet the separation criteria).

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

**3.2 Contracts not measured under PAA (continued)****3.2.1 Areas of Judgement (continued)**Unit of account (continued)

- Separation of contracts with multiple insurance coverage – whether there are facts and circumstances where the legal form of an insurance contract does not reflect the substance and separation is required.

Insurance contracts aggregation

The Company was required to make judgements involved in the identification of portfolios of contracts (that is, having similar risks and being managed together). This includes the aggregation of insurance contracts issued on initial recognition into groups of onerous contracts, groups of contracts with no significant possibility of becoming onerous, and groups of other contracts and a similar grouping assessment for reinsurance contracts held.

Areas of judgements include:

- The determination of contract sets within portfolios and whether the Company has reasonable and supportable information to conclude that all contracts within a set would fall into the same group; and
- Judgements might be applied on initial recognition to distinguish between non-onerous contracts (those having no significant possibility of becoming onerous) and other contracts.

For contracts not measured under the PAA, the assessment of the likelihood of adverse changes in assumptions that might result in contracts becoming onerous is an area of judgement.

**3.2.2 The methods used to measure insurance contracts**

The Company primarily uses deterministic projections to estimate the present value of future cash flows.

The following assumptions are used when estimating future cash flows:

- Mortality and morbidity rates (life insurance and reinsurance business)

Assumptions are based on standard industry and national tables, (tables from the Canadian Institute of Actuaries) according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Company's own experiences. An appropriate, but not excessive, allowance is made for expected future improvements. Assumptions are differentiated by policyholder gender, underwriting class and contract type.

An increase in expected mortality and morbidity rates will increase the expected claim cost which will reduce future expected profits of the Company.

- Longevity

Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Company's own risk experience. An appropriate, but not excessive, allowance is made for expected future improvements. Assumptions are differentiated by a number of factors including (but not limited to) policyholder gender, underwriting class and contract type. An increase in expected longevity will lead to an increase in expected cost of annuity payments which will reduce future expected profits of the Company.

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

**3.2 Contracts not measured under PAA (continued)****3.2.2 The methods used to measure insurance contracts (continued)**

- Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate. Inflation is considered a non-financial assumption and is derived from the long run expense increases based on the Company's experience and management's expectation of the related expense control measures.

- Lapse and surrender rates

Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Company's experience and vary by product type, policy duration and sales trends.

An increase in lapse rates early in the life of the policy would tend to reduce profits of the Company.

**3.2.3 Discount rates**

Life 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. The illiquidity adjustments are estimated using information from observed historical levels of default for bonds included in the reference portfolio. The adjusted sovereign yield curves, or the risk-free yield curves (wherever they are available) plus an illiquidity premium, are used to discount the liability cash flow.

Where cash flows vary with an underlying item, cash flows are projected assuming returns on the underlying item that are consistent with the discount rate.

Discount rates which have been applied for the discounting of future cash flows are disclosed below by the Aruba territory, represented in Aruba florins as follows:

Spot rates	Portfolio Duration									
	1 year		3 years		5 years		10 years		20 years	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
<b>Life insurance and reinsurance contracts issued</b>										
Aruba Guilder	3.20%	3.80%	4.1%	4.4%	4.9%	5.0%	5.8%	5.8%	6.3%	6.2%

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)****3.2 Contracts not measured under PAA (continued)****3.2.4 Risk adjustment for non-financial risk**

The risk adjustment for non-financial risk represents the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts and covers non-financial risk. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the best estimate amount. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer.

The Company has estimated the risk adjustment using a margin approach, calibrated to the cost of capital and target Reconciliation of the liability for remaining coverage and the liability for incurred claims componentss. The margin approach involves applying shocks to the insurance assumptions used to project expected cash flows so as to produce an increase in the FCF. Shocks are selected using the projected cost of insurance risk capital such that the resulting risk adjustment falls within the Company's target confidence level range.

The risk adjustment for insurance and reinsurance contracts corresponds to a confidence level between 80% to 85% (2023 - between 80% to 85%).

**3.2.5 Amortisation of the Contractual Service Margin**

The CSM is a component of the asset or liability for group of insurance contracts that represents the unearned profit the Company will recognise as it provides services in the future. An amount of the CSM for a group of insurance contracts is recognised in net income / (loss) as insurance revenue in each period to reflect the insurance contract services provided under the group of insurance contracts in that period. The amount is determined by:

- Identifying the coverage units in the group;
- Allocating the CSM at the end of the period (before recognising any amounts in net income / (loss) to reflect the insurance contract services provided in the period) equally to each coverage unit provided in the current period and expected to be provided in the future;
- Recognising in net income / (loss) the amount allocated to coverage units provided in the period.

The number of coverage units in a group is the quantity of insurance contract services provided by the contracts in the group, determined by considering the quantity of the benefits provided and the expected coverage period. For groups of insurance contracts, the quantity of benefits is the contractually agreed sum insured, maturity benefit or payout over the period of the contracts.

The total coverage units of each group of insurance contracts are reassessed at the end of each reporting period to adjust for the reduction of remaining coverage for claims paid, expectations of lapses and cancellation of contracts in the period. They are then allocated based on probability-weighted average duration of each coverage unit provided in the current period and expected to be provided in the future.

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)****3.2 Contracts not measured under PAA (continued)****3.2.5 Amortisation of the Contractual Service Margin (continued)**

For reinsurance contracts issued, the number of coverage units in a group reflects the expected pattern of underwriting of the underlying contracts because the level of service provided depends on the number of underlying contracts in force. The quantity of benefit is the maximum potential loss. The remaining coverage units are reassessed at the end of each reporting period to reflect the expected pattern of service and the expectations of lapses and cancellations of contracts. The remaining coverage is allocated based on probability-weighted average duration of each coverage unit provided in the current period and expected to be provided in the future.

For reinsurance contracts held, the CSM amortisation is similar to the reinsurance contracts issued and reflects the expected pattern of underwriting of the underlying contracts because the level of service provided depends on the number of underlying contracts in-force.

**3.2.6 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 whether insurance contracts are expected to arise from renewals of existing insurance contracts and, where applicable, the amount to be allocated to groups including future renewals and the volume of expected renewals from new contracts issued in the period. 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.

**3.2.7 Determination of IFRS 17 transition amount**

The Company has adopted IFRS 17 retrospectively. The full retrospective approach was determined to be impracticable. The fair value approach was applied to insurance contracts in force at the transition date. The transition approach was determined at the level of group of insurance contracts and affected the approach to calculating the CSM on initial adoption of IFRS 17. Under the fair value approach the CSM (or the loss component) is determined as the difference between the fair value of the company of insurance contracts and the fulfilment cash flows measured at the transition date.

For all contracts measured under the fair value approach, the Company used reasonable and supportable information available at January 1, 2022 to determine:

- how to identify groups of contracts;
- whether a contract meets the definition of a direct participating contract; and
- how to identify discretionary cash flows for contracts without direct participation features.

A group of contracts for fair value measurement includes contracts from multiple cohorts and years into a single unit for accounting purposes. For these groups, the discount rates on initial recognition were determined at 1 January 2022 instead of at the date of initial recognition.

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)****3.2 Contracts not measured under PAA (continued)****3.2.7 Determination of IFRS 17 transition amount (continued)**

In determining the fair value, the Company has applied the requirements of IFRS 13, *Fair Value Measurement*. An embedded value approach was used to determine the fair value of groups of insurance contracts for the purposes of applying the fair value approach. The embedded value is defined to be (a) the fulfilment cash flows plus (b) the cost of capital required to support the insurance contracts less (c) the value of the profits expected to emerge as the obligation is satisfied. The fair value for reinsurance contracts held was determined under the presumption that the market participant is the same market participant that would purchase the underlying direct contracts.

For groups of reinsurance contracts covering onerous underlying contracts, the loss-recovery component within the asset for remaining coverage was determined at the transition date by multiplying the loss component of the liability for remaining coverage for the underlying insurance contracts at that date and the percentage of claims for the underlying insurance contracts the Company expects to recover from the reinsurance contracts held.

**3.3 Contracts measured under PAA****3.3.1 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 measured under PAA 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.

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

**3.3.2 Liability for incurred claims**

Liability for incurred claims (LIC) is deemed a significant estimate for general insurance products as well as group products measured under PAA. The ultimate cost of outstanding claims is calculated by using a range of standard actuarial claims projection techniques, such as Chain 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.

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)****3.3 Contracts measured under PAA (continued)****3.3.2 Liability for incurred claims (continued)**

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.

**3.3.3 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% (2023 – 70% to 75%).

**3.3.4 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)****3.4 Impairment of financial assets**

In determining ECL (defined in note 2.5 (g)), 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 2.5 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 in which of the three stages an asset is to be categorised 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 instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial asset that is investment grade or has a 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)**

**3.4 Impairment of financial assets (continued)**

(b) Establishing staging for other assets measured at amortised cost, lease receivables, loan commitments and financial guarantee contracts

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 Jamaica. Management assesses data sources from local government, International Monetary Fund (IMF) and other reputable 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.

**3.5 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.

4. PROPERTY, PLANT AND EQUIPMENT

	<b>Office furnishing, equipment &amp; vehicles</b>	
	<b>2024</b>	<b>2023</b>
<b>Net book value, beginning of year</b>	209	200
Additions at cost	---	85
Depreciation charge	(69)	(76)
<b>Net book value, end of year</b>	<b>140</b>	<b>209</b>
<b>Represented by:</b>		
Cost or valuation	753	753
Accumulated depreciation	(613)	(544)
	<b>140</b>	<b>209</b>

5. FINANCIAL INVESTMENTS

	2024		2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Investments at FVTOCI:</b>				
Money market funds	2	2	191	191
	<b>2</b>	<b>2</b>	<b>191</b>	<b>191</b>
<b>Investments at FVTPL:</b>				
Debt securities	19,524	19,524	17,927	17,927
Equity securities	391	391	446	446
	<b>19,915</b>	<b>19,915</b>	<b>18,373</b>	<b>18,373</b>
<b>Investments at amortised cost:</b>				
Mortgage loans	14,490	14,490	17,590	17,590
Deposits	3,902	3,902	--	--
	<b>18,392</b>	<b>18,392</b>	<b>17,590</b>	<b>17,590</b>
<b>Total financial investments</b>	<b>38,309</b>	<b>38,309</b>	<b>36,154</b>	<b>36,154</b>
<b>Non - derivative investments at FVTPL</b>	<b>Mandatory designation</b>	<b>FVTPL designation by election</b>	<b>Total</b>	
<b>2024</b>				
Debt securities	--	19,524	19,524	
Equity securities	391	--	391	
	<b>391</b>	<b>19,524</b>	<b>19,915</b>	
<b>2023</b>				
Debt securities	--	17,927	17,927	
Equity securities	446	--	446	
	<b>446</b>	<b>17,927</b>	<b>18,373</b>	

**SAGICOR LIFE ARUBA N.V.**

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended December 31, 2024

Amounts expressed in AFL 000

**5. FINANCIAL INVESTMENTS (continued)**

	2024	2023
<b>Debt securities and money market funds comprise:</b>		
Government & government-guaranteed debt securities	14,377	11,194
Corporate debt securities	5,147	6,733
Money market funds	2	191
	<b>19,526</b>	<b>18,118</b>

**6. MISCELLANEOUS ASSETS AND RECEIVABLES**

	2024	2023
Prepaid and deferred expenses	10	10
Other assets and accounts receivable	27	121
	<b>37</b>	<b>131</b>

**7. INSURANCE, REINSURANCE AND INVESTMENT CONTRACT ASSETS AND LIABILITIES**

The table below presents a summary of insurance, reinsurance and investment contract assets and liabilities held by the Company.

	2024			2023		
	Current Portion	Non- current portion	Total	Current Portion	Non- current portion	Total
Insurance contract assets	128	--	128	124	--	124
Insurance contract liabilities	(144)	32,054	31,910	(293)	29,097	28,804
Reinsurance contract assets	(58)	398	340	65	236	301
Reinsurance contract liabilities	(351)	3,056	2,705	(313)	3,101	2,788
Investment contract liabilities	630	--	630	574	--	574

**SAGICOR LIFE ARUBA N.V.****NOTES TO THE FINANCIAL STATEMENTS**

Year ended December 31, 2024

*Amounts expressed in AFL 000***7. INSURANCE, REINSURANCE AND INVESTMENT CONTRACT ASSETS AND LIABILITIES (continued)**

The following table presents insurance contract and reinsurance contract assets and liabilities by contract type and summarises those contracts which are measured under the premium allocation approach (PAA) and those not measured under the PAA.

