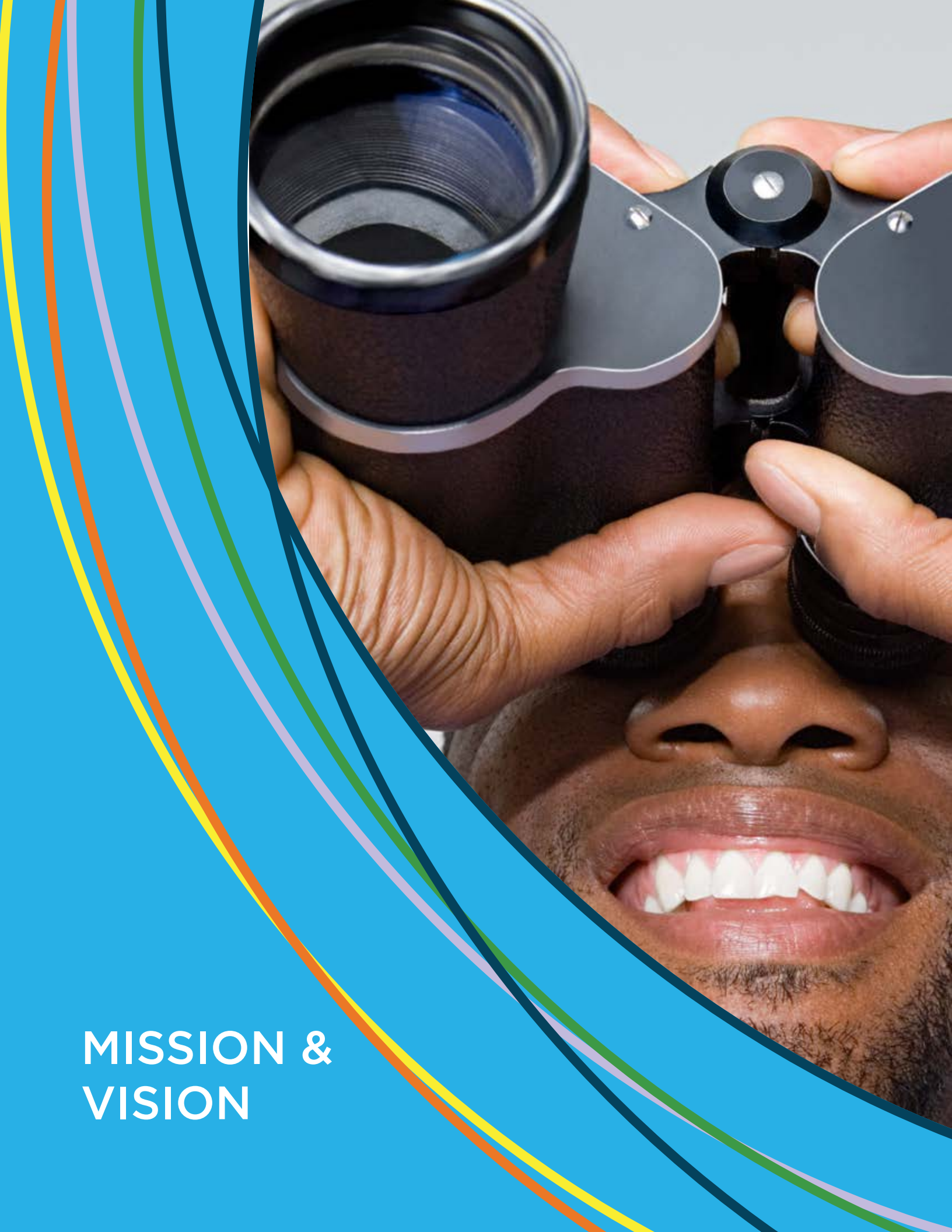


Sagicor

SAGICOR GENERAL  
INSURANCE INC

2024 ANNUAL REPORT



**MISSION &  
VISION**



## MISSION

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

## VISION

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





# CORPORATE OVERVIEW

# CORPORATE OVERVIEW

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

Sagicor General has a financial rating of A - (Excellent) issued by A. M. Best after a thorough quantitative and qualitative review of the company, taking into consideration financial

performance, balance sheet strength, as well as underwriting and claims philosophies.

Our product lines include Property, Motor, Engineering, Bonds, Marine, Liability and various Miscellaneous classes. Our main premium revenue is realised from the Property portfolio which accounts for approximately 58% of revenue. Motor is 34% while Marine was 1% and Accident portfolio accounts for 7%. Sagicor General is continuing on an expansion drive to increase its market share, either through organic growth or by way of mergers or acquisitions. We will also extend our reach into other territories.



# TABLE OF CONTENTS



# TABLE OF CONTENTS

|                |                                   |
|----------------|-----------------------------------|
| <b>8-11</b>    | Chairman & CEO's Report           |
| <b>12-15</b>   | Board of Directors                |
| <b>17-19</b>   | Auditor's Report                  |
| <b>21</b>      | Statement of Financial Position   |
| <b>22</b>      | Statement of Income               |
| <b>23</b>      | Statement of Comprehensive Income |
| <b>24</b>      | Statement of Changes in Equity    |
| <b>25</b>      | Statement of Cash Flows           |
| <b>26-128</b>  | Notes to the Financial Statements |
| <b>129</b>     | Advisors and Bankers              |
| <b>131</b>     | Notice of Meeting                 |
| <b>133-134</b> | Management Proxy Circular         |



# CHAIRMAN & CEO'S REPORT



Peter Clarke  
Chairman



Patrick Hinkson  
President & CEO

# CHAIRMAN & CEO'S REPORT

---

2024 reflected another year of a hardened reinsurance market and while the company saw a rebound in its performance from the prior year, it was still a challenging year for the insurance industry regionally. Economic growth moderated in the territories in which Sagicor General Insurance Inc. operates, with 2024 GDP growth for Barbados, Dominica, St. Lucia and Antigua & Barbuda, estimated at 4.0%, 3.5%, 3.7% and 4.3% respectively.

The company continued to be impacted by increasing reinsurance costs and a reduction in reinsurance capacity, coupled with lower ceding commissions. The increased frequency and severity of catastrophes regionally such as Hurricane Beryl and globally like the flooding in Europe, wildfires in Canada and an increasing number of severe convective storms in the United States, compounded by reduced capital in the reinsurance and retrocession markets, continue to drive the hardening and increased prices. As highlighted in the prior year, we continue to expect that in the short to medium term the industry will not only be impacted by the reinsurance factors mentioned previously, but by economic and social inflation, higher claims costs and more frequent and severe weather events. We responded to these factors with a multipronged strategy, which not only saw increases in both the property and motor lines, but a more stringent underwriting methodology, robust approach to claims' settlement and a focus on expense containment.

In addition, we continue our digital transformation journey with enhancements to our digital capabilities, by providing our customers with the ability to purchase motor insurance end-to-end online on the Sagicor eLife platform. On top of that, Sagicor Drive is the first of its kind telematics app in the region, available on the user's mobile device.

We were optimistic in our approach for this year and saw Insurance Revenue increase to \$121.4 million up from \$111.5 million in 2023. This result was attributed to the growth in new business, following the rebound and expansion of the economy, plus enhanced focus on customer service and retention.

Net income after tax for 2024 was \$7.4 million, a significant turnaround from the \$285,000 recorded in 2023. The company declared and paid a dividend of \$7.45 per share during the year.

The 2024 results are encouraging and align to our strategic objectives of engaging our employees, delighting our customers, preserving capital, and improving operational efficiencies via digital transformation. However, incurred claims and other directly attributable expenses continue to rise unabated. These increases driven by a higher number of reported claims together with social and economic inflationary factors on spare parts and materials, will continue to negatively impact the industry going forward.

Mr. Keston Howell President & Chief Executive Officer retired from the company and the board of directors, effective December 31, 2024. We would like to thank him for his contribution to the significant growth and development of this company under his leadership over the past seven years.

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



# FINANCIAL HIGHLIGHTS

## Insurance Results

### 2024 Performance

Sagicor General Insurance results to December 31, 2024, showed improved Insurance Revenue, which increased from \$111.5 million to \$121.4 million with Barbados and the Eastern Caribbean growing by 13% and 18% respectively.

Insurance rates rose across all lines of business, as the industry continues to adjust to an ever-hardening reinsurance market, along with rising claims costs driven by both social and economic inflation.

Following the complete spin-off of the Trinidad & Tobago operation in 2023 into Sagicor General Insurance Trinidad & Tobago Limited, Barbados now

accounts for 81% of the total business, with The Eastern Caribbean which comprises our operations in Antigua & Barbuda, Dominica and St. Lucia making up the remaining 19%.