	2024		2023	
	Assets	Liabilities	Assets	Liabilities
<b>Insurance contracts issued</b>				
Contracts measured under PAA – total (asset)/liability, end of year	(128)	221	(124)	303
Contracts not measured under PAA (GMM) - total liability, end of year	--	31,689	--	28,501
<b>Total - (asset) / liability, end of year</b>	<b>(128)</b>	<b>31,910</b>	<b>(124)</b>	<b>28,804</b>
<b>Reinsurance contracts held</b>				
Contracts measured under the PAA – total asset/(liability)	--	--	--	--
Contracts not measured under the PAA – total asset/(liability)	340	(2,705)	301	(2,788)
<b>Total - asset /(liability), end of year</b>	<b>340</b>	<b>(2,705)</b>	<b>301</b>	<b>(2,788)</b>

## 7. INSURANCE, REINSURANCE AND INVESTMENT CONTRACT ASSETS AND LIABILITIES (continued)

## 7.1 INSURANCE CONTRACTS ISSUED

## (i) Contracts measured under PAA

## (a) Reconciliation of the liability for remaining coverage and the liability for incurred claims components

	2024				Total
	LRC		LIC		
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk	
Insurance contract liabilities, beginning of year	--	--	303	--	303
Insurance contract assets, beginning of year	(77)	--	(43)	(4)	(124)
<b>Net balance – (asset) / liability, beginning of year</b>	<b>(77)</b>	<b>--</b>	<b>260</b>	<b>(4)</b>	<b>179</b>
<b>Insurance revenue</b>	<b>(657)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(657)</b>
<b>Insurance service expenses</b>					
Incurred claims and other directly attributable expenses	--	--	403	--	403
Insurance acquisition cash flows amortisation	119	--	--	--	119
<b>Total insurance service expenses</b>	<b>119</b>	<b>--</b>	<b>403</b>	<b>--</b>	<b>522</b>
<b>Total amounts recognised in the insurance services result</b>	<b>(538)</b>	<b>--</b>	<b>403</b>	<b>--</b>	<b>(135)</b>
<b>Total amounts recognised in total comprehensive income</b>	<b>(538)</b>	<b>--</b>	<b>403</b>	<b>--</b>	<b>(135)</b>
<b>Cash flows</b>					
Premiums received	650	--	--	--	650
Claims and other directly attributable expenses paid	--	--	(486)	--	(486)
Insurance acquisition cash flows	(115)	--	--	--	(115)
<b>Total cash flows</b>	<b>535</b>	<b>--</b>	<b>(486)</b>	<b>--</b>	<b>49</b>
<b>Net balance – (asset) / liability, end of year</b>	<b>(80)</b>	<b>--</b>	<b>177</b>	<b>(4)</b>	<b>93</b>
Insurance contract liabilities, end of year	--	--	221	--	221
Insurance contract assets, end of year	(80)	--	(44)	(4)	(128)
<b>Net balance – (asset) / liability, end of year</b>	<b>(80)</b>	<b>--</b>	<b>177</b>	<b>(4)</b>	<b>93</b>

There were no Insurance acquisition cash flows asset in 2024.

## 7. INSURANCE, REINSURANCE AND INVESTMENT CONTRACT ASSETS AND LIABILITIES (continued)

## 7.1 INSURANCE CONTRACTS ISSUED (continued)

## (i) Contracts measured under PAA (continued)

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

	2023				Total
	LRC		LIC		
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk	
Insurance contract liabilities, beginning of year	(95)	--	257	--	162
<b>Net balance – (asset) / liability, beginning of year</b>	<b>(95)</b>	<b>--</b>	<b>257</b>	<b>--</b>	<b>162</b>
<b>Insurance revenue</b>	<b>(644)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(644)</b>
<b>Insurance service expenses</b>					
Incurred claims and other directly attributable expenses	--	--	373	(4)	369
Insurance acquisition cash flows amortisation	72	--	--	--	72
<b>Total insurance service expenses</b>	<b>72</b>	<b>--</b>	<b>373</b>	<b>(4)</b>	<b>441</b>
<b>Total amounts recognised in the insurance services result</b>	<b>(572)</b>	<b>--</b>	<b>373</b>	<b>(4)</b>	<b>(203)</b>
<b>Total amounts recognised in total comprehensive income</b>	<b>(572)</b>	<b>--</b>	<b>373</b>	<b>(4)</b>	<b>(203)</b>
<b>Cash flows</b>					
Premiums received	655	--	--	--	655
Claims and other directly attributable expenses paid	--	--	(370)	--	(370)
Insurance acquisition cash flows	(65)	--	--	--	(65)
<b>Total cash flows</b>	<b>590</b>	<b>--</b>	<b>(370)</b>	<b>--</b>	<b>220</b>
<b>Net balance – (asset) / liability, end of year</b>	<b>(77)</b>	<b>--</b>	<b>260</b>	<b>(4)</b>	<b>179</b>
Insurance contract liabilities, end of year	--	--	303	--	303
Insurance contract assets, end of year	(77)	--	(43)	(4)	(124)
<b>Net balance – (asset) / liability, end of year</b>	<b>(77)</b>	<b>--</b>	<b>260</b>	<b>(4)</b>	<b>179</b>

There were no Insurance acquisition cash flows asset in 2023.

## 7. INSURANCE, REINSURANCE AND INVESTMENT CONTRACT ASSETS AND LIABILITIES (continued)

## 7.1 INSURANCE CONTRACTS ISSUED (continued)

## (ii) Contracts not measured under PAA

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

	2024			
	LRC		LIC	Total
	Excluding loss component	Loss component		
<b>Net balance – (asset) / liability, beginning of year</b>	<b>22,679</b>	<b>2,247</b>	<b>3,575</b>	<b>28,501</b>
<b>Insurance revenue</b>	<b>(6,075)</b>	<b>--</b>	<b>--</b>	<b>(6,075)</b>
<b>Insurance service expenses</b>				
Incurred claims and other directly attributable expenses	--	(81)	2,320	2,239
Losses on onerous contracts and reversal of those losses	--	619	--	619
Insurance acquisition cash flows amortisation	790	--	--	790
<b>Total insurance service expenses</b>	<b>790</b>	<b>538</b>	<b>2,320</b>	<b>3,648</b>
<b>Insurance service result</b>	<b>(5,285)</b>	<b>538</b>	<b>2,320</b>	<b>(2,427)</b>
Finance expenses from insurance contracts issued	1,143	103	--	1,246
Effect of exchange rate changes	(85)	(4)	(14)	(103)
<b>Total amounts recognised in comprehensive income</b>	<b>(4,227)</b>	<b>637</b>	<b>2,306</b>	<b>(1,284)</b>
<b>Investment components</b>	<b>(3,987)</b>	<b>--</b>	<b>3,987</b>	<b>--</b>
<b>Cash flows</b>				
Premiums received	12,457	--	--	12,457
Claims and other directly attributable expenses paid	--	--	(5,638)	(5,638)
Insurance acquisition cash flows	(2,347)	--	--	(2,347)
<b>Total cash flows</b>	<b>10,110</b>	<b>--</b>	<b>(5,638)</b>	<b>4,472</b>
<b>Net balance liability, end of year</b>	<b>24,575</b>	<b>2,884</b>	<b>4,230</b>	<b>31,689</b>
Insurance contract liabilities, end of year	24,575	2,884	4,230	31,689
Insurance contract assets, end of year	--	--	--	--
<b>Net balance – (asset) / liability, end of year</b>	<b>24,575</b>	<b>2,884</b>	<b>4,230</b>	<b>31,689</b>

There were no Insurance acquisition cash flows asset in 2024.

## 7. INSURANCE, REINSURANCE AND INVESTMENT CONTRACT ASSETS AND LIABILITIES (continued)

## 7.1 INSURANCE CONTRACTS ISSUED (continued)

## (ii) Contracts not measured under PAA (continued)

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

	2023			
	LRC		LIC	Total
	Excluding loss component	Loss component		
<b>Net balance – (asset) / liability, beginning of year</b>	<b>17,687</b>	<b>1,964</b>	<b>3,614</b>	<b>23,265</b>
<b>Insurance revenue</b>	<b>(5,413)</b>	<b>--</b>	<b>--</b>	<b>(5,413)</b>
<b>Insurance service expenses</b>				
Incurring claims and other directly attributable expenses	--	(112)	4,110	3,998
Losses on onerous contracts and reversal of those losses	--	322	--	322
Insurance acquisition cash flows amortisation	540	--	--	540
<b>Total insurance service expenses</b>	<b>540</b>	<b>210</b>	<b>4,110</b>	<b>4,860</b>
<b>Insurance service result</b>	<b>(4,873)</b>	<b>210</b>	<b>4,110</b>	<b>(553)</b>
Finance expenses from insurance contracts issued	3,965	73	(2)	4,036
Effect of exchange rate changes	26	--	5	31
<b>Total amounts recognised in comprehensive income</b>	<b>(882)</b>	<b>283</b>	<b>4,113</b>	<b>3,514</b>
<b>Investment components</b>	<b>(3,683)</b>	<b>--</b>	<b>3,683</b>	<b>--</b>
<b>Cash flows</b>				
Premiums received	12,048	--	--	12,048
Claims and other directly attributable expenses paid	--	--	(7,835)	(7,835)
Insurance acquisition cash flows	(2,491)	--	--	(2,491)
<b>Total cash flows</b>	<b>9,557</b>	<b>--</b>	<b>(7,835)</b>	<b>1,722</b>
<b>Net balance liability, end of year</b>	<b>22,679</b>	<b>2,247</b>	<b>3,575</b>	<b>28,501</b>
Insurance contract liabilities, end of year	22,679	2,247	3,575	28,501
Insurance contract assets, end of year	--	--	--	--
<b>Net balance – (asset) / liability, end of year</b>	<b>22,679</b>	<b>2,247</b>	<b>3,575</b>	<b>28,501</b>

There were no Insurance acquisition cash flows assets in 2023.

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**7. INSURANCE, REINSURANCE AND INVESTMENT CONTRACT ASSETS AND LIABILITIES (continued)**

**7.1 INSURANCE CONTRACTS ISSUED (continued)**

**(ii) Contracts not measured under PAA (continued)**

(b) Reconciliation of the measurement components of insurance contract balances.

	2024				2023			
	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
<b>Net balance – (asset) / liability, beginning of year</b>	15,115	7,691	5,695	28,501	8,714	8,091	6,460	23,265
<b>Changes that relate to current service</b>								
CSM recognised in net income / (loss) for the services provided	--	--	(788)	(788)	--	--	(837)	(837)
Change in the risk adjustment for non-financial risk for risk expired	--	(756)	--	(756)	--	(747)	--	(747)
Experience adjustments – relating to insurance service expenses	(1,502)	--	--	(1,502)	709	--	--	709
	(1,502)	(756)	(788)	(3,046)	709	(747)	(837)	(875)
<b>Changes that relate to future service</b>								
Changes in estimate that adjust the CSM	1,375	65	(1,440)	--	2,667	(383)	(2,284)	--
Changes in estimates that result in onerous contract losses or reversal of losses	335	(22)	--	313	193	83	--	276
Contracts initially recognized in the year	(1,585)	410	1,481	306	(2,524)	498	2,072	46
	125	453	41	619	336	198	(212)	322
<b>Total amounts recognised in the insurance service result</b>	<b>(1,377)</b>	<b>(303)</b>	<b>(747)</b>	<b>(2,427)</b>	<b>1,045</b>	<b>(549)</b>	<b>(1,049)</b>	<b>(553)</b>

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**7. INSURANCE, REINSURANCE AND INVESTMENT CONTRACT ASSETS AND LIABILITIES**

**7.1 INSURANCE CONTRACTS ISSUED (continued)**

**(ii) Contracts not measured under PAA (continued)**

**(b) Reconciliation of the measurement components of insurance contract balances (continued)**

	2024				2023			
	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Finance income / (expenses) from insurance contracts issued	503	441	302	1,246	3,606	147	283	4,036
Effect of exchange rates	(96)	(5)	(2)	(103)	28	2	1	31
<b>Total amounts recognised in total comprehensive income</b>	<b>(970)</b>	<b>133</b>	<b>(447)</b>	<b>(1,284)</b>	<b>4,679</b>	<b>(400)</b>	<b>(765)</b>	<b>3,514</b>
<b>Cash flows</b>								
Premiums received	12,457	--	--	12,457	12,048	--	--	12,048
Claims and other directly attributable expenses paid	(5,638)	--	--	(5,638)	(7,835)	--	--	(7,835)
Insurance acquisition cash flows	(2,347)	--	--	(2,347)	(2,491)	--	--	(2,491)
<b>Total cash flows</b>	<b>4,472</b>	<b>--</b>	<b>--</b>	<b>4,472</b>	<b>1,722</b>	<b>--</b>	<b>--</b>	<b>1,722</b>
<b>Net balance – (asset) / liability, end of year</b>	<b>18,617</b>	<b>7,824</b>	<b>5,248</b>	<b>31,689</b>	<b>15,115</b>	<b>7,691</b>	<b>5,695</b>	<b>28,501</b>
Insurance contract liabilities, end of year	18,617	7,824	5,248	31,689	15,115	7,691	5,695	28,501
Insurance contract assets, end of year	--	--	--	--	--	--	--	--
<b>Net balance – (asset) / liability, end of year</b>	<b>18,617</b>	<b>7,824</b>	<b>5,248</b>	<b>31,689</b>	<b>15,115</b>	<b>7,691</b>	<b>5,695</b>	<b>28,501</b>

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**7. INSURANCE, REINSURANCE AND INVESTMENT CONTRACT ASSETS AND LIABILITIES (continued)**

**7.1 INSURANCE CONTRACTS ISSUED (Continued)**

**(ii) Contracts not measured under PAA (continued)**

**(c) Impact on contracts recognised in the year**

	2024				2023					
	Contracts issued		Contracts acquired		Total	Contracts issued		Contracts acquired		Total
	Non-Onerous	Onerous	Non-Onerous	Onerous		Non-Onerous	Onerous	Non-Onerous	Onerous	
<b>Estimate of the present value of future cash</b>										
Insurance acquisition of cash flows	(1,172)	(122)	--	--	(1,294)	(1,336)	(94)	--	--	(1,430)
Claims and other directly attributable expenses	(3,958)	(1,183)	--	--	(5,141)	(4,108)	(185)	--	--	(4,293)
Estimates of present value of future cash outflows	<b>(5,130)</b>	<b>(1,305)</b>	--	--	<b>(6,435)</b>	<b>(5,444)</b>	<b>(279)</b>	--	--	<b>(5,723)</b>
Estimates of present value of future cash inflows	6,978	1,042	--	--	<b>8,020</b>	8,004	245	--	--	<b>8,249</b>
Risk adjustment for non-financial risk	(367)	(43)	--	--	(410)	(488)	(12)	--	--	(500)
GSM	(1,481)	--	--	--	(1,481)	(2,072)	--	--	--	(2,072)
<b>Increase/decrease in insurance contract liabilities from contracts recognised in the year</b>	--	<b>(306)</b>	--	--	<b>(306)</b>	--	<b>(46)</b>	--	--	<b>(46)</b>

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**7. INSURANCE, REINSURANCE AND INVESTMENT CONTRACT ASSETS AND LIABILITIES (continued)**

**7.1 INSURANCE CONTRACTS ISSUED (Continued)**

**(ii) Contracts not measured under PAA (continued)**

(d) Amounts determined on transition to IFRS 17 – Insurance revenue and the CSM by transition method

The following tables show amounts determined on transition to IFRS 17 for insurance revenue and the CSM by transition method, by segment.

	2024			2023		
	New contracts and contracts measured under the full retrospective approach at transition	Contracts measured under the fair value approach at transition	Total	New contracts and contracts measured under the full retrospective approach at transition	Contracts measured under the fair value approach at transition	Total
<b>CSM, beginning of year</b>	<b>2,630</b>	<b>3,065</b>	<b>5,695</b>	<b>1,869</b>	<b>4,591</b>	<b>6,460</b>
<b>Changes that relate to current service</b>						
CSM recognised in net income / (loss) for the services provided	(404)	(384)	(788)	(319)	(518)	(837)
<b>Changes that relate to future service</b>						
Changes in estimates that adjust the CSM	(821)	(619)	(1,440)	(1,085)	(1,199)	(2,284)
Contracts initially recognised in the year	1,481	-	1,481	2,072	-	2,072
	256	(1,003)	<b>(747)</b>	668	(1,717)	<b>(1,049)</b>
Finance income / (expenses) from insurance contracts issued	135	167	302	92	191	283
Effect of exchange rates	(2)	--	(2)	1	--	1
<b>Total amounts recognised in total comprehensive income</b>	<b>389</b>	<b>(836)</b>	<b>(447)</b>	<b>761</b>	<b>(1,526)</b>	<b>(765)</b>
<b>CSM, end of year</b>	<b>3,019</b>	<b>2,229</b>	<b>5,248</b>	<b>2,630</b>	<b>3,065</b>	<b>5,695</b>

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**7. INSURANCE, REINSURANCE AND INVESTMENT CONTRACT ASSETS AND LIABILITIES (continued)**

**7.2 REINSURANCE CONTRACTS HELD**

**(i) Contracts not measured under PAA**

**(a) Reconciliation of the remaining coverage and the incurred claims components**

	2024				2023			
	Remaining coverage		Incurred claims	Total	Remaining coverage		Incurred claims	Total
	Excluding loss recovery component	Loss component			Excluding loss recovery component	Loss component		
Reinsurance contract liabilities, beginning of year	(3,229)	--	441	(2,788)	(3,184)	--	(113)	(3,297)
Reinsurance contract assets, beginning of year	470	(9)	(160)	301	351	--	198	549
<b>Net balance – asset / (liability), beginning of year</b>	<b>(2,759)</b>	<b>(9)</b>	<b>281</b>	<b>(2,487)</b>	<b>(2,833)</b>	<b>--</b>	<b>85</b>	<b>(2,748)</b>
Reinsurance expenses	(648)	--	--	(648)	(648)	--	--	(648)
Claims recovered	--	(4)	40	36	--	(58)	358	300
Changes that relate to future service – changes in the FCF do not adjust the CSM for the group of underlying insurance contracts	--	70	--	70	--	39	--	39
<b>Net income / (expenses) from reinsurance contracts held</b>	<b>(648)</b>	<b>66</b>	<b>40</b>	<b>(542)</b>	<b>(648)</b>	<b>(19)</b>	<b>358</b>	<b>(309)</b>
Finance income / (expenses) from reinsurance contracts held	(193)	(2)	--	(195)	(148)	9	--	(139)
Effect of exchange rate changes	(14)	(2)	--	(16)	7	1	--	8
<b>Total amounts recognised in total comprehensive income</b>	<b>(855)</b>	<b>62</b>	<b>40</b>	<b>(753)</b>	<b>(789)</b>	<b>(9)</b>	<b>358</b>	<b>(440)</b>

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7. INSURANCE, REINSURANCE AND INVESTMENT CONTRACT ASSETS AND LIABILITIES (continued)

7.2 REINSURANCE CONTRACTS HELD (Continued)

(i) Contracts not measured under PAA (continued)

(a) Reconciliation of the remaining coverage and the incurred claims (continued)

	2024				2023			
	Remaining coverage		Incurred claims	Total	Remaining coverage		Incurred claims	Total
	Excluding loss recovery component	Loss component			Excluding loss recovery component	Loss component		
<b>Reinsurance contracts held Contracts not measured under PAA</b>								
<b>Cash flows</b>								
Premiums paid net of ceding commissions and other directly attributable expenses paid	915	--	--	915	863	--	--	863
Recoveries from reinsurance	--	--	(40)	(40)	--	--	(162)	(162)
<b>Total cash flows</b>	<b>915</b>	<b>--</b>	<b>(40)</b>	<b>875</b>	<b>863</b>	<b>--</b>	<b>(162)</b>	<b>701</b>
<b>Net balance - asset/(liability), end of year</b>	<b>(2,699)</b>	<b>53</b>	<b>281</b>	<b>(2,365)</b>	<b>(2,759)</b>	<b>(9)</b>	<b>281</b>	<b>(2,487)</b>
Reinsurance contract liabilities, end of year	(3,194)	9	480	(2,705)	(3,229)	--	441	(2,788)
Reinsurance contract assets, end of year	495	44	(199)	340	470	(9)	(160)	301
<b>Net balance - asset/(liability), end of year</b>	<b>(2,699)</b>	<b>53</b>	<b>281</b>	<b>(2,365)</b>	<b>(2,759)</b>	<b>(9)</b>	<b>281</b>	<b>(2,487)</b>

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**7. INSURANCE, REINSURANCE AND INVESTMENT CONTRACT ASSETS AND LIABILITIES (continued)**

**7.2 REINSURANCE CONTRACTS HELD (continued)**

**(i) Contracts not measured under PAA (continued)**

**(b) Reconciliation of the measurement components of reinsurance contract balances**

	2024				2023			
	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Reinsurance contract liabilities, beginning of year	(3,118)	426	(96)	(2,788)	(4,268)	565	405	(3,298)
Reinsurance contract assets, beginning of year	(574)	36	839	301	43	40	466	549
<b>Net balance – asset / (liability), beginning of year</b>	<b>(3,692)</b>	<b>462</b>	<b>743</b>	<b>(2,487)</b>	<b>(4,225)</b>	<b>605</b>	<b>871</b>	<b>(2,749)</b>
<b>Changes that relate to current service</b>								
CSM recognised in net income / (loss) for the services received	--	--	(103)	(103)	--	--	(119)	(119)
Change in the risk adjustment for non-financial risk for risk expired	--	(29)	--	(29)	--	(34)	--	(34)
Experience adjustments	(480)	--	--	(480)	(195)	--	--	(195)
	<b>(480)</b>	<b>(29)</b>	<b>(103)</b>	<b>(612)</b>	<b>(195)</b>	<b>(34)</b>	<b>(119)</b>	<b>(348)</b>
<b>Changes that relate to future service</b>								
Changes in estimate that adjust the CSM	(1,021)	128	893	--	202	(161)	(41)	--
Changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	292	38	--	330	33	12	--	45
Contracts initially recognised in the year	(23)	11	13	1	(16)	9	7	--
Changes in the contractual service margin due to reversal of a loss-recovery component from onerous underlying contracts	--	--	(261)	(261)	--	--	(6)	(6)
	<b>(752)</b>	<b>177</b>	<b>645</b>	<b>70</b>	<b>219</b>	<b>(140)</b>	<b>(40)</b>	<b>39</b>

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**7. INSURANCE, REINSURANCE AND INVESTMENT CONTRACT ASSETS AND LIABILITIES (continued)**