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

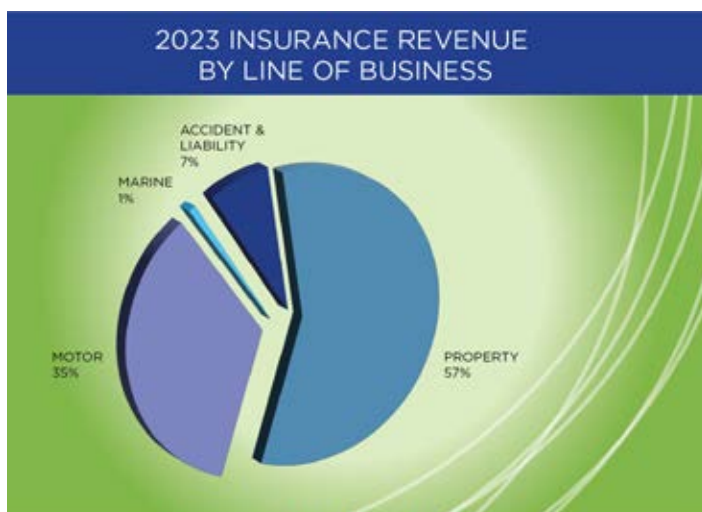


(Periods up to and including 2022 on an IFRS 4 basis)

# FINANCIAL HIGHLIGHTS

The overall portfolio mix remains relatively unchanged from the prior year, with the only changes being property which increased 1 percentage point to 58% while Motor fell to 34%.

The overall impact of these factors noted was an increase in the net insurance and investment result from \$4.6 million in 2023 to \$10.4 million.



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

Insurance Revenue growth of 9% was offset by increased insurance service expenses, which comprise incurred claims and other directly attributable expenses, along with insurance acquisition cash flows amortization. Incurred claims and other directly attributable expenses rose by 6% to \$40.1 million, as a result of claims arising from Hurricane Beryl, plus an uptick in motor claims. This was partially reduced by a decline in insurance acquisition cash flows amortization of 2%.

The 4% year on year rise in net expense from reinsurance contracts held for the continuing business, reflected higher premiums ceded as well as increases in Catastrophe XOL reinsurance costs. Net investment income for 2024 remained flat at \$3.0 million.

Net income for the year was \$7.4 million up from \$285,000 in 2023. The Barbados business segment net income of \$7.5 million improved significantly from \$2.1 million in 2023, while the remaining business segments which comprise the Bahamas (in runoff) and the Eastern Caribbean had a combined loss of \$92,000 compared to a combined loss in 2023 of \$719,000.

Overall total comprehensive income for the year was \$8.3 million compared to the prior loss position of \$391,000. ■



# BOARD OF DIRECTORS



# BOARD OF DIRECTORS

## PETER CLARKE



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

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

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

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

## PATRICK HINKSON



Mr. Patrick Hinkson is the President and Chief Executive Officer of Sagikor General Insurance Inc. a position which he assumed on January 1, 2025, he also serves as the President and Chief Executive Officer for Sagikor General Insurance Trinidad & Tobago Limited. Previously Mr. Hinkson held the position of Chief Financial Officer from November 1, 2017 and General Manager, Barbados and the Eastern Caribbean from November 1, 2021.

Mr. Hinkson has an expansive career spanning over thirty years in the areas of Auditing, Financial Management and Reporting, and Executive Management in a number of sectors including Assurance & Advisory, Diversified Conglomerates and Telecommunications

He is a director of the Barbados Manufacturer's Association and the General Insurance Association of Barbados. Additionally, he serves as a member of the Finance, Investments, and Tenders Committee of the Barbados Cricket Association, he was a Past President of the Institute of Chartered Accountants of Barbados, and a former Council member of the Barbados Chamber of Commerce and Industry.

Mr. Hinkson holds a B.Sc. Management Studies (Hons.) from the University of the West Indies, Cave Hill Campus, Barbados and is a Chartered Professional Accountant of CPA - Canada and a Fellow Chartered Accountant of the Institute of Chartered Accountants of Barbados.



# BOARD OF DIRECTORS

## C. NATASHA SMALL



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

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

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

## ROBERT TRESTRAIL



Robert Trestrail was appointed President and Chief Executive Officer of Sagicor Life Inc on January 1, 2021.

Robert joined the Sagicor Group in 2001 and has held several executive positions throughout his tenure with Sagicor. Currently, as President and Chief Executive Officer of SLI, Robert serves on several Boards within the Sagicor Group.

With 30 years of experience in the insurance and financial services industry, Robert has served the private sector in Trinidad and Tobago as President of the Trinidad & Tobago Chamber of Industry and Commerce (TTCIC) and a Board member of The Chamber for over 12 years.

He has served as a Member of the Appeal Tribunal of the National Insurance Board, a Director of the Association of Insurance Companies in Trinidad and Tobago and presently holds the position of Chairman of the Board of Governors of the Trinidad & Tobago Insurance Institute (TTII).

# BOARD OF DIRECTORS

## DAVID WRIGHT



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

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

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

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



# AUDITOR'S REPORT/ FINANCIAL STATEMENTS





## Independent auditor's report

To the Shareholders of Sagicor General Insurance Inc.

### Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sagicor General Insurance Inc. (the Company) as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

### *What we have audited*

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2024;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

---

### Basis for opinion

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

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

### *Independence*

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

---

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

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





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

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

---

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

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

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

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



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

---

**Other matter**

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

---

*PricewaterhouseCoopers SRL*

Bridgetown, Barbados  
April 30, 2025



## Sagicor General Insurance Inc.

### Acronyms

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

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



**Sagicor General Insurance Inc.**

Statement Of Financial Position

As of December 31, 2024

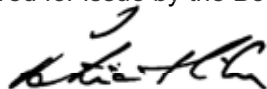
Amounts expressed in Barbados \$ 000

|  |       | <b>2024</b>    | <b>2023</b>    |
|--|-------|----------------|----------------|
|  | Notes |                |                |
| <b>ASSETS</b>                            |       |                |                |
| Cash and cash equivalents                |       | 52,702         | 51,282         |
| Financial investments                    | 5     | 72,753         | 69,048         |
| Reinsurance contracts assets             | 15    | 22,994         | 21,845         |
| Miscellaneous assets and receivables     | 6     | 2,825          | 1,926          |
| Amounts receivable from related parties  | 12    | 33,701         | 40,233         |
| Income tax assets                        | 7     | 1,460          | 1,562          |
| Intangible assets                        | 8     | 2,793          | 2,793          |
| Pension assets                           | 21    | 3,529          | 2,295          |
| Property, plant and equipment            | 9     | 693            | 678            |
| <b>Total assets</b>                      |       | <b>193,450</b> | <b>191,662</b> |
| <b>LIABILITIES</b>                       |       |                |                |
| Accounts payable and accrued liabilities |       | 8,452          | 9,696          |
| Amounts payable to related parties       | 12    | 63             | 77             |
| Income tax liabilities                   | 7     | 413            | 453            |
| Reinsurance contract liabilities         | 15    | 345            | 481            |
| Insurance contract liabilities           | 15    | 92,865         | 79,864         |
| Loan payable                             | 10    | 6,035          | 9,484          |
| Note payable                             | 11    | 25,000         | 25,000         |
| <b>Total liabilities</b>                 |       | <b>133,173</b> | <b>125,055</b> |
| <b>EQUITY</b>                            |       |                |                |
| Share capital                            | 13    | 4,812          | 4,398          |
| Reserves                                 | 14    | 33,241         | 31,503         |
| Retained earnings                        |       | 22,224         | 30,706         |
| <b>Total equity</b>                      |       | <b>60,277</b>  | <b>66,607</b>  |
| <b>Total equity and liabilities</b>      |       | <b>193,450</b> | <b>191,662</b> |

These financial statements have been approved for issue by the Board of Directors on April 29, 2025.