**7.2 REINSURANCE CONTRACTS HELD (continued)**

**(i) Contracts not measured under PAA (continued)**

**(b) Reconciliation of the measurement components of reinsurance contract balances (continued)**

	2024				2023			
	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
<b>Net income / (expenses) from reinsurance contracts held</b>	<b>(1,232)</b>	<b>148</b>	<b>542</b>	<b>(542)</b>	<b>24</b>	<b>(174)</b>	<b>(159)</b>	<b>(309)</b>
Finance income/ (expenses) from reinsurance contracts held	(258)	31	32	(195)	(197)	31	27	(139)
Effect of exchange rates	(2)	2	(16)	(16)	4	--	4	8
<b>Total amounts recognised in total comprehensive income</b>	<b>(1,492)</b>	<b>181</b>	<b>558</b>	<b>(753)</b>	<b>(169)</b>	<b>(143)</b>	<b>(128)</b>	<b>(440)</b>
<b>Cash flows</b>								
Premiums paid net of ceding commissions and other directly attributable expenses paid	915	--	--	<b>915</b>	863	--	--	<b>863</b>
Recoveries from reinsurance	(40)	--	--	<b>(40)</b>	(162)	--	--	<b>(162)</b>
<b>Total cash flows</b>	<b>875</b>	<b>--</b>	<b>--</b>	<b>875</b>	<b>701</b>	<b>--</b>	<b>--</b>	<b>701</b>
<b>Net balance – asset / (liability), end of year</b>	<b>(4,309)</b>	<b>643</b>	<b>1,301</b>	<b>(2,365)</b>	<b>(3,692)</b>	<b>462</b>	<b>743</b>	<b>(2,487)</b>
Reinsurance contract liabilities, end of year	(2,984)	386	(107)	<b>(2,705)</b>	(3,118)	426	(96)	<b>(2,788)</b>
Reinsurance contract assets, end of year	(1,325)	257	1,408	<b>340</b>	(574)	36	839	<b>301</b>
<b>Net balance – asset / (liability), end of year</b>	<b>(4,309)</b>	<b>643</b>	<b>1,301</b>	<b>(2,365)</b>	<b>(3,692)</b>	<b>462</b>	<b>743</b>	<b>(2,487)</b>

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7. INSURANCE, REINSURANCE AND INVESTMENT CONTRACT ASSETS AND LIABILITIES (continued)

7.2 REINSURANCE CONTRACTS HELD (continued)

(i) Contracts not measured under PAA (continued)

(c) Impact of contracts recognised in the year

	2024					2023				
	Contracts held		Contracts acquired			Contracts held		Contracts acquired		
	Contracts not in a net gain	Contracts in a net gain	Contracts not in a net gain	Contracts in a net gain	Total	Contracts not in a net gain	Contracts in a net gain	Contracts not in a net gain	Contracts in a net gain	Total
Reinsurance contracts held										
Estimates of present value of future cash inflows	--	44	--	--	44	--	(54)	--	--	(54)
Estimates of present value of future cash outflows	--	(67)	--	--	(67)	--	39	--	--	39
Risk adjustment for non-financial risk	--	11	--	--	11	--	8	--	--	8
CSM	--	13	--	--	13	--	7	--	--	7
<b>Increase / (decrease) in reinsurance contract liabilities from contracts recognised in the year</b>	--	<b>1</b>	--	--	<b>1</b>	--	--	--	--	--

**SAGICOR LIFE ARUBA N.V.**

**NOTES TO THE FINANCIAL STATEMENTS**

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**7. INSURANCE, REINSURANCE AND INVESTMENT CONTRACT ASSETS AND LIABILITIES (continued)**

**7.2 REINSURANCE CONTRACTS HELD (continued)**

**(i) Contracts not measured under PAA (continued)**

(d) Amounts determined on transition to IFRS 17 – The CSM by transition method.

	2024			2023		
	New contracts and contracts measured under the full retrospective approach at transition	Contracts measured under the fair value approach at transition	Total	New contracts and contracts measured under the full retrospective approach at transition	Contracts measured under the fair value approach at transition	Total
<b>Reinsurance contracts held</b>						
<b>CSM, beginning of year</b>	<b>48</b>	<b>695</b>	<b>743</b>	<b>12</b>	<b>859</b>	<b>871</b>
<b>Changes that relate to current service</b>						
CSM recognised in net income / (loss) for the services received	(2)	(101)	(103)	--	(119)	(119)
<b>Changes that relate to future service</b>						
Changes in estimates that adjust the CSM	51	842	893	29	(70)	(41)
Contracts initially recognised in the year	6	7	13	5	2	7
Reversal of loss-recovery component from onerous underlying contracts	(16)	(245)	(261)	(2)	(4)	(6)
	39	503	<b>542</b>	32	(191)	<b>(159)</b>
Finance income / (expenses) from reinsurance contracts held	--	32	32	--	27	27
Effect of exchange rate changes	(16)	--	(16)	4	--	4
<b>Total amounts recognised in total comprehensive income</b>	<b>23</b>	<b>535</b>	<b>558</b>	<b>36</b>	<b>(164)</b>	<b>(128)</b>
<b>CSM, end of year</b>	<b>71</b>	<b>1,230</b>	<b>1,301</b>	<b>48</b>	<b>695</b>	<b>743</b>

**SAGICOR LIFE ARUBA N.V.**  
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**7. INSURANCE, REINSURANCE AND INVESTMENT CONTRACT ASSETS AND LIABILITIES (continued)**

**7.3 LIABILITY FOR INCURRED CLAIMS**

Summary of LIC	2024	2023
<b>Gross LIC:</b>		
Insurance contracts issued	4,403	3,834
<b>Reinsurers' share of LIC:</b>		
Reinsurance contracts held	281	281

The liability for incurred claims represented by insurance lines of business is as follows:

	Gross LIC		Reinsurers' share	
	2024	2023	2024	2023
Individual life	4,230	3,579	281	281
Health	173	255	--	--
	4,403	3,834	281	281

**7.4 INVESTMENT CONTRACT LIABILITIES**

	2024	2023
Balance, beginning of year	574	535
Investment return from underlying assets	56	39
Balance, end of year	630	574

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**NOTES TO THE FINANCIAL STATEMENTS**

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**8. INCOME TAX LIABILITIES**

	<b>2024</b>	<b>2023</b>
Income taxes payable	324	315
	<b>324</b>	<b>315</b>

**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>2024</b>	<b>2023</b>
Suspense and other amounts due	1,175	1,510
Amounts due to managed funds	14	--
Other accounts payable and accrued liabilities	1,566	1,210
	<b>2,755</b>	<b>2,720</b>

**10. COMMON SHARES**

The Company is authorised to issue 1,000 shares with a nominal value of Aruba Florin 1,000 each.

	<b>2024</b>		<b>2023</b>	
	<b>Number in 000's</b>	<b>Share capital</b>	<b>Number in 000's</b>	<b>Share capital</b>
<b>Issued and fully paid:</b>				
Balance, beginning of year	200	839	200	830
Contributed capital	--	11	--	9
<b>Total share capital end of year</b>	<b>200</b>	<b>850</b>	<b>200</b>	<b>839</b>

**11. INSURANCE REVENUE AND SERVICE EXPENSES****(a) Insurance service result**

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

	2024	2023
<b>Insurance revenue</b>		
Contracts not measured under the PAA		
Amounts relating to the changes in the LRC:		
Expected incurred claims and other directly attributable expenses after loss component allocation	3,742	3,289
Change in the risk adjustment for non-financial risk for the risk expired after loss component allocation	756	747
CSM recognised in net income / (loss) for the services provided	787	837
Insurance acquisition cash flows recovery	790	540
Insurance revenue for contracts not measured under the PAA	6,075	5,413
Insurance revenue from contracts measured under the PAA	657	644
<b>Total insurance revenue</b>	<b>6,732</b>	<b>6,057</b>
<b>Insurance service expenses</b>		
Incurred claims and other directly attributable expenses	(2,642)	(4,366)
Losses on onerous contracts and reversal of those losses	(619)	(322)
Insurance acquisition cash flows amortisation	(909)	(612)
<b>Total insurance service expenses</b>	<b>(4,170)</b>	<b>(5,300)</b>

**11. INSURANCE REVENUE AND SERVICE EXPENSES (continued)****(a) Insurance service result (continued)**

	2024	2023
<b>Net income / (expenses) from reinsurance contracts held</b>		
Expected claims and other directly attributable expenses recovery	(516)	(495)
Change in the risk adjustment recognised for the risk expired	(29)	(34)
CSM recognised in net income / (loss) for the services received	(103)	(119)
Reinsurance expenses – contracts not measured under the PAA	(648)	(648)
Claims recovered	36	300
Changes in fulfilment cash flows which relate to onerous underlying contracts	70	39
<b>Total net (expenses) from reinsurance contracts held</b>	<b>(542)</b>	<b>(308)</b>
<b>Total insurance service result</b>	<b>2,020</b>	<b>449</b>

**(b) Amounts determined on transition to IFRS 17**

For insurance contracts not measured under the PAA, an analysis of the related CSM by transition method, by reporting segments, included below.

	2024	2023
<b>INSURANCE CONTRACTS ISSUED</b>		
<b>Insurance Revenue</b>		
New contracts and contracts measured under the full retrospective approach at transition	2,101	1,579
Contracts measured under the fair value approach at transition	3,974	3,834
	<b>6,075</b>	<b>5,413</b>
<b>CSM, end of year</b>		
New contracts and contracts measured under the full retrospective approach at transition	3,019	2,630
Contracts measured under the fair value approach at transition	2,229	3,065
	<b>5,248</b>	<b>5,695</b>
<b>Reinsurance contracts held</b>		
<b>Reinsurance expenses</b>		
New contracts and contracts measured under the full retrospective approach at transition	(7)	(4)
Contracts measured under the fair value approach at transition	(641)	(644)
	<b>(648)</b>	<b>(648)</b>
<b>CSM, end of year</b>		
New contracts and contracts measured under the full retrospective approach at transition	71	48
Contracts measured under the fair value approach at transition	1,230	695
	<b>1,301</b>	<b>743</b>

**SAGICOR LIFE ARUBA N.V.**

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**11. INSURANCE REVENUE AND SERVICE EXPENSES (continued)**

**(c) Expected recognition of the contractual service margin**

The following tables summarise the expected recognition of the contractual service margin based on the estimate of the CSM using discounted coverage units to allocate the CSM to each year, by reporting segment.

<b>INSURANCE CONTRACTS ISSUED</b>	<b>2024</b>	<b>2023</b>
<b>Contracts not measured under the PAA</b>		
<b>Number of years until expected to be recognised</b>		
1	421	383
2	403	324
3	387	286
4	369	263
5	353	238
6-10	1,543	1,013
>10	1,772	3,188
<b>Total</b>	<b>5,248</b>	<b>5,695</b>

<b>REINSURANCE CONTRACTS HELD</b>	<b>2024</b>	<b>2023</b>
<b>Contracts not measured under the PAA</b>		
<b>Number of years until expected to be recognised</b>		
1	131	137
2	121	108
3	108	94
4	99	83
5	90	76
6-10	311	272
>10	441	(27)
<b>Total</b>	<b>1,301</b>	<b>743</b>

**SAGICOR LIFE ARUBA N.V.****NOTES TO THE FINANCIAL STATEMENTS**

Year ended December 31, 2024

*Amounts expressed in AFL 000***12. INVESTMENT INCOME AND INSURANCE FINANCE EXPENSES**

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

	2024	2023
<b>INVESTMENT INCOME - SAGICOR GROUP COMPANIES</b>		
Interest income earned from Sagicor Group companies	166	157
<b>Net investment income - Sagicor Group companies</b>	<b>166</b>	<b>157</b>
<b>NET INVESTMENT INCOME – UNDERLYING ASSETS</b>		
Interest income earned from financial assets measured at amortised cost and FVTOCI	938	1,267
Net gain on FVTPL investments	1,008	513
Credit impairment recovery	1,427	153
Write-off of financial investment	(1,591)	--
<b>Net investment income – underlying assets</b>	<b>1,782</b>	<b>1,933</b>
<b>NET INVESTMENT INCOME – OTHER INVESTMENTS</b>		
Net gain on FVTPL investments	--	34
<b>Net investment income – other investments</b>	<b>-</b>	<b>34</b>
<b>NET INVESTMENT INCOME – OTHER</b>		
Other investment income	29	40
<b>Net investment income – other</b>	<b>29</b>	<b>40</b>
<b>TOTAL NET INVESTMENT INCOME</b>	<b>1,977</b>	<b>2,164</b>

## 12. INVESTMENT INCOME AND INSURANCE FINANCE EXPENSES (continued)

	2024	2023
<b>FINANCE (EXPENSES) / INCOME FROM INSURANCE CONTRACTS ISSUED</b>		
Interest accreted	(1,354)	(927)
Effect of changes in interest rates and other financial assumptions	108	(3,109)
<b>Finance (expenses) /income from insurance contracts issued</b>	<b>(1,246)</b>	<b>(4,036)</b>
<b>FINANCE INCOME / (EXPENSES) FROM REINSURANCE CONTRACTS HELD</b>		
Interest accreted	(165)	(140)
Effect of changes in interest rates and other financial assumptions	(29)	1
	<b>(194)</b>	<b>(139)</b>
<b>NET INSURANCE FINANCE INCOME / (EXPENSES)</b>	<b>(1,440)</b>	<b>(4,175)</b>
<b>SUMMARY OF THE AMOUNTS RECOGNISED IN THE STATEMENT OF INCOME</b>		
Net Investment income – earned from Sagicor Group companies	166	157
Net investment income – underlying assets	1,782	1,933
Net investment income – other investments	--	34
Net investment income – other	29	40
Net insurance finance (expenses)	(1,440)	(4,175)
	<b>537</b>	<b>(2,011)</b>

## 13. FEES AND OTHER INCOME

	Other Income	
	2024	2023
Foreign exchange gains	70	57
Other operating and miscellaneous expenses	(18)	(83)
	<b>52</b>	<b>(26)</b>

**14. OTHER OPERATING EXPENSES**

Included in other operating expenses are the following:

	2024	2023
Administrative expenses	820	1,178
Commissions and related compensation	2	2
Depreciation and amortisation	68	76
	<b>890</b>	<b>1,256</b>

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

	2024			Total	2023			Total
	Expenses attributed to insurance acquisition cash flows	Other directly attributable expenses	Other operating expenses		Expenses attributed to insurance acquisition cash flows	Other directly attributable expenses	Other operating expenses	
Audit, legal and other professional fees	175	243	58	476	139	160	67	366
Commissions and related compensation	799	1,120	2	1,921	886	1,026	2	1,914
Other administrative expenses	1,490	2,088	830	4,408	1,531	1,775	1,187	4,493
	<b>2,464</b>	<b>3,451</b>	<b>890</b>	<b>6,805</b>	<b>2,556</b>	<b>2,961</b>	<b>1,256</b>	<b>6,773</b>

Included in Audit, legal and other professional fees above are audit fees of \$122 (2023 - \$201) and other fees paid to the auditor for non-assurance services of \$16 (2023 - \$16)

**15. OTHER INTEREST AND FINANCE COST**

	2024	2023
Investment contracts	137	140
Other	18	18
	<b>155</b>	<b>158</b>

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16. EQUITY COMPENSATION AND EMPLOYEE RETIREMENT BENEFITS

16.1 Equity Compensation

Effective December 31, 2005, the Parent Company introduced a Long Term Incentive (LTI) plan for designated executives of the Company and an Employee Share Ownership Plan (ESOP) for permanent administrative employees and sales agents of the Company. A total of 26,555,274 common shares of the Parent Company (or 10% of shares then in issue) have been set aside for the purposes of the LTI plan and the ESOP.

(a) LTI plan – restricted share grants

Restricted share grants have been granted to designated key management of the Company during the year. 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 Company as compared to a number of peer companies. Relative profitability is measured with reference to the financial year preceding the vesting date.

(b) LTI plan – share options

Share options have been granted to designated key management of the Company. Up to 2008, options were granted at the fair market price of the Company shares at the time that the option is granted. From 2009, options are granted at the fair market price of the Company shares prevailing one year before the option is granted. Options vest over four years, 25% each on the first four anniversaries of the grant date. Options are exercisable up to 10 years from the grant date.

(c) ESOP

From 2006, the Parent Company approved awards under the ESOP in respect of permanent administrative employees and sales agents of the Company. The ESOP is administered by Trustees under a discretionary trust. The amount awarded is used by the Trustees to acquire company shares. Administrative employees and sales agents are required to serve a qualifying period of five years from the award date in order to qualify as a beneficiary. Shares are distributed to beneficiaries upon their retirement or termination of employment. During 2012, the rules were amended so that vesting will take place in four equal annual instalments commencing one year after the award. The change came into effect during 2013.

**SAGICOR LIFE ARUBA N.V.****NOTES TO THE FINANCIAL STATEMENTS**

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*Amounts expressed in AFL 000***16. EQUITY COMPENSATION AND EMPLOYEE RETIREMENT BENEFITS (continued)****16.2 Employee Retirement Benefits**(a) Amounts recognised in the statement of financial position

	<b>2024</b>	<b>2023</b>
Present value of funded pension obligations	2,588	2,387
Fair value of retirement plan assets	(3,897)	(3,629)
	<b>(1,309)</b>	<b>(1,242)</b>
Present value of unfunded pension obligations	3,812	3,677
Net liability	<b>2,503</b>	<b>2,435</b>
Represented by:		
Amounts held on deposit by the Company as deposit administration contracts	3,812	3,677
Total recognised liabilities	3,812	3,677
Recognised assets	(1,309)	(1,242)
Net liability	<b>2,503</b>	<b>2,435</b>

Pension plans have purchased annuities from insurers in the Company to pay benefits to plan retirees. These obligations are included in insurance contract liabilities in the statement of financial position and are included as retirement plan assets in this note.

**SAGICOR LIFE ARUBA N.V.**

**NOTES TO THE FINANCIAL STATEMENTS**

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**16. EQUITY COMPENSATION AND EMPLOYEE RETIREMENT BENEFITS (continued)**

**16.2 Employee Retirement Benefits**

(b) Movements in balances

	2024		
	Retirement obligations	Retirement plan assets	Total
<b>Net liability / (asset), beginning of year</b>	<b>6,064</b>	<b>(3,629)</b>	<b>2,435</b>
Current service cost	95	--	95
Interest expense / (income)	153	(221)	(68)
<b>Net expense recognised in income</b>	<b>248</b>	<b>(221)</b>	<b>27</b>
Gains from changes in assumptions	(86)	--	(86)
Gains from changes in experience	(22)	--	(22)
Return on plan assets excluding interest income	--	90	90
<b>Net (gains) / losses recognised in other comprehensive income</b>	<b>(108)</b>	<b>90</b>	<b>(18)</b>
Contributions made by the Company	--	(74)	(74)
Contributions made by employees and retirees	68	(68)	--
Benefits paid	(54)	54	--
Other items	182	(49)	133
<b>Other movements</b>	<b>196</b>	<b>(137)</b>	<b>59</b>
<b>Net liability / (asset), end of year</b>	<b>6,400</b>	<b>(3,897)</b>	<b>2,503</b>

**SAGICOR LIFE ARUBA N.V.**

**NOTES TO THE FINANCIAL STATEMENTS**

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**16. EQUITY COMPENSATION AND EMPLOYEE RETIREMENT BENEFITS (continued)**

**16.2 Employee Retirement Benefits**

(b) Movements in balances (continued)

	2023		
	Retirement obligations	Retirement plan assets	Total
<b>Net liability / (asset), beginning of year</b>	<b>5,635</b>	<b>(3,346)</b>	<b>2,289</b>
Current service cost	125	--	125
Interest expense	130	(187)	(57)
<b>Net expense recognised in income</b>	<b>255</b>	<b>(187)</b>	<b>68</b>
Gains from changes in assumptions	(58)	--	(58)
Gains from changes in experience	(52)	--	(52)
Return on plan assets excluding interest income	--	32	32
<b>Net (gains) / losses recognised in other comprehensive income</b>	<b>(110)</b>	<b>32</b>	<b>(78)</b>
Contributions made by the Company	--	(63)	(63)
Contributions made by employees and retirees	72	(72)	--
Benefits paid	(54)	54	--
Other items	266	(47)	219
<b>Other movements</b>	<b>284</b>	<b>(128)</b>	<b>156</b>
<b>Net liability / (asset), end of year</b>	<b>6,064</b>	<b>(3,629)</b>	<b>2,435</b>

**SAGICOR LIFE ARUBA N.V.**

**NOTES TO THE FINANCIAL STATEMENTS**

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**16. EQUITY COMPENSATION AND EMPLOYEE RETIREMENT BENEFITS (continued)**

**16.2 Employee Retirement Benefits**

(c) Significant actuarial assumptions

The significant actuarial assumptions as of December 31, were as follows:

<b>Pension plans</b>	<b>2024</b>	<b>2023</b>
Discount rate - local currency benefits	6.00%	6.00%
Expected return on plan assets	6.00%	6.00%
Future promotional salary increases	0.00%	0.00%
Future inflationary salary increases	3.50%	3.00%
Future pension increases	1.00%	1.00%
Mortality table	UP94 with projection scale AA	UP94 with projection scale AA
Termination of active members	Nil	Nil
Early retirement	Nil	Nil

(d) Sensitivity of actuarial assumptions

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

	<b>2024</b>	<b>2023</b>
Base pension obligation	1,438	2,387
<b>Change in absolute assumption</b>	<b>Increase / (decrease) in pension obligations</b>	
Decrease discount rate by 1.0%	100	180
Increase discount rate by 1.0%	(80)	(144)
Decrease salary growth rate by 0.5%	(13)	(23)
Increase salary growth rate by 0.5%	14	25
Increase average life expectancy by 1 year	16	29
Decrease average life expectancy by 1 year	(16)	(29)

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**16. EMPLOYEE RETIREMENT BENEFITS (continued)**(e) Amount, timing and uncertainty of future cash flows

In addition to the annual actuarial valuations prepared for the purpose of annual financial statement reporting, full actuarial valuations of pension plans are conducted every 3 years. These full valuations contain recommendations for Company and employee contribution levels which are implemented by the Company.

**17. INCOME TAXES**

The Company's principal rates of taxation are summarised in note 2.10. The income tax expense is set out in the following table.

	2024	2023
Current tax:		
Current tax on profits for the year	343	334
Total current tax expense	<b>343</b>	<b>334</b>
Total tax expense	<b>343</b>	<b>334</b>

Income tax on the total income subject to taxation differs from the theoretical amount that would arise as follows:

	2024	2023
Income / (loss) before income tax expense	<b>1,610</b>	<b>(3,002)</b>
Other taxes	343	334
	<b>343</b>	<b>334</b>

**18. CASH FLOWS**

Adjustment to non-cash items and changes in operating assets are as follows:

	<b>2024</b>	<b>2023</b>
<b>Adjustments for non-cash items, interest and dividends:</b>		
Income from financial investments	(1,975)	(2,127)
Interest income earned from Sagicor Group companies	(166)	(157)
Interest costs and finance costs	1,595	4,333
Net credit impairment loss / (recovery)	164	(153)
Depreciation and amortization	68	76
Other items	(66)	253
	<b>(380)</b>	<b>2,225</b>
<b>Net change in investments and operating assets:</b>		
Debt securities	(1,471)	(3,328)
Mortgage loans	2,846	(771)
Deposits with initial maturity more than 90 days	(3,899)	--
Reinsurance contract assets	(40)	248
Insurance contract assets	(4)	(124)
Amounts due from Sagicor Group companies	(1,307)	(2,062)
Other assets and receivables	94	557
	<b>(3,781)</b>	<b>(5,480)</b>

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**18. CASH FLOWS (continued)**

The gross changes in debt securities are as follows:

	2024	2023
<b>Debt securities:</b>		
Purchases	(3,361)	(3,328)
Proceeds on maturity and disposals	1,890	--
	<b>(1,471)</b>	<b>(3,328)</b>
<b>Net change in operating liabilities:</b>		
Insurance contract liabilities	1,931	1,341
Reinsurance contract liabilities	(277)	(649)
Investment contract liabilities	56	39
Amounts due to Sagicor Group companies	(108)	2,297
Other liabilities and payables	131	208
	<b>1,733</b>	<b>3,236</b>

Investing, cash and cash equivalents are as follows:

	2024	2023
<b>Investing activities</b>		
<b>Property, plant and equipment:</b>		
Purchases	--	(85)
	<b>--</b>	<b>(85)</b>
<b>Cash and cash equivalents</b>		
Cash	13,385	12,389
Call deposits and other liquid balances	2	191
Bank overdrafts	(14)	(9)
	<b>13,373</b>	<b>12,571</b>

**19. FINANCIAL RISK**

The Company's activities of issuing insurance contracts, of accepting funds from depositors, of investing insurance premium and deposit receipts in a variety of financial and other assets, banking and dealing in securities, exposes the Company to various insurance and financial risks. Financial risks include credit default, liquidity and market risks. Market risks arise from changes in interest rates, equity prices, currency exchange rates or other market factors. The principal insurance risks are identified in note 20.