Director



Director



**Sagicor General Insurance Inc.**

## Statement Of Income

Year Ended December 31, 2024

Amounts expressed in Barbados \$ 000

|   | Notes | 2024           | 2023           |
|---|-------|----------------|----------------|
| Insurance revenue   | 16    | 121,436        | 111,470        |
| Insurance service expenses  | 16    | (64,889)       | (62,927)       |
| Net expense from reinsurance contracts held                                       | 16    | (46,947)       | (45,135)       |
| <b>Insurance service result</b>   |       | <b>9,600</b>   | <b>3,408</b>   |
| Interest income earned from financial assets measured at amortised cost and FVOCI | 17    | 2,815          | 2,864          |
| Other investment income, net  | 17    | 110            | 141            |
| Credit impairment recovery  | 17    | 66             | 5              |
| <b>Net investment income</b>  |       | <b>2,991</b>   | <b>3,010</b>   |
| Finance expense from insurance contracts issued                                   | 17    | (2,531)        | (2,062)        |
| Finance income from reinsurance contracts held                                    | 17    | 348            | 280            |
| <b>Net Insurance finance expense</b>  |       | <b>(2,183)</b> | <b>(1,782)</b> |
| <b>Net insurance and investment result</b>  |       | <b>10,408</b>  | <b>4,636</b>   |
| Fees and other income   | 18    | 1,512          | 1,694          |
| Other operating expenses  | 19    | (3,770)        | (5,295)        |
| Interest expense  |       | (266)          | (396)          |
| <b>INCOME BEFORE TAXES</b>  |       | <b>7,884</b>   | <b>639</b>     |
| Income taxes  | 22    | (449)          | (354)          |
| <b>NET INCOME FOR THE YEAR</b>  |       | <b>7,435</b>   | <b>285</b>     |



**Sagicor General Insurance Inc.**  
Statement Of Comprehensive Income  
Year Ended December 31, 2024

Amounts expressed in Barbados \$ 000

|   | Notes | <u>2024</u>  | <u>2023</u>  |
|---|-------|--------------|--------------|
| <b>NET INCOME FOR THE YEAR</b>  |       | <u>7,435</u> | <u>285</u>   |
| <b>OTHER COMPREHENSIVE INCOME</b>   |       |              |              |
| <b>Items net of tax that may be reclassified subsequently to income:</b>      |       |              |              |
| Retranslation of foreign currency operations                                  | 25    | <u>-</u>     | <u>(12)</u>  |
|   |       | <u>-</u>     | <u>(12)</u>  |
| <b>Items net of tax that will not be reclassified subsequently to income:</b> |       |              |              |
| Gain/(loss) on defined benefit plans  | 25    | <u>856</u>   | <u>(664)</u> |
|   |       | <u>856</u>   | <u>(664)</u> |
| <b>Other Comprehensive Income / (Loss) for the year</b>                       |       | <u>856</u>   | <u>(676)</u> |
| <b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR</b>                       |       | <u>8,291</u> | <u>(391)</u> |

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



**Sagicor General Insurance Inc.**  
Statement Of Changes In Equity  
Year Ended December 31, 2024

Amounts expressed in Barbados \$ 000

|                                   | <b>Year ended December 31, 2024</b> |                 |                          |                 |
|-----------------------------------|-------------------------------------|-----------------|--------------------------|-----------------|
|                                   | <b>Share Capital</b>                | <b>Reserves</b> | <b>Retained earnings</b> | <b>Total</b>    |
|                                   | <b>Note 13</b>                      | <b>Note 14</b>  |                          |                 |
| <b>Balance, December 31, 2023</b> | <b>4,398</b>                        | <b>31,503</b>   | <b>30,706</b>            | <b>66,607</b>   |
| Total comprehensive income        | -                                   | -               | 8,291                    | <b>8,291</b>    |
| Capital contribution (note 20)    | 414                                 | -               | -                        | <b>414</b>      |
| Dividends declared (note 24 )     | -                                   | -               | (15,035)                 | <b>(15,035)</b> |
| Transfers and other movements     | -                                   | 1,738           | (1,738)                  | -               |
| <b>Balance, December 31, 2024</b> | <b>4,812</b>                        | <b>33,241</b>   | <b>22,224</b>            | <b>60,277</b>   |

|  | <b>Year ended December 31, 2023</b> |                 |                          |               |
|--|-------------------------------------|-----------------|--------------------------|---------------|
|  | <b>Share Capital</b>                | <b>Reserves</b> | <b>Retained earnings</b> | <b>Total</b>  |
|  | <b>Note 13</b>                      | <b>Note 14</b>  |                          |               |
| <b>Balance, December 31, 2022</b>        | <b>3,705</b>                        | <b>30,885</b>   | <b>31,715</b>            | <b>66,305</b> |
| Total comprehensive loss                 | -                                   | (12)            | (379)                    | <b>(391)</b>  |
| Capital contribution (note 20)           | 693                                 | -               | -                        | <b>693</b>    |
| Disposal of interest in branch operation | -                                   | (751)           | 751                      | -             |
| Transfers and other movements            | -                                   | 1,381           | (1,381)                  | -             |
| <b>Balance, December 31, 2023</b>        | <b>4,398</b>                        | <b>31,503</b>   | <b>30,706</b>            | <b>66,607</b> |

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



**Sagicor General Insurance Inc.**

## Statement Of Cash Flows

Year Ended December 31, 2024

Amounts expressed in Barbados \$ 000

|   | Notes | <u>2024</u>            | <u>2023</u>           |
|---|-------|------------------------|-----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |       |                        |                       |
| Income before taxation  |       | 7,884                  | 639                   |
| Adjustments for non-cash items, interest and dividends        | 26    | 1,118                  | (120)                 |
| Interest and dividends received                               |       | 1,901                  | 1,638                 |
| Interest received from Sagicor Group companies                |       | 80                     | 19                    |
| Interest paid   |       | (286)                  | (417)                 |
| Income taxes paid   |       | (388)                  | (68)                  |
| Changes in operating assets                                   | 26    | 770                    | 263                   |
| Changes in operating liabilities                              | 26    | 9,125                  | (5,725)               |
| <b>Net cash from / (used in) operating activities</b>         |       | <u><b>20,204</b></u>   | <u><b>(3,771)</b></u> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |       |                        |                       |
| Property, plant and equipment, net                            | 26    | (342)                  | (732)                 |
| <b>Net cash from investing activities</b>                     |       | <u><b>(342)</b></u>    | <u><b>(732)</b></u>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |       |                        |                       |
| Loan payments   |       | (3,429)                | (3,428)               |
| Lease liability principal payments                            |       | -                      | (4)                   |
| Dividends paid  |       | (15,013)               | -                     |
| <b>Net cash used in financing activities</b>                  |       | <u><b>(18,442)</b></u> | <u><b>(3,432)</b></u> |
| <b>Effects of exchange rate differences</b>                   |       | <u>-</u>               | <u>43</u>             |
| <b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b> |       | <b>1,420</b>           | <b>(7,892)</b>        |
| Cash and cash equivalents, beginning of year                  |       | <u>51,282</u>          | <u>59,174</u>         |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>                 |       | <u><b>52,702</b></u>   | <u><b>51,282</b></u>  |

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





# NOTES TO THE FINANCIAL STATEMENTS

## **1. INCORPORATION AND PRINCIPAL ACTIVITIES**

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

On November 27, 2018, Sagicor Financial Corporation Limited ("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.

On January 31, 2023, in accordance with the Sagicor General Insurance Trinidad & Tobago Limited Vesting Order, 2023 issued by the Minister under Section 263 of the Insurance Act, 2018 of the Republic of Trinidad & Tobago, the general insurance business of Sagicor General Insurance Inc. in Trinidad & Tobago including all property, rights, liabilities and obligations were transferred and vested in Sagicor General Insurance Trinidad & Tobago Limited. See note 28 for further details.

## **2. MATERIAL ACCOUNTING POLICIES**

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

### **2.1 Basis of preparation**

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

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

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

The Company has adopted the amendments to IFRS and IAS set out below.



## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

#### Amendments to existing IFRS effective January 1, 2024, applicable to the Company

**Amendments to IAS 1 – Non-current liabilities with covenants (effective for annual period beginning on or after January 1, 2024).** These amendments 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. This standard has no material effect on the Company.

**Amendments to IFRS 16 – Leases on sale and leaseback – (effective for annual period beginning on or after January 1, 2024).** 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.

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. This standard has no material effect on the Company.

**Amendment to IAS 7 and IFRS 7 – Supplier finance – (effective for annual periods beginning on or after January 1, 2024).** 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. This standard has no material effect on the Company.

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

### **2.2 Foreign currency translation**

#### **(a) Functional and presentational currency**

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

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

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

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

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

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

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

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



## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.3 Property, plant and equipment

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

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

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

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

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

Land is not depreciated.