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.

**19.1 Credit risk**

Credit risk is the exposure resulting from an obligor's potential inability or unwillingness to fulfill 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 investments, securities, lending, revolving credit, and reinsurance portfolios.

Credit risk from financial investments is minimised through:

- holding a diversified portfolio of investments;
- purchasing quality securities;
- advancing loans only after careful assessment of the borrower and obtaining collateral;
- placing deposits with financial institutions with a strong capital base;
- placing limits on the amount of exposure in relation to any one borrower, and setting and monitoring portfolio limits for all credit products which include loans, mortgages and credit card receivables;
- obtaining collateral and guarantees from borrowers.

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 and finance loans by repossessing the pledged asset. The Company will seek to dispose of the pledged asset by sale. In some instances, the Company may provide re-financing to a new purchaser on customary terms.

Policy loans are advanced on the security of the underlying insurance policy cash values. Cash loans are advanced to a maximum of 80% to 100% of the cash surrender value. Automatic premium loans may be advanced to the extent of available cash surrender value.

**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.

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**19. FINANCIAL RISK (continued)**

**19.1 Credit risk (continued)**

Rating of financial assets

The Company's credit rating model (note 3.4) applies a rating scale to three categories of exposures:

- Investment portfolios, comprising debt securities and money market funds, deposits, securities purchased for resale, and cash;
- Lending portfolios, comprising mortgage and finance loans;

In sections 19.2, 19.3 and 19.4, we set out for the Company its credit risk exposures and credit impairments.

Changes from the prior year

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.

**19.2 Credit risk exposure**

The total credit risk exposures of the Company are as follows:

	<b>2024</b>	<b>%</b>	<b>2023</b>	<b>%</b>
Investment portfolios	23,429	39.6%	18,118	32.5%
Lending portfolios	15,003	25.4%	19,530	35.1%
Cash	13,385	22.6%	12,389	22.2%
Insurance contract assets	128	0.2%	124	0.2%
Reinsurance contract assets	340	0.6%	301	0.5%
Receivables	27	0.1%	121	0.2%
Amounts receivables from Sagicor Group companies	5,429	9.2%	4,122	7.5%
<b>Total financial statement exposures</b>	<b>57,741</b>	<b>97.7%</b>	<b>54,705</b>	<b>98.2%</b>
Lending commitments	1,382	2.3%	591	1.1%
Other – Investment commitments	--	0%	412	0.7%
<b>Total off financial statement exposures</b>	<b>1,382</b>	<b>2.3%</b>	<b>1,003</b>	<b>1.8%</b>
<b>Total</b>	<b>59,123</b>	<b>100%</b>	<b>55,708</b>	<b>100%</b>

**19. FINANCIAL RISK (continued)**

**19.2 Credit risk exposure (continued)**

The principal individual credit exposures of the Company are as follows:

	<b>Sagicor Risk Rating</b>	<b>2024</b>	<b>2023</b>
Government of Aruba	3	14,377	11,194

For assets measured at FVTOCI 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. The components of investment and lending portfolios by accounting classification are summarised below.

	<b>2024</b>	<b>2023</b>
Investment portfolios:		
Money market funds FVTOCI	2	191
Deposits at amortised cost	3,902	--
Cash resources	13,385	12,389
	<b>17,289</b>	<b>12,580</b>
Lending portfolios:		
Mortgage loans at amortised cost	15,003	19,530
	<b>15,003</b>	<b>19,530</b>

## 19. FINANCIAL RISK (continued)

## 19.3 Credit risk exposure – financial investments subject to impairment

Financial assets carried at amortised cost or FVTOCI are subject to credit impairment losses which are recognised in the statement of income. The following tables analyse the credit risk exposure of total financial investments for which an ECL allowance is recognised. The gross carrying amounts of investments below represent the Company's maximum exposure to credit risk on these assets.

	2024			2023	
	ECL Staging			Total	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
<b>Mortgage loans – amortised cost</b>					
Credit grade:					
Investment	12,777	362	--	13,139	13,826
Non-investment	--	--	--	--	--
Watch	176	--	765	941	1,400
Default	--	--	923	923	4,304
Gross carrying amount	12,953	362	1,688	15,003	19,530
Loss allowance	(103)	(16)	(394)	(513)	(1,940)
Carrying amount	<b>12,850</b>	<b>346</b>	<b>1,294</b>	<b>14,490</b>	<b>17,590</b>

	2024			2023	
	ECL Staging			Total	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL		
<b>Deposits – amortised cost</b>					
Credit grade:					
Investment	--	3,902	--	3,902	--
Gross carrying amount	--	3,902	--	3,902	--
Loss allowance	--	--	--	--	--
Carrying amount	--	<b>3,902</b>	--	<b>3,902</b>	--

**19. FINANCIAL RISK (continued)**

**19.3 Credit impairment losses – financial investments subject to impairment (continued)**

	2024			2023	
	ECL Staging			Total	Total
	Stage 1	Stage 2	Stage 3		
	12-month ECL	life-time ECL	life-time ECL		
<b>Money Market Fund - FVOCI</b>					
Credit grade:					
Investment	2	--	--	2	191
Gross carrying amount	2	--	--	2	191
Loss allowance	--	--	--	--	--
Carrying amount	<b>2</b>	<b>--</b>	<b>--</b>	<b>2</b>	<b>191</b>

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 derecognised 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 lifetime 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 total credit loss allowances in respect of financial investments subject to impairment summarised in the preceding tables.

**19. FINANCIAL RISK (continued)**

**19.3 Credit impairment losses – financial investments subject to impairment (continued)**

	<b>Mortgage loans – amortised cost</b>			
	<b>2024</b>			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	
Loss allowance, beginning of year	131	29	1,780	1,940
Transfers:				
Transfer from Stage 1 to Stage 2	(5)	5	--	--
Transfer from Stage 2 to Stage 1	5	(5)	--	--
Transfer from Stage 3 to Stage 1	5	--	(5)	--
Loans originated or purchased	9	--	--	9
Financial assets fully derecognised during the period	(7)	(22)	--	(29)
Write-offs	--	--	(1,409)	(1,409)
Changes in ECL inputs, models and / or assumptions	(35)	9	28	2
Loss allowance, end of year	<b>103</b>	<b>16</b>	<b>394</b>	<b>513</b>
Credit impairment recovery recorded in income				<b>1,427</b>
	<b>2023</b>			
	ECL Staging			Total
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	
Loss allowance, beginning of year	116	22	1,955	2,093
Transfers:				
Transfer from Stage 1 to Stage 2	(7)	7	--	--
Transfer from Stage 1 to Stage 3	--	--	--	--
Transfer from Stage 2 to Stage 1	--	--	--	--
Loans originated or purchased	43	--	--	43
Loans fully derecognised	(5)	--	(164)	(169)
Changes in ECL inputs, models and / or assumptions	(16)	--	(11)	(27)
Loss allowance, end of year	<b>131</b>	<b>29</b>	<b>1,780</b>	<b>1,940</b>
Credit impairment (loss) / recovery recorded in income				<b>153</b>

**19. FINANCIAL RISK (continued)**

**19.3 Credit impairment losses – financial investments subject to impairment (continued)**

Scenario design

The weightings assigned to each economic scenario as at December 31, 2024 are set out in the following table. These weightings are unchanged from the prior year.

	Base	Upside	Downside
Sagicor Life portfolios	80%	10%	10%

The results of varying the upside and downside scenarios are as follows:

	Base – 80% Upside – 5% Downside – 15%		Base – 80% Upside – 15% Downside – 5%	
	Increase in ECL		Decrease in ECL	
	2024	2023	2024	2023
Lending products	3	12	4	(12)

**19.4 Gross Carrying Values – financial investments subject to impairment.**

The following tables explain the movement in the gross carrying amounts of certain investments and in the related ECL classifications for the year based on significance relative to financial investments subject to impairment overall. Gross carrying amounts represent the maximum exposure to credit risk.

	Mortgage loans – amortised cost			
	2024			
	ECL staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount, beginning of year	13,308	518	5,704	19,530
Transfers:				
Transfer from Stage 1 to Stage 2	(283)	283	--	--
Transfer from Stage 2 to Stage 1	94	(94)	--	--
Transfer from Stage 3 to Stage 1	176	--	(176)	--
Loans originated or purchased	806	--	--	806
Loans fully derecognised	(837)	(412)	(2,385)	(3,634)
Changes in principal and interest	(309)	67	(1,457)	(1,699)
Gross carrying amount, end of year	<b>12,955</b>	<b>362</b>	<b>1,686</b>	<b>15,003</b>

19. FINANCIAL RISK (continued)

19.4 Gross Carrying Values – financial investments subject to impairment (continued)

	<b>Mortgage loans – amortised cost</b>			
	<b>2023</b>			
	ECL staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	<b>Total</b>
Gross carrying amount, beginning of year	10,663	340	7,805	18,808
Transfers:				
Transfer from Stage 1 to Stage 2	(198)	198	--	--
Loans originated or purchased	4,010	--	--	4,010
Loans fully derecognised	(540)	--	(2,117)	(2,657)
Changes in principal and interest	(627)	(20)	16	(631)
Gross carrying amount, end of year	<b>13,308</b>	<b>518</b>	<b>5,704</b>	<b>19,530</b>

	<b>Deposits – amortised cost</b>			
	<b>2024</b>			
	ECL staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	<b>Total</b>
Gross carrying amount, beginning of year	--	--	--	--
Changes in principal and interest	--	3,902	--	<b>3,902</b>
Gross carrying amount, end of year	--	<b>3,902</b>	--	<b>3,902</b>

	<b>Money Market Fund – FVOCI</b>			
	<b>2024</b>			
	ECL staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	<b>Total</b>
Gross carrying amount, beginning of year	191	--	--	<b>191</b>
Changes in principal and interest	(189)	--	--	<b>(189)</b>
Gross carrying amount, end of year	<b>2</b>	--	--	<b>2</b>

**19. FINANCIAL RISK (continued)**

**19.4 Gross Carrying Values – financial investments subject to impairment (continued)**

	<b>Money Market Fund – FVOCI</b>			
	<b>2023</b>			
	ECL staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount, beginning of year	68	--	--	<b>68</b>
Changes in principal and interest	123	--	--	<b>123</b>
Gross carrying amount, end of year	<b>191</b>	--	--	<b>191</b>

**19.5 Liquidity risk**

Liquidity risk is the exposure that the Company may encounter difficulty in meeting obligations associated with financial or insurance liabilities that are settled by cash or by another financial asset, as a result of the inability to generate sufficient cash or its equivalents in a timely and cost-effective way. Liquidity risk also arises when excess funds accumulate resulting in the loss of opportunity to increase investment returns and from mismatches in the timing and value of on-balance sheet or off-balance sheet cash flows.

Asset liability matching is a tool used by the Company to mitigate liquidity risks, particularly in operations with significant maturing short-term liabilities. For long-term insurance contracts, the Company has adopted a policy of investing in assets with cash flow characteristics that closely match the cash flow characteristics of its expected future cash flows. The primary purpose of this matching is to ensure that cash flows from these assets are synchronised with the timing and the amounts of payments that must be paid to policyholders.

Group companies monitor 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. Following are maturity analyses showing the net cash flows for insurance contracts issued and reinsurance contracts held.

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**19. FINANCIAL RISK (continued)**

**19.5 Liquidity risk (continued)**

(a) Insurance and reinsurance contract liabilities

Expected discounted cash flows which have been estimated by actuarial and other statistical methods are analysed based on maturity for insurance and reinsurance contract liabilities in the following table.

	Expected discounted cash flows						Total
	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	After 5 years	
<b>2024</b>							
Insurance contract liabilities	(1,210)	(5,020)	(4,144)	(4,108)	(3,542)	36,862	18,838
Reinsurance contract liabilities	(329)	137	99	76	59	2,942	2,984
<b>Total</b>	<b>(1,539)</b>	<b>(4,883)</b>	<b>(4,045)</b>	<b>(4,032)</b>	<b>(3,483)</b>	<b>39,804</b>	<b>21,822</b>
<b>2023</b>							
Insurance contract liabilities	(1,251)	(5,175)	(4,432)	(3,467)	(3,382)	33,124	15,417
Reinsurance contract liabilities	299	(137)	(119)	(94)	(81)	(2,988)	(3,120)
<b>Total</b>	<b>(952)</b>	<b>(5,312)</b>	<b>(4,551)</b>	<b>(3,561)</b>	<b>(3,463)</b>	<b>30,136</b>	<b>12,297</b>

Amount payable on demand.

Amounts payable on demand totaling \$42,613 (2023: \$40,319) for insurance contract liabilities.

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**19. FINANCIAL RISK (continued)**

**19.5 Liquidity risk (continued)**

(b) Financial liabilities and commitments

Contractual cash flow obligations of the Company in respect of its financial liabilities and commitments are summarised in the following table. 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.

	<b>2024 - Contractual un-discounted cash flows</b>	<b>2023 - Contractual un-discounted cash flows</b>
	<b>Within 1 year</b>	<b>Within 1 year</b>
<b>Financial liabilities:</b>		
Investment contract liabilities	630	574
Deposit and security liabilities	14	9
Accounts payable and accrued liabilities	2,755	2,720
Amounts payable to Sagicor Group companies	5,886	5,994
Total financial liabilities	<b>9,285</b>	<b>9,297</b>
<b>Off financial statement commitments:</b>		
Loan commitments	1,382	591
Investment commitments	--	412
Total off financial statement commitments	1,382	1,003
<b>Total</b>	<b>10,667</b>	<b>10,300</b>

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**19. FINANCIAL RISK (continued)**

**19.5 Liquidity risk (continued)**

(c) Reinsurance and insurance contract assets

The expected maturity periods of monetary reinsurance and insurance contract assets are summarised in the following table. Amounts are stated at their carrying values recognised in the financial statements. For this disclosure, monetary insurance assets comprise reinsurance and insurance contract assets.

	Expected discounted cash flow 2024						Total
	Exposure within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	After 5 years	
<b>2024</b>							
Insurance contract assets	(44)	--	--	--	--	--	(44)
Reinsurance contract assets	221	18	14	11	16	1,045	1,325
<b>Total</b>	<b>177</b>	<b>18</b>	<b>14</b>	<b>11</b>	<b>16</b>	<b>1,045</b>	<b>1,281</b>

	Expected discounted cash flow 2023						Total
	Exposure within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	After 5 years	
<b>2023</b>							
Insurance contract assets	43	--	--	--	--	--	43
Reinsurance contract assets	88	5	5	5	5	464	572
<b>Total</b>	<b>131</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>464</b>	<b>615</b>

**19. FINANCIAL RISK (continued)**

**19.5 Liquidity risk (continued)**

(d) Financial assets

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

	2024 – Contractual or expected discounted cash flows							Total
	On demand	1 year	2 years	3 years	4 years	5 years	After 5 years	
Debt securities	--	--	--	5,168	6,062	--	8,294	19,524
Deposits and money market funds	--	3,904	--	--	--	--	--	3,904
Mortgage loans	--	453	194	406	323	59	13,055	14,490
Other assets and accounts receivable	--	27	--	--	--	--	--	27
Cash resources	--	13,385	--	--	--	--	--	13,385
Amounts receivables from Sagicor Group companies	--	5,429	--	--	--	--	--	5,429
<b>Total</b>	--	<b>23,198</b>	<b>194</b>	<b>5,574</b>	<b>6,385</b>	<b>59</b>	<b>21,349</b>	<b>56,759</b>

	2023 – Contractual or expected discounted cash flows							Total
	On demand	1 year	2 years	3 years	4 years	5 years	After 5 years	
Debt securities	--	--	--	--	4,802	5,991	7,134	17,927
Deposits and money market funds	--	191	--	--	--	--	--	191
Mortgage loans	--	1,820	27	220	1,004	356	14,163	17,590
Other assets and accounts receivable	--	121	--	--	--	--	--	121
Cash resources	--	12,389	--	--	--	--	--	12,389
Amounts receivables from Sagicor Group companies	--	4,122	--	--	--	--	--	4,122
<b>Total</b>	--	<b>18,643</b>	<b>27</b>	<b>220</b>	<b>5,806</b>	<b>6,347</b>	<b>21,297</b>	<b>52,340</b>

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

### **19.6 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.

Guaranteed minimum returns exist within cash values of long-term traditional insurance contracts, long-term universal life insurance contracts, annuity options, deposit administration liabilities and policy funds on deposit. Where the returns credited exceed the guaranteed minima, the insurer usually has the option to adjust the return from period to period. For other 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 is exposed to risk under embedded derivatives contained in a host insurance contract. These risks include exposures to investment returns which may produce losses to the insurer arising from the following contract features:

- minimum annuity rates which are guaranteed to be applied at some future date;
- minimum guaranteed death benefits which are applicable when the performance of an interest-bearing or unit linked fund falls below expectations;
- minimum guaranteed returns in respect of cash values and universal life investment accounts.

The Company manages its interest rate risk by various measures including, where feasible, the selection of assets which best match the maturity of liabilities; the offering of investment contracts which match the maturity profile of assets; the re-pricing of interest rates on loans receivable; policy contracts and financial liabilities in response to market changes. In certain Caribbean markets, where availability of suitable investments is often a challenge, the Company holds many of its fixed-rate debt securities to maturity and therefore mitigates the transient interest rate changes in these markets.

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**19. FINANCIAL RISK (continued)**

**19.6 Interest rate risk (continued)**

The table following summarises the exposures to interest rates on the Company's monetary financial liabilities. It includes liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	2024				Total
	Exposure	Exposure	Exposure	Not	
	within	1 to 5	after	exposed	
	1 year	years	5 years	to interest	
Investment contract liabilities	630	--	--	--	630
Deposit and security liabilities	--	--	--	14	14
Accounts payable and accrued liabilities	--	--	--	2,755	2,755
Amounts payable from Sagicor Group companies	5,429	--	--	--	5,429
<b>Total</b>	<b>6,059</b>	<b>--</b>	<b>--</b>	<b>2,769</b>	<b>8,828</b>

	2023				Total
	Exposure	Exposure	Exposure	Not	
	within	1 to 5	after	exposed	
	1 year	years	5 years	to interest	
Investment contract liabilities	574	--	--	--	574
Deposit and security liabilities	--	--	--	9	9
Accounts payable and accrued liabilities	--	--	--	2,720	2,720
Amounts payable from Sagicor Group companies	5,994	--	--	--	5,994
<b>Total</b>	<b>6,568</b>	<b>--</b>	<b>--</b>	<b>2,729</b>	<b>9,297</b>

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**19. FINANCIAL RISK (continued)**

**19.6 Interest rate risk (continued)**

The Company's exposure to insurance and reinsurance contract liabilities which are sensitive to interest rate risk is categorised based on expected maturities. These liabilities are stated at:

	2024				Total
	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	
Insurance contract liabilities	(4,950)	(16,812)	36,850	16,822	31,910
Reinsurance contract liabilities	152	371	2,938	(756)	2,705
<b>Total</b>	<b>(4,798)</b>	<b>(16,441)</b>	<b>39,788</b>	<b>16,066</b>	<b>34,615</b>

	2023				Total
	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	
Insurance contract liabilities	(4,298)	(16,315)	32,841	16,576	28,804
Reinsurance contract liabilities	153	426	2,981	(772)	2,788
<b>Total</b>	<b>(4,145)</b>	<b>(15,889)</b>	<b>35,822</b>	<b>15,804</b>	<b>31,592</b>

The Company's exposure to insurance and reinsurance assets which are sensitive to interest rate risk is categorised based on expected maturities. These assets are stated at carrying amounts as follows:

	2024				Total
	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	
Insurance contract assets	--	--	--	128	128
Reinsurance contract assets	(20)	(59)	(1,044)	1,463	340
<b>Total</b>	<b>(20)</b>	<b>(59)</b>	<b>(1,044)</b>	<b>1,591</b>	<b>468</b>

19. FINANCIAL RISK (continued)

19.6 Interest rate risk (continued)

	2023				Total
	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	
Insurance contract assets	--	--	--	124	124
Reinsurance contract assets	(4)	(14)	(396)	715	301
<b>Total</b>	<b>(4)</b>	<b>(14)</b>	<b>(396)</b>	<b>839</b>	<b>425</b>

The following table summarises the exposures to interest rate and reinvestment risks of the Company's monetary insurance and financial assets. Assets are stated at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	2024				Total
	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	
Debt securities	--	11,230	8,294	--	19,524
Equity securities	391	--	--	--	391
Deposits and Money market funds	3,904	--	--	--	3,904
Mortgage loans	608	976	12,890	16	14,490
Other assets and accounts receivable	--	--	--	27	27
Amounts receivable from Sagicor Group companies	--	--	--	5,429	5,429
Cash resources	--	--	--	13,385	13,385
<b>Total</b>	<b>4,903</b>	<b>12,206</b>	<b>21,184</b>	<b>18,857</b>	<b>57,150</b>

	2023				Total
	Exposure within 1 year	Exposure 1 to 5 years	Exposure after 5 years	Not exposed to interest	
Deposits and Money market funds	191	--	--	--	191
Debt securities	--	10,750	7,079	98	17,927
Equity securities	--	--	--	446	446
Mortgage loans	1,820	1,593	14,071	106	17,590
Other assets and accounts receivable	--	--	--	121	121
Amounts receivable from Sagicor Group companies	--	--	--	4,122	4,122
Cash resources	--	--	--	12,389	12,389
<b>Total</b>	<b>2,011</b>	<b>12,343</b>	<b>21,150</b>	<b>17,282</b>	<b>52,786</b>

**19. FINANCIAL RISK (continued)**

**19.7 Foreign exchange risk (continued)**

The Company is exposed to foreign exchange risk as a result of fluctuations in exchange rates as its financial assets and liabilities are denominated in 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. Exceptions are made to invest amounts in United States dollar assets which are held to back liabilities in Caribbean currencies. Management considers that these assets diversify the range of investments available in the Caribbean, 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.

2024	US \$000 equivalents of balances denominated in AFL			
	Aruban Florin \$	US \$	Other Currencies	Total
<b>ASSETS</b>				
Financial investments <sup>(1)</sup>	34,361	3,554	--	37,915
Reinsurance contract assets <sup>(1)</sup>	32	20	288	340
Insurance contract assets	128	--	--	128
Receivables <sup>(1)</sup>	(2)	29	--	27
Cash resources	15,881	614	(3,110)	13,385
Due from parent company	--	--	5,429	5,429
<b>Total monetary assets</b>	<b>50,400</b>	<b>4,217</b>	<b>2,607</b>	<b>57,224</b>
Other assets <sup>(2)</sup>	524	20	--	544
<b>Total assets</b>	<b>50,924</b>	<b>4,237</b>	<b>2,607</b>	<b>57,768</b>
<b>LIABILITIES</b>				
Insurance contract liabilities	27,651	2,934	1,325	31,910
Reinsurance contract liabilities	1,890	815	--	2,705
Investment contracts	630	--	--	630
Deposit and security liabilities	14	--	--	14
Provisions	2,503	--	--	2,503
Accounts payable and accruals	2,123	390	242	2,755
Due from parent company	--	--	5,886	5,886
<b>Total monetary liabilities</b>	<b>34,811</b>	<b>4,139</b>	<b>7,453</b>	<b>46,403</b>
Other liabilities <sup>(2)</sup>	324	--	--	324
<b>Total liabilities</b>	<b>35,135</b>	<b>4,139</b>	<b>7,453</b>	<b>46,727</b>
<b>Net position</b>	<b>15,789</b>	<b>98</b>	<b>(4,846)</b>	<b>11,041</b>

<sup>(1)</sup> Monetary balances only

<sup>(2)</sup> Non-monetary balances, income tax balances and retirement plan assets

**19. FINANCIAL RISK (continued)**

**19.7 Foreign exchange risk (continued)**

2023	US \$000 equivalents of balances denominated in			
	Aruban Florin \$	US \$	Other Currencies	Total
<b>ASSETS</b>				
Financial investments <sup>(1)</sup>	29,233	5,719	1,202	36,154
Reinsurance contract assets <sup>(1)</sup>	36	43	222	301
Insurance contract assets	124	--	--	124
Receivables <sup>(1)</sup>	31	100	--	131
Cash resources	9,861	2,469	59	12,389
Due from parent company	--	--	4,122	4,122
Total monetary assets	39,285	8,331	5,605	53,221
Other assets <sup>(2)</sup>	205	4	--	209
Total assets	39,490	8,335	5,605	53,430
<b>LIABILITIES</b>				
Insurance contract liabilities	24,789	2,839	1,176	28,804
Reinsurance contract liabilities	1,965	823	--	2,788
Investment contracts	574	--	--	574
Deposit and security liabilities	9	--	--	9
Provisions	2,435	--	--	2,435
Accounts payable and accruals	890	--	1,830	2,720
Due to parent company	--	--	5,994	5,994
Total monetary liabilities	30,662	3,662	9,000	43,324
Other liabilities <sup>(2)</sup>	315	--	--	315
Total liabilities	30,977	3,662	9,000	43,639
<b>Net position</b>	<b>8,513</b>	<b>4,673</b>	<b>(3,395)</b>	<b>9,791</b>

<sup>(1)</sup> Monetary balances only

<sup>(2)</sup> Non-monetary balances, income tax balances and retirement plan assets

**19. FINANCIAL RISK (continued)**

**19.7 Foreign exchange risk (continued)**

Sensitivity

The Company is exposed to currency risk in its operating currencies for which values have noticeably fluctuated against the United States dollar (USD).