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

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

### 2.4 Cash and cash equivalents

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



## 2. MATERIAL ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

Groups of reinsurance contracts are recognised at the earlier of:

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

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

## 2. MATERIAL ACCOUNTING POLICIES (continued)

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

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

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

Insurance and reinsurance contracts are derecognised when it is:

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

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

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

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

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

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



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

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

#### (c) Measurement

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

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

The estimates of future cash flows:

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

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

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

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

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

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

##### *Contract boundary*

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

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

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

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

(c) Measurement (continued)

*Contract boundary (continued)*

A substantive obligation ends when:

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

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

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

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

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

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

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

#### *Insurance acquisition costs*

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



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

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

#### (c) Measurement (continued)

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

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

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

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

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

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

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

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

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

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

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

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

#### (c) Measurement (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

**2. MATERIAL ACCOUNTING POLICIES (continued)****2.5 Insurance and reinsurance contract assets and liabilities (continued)**

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

*Insurance revenue*

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

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

*Insurance service expenses*

Insurance service expenses include the following:

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

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

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

*Net expenses from reinsurance contracts held*

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

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

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



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

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

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

*Net expenses from reinsurance contracts held (continued)*

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

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

*Insurance finance income or expenses*

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

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

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

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

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

*Premium Taxes*

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

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

### **2.6 Financial assets**

#### **(a) Classification of financial assets**

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

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

#### **(b) Classification of debt instruments**

Classification and subsequent measurement of debt instruments depend on:

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

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

##### *Measured at amortised cost*

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

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

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



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

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

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

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

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

*Business model assessment*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### (e) Definition of default

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

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

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

#### (f) Write-off

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



## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.6 Financial assets (continued)

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

The measurement of ECL reflects:

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

#### *Measurement*

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

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

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

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

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

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

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

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

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

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

#### *Forward-looking information*

The estimation and application of forward-looking information will require significant judgment. PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio.

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

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

#### **(h) Re-classified balances**

The Company reclassifies debt instruments when and only where its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.



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

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

#### (i) Classification of equity instruments

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

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

Debt and equity instruments measured at FVTPL

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

Debt instruments measured at amortized cost

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

Debt instruments measured at FVOCI

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

Equity instruments measured at FVOCI

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

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

### **2.7 Financial liabilities**

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

#### Loan and Note Payable

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

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

#### Fair Value

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

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

### **2.8 Provisions**

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



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

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

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

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

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

### **2.11 Employee benefits**

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

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

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

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

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

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

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

## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.11 Employee benefits (continued)

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

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

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

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

#### (c) Termination benefits

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

### 2.12 Taxes

#### (a) Premium taxes

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

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

#### (b) Income taxes

The Company is subject to taxes on income in the jurisdictions in which business operations are conducted. Rates of taxation in the principal jurisdictions for income year 2024 are as follows:

|                   |                                |
|-------------------|--------------------------------|
| Barbados          | 2% of profit before tax        |
| Eastern Caribbean | 25% - 30% of profit before tax |
| The Bahamas       | 0%                             |



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

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

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

##### (i) Current income taxes

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

##### (ii) Deferred income taxes

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

#### (c) Tax on Assets

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

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

### **2.13 Dividend distributions**

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

### **2.14 Statutory reserves**

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

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

In accordance with Section 155 (1)(b) of the Insurance Act 1996-32, the Company established a catastrophe reserve fund for the purpose of settling claims in the event of a catastrophe. The Company may transfer 25% of the net written premiums from the Company's property insurance business annually which is accounted for as an appropriation of retained earnings. The appropriation made in respect of the current year is \$1,738 (2023 - \$1,381).

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

In note 29.2, the maturity profiles of financial and insurance assets and liabilities are identified. For other assets and liabilities, balances presented in notes 5, 7, 8, and 9 are non-current unless otherwise stated in those notes.

### **2.16 Intangible Assets**

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

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

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

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



## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.16 Intangible Assets (continued)

#### (b) Other intangible assets

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

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

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

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

| Class of intangible asset | Asset                  | Estimated useful life |
|---------------------------|------------------------|-----------------------|
| Customer related          | Customer relationships | 5 years               |

### 2.17 Leases

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

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

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

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

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

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

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

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

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

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

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

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

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

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



## 2. MATERIAL ACCOUNTING POLICIES (continued)

### 2.17 Leases (continued)

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

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

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

### 2.18 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 an effect on future presentation, measurement or disclosure of the Company's financial statements are summarised below.

**Amendment to IAS 21 – Lack of exchangeability – effective January 1, 2025.** 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. This standard will have no material effect on the Company.

**Amendment to IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments – effective January 1, 2026 (with the option for early adoption).** 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. These amendments address: (1) Clarify requirements for timing and derecognition of some financial assets and liabilities; (2) Clarify and add guidance for assessing whether a financial asset meets the SPPI criterion; (3) Add new disclosures for certain instruments with contractual terms that can change cash flows; and (4) Provide updates to disclosures for equity instruments designated at FVTOCI. The impact of this standard on the Group is currently being analysed.

**Amendment to IFRS 18 – Presentation and Disclosure in Financial Statements – effective January 1, 2027.** 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. The standard addresses: (1) The structure of the statement of income; (2) Required disclosures in the financial statements for certain income or loss performance measures that are reported outside of an entity's financial statements; and (3) Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes. The impact of this standard on the Company is currently being analysed.

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

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

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

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

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

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



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

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

##### **3.1.1 Areas of judgement**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

##### 3.1.4 Discount Rate

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

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

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

|               | 2024   |         |         |          | 2023   |         |         |          |
|---------------|--------|---------|---------|----------|--------|---------|---------|----------|
|               | 1 Year | 3 Years | 5 Years | 10 Years | 1 Year | 3 Years | 5 Years | 10 Years |
| Discount Rate | 2.31%  | 2.62%   | 3.64%   | 6.06%    | 2.56%  | 2.91%   | 3.87%   | 6.13%    |

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

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

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



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

**3.2 Impairment of financial assets**

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

(a) Establishing staging for debt securities and deposits

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

The scale is set out in the following table:

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

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

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

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

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

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

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

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

##### Qualitative test

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

##### Backstop Criteria

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

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

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

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

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

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



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

#### **3.4 Impairment of intangible assets**

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

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

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

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

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

To satisfy the above requirements, cash and invested assets totalling \$92,840 (2023 - \$82,703) have been deposited with or are held in trust to the order of the insurance regulators.

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

## 5. FINANCIAL INVESTMENTS

|                                      | 2024           |               | 2023           |               |
|--------------------------------------|----------------|---------------|----------------|---------------|
|                                      | Carrying value | Fair value    | Carrying value | Fair value    |
| <b>Investments at Amortised Cost</b> |                |               |                |               |
| Debt securities                      | 49,389         | 50,200        | 48,115         | 48,791        |
| Mortgage loans                       | 469            | 460           | 542            | 561           |
| Deposits                             | 21,940         | 21,940        | 19,497         | 19,497        |
|                                      | 71,798         | 72,600        | 68,154         | 68,849        |
| <b>Investments at FVTPL</b>          |                |               |                |               |
| Equity securities                    | 955            | 955           | 894            | 894           |
| <b>Total financial investments</b>   | <b>72,753</b>  | <b>73,555</b> | <b>69,048</b>  | <b>69,743</b> |

### Debt securities comprise:

|  | 2024   | 2023   |
|--|--------|--------|
| Government and government-guaranteed debt securities | 38,829 | 39,634 |
| Other securities                                     | 10,560 | 8,481  |
|  | 49,389 | 48,115 |



**6. MISCELLANEOUS ASSETS AND RECEIVABLES**

|                           | <u>2024</u>         | <u>2023</u>         |
|---------------------------|---------------------|---------------------|
| Prepaid expenses          | 288                 | 270                 |
| Other accounts receivable | <u>2,537</u>        | <u>1,656</u>        |
|                           | <b><u>2,825</u></b> | <b><u>1,926</u></b> |

**7. INCOME TAX ASSETS/LIABILITIES**

|                               | <u>2024</u>       | <u>2023</u>       |
|-------------------------------|-------------------|-------------------|
| Income tax assets             | 1,279             | 1,314             |
| Deferred tax assets (note 22) | <u>181</u>        | <u>248</u>        |
|                               | <u>1,460</u>      | <u>1,562</u>      |
| Income tax liabilities        | <u>413</u>        | <u>453</u>        |
|                               | <b><u>413</u></b> | <b><u>453</u></b> |

## 8. INTANGIBLE ASSETS

|                                   | <b>2024</b>     |                               |              |
|-----------------------------------|-----------------|-------------------------------|--------------|
|                                   | <b>Goodwill</b> | <b>Customer relationships</b> | <b>Total</b> |
| Net book value, beginning of year | 2,793           | -                             | 2,793        |
| Amortisation                      | -               | -                             | -            |
| Divestitures and disposals        | -               | -                             | -            |
| Net book value, end of year       | 2,793           | -                             | 2,793        |
| Represented by:                   |                 |                               |              |
| Cost or valuation                 | 2,793           | 3,463                         | 6,256        |
| Accumulated amortisation          | -               | (3,463)                       | (3,463)      |
|                                   | 2,793           | -                             | 2,793        |
|                                   |                 |                               |              |
|                                   | <b>2023</b>     |                               |              |
|                                   | <b>Goodwill</b> | <b>Customer relationships</b> | <b>Total</b> |
| Net book value, beginning of year | 2,793           | 677                           | 3,470        |
| Assumed on acquisition            | -               | (489)                         | (489)        |
| Amortisation                      | -               | (188)                         | (188)        |
| Net book value, end of year       | 2,793           | -                             | 2,793        |
| Represented by:                   |                 |                               |              |
| Cost or valuation                 | 2,793           | 3,463                         | 6,256        |
| Accumulated amortisation          | -               | (3,463)                       | (3,463)      |
|                                   | 2,793           | -                             | 2,793        |

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

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

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



## 8. INTANGIBLE ASSETS (continued)

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

The value in use methodology has been used to test goodwill impairment as of December 31, 2024 and 2023. The pre-tax discount factor was 17.4% (2023 – 17.4%) which was derived from an after-tax factor of 17.0% (2023 - 17.0%) using an iterative method. The residual growth rate was 2.0% (2023 - 2.0%).