The exposure to currency risk may result in three types of risk, namely:

- Currency risk relating to the future cash flows of monetary balances

This occurs when a monetary balance is denominated in a currency other than the functional currency of the reporting unit to which it belongs. In this instance, a change in currency exchange rates results in the monetary balances being retranslated at the date of the financial statements and the exchange gain or loss is taken to income.

- Currency risk of reported results of foreign operations

This occurs when a reporting unit's functional currency depreciates or appreciates in value when retranslated to USD, which is the Company's presentational currency. In this instance, the conversion of the reporting unit's results at a different rate of exchange results in either less or more income being consolidated in the Company's income statement.

- Currency risk of the Company's investment in foreign operations

This occurs when a reporting unit's functional currency depreciates or appreciates in value when retranslated to the USD, which is the Company's presentational currency. In this instance, the conversion of the reporting unit's assets and liabilities at a different rate of exchange results in a currency loss or gain which is recorded in the currency translation reserve (note 21). If the reporting unit is disposed of, either wholly or in part, then the corresponding accumulated loss or gain in the currency translation reserve would be transferred to income or retained earnings.

**19.8 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. This 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.

19. FINANCIAL RISK (continued)

19.8 Fair value of financial instruments (continued)

(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 at FVTPL include mortgage loans, debt securities and equities for which the full income return and capital returns accrue to holders of unit linked policy and deposit administration contracts. 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.

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

Level 3 assets designated as FVTPL include, debt securities and equities for which the full income return and capital returns accrue to holders of unit linked liabilities. 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.

19. FINANCIAL RISK (continued)

19.8 Fair value of financial instruments (continued)

(a) Financial instruments carried at fair value

	2024		
	Level 2	Level 3	Total
<b>FVTOCI investments:</b>			
Money market funds	2	--	2
	2	--	2
<b>FVTPL investments:</b>			
Debt securities	3,554	15,970	19,524
Equity securities	--	391	391
	3,554	16,361	19,915
<b>Total assets</b>	3,556	16,361	19,917
<b>Total assets by percentage</b>	18%	82%	100%

	2023		
	Level 2	Level 3	Total
<b>FVTOCI investments:</b>			
Money market funds	191	--	191
	191	--	191
<b>FVTPL investments:</b>			
Debt securities	5,531	12,396	17,927
Equity securities	--	446	446
	5,531	12,842	18,373
<b>Total assets</b>	5,722	12,842	18,564
<b>Total assets by percentage</b>	31%	69%	100%

**19. FINANCIAL RISK (continued)**

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

a) Financial instruments carried at fair value (continued)

**Movements in Level 3 Instruments**

For Level 3 instruments, reasonable changes in inputs which could be applied to the valuation of FVOCI securities would affect other comprehensive income. Reasonable changes in inputs which could be applied to the valuations of investments designated at FVTPL are largely offset in income, since the changes in fair value are borne by contract holders. Changes in the valuations of structured products reflect changes in the underlying securities and are borne by the contract holders.

The following tables present movements in Level 3 instruments for the year:

	<b>2024</b>	<b>2023</b>
	<b>Total assets</b>	<b>Total assets</b>
Balance, beginning of year	12,842	10,115
Additions	3,296	3,344
Fair value changes recorded in net investment income	223	(617)
Balance, end of year	<b>16,361</b>	<b>12,842</b>
Fair value changes recorded in investment income for instruments held at the end of the year	223	(617)

**19. FINANCIAL RISK (continued)**

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

**(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 note 5. The fair value hierarchy of other financial instruments carried at amortised cost as of December 31, 2024 is set out in the following tables.

<b>Financial assets at amortised cost</b>	<b>2024</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Deposits	--	--	3,902	3,902
Mortgage loans	--	--	14,490	14,490
	--	--	18,392	18,392

<b>Financial assets at amortised cost</b>	<b>2023</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Mortgage loans	--	--	17,590	17,590

**20. INSURANCE RISK****Contracts not measured under PAA**

The Company offers traditional life, universal life, living benefits and various annuity contracts, as well as life reinsurance contracts.

The main risks that the Company is exposed to are, as follows:

- Mortality risk – risk of loss arising due to the incidence of policyholder death being different than expected
- Morbidity risk – risk of loss arising due to policyholder health experience being different than expected
- Longevity risk – risk of loss arising due to the annuitant living longer than expected
- Expense risk – risk of loss arising from expense experience being different than expected
- Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected

The objective of the Company is to ensure that sufficient reserves are available to cover the liabilities associated with the 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 outwards reinsurance arrangements.

The Company purchases reinsurance as part of its risk mitigation programme. Reinsurance held (outward reinsurance) is placed on a proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business.

Amounts recoverable from reinsurers are estimated in a manner consistent with the 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 ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. 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.

For the life insurance and life reinsurance contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

For immediate annuity contracts, the most significant factor that could increase the amount and frequency of claims is continued improvement in medical science and social conditions that would increase longevity.

The Company reinsures its immediate annuity contracts on a quota-share basis to mitigate its risk.

The nature of the Company's exposure to insurance risks and its objectives, policies and processes used to manage and measure the risks have not changed from the previous period.

**20. INSURANCE RISK (continued)****Contracts not measured under PAA (continued)**

Mortality risk may be concentrated in geographic locations, affecting the risk profile of the insurer. The most significant exposure for this type of risk arises where a single event or pandemic could result in very many claims.

Total insurance coverage on insurance policies provides a quantitative measure of absolute mortality risk. However, claims arising in any one year are a very small proportion in relation to the total insurance coverage provided. The total amounts insured by the Company in respect of both contracts with or without investment returns at December 31, gross and net of reinsurance, are summarised by geographic area below.

Total insurance coverage		2024		2023	
		Individual contracts	Group contracts	Individual contracts	Group contracts
Aruba	Gross	1,152,416	74,498	1,114,515	58,684
	Net	991,143	74,498	954,311	58,572

Total liability under annuity contracts provide a good measure of longevity risk exposure.

Total liability under annuity contracts		2024		2023	
		Individual contracts	Group contracts	Individual contracts	Group contracts
Other Caribbean	Gross	5,659	--	6,003	--
	Net	5,659	--	6,003	--

The following table shows the impact on net income (pre-tax) and CSN net of reinsurance, for reasonably possible movement in key assumptions based on scenarios shown, relating to individual life, group life and health, and property and casualty contracts.

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.

	Impact of changes to policy-related assumptions			
	Contractual Service Margin		Net Income	
	Gross	Net	Gross	Net
2% adverse change in future mortality rates for insurance liabilities	(283)	(193)	338	281
2% adverse change in future longevity rates for annuity liabilities	(4)	(4)	4	4
5% adverse change in future morbidity rates	--	--	--	--
10% multiplicative increase to the P&C loss ratio	--	--	--	--
5% increase in future expense levels	(132)	(132)	109	109
10% adverse change in policyholder behaviour (1.e. lapses)	(473)	(347)	587	518

**21. STATUTORY RESTRICTIONS ON ASSETS**

Insurers are registered to conduct insurance business under legislation in place in each relevant jurisdiction. This legislation may prescribe requirements with respect to deposits, investment of funds and solvency for the protection of policyholders. In general, these requirements do not restrict the ability of the insurer to trade investments. Banking subsidiaries may also be required to hold deposits with Central Banks which regulate the conduct of banking operations.

To satisfy the above requirements, invested assets and cash totalling \$6,061 (2023 - \$6,149) have been deposited with regulators or are held in trust to the order of regulators.

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

**22. SUBSEQUENT EVENT**

There have been no subsequent events which would have a material impact on the financial statements.

**23. COMMITMENTS**

In the normal course of business, the Company enters into commitments at the balance sheet date for which no provision has been made in these financial statements.

**24. CAPITAL MANAGEMENT**

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

- To comply with capital requirements established by insurance, banking and other financial intermediary regulatory authorities;
- To comply with internationally recognised capital requirements for insurance, where local regulations do not meet these international standards;
- To safeguard its ability as a going concern to continue to provide benefits and returns to policyholders, depositors, note-holders and shareholder;
- To provide adequate returns to the shareholder;
- To maintain a strong capital base to support the future development of Company operations.

**24.1 Capital resources**

The principal capital resources of the Company are as follows:

	2024	2023
Shareholder's equity	11,041	9,791

The Company deploys its capital resources through its operating activities. The capital is deployed in such a manner as to ensure that the Company has adequate and sufficient resources to carry out its activities and to meet regulatory requirements.

The capital adequacy of the Company is discussed in the following section.

**24.2 Capital adequacy**

Capital adequacy is managed at the operating company level. It is reviewed by executive management, the audit committee, and the board of directors. The Company has complied with its regulatory requirements at year end.

**SAGICOR LIFE ARUBA N.V.****NOTES TO THE FINANCIAL STATEMENTS**

Year ended December 31, 2024

*Amounts expressed in AFL 000***25. CONTINGENT LIABILITIES**

## a) Legal proceedings

During the normal course of business, the Company is subject to legal actions which may affect the reported amounts of liabilities, benefits and expenses. Management considers that any liability from these actions, for which provision has not been already made, will not be material.

## b) Tax assessments

The Company is also subject to tax assessments during the normal course of business. Adequate provision has been made for all assessments received to date and for tax liabilities accruing in accordance with management's understanding of tax regulations. Potential tax assessments may be received by the Company which are in addition to accrued tax liabilities. No provisions have been made in these financial statements for such potential tax assessments.

**26. RELATED PARTY BALANCES AND TRANSACTIONS**

## a) Related Party Balances

	<b>2024</b>	<b>2023</b>
Amounts receivable from Sagicor Group companies	5,429	4,122
Amounts payable to Sagicor Group companies	5,886	5,994
Net interest earned on Sagicor Group company balances	166	157

## b) Key management transactions

Key management comprises senior management of the Company. Compensation of these individuals was as follows:

	<b>2024</b>	<b>2023</b>
Equity compensation benefits (Note 16.1)	3	2
Pension and other retirement benefits	5	5
Salaries, and other short-term benefits	234	232
	<b>242</b>	<b>239</b>

## c) Other transactions

Financial Investments

During the year, the Company sold certain investments to Sagicor Life Insurance Trinidad & Tobago Limited, a related party, for total consideration of \$2,187. The transaction was conducted at fair value, with a loss of \$120 recognised in the statement of income. The sale was approved by management and conducted on terms equivalent to those that would prevail in an arm's length transaction, in accordance with IAS 24.

Operating Expenses

Included in operating expenses are overhead costs allocated by the Parent Company, relating to shared services such as IT, finance and human resources. These allocations have been made on a consistent and reasonable basis and reflect management's best estimate of the Company's use of these services.