### Sensitivity

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

|                                       | 2024 test  |            |            |
|---------------------------------------|------------|------------|------------|
|                                       | Scenario 1 | Scenario 2 | Scenario 3 |
| After tax discount factor             | 17.0%      | 18.0%      | 20.0%      |
| Residual growth rate                  | 2.0%       | 2.0%       | 1.0%       |
| Reduction in residual growth rate     | n/a        | n/a        | 50%        |
| Increase in after tax discount factor | n/a        | n/a        | 11%        |
| Excess of recoverable amount          | 17,354     | 14,554     | 10,354     |
| Impairment                            | Nil        | Nil        | Nil        |

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

## 9. PROPERTY, PLANT AND EQUIPMENT

|                                     | 2024                  |                        |  |                   |            |
|-------------------------------------|-----------------------|------------------------|--|-------------------|------------|
|                                     | Office<br>furnishings | Right-of-use<br>assets | Software<br>and<br>Computer<br>Equipment | Motor<br>vehicles | Total      |
| Net book value, beginning of year   | 1                     | -                      | 125                                      | 552               | 678        |
| Additions at cost/reclassifications | 55                    | -                      | 117                                      | 279               | 451        |
| Disposals/reclassifications         | -                     | -                      | (80)                                     | (160)             | (240)      |
| Depreciation charge                 | (3)                   | -                      | (157)                                    | (153)             | (313)      |
| Depreciation on disposals           | -                     | -                      | 72                                       | 45                | 117        |
| Net book value, end of year         | <b>53</b>             | <b>-</b>               | <b>77</b>                                | <b>563</b>        | <b>693</b> |
| Represented by:                     |                       |                        |  |                   |            |
| Cost or valuation                   | 4,566                 | -                      | 17,701                                   | 1,170             | 23,437     |
| Accumulated depreciation            | (4,513)               | -                      | (17,624)                                 | (607)             | (22,744)   |
|                                     | <b>53</b>             | <b>-</b>               | <b>77</b>                                | <b>563</b>        | <b>693</b> |



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

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

**10. LOAN PAYABLE**

|              | <u>2024</u> | <u>2023</u> |
|--------------|-------------|-------------|
| Loan payable | 6,035       | 9,484       |

On May 24, 2019, the Company entered into a \$24,000 term loan agreement with CIBC Caribbean Bank (Barbados) Limited. The loan's interest rate was 3.50% and matured on July 31, 2024, with the option to refinance the remaining balance.

On October 15, 2024, agreement was signed to renew credit for the outstanding balance of \$7,714 at an interest rate of 4.55% per annum. It is repayable in quarterly instalments of \$857 plus accrued interest. CIBC Caribbean International Bank (Barbados) Limited can request repayment on demand.

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

**11. NOTE PAYABLE**

|              | <u>2024</u> | <u>2023</u> |
|--------------|-------------|-------------|
| Note payable | 25,000      | 25,000      |

On December 18, 2019, the Company entered into a \$25,000 Surplus Debenture agreement with its parent company Sagicor Life Inc., which was approved by the Financial Services Commission. The Financial Services Commission approved the amount of \$25,000 to be included as contributed regulatory capital for the Company. See note 31.1.

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



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

|  | <u>2024</u>          | <u>2023</u>          |
|--|----------------------|----------------------|
| Amounts receivable from head office companies                  | 157                  | 108                  |
| Amounts receivable from related companies under common control | <u>33,544</u>        | <u>40,125</u>        |
| Amounts receivable from related parties                        | <u><b>33,701</b></u> | <u><b>40,233</b></u> |
| <br>   |                      |                      |
| Amounts payable to related parties under common control        | <b>63</b>            | <b>77</b>            |

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

**13. SHARE CAPITAL**

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

|  | <u>2024</u>         | <u>2023</u>         |
|--|---------------------|---------------------|
| Issued 2,018,087 shares, with no par value | 3,705               | 3,705               |
| Capital Contributed by parent              | <u>1,107</u>        | <u>693</u>          |
|  | <u><b>4,812</b></u> | <u><b>4,398</b></u> |

#### 14. RESERVES

|   | <b>2024</b>   | <b>2023</b>   |
|---|---------------|---------------|
|   | <hr/>         | <hr/>         |
| <b>Currency translation reserve:</b>        |               |               |
| Balance, as previously reported             | (225)         | (3,237)       |
| Retranslation of foreign currency operation | -             | (12)          |
| Disposal of interest in branch              | -             | 3,024         |
|   | <hr/>         | <hr/>         |
| Balance, end of year                        | (225)         | (225)         |
| <b>Statutory reserves:</b>                  |               |               |
| Balance, beginning of year                  | 31,728        | 34,122        |
| Disposal of interest in branch              | -             | (3,775)       |
| Transfer to catastrophe reserve             | 1,738         | 1,381         |
| Balance, end of year                        | <hr/>         | <hr/>         |
|   | 33,466        | 31,728        |
| Reserves, end of year                       | <hr/>         | <hr/>         |
|   | <b>33,241</b> | <b>31,503</b> |

#### 15. INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES

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

|                                  | <b>2024</b> | <b>2023</b> |
|----------------------------------|-------------|-------------|
|                                  | <hr/>       | <hr/>       |
| Reinsurance contract assets      | 22,994      | 21,845      |
| Reinsurance contract liabilities | 345         | 481         |
| Insurance contract liabilities   | 92,865      | 79,864      |



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

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

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

|  | 2024                     |                |                                    |  | Total     |
|--|--------------------------|----------------|------------------------------------|--|-----------|
|  | LRC                      |                | LIC                                |  |           |
|  | Excluding loss component | Loss component | Present value of future cash flows | Risk adjustment for non-financial risk |           |
| <b>Insurance contracts issued</b><br>(measured under PAA)        |                          |                |                                    |  |           |
| <b>Insurance contract liabilities, beginning of year</b>         | 23,685                   | -              | 53,397                             | 2,782                                  | 79,864    |
| <b>Insurance revenue</b>   | (121,436)                | -              | -                                  | -                                      | (121,436) |
| <b>Insurance service expenses</b>                                |                          |                |                                    |  |           |
| Incurring claims and other directly attributable expenses        | -                        | -              | 39,753                             | 318                                    | 40,071    |
| Insurance acquisition cash flows amortisation                    | 24,818                   | -              | -                                  | -                                      | 24,818    |
| <b>Total insurance service expenses</b>                          | 24,818                   | -              | 39,753                             | 318                                    | 64,889    |
| <b>Total amounts recognised in the insurance services result</b> | (96,618)                 | -              | 39,753                             | 318                                    | (56,547)  |
| Finance expenses from insurance contracts issued                 | -                        | -              | 2,531                              | -                                      | 2,531     |
| <b>Total amounts recognised in total comprehensive income</b>    | (96,618)                 | -              | 42,284                             | 318                                    | (54,016)  |
| <b>Cash flows</b>  |                          |                |                                    |  |           |
| Premiums received  | 125,810                  | -              | -                                  | -                                      | 125,810   |
| Claims and other directly attributable expenses paid             | -                        | -              | (33,813)                           | -                                      | (33,813)  |
| Insurance acquisition cash flows                                 | (24,980)                 | -              | -                                  | -                                      | (24,980)  |
| <b>Total cash flows</b>  | 100,830                  | -              | (33,813)                           | -                                      | 67,017    |
| <b>Net balance – liability, end of year</b>                      | 27,897                   | -              | 61,868                             | 3,100                                  | 92,865    |
| <b>Insurance contract liabilities, end of year</b>               | 27,897                   | -              | 61,868                             | 3,100                                  | 92,865    |

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

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

|  | 2023                     |                |                                    |  | Total     |
|--|--------------------------|----------------|------------------------------------|--|-----------|
|  | LRC                      |                | LIC                                |  |           |
|  | Excluding loss component | Loss component | Present value of future cash flows | Risk adjustment for non-financial risk |           |
| <b>Insurance contracts issued</b><br>(measured under PAA)        |                          |                |                                    |  |           |
| <b>Insurance contract liabilities, beginning of year</b>         | 30,938                   | -              | 69,669                             | 3,865                                  | 104,472   |
| <b>Insurance revenue</b>   | (111,470)                | -              | -                                  | -                                      | (111,470) |
| <b>Insurance service expenses</b>                                |                          |                |                                    |  |           |
| Incurred claims and other directly attributable expenses         | -                        | -              | 37,538                             | 123                                    | 37,661    |
| Insurance acquisition cash flows amortisation                    | 25,266                   | -              | -                                  | -                                      | 25,266    |
| <b>Total insurance service expenses</b>                          | 25,266                   | -              | 37,538                             | 123                                    | 62,927    |
| <b>Total amounts recognised in the insurance services result</b> | (86,204)                 | -              | 37,538                             | 123                                    | (48,543)  |
| Finance expenses from insurance contracts issued                 | -                        | -              | 2,062                              | -                                      | 2,062     |
| <b>Total amounts recognised in total comprehensive income</b>    | (86,204)                 | -              | 39,600                             | 123                                    | (46,481)  |
| Other changes  | (7)                      | -              | (6)                                | (1)                                    | (14)      |
| <b>Cash flows</b>  |                          |                |                                    |  |           |
| Premiums received  | 115,876                  | -              | -                                  | -                                      | 115,876   |
| Claims and other directly attributable expenses paid             | -                        | -              | (34,844)                           | -                                      | (34,844)  |
| Insurance acquisition cash flows                                 | (24,424)                 | -              | -                                  | -                                      | (24,424)  |
| <b>Total cash flows</b>  | 91,452                   | -              | (34,844)                           | -                                      | 56,608    |
| Other movements - disposal of branch (note 28)                   | (12,494)                 | -              | (21,022)                           | (1,205)                                | (34,721)  |
| <b>Net balance – liability, end of year</b>                      | 23,685                   | -              | 53,397                             | 2,782                                  | 79,864    |
| <b>Insurance contract liabilities, end of year</b>               | 23,685                   | -              | 53,397                             | 2,782                                  | 79,864    |



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

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

|   | 2024                              |                         |                                    |  | Total    |
|---|-----------------------------------|-------------------------|------------------------------------|--|----------|
|   | LRC                               |                         | LIC                                |  |          |
|   | Excluding loss recovery component | Loss recovery component | Present value of future cash flows | Risk adjustment for non-financial risk |          |
| <b>Reinsurance contracts held</b><br>(measured under PAA)                             |                                   |                         |                                    |  |          |
| Reinsurance contract liabilities, beginning of year                                   | (943)                             | -                       | 427                                | 35                                     | (481)    |
| Reinsurance contract assets, beginning of year  | 14,474                            | -                       | 6,904                              | 467                                    | 21,845   |
| <b>Net balance – asset, beginning of year</b>   | 13,531                            | -                       | 7,331                              | 502                                    | 21,364   |
| <b>Net income / (expenses) from reinsurance contracts held</b>                        |                                   |                         |                                    |  |          |
| Reinsurance expenses  | (49,276)                          | -                       | -                                  | -                                      | (49,276) |
| Claims recovered  | -                                 | -                       | 2,337                              | (8)                                    | 2,329    |
| <b>Net income / (expenses) from reinsurance contracts held</b>                        | (49,276)                          | -                       | 2,337                              | (8)                                    | (46,947) |
| Finance expenses from insurance contracts issued                                      | -                                 | -                       | 348                                | -                                      | 348      |
| <b>Total amounts recognised in total comprehensive income</b>                         | (49,276)                          | -                       | 2,685                              | (8)                                    | (46,599) |
| <b>Cash flows</b>   |                                   |                         |                                    |  |          |
| Premiums paid net of ceding commissions and other directly attributable expenses paid | 51,023                            | -                       | -                                  | -                                      | 51,023   |
| Recoveries from reinsurance   | -                                 | -                       | (3,139)                            | -                                      | (3,139)  |
| <b>Total cash flows</b>   | 51,023                            | -                       | (3,139)                            | -                                      | 47,884   |
| <b>Net balance – asset end of year</b>  | 15,278                            | -                       | 6,877                              | 494                                    | 22,649   |
| Reinsurance contract liabilities, end of year   | (345)                             | -                       | -                                  | -                                      | (345)    |
| Reinsurance contract assets, end of year  | 15,623                            | -                       | 6,877                              | 494                                    | 22,994   |
| <b>Net balance – asset end of year</b>  | 15,278                            | -                       | 6,877                              | 494                                    | 22,649   |

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

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

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



## 16. INSURANCE REVENUE AND SERVICE EXPENSES

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

|   | <b>2024</b>     | <b>2023</b>     |
|---|-----------------|-----------------|
| <b>Insurance revenue</b>                                      |                 |                 |
| Insurance revenue from contracts measured under the PAA       | 121,436         | 111,470         |
| <b>Total insurance revenue</b>                                | <b>121,436</b>  | <b>111,470</b>  |
| <b>Insurance service expenses</b>                             |                 |                 |
| Incurred claims and other directly attributable expenses      | (40,071)        | (37,661)        |
| Insurance acquisition cash flows amortisation                 | (24,818)        | (25,266)        |
| <b>Total insurance service expenses</b>                       | <b>(64,889)</b> | <b>(62,927)</b> |
| <b>Net income / (expense) from reinsurance contracts held</b> |                 |                 |
| Reinsurance expenses – contracts measured under the PAA       | (49,276)        | (45,662)        |
| Claims recovered  | 2,329           | 527             |
| <b>Total net expense from reinsurance contracts held</b>      | <b>(46,947)</b> | <b>(45,135)</b> |
| <b>Total insurance service result</b>                         | <b>9,600</b>    | <b>3,408</b>    |

## 17. INVESTMENT INCOME AND INSURANCE FINANCE RESULT

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

|   | 2024           | 2023           |
|---|----------------|----------------|
| <b>Net investment income</b>  |                |                |
| Interest income earned from financial assets measured at amortised cost and FVOCI:- |                |                |
| - Debt Securities   | 2,625          | 2,728          |
| - Mortgage loans  | 20             | 23             |
| - Deposits  | 170            | 104            |
| - Money Market Securities   | -              | 9              |
| Net gains on FVTPL investments – Equity Securities                                  | 115            | 121            |
| Net credit impairment recovery  | 66             | 5              |
|   | <u>2,996</u>   | <u>2,990</u>   |
| Other investment (expenses) / income  | (5)            | 20             |
| <b>Total net investment income</b>  | <u>2,991</u>   | <u>3,010</u>   |
| <b>Net insurance finance expense</b>  |                |                |
| Finance expense from insurance contracts issued                                     | (2,531)        | (2,062)        |
| Finance income from reinsurance contracts held                                      | 348            | 280            |
| <b>Total net insurance finance expense</b>  | <u>(2,183)</u> | <u>(1,782)</u> |
| <b>Summary</b>  |                |                |
| Net investment income   | 2,991          | 3,010          |
| Net insurance finance expense   | (2,183)        | (1,782)        |
|   | <u>808</u>     | <u>1,228</u>   |

## 18. FEES AND OTHER INCOME

|                       | 2024         | 2023         |
|-----------------------|--------------|--------------|
| Foreign exchange loss | (57)         | (2)          |
| Miscellaneous income  | 1,569        | 1,696        |
|                       | <u>1,512</u> | <u>1,694</u> |



## 19. OPERATING EXPENSES

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

|  | 2024  |                                      |                          |        |
|--|---|--------------------------------------|--------------------------|--------|
|  | Expenses attributed to insurance acquisition cash flows | Other directly attributable expenses | Other operating expenses | Total  |
| Employee expenses                        | 6,301   | 8,864                                | -                        | 15,165 |
| Commissions and related expenses         | 10,988  | -                                    | -                        | 10,988 |
| Asset taxes                              | -   | -                                    | 326                      | 326    |
| Depreciation and amortisation            | 120   | 193                                  | -                        | 313    |
| Audit, legal and other professional fees | 108   | 61                                   | 1,773                    | 1,942  |
| Other administrative expenses            | 2,711   | 1,654                                | 1,671                    | 6,036  |
|  | 20,228  | 10,772                               | 3,770                    | 34,770 |

|  | 2023  |                                      |                          |        |
|--|---|--------------------------------------|--------------------------|--------|
|  | Expenses attributed to insurance acquisition cash flows | Other directly attributable expenses | Other operating expenses | Total  |
| Employee expenses                        | 6,444   | 8,914                                | -                        | 15,358 |
| Commissions and related expenses         | 10,500  | -                                    | -                        | 10,500 |
| Asset taxes                              | -   | -                                    | 308                      | 308    |
| Depreciation and amortisation            | 98  | 105                                  | 489                      | 692    |
| Audit, legal and other professional fees | 166   | 111                                  | 2,419                    | 2,696  |
| Other administrative expenses            | 2,796   | 2,111                                | 2,079                    | 6,986  |
|  | 20,004  | 11,241                               | 5,295                    | 36,540 |

Included in Audit, legal and other professional fees above are audit fees of \$304 (2023 - \$384) and other fees paid to the auditor for non-assurance services of \$189 (2023 - \$219).

## 19. OPERATING EXPENSES (continued)

### 19.1 Employee Costs

Included in employee expenses are the following:

|  | <u>2024</u>   | <u>2023</u>   |
|--|---------------|---------------|
| Administrative staff salaries, directors' fees and other short-term benefits | 11,798        | 11,737        |
| Employer's contributions to social security schemes                          | 501           | 461           |
| Employer's contribution to group health and life                             | 908           | 853           |
| Equity-settled compensation benefits   | 418           | 693           |
| Costs - defined benefit pension scheme (note 21)                             | 46            | 13            |
| Other employee costs   | 1,494         | 1,601         |
|  | <u>15,165</u> | <u>15,358</u> |

## 20. EQUITY COMPENSATION

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

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

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

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

|                            | 2024                  |                              | 2023                  |                              |
|----------------------------|-----------------------|------------------------------|-----------------------|------------------------------|
|                            | Number of Grants '000 | Weighted Average Price BDS\$ | Number of Grants '000 | Weighted Average Price BDS\$ |
| Balance, beginning of year | 13                    | 9.89                         | -                     | -                            |
| Grants issued              | 44                    | 6.80                         | 33                    | 9.89                         |
| Grants vested              | (10)                  | 6.80                         | (20)                  | 9.89                         |
| Balance, end of year       | 47                    | 7.67                         | 13                    | 9.89                         |

### (b) ESOP

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



**21. EMPLOYEE RETIREMENT BENEFITS**

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

The assets of the pension plans are held under deposit administration contracts with Sagicor Life Inc. The plans were valued on December 31, 2024.

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

|   | <u>2024</u>     | <u>2023</u>     |
|---|-----------------|-----------------|
| Present value of funded pension obligations | 17,251          | 18,192          |
| Fair value of pension plan assets           | <u>(21,676)</u> | <u>(20,487)</u> |
| Impact of asset ceiling                     | 896             | -               |
| Net asset                                   | <u>(3,529)</u>  | <u>(2,295)</u>  |
| Represented by:                             |                 |                 |
| Asset balances                              | <u>3,529</u>    | <u>2,295</u>    |

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

(b) Movements in balances:

|  | 2024                   |                        |          |                                     |         |
|--|------------------------|------------------------|----------|-------------------------------------|---------|
|  | Retirement obligations | Retirement plan assets | Subtotal | Funding Requirement / Asset Ceiling | Total   |
| <b>Net liability/(asset), beginning of year</b>                    | 18,192                 | (20,487)               | (2,295)  | -                                   | (2,295) |
| Current service cost   | 216                    | -                      | 216      | -                                   | 216     |
| Interest expense/(income)  | 1,418                  | (1,588)                | (170)    | -                                   | (170)   |
| <b>Net expense/(income) recognised in statement of income</b>      | 1,634                  | (1,588)                | 46       | -                                   | 46      |
| Losses/(gains) from changes in Assumptions                         | (2,127)                | -                      | (2127)   | -                                   | (2127)  |
| Losses from changes in experience                                  | (44)                   | -                      | (44)     | -                                   | (44)    |
| Losses/(return) on plan assets                                     | -                      | 419                    | 419      | -                                   | 419     |
| Change in asset ceiling  | -                      | -                      | -        | 896                                 | 896     |
| <b>Net losses/(gains) recognised in other comprehensive income</b> | (2,171)                | 419                    | (1,752)  | 896                                 | (856)   |
| Contributions made by the Company                                  | -                      | (425)                  | (425)    | -                                   | (425)   |
| Contributions made by employees                                    | 260                    | (260)                  | -        | -                                   | -       |
| Benefits paid  | (694)                  | 694                    | -        | -                                   | -       |
| Other items  | 30                     | (29)                   | 1        | -                                   | 1       |
| <b>Other movements</b>   | (404)                  | (20)                   | (424)    | -                                   | (424)   |
| <b>Net liability/(asset), end of year</b>                          | 17,251                 | (21,676)               | (4,425)  | 896                                 | (3,529) |



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

(b) Movements in balances:

|  | <b>2023</b>            |                        |         |
|--|------------------------|------------------------|---------|
|  | Retirement obligations | Retirement plan assets | Total   |
| <b>Net liability/(asset), beginning of year</b>                    | 21,485                 | (24,613)               | (3,128) |
| Current service cost   | 199                    | 7                      | 206     |
| Interest expense/(income)  | 1,315                  | (1,508)                | (193)   |
| Past service costs   | -                      | -                      | -       |
| <b>Net expense/(income) recognised in statement of income</b>      | 1,514                  | (1,501)                | 13      |
| Losses/(gains) from changes in Assumptions                         | 338                    | -                      | 338     |
| Losses from changes in experience                                  | 41                     | -                      | 41      |
| Losses/(return) on plan assets                                     | -                      | 285                    | 285     |
| Change in asset ceiling  | -                      | -                      | -       |
| <b>Net losses/(gains) recognised in other comprehensive income</b> | 379                    | 285                    | 664     |
| Contributions made by the Company                                  | -                      | (389)                  | (389)   |
| Contributions made by employees                                    | 234                    | (234)                  | -       |
| Benefits paid  | (999)                  | 999                    | -       |
| Other items  | (4,421)                | 4,966                  | 545     |
| <b>Other movements</b>   | (5,186)                | 5,342                  | 156     |
| <b>Net liability/(asset), end of year</b>                          | 18,192                 | (20,487)               | (2,295) |

## 21. EMPLOYEE RETIREMENT BENEFITS (continued)

(b) Movements in balances: (continued)

The significant actuarial assumptions used were as follows:

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

For the next financial year, the total contributions to be made by the Company are estimated at \$445.

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

|  | <b>Barbados &amp;<br/>Eastern<br/>Caribbean</b> |
|--|---|
| Base pension obligation                    | 17,251  |
|  | <b>Effect on pension<br/>obligations</b>        |
| Decrease discount rate by 1.0%             | 1,931   |
| Increase discount rate by 1.0%             | (1,557)   |
| Decrease salary growth rate by 0.5%        | (369)   |
| Increase salary growth rate by 0.5%        | 415   |
| Decrease average life expectancy by 1 year | 207   |
| Increase average life expectancy by 1 year | (217)   |



## 22. INCOME TAXES

The income tax expense is comprised of:

|              | <u>2024</u> | <u>2023</u> |
|--------------|-------------|-------------|
| Current tax  | 382         | 322         |
| Deferred tax | 67          | 32          |
|              | <u>449</u>  | <u>354</u>  |

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

|  | <u>2024</u> | <u>2023</u> |
|--|-------------|-------------|
| Income subject to tax                              | 7,884       | 639         |
| Tax calculated at a tax rate of 2% (2023 - 2%)     | 158         | 13          |
| Different tax rates in other countries             | 106         | (171)       |
| Movement in deferred tax asset not recognised      | 168         | 404         |
| Transfer to catastrophe reserve deductible for tax | (20)        | (15)        |
| Expenses not deductible for tax                    | 111         | 5           |
| Prior year over provision - current/deferred tax   | (217)       | 13          |
| Income not subject to tax                          | (2)         | (10)        |
| Other taxes  | 145         | 115         |
|  | <u>449</u>  | <u>354</u>  |

### 23. DEFERRED INCOME TAXES

#### Analysis of net deferred income tax asset

|                              | <u>2024</u> | <u>2023</u> |
|------------------------------|-------------|-------------|
| Defined benefits liability   | (68)        | (44)        |
| Unused tax losses            | -           | 43          |
| Accelerated tax depreciation | 249         | 249         |
|                              | <u>181</u>  | <u>248</u>  |

#### Expiry period for unused tax losses

| Income year | Brought forward | Utilised       | Incurred | Expired  | Carry forward | Expires |
|-------------|-----------------|----------------|----------|----------|---------------|---------|
| 2019        | 1,268           | (1,268)        | -        | -        | -             | 2024    |
|             | <u>1,268</u>    | <u>(1,268)</u> | <u>-</u> | <u>-</u> | <u>-</u>      |         |

The Company has not recognised a deferred tax asset in the amount of \$75 (2023 - \$73). These losses expire between 2025 and 2030 (2024 and 2029).

|                             | <u>Accelerated tax depreciation</u> | <u>Defined benefits liability</u> | <u>Unused tax losses</u> | <u>Total</u> |
|-----------------------------|-------------------------------------|-----------------------------------|--------------------------|--------------|
| <b>2024</b>                 |                                     |                                   |                          |              |
| Balance, beginning of year  | 249                                 | (44)                              | 43                       | 248          |
| Release to income statement | -                                   | (24)                              | (43)                     | (67)         |
| Balance, end of year        | <u>249</u>                          | <u>(68)</u>                       | <u>-</u>                 | <u>181</u>   |
| <b>2023</b>                 |                                     |                                   |                          |              |
| Balance, beginning of year  | 358                                 | (214)                             | 136                      | 280          |
| Release to income statement | 55                                  | 6                                 | (93)                     | (32)         |
| Other movements             | (164)                               | 164                               | -                        | -            |
| Balance, end of year        | <u>249</u>                          | <u>(44)</u>                       | <u>43</u>                | <u>248</u>   |



**24. DIVIDENDS**

A dividend of \$15,035 (\$7.45 per share) was declared in 2024. No dividends were declared in 2023.

**25. OTHER COMPREHENSIVE INCOME**

|  | 2024       |     |           | 2023       |     |           |
|--|------------|-----|-----------|------------|-----|-----------|
|  | Before tax | Tax | After tax | Before tax | Tax | After tax |
| <b>Items that may be reclassified subsequently to income:</b>      |            |     |           |            |     |           |
| Retranslation of foreign currency operations                       | -          | -   | -         | (12)       | -   | (12)      |
|  | -          | -   | -         | (12)       | -   | (12)      |
| <b>Items that will not be reclassified subsequently to income:</b> |            |     |           |            |     |           |
| Gain / (Loss) on defined benefit plans                             | 856        | -   | 856       | (664)      | -   | (664)     |
|  | 856        | -   | 856       | (664)      | -   | (664)     |
| <b>Other comprehensive Income / (Loss) for the year</b>            | 856        | -   | 856       | (676)      | -   | (676)     |

## 26. CASH FLOWS

### 26.1 Operating activities

|   | 2024     | 2023     |
|---|----------|----------|
| <b>Adjustments for non-cash items, interest and dividends</b> |          |          |
| Interest and other investment income                          | (2,810)  | (2,884)  |
| Impairment recoveries   | (66)     | (5)      |
| Dividend income   | (48)     | (45)     |
| Gain on disposal of securities                                | (67)     | (76)     |
| Increase in bad debt provision                                | 2        | 16       |
| Interest expense  | 2,449    | 2,178    |
| Movement in recognised employee retirement benefits           | 856      | (664)    |
| Depreciation  | 313      | 203      |
| Amortisation of intangibles                                   | -        | 489      |
| Loss / (Gain) on disposal of property, plant and equipment    | 13       | (27)     |
| Exchange loss   | 57       | 2        |
| Equity based compensation                                     | 419      | 693      |
|   | 1,118    | (120)    |
| <b>Changes in operating assets</b>                            |          |          |
| Reinsurance contract assets                                   | (801)    | 437      |
| Debt securities   | (350)    | (3,634)  |
| Equity securities   | 5        | -        |
| Mortgage loans  | 89       | 86       |
| Deposits  | (2,435)  | (1,542)  |
| Receivables and other assets                                  | (2,196)  | 14       |
| Loans, deposits and amounts receivable from Sagicor Group     | 6,458    | 4,902    |
|   | 770      | 263      |
| <b>Debt securities</b>  |          |          |
| Purchases   | (15,921) | (8,185)  |
| Proceeds on maturities and disposals                          | 15,571   | 4,551    |
|   | (350)    | (3,634)  |
| <b>Changes in operating liabilities</b>                       |          |          |
| Insurance contract liabilities                                | 10,470   | 8,049    |
| Reinsurance contract liabilities                              | (136)    | (170)    |
| Amounts payable to related parties                            | (14)     | (12,025) |
| Other liabilities and payables                                | (1,195)  | (1,579)  |
|   | 9,125    | (5,725)  |



**26. CASH FLOWS (continued)**

**26.2 Investing activities**

**Property, plant and equipment**

Purchases

Disposal proceeds

| <u>2024</u>  | <u>2023</u>  |
|--------------|--------------|
| (451)        | (821)        |
| 109          | 89           |
| <u>(342)</u> | <u>(732)</u> |

**26.3 Financing activities**

Loan payable

Repayments

| <u>2024</u>    | <u>2023</u>    |
|----------------|----------------|
| <u>(3,429)</u> | <u>(3,428)</u> |

## 27. RELATED PARTY TRANSACTIONS

### 27.1 Key management

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

|   | <u>2024</u> | <u>2023</u>  |
|---|-------------|--------------|
| <b>Compensation</b>                                     |             |              |
| Salaries, directors' fees and other short-term benefits | 768         | 907          |
| Equity-settled and cash settled compensation benefits   | 75          | 455          |
| Pension and other retirement benefits                   | 36          | 42           |
|   | <u>879</u>  | <u>1,404</u> |

### 27.2 Other related party transactions

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

|                   | <u>2024</u> | <u>2023</u> |
|-------------------|-------------|-------------|
| Investment income | 82          | 42          |
| Rental expense    | (444)       | (415)       |

Financial investments placed with related parties amounted to \$6,430 (2023 - \$4,496) are interest bearing fixed deposits.

Amounts payable to related parties amounted to \$63 (2023 - \$77) and amounts receivable from related parties amounted \$33,701 (2023 - \$40,233) are interest free with no stated terms of repayment.

During 2023,, the general insurance business of Trinidad & Tobago branch, including all property, rights, liabilities and obligations were transferred and vested in Sagicor General Insurance Trinidad & Tobago Limited. See note 28 for details.



**28. DIVESTITURE OF TRINIDAD & TOBAGO BRANCH OPERATIONS**

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

The summary of net assets divested were as follows:

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

## 29. FINANCIAL RISK

The Company's activities of issuing insurance contracts and investing insurance premium receipts in a variety of financial and other assets exposes the Company to various financial risks, which include credit, market, liquidity and capital risks. The principal financial and insurance risks are identified in notes 29 and 30.

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

### 29.1 Credit risk

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

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

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

Investment portfolio assets are mostly unsecured.

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

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

#### Renegotiated assets

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



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

### **29.1 Credit risk (continued)**

#### Reinsurance contracts held

The Company enters into reinsurance contracts to manage its insurance risk, however, should a reinsurance counterparty be unable or unwilling to fulfil its contractual obligations credit risk could arise. The Company has credit risk arising from reinsurance contracts held. In section 30.3 further details are provided on reinsurance risk.

#### Rating of financial assets

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

- Investment portfolios, comprising debt securities, deposits, securities purchased for re-sale, and cash;
- Lending portfolios, comprising mortgage loans;
- Reinsurance exposures, comprise realistic disaster scenarios for property and casualty insurance (see note 30.3).

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

In sections 29.1.1 and 29.1.2 below, we set out various credit risks and exposures in accordance with assets measured in accordance with IFRS 9.

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

## 29. FINANCIAL RISK (continued)

### 29.1 Credit risk (continued)

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

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

|  | <b>2024</b>    | <b>2023</b>    |
|--|----------------|----------------|
| <b>Investment portfolios:</b>              |                |                |
| Debt securities at amortised cost          | 49,463         | 48,237         |
| Deposits at amortised cost                 | 21,959         | 19,519         |
|  | <b>71,422</b>  | <b>67,756</b>  |
| <b>Lending portfolios:</b>                 |                |                |
| Mortgage loans at amortised cost           | 469            | 558            |
|  | <b>469</b>     | <b>558</b>     |
| Cash and cash equivalents                  | 52,702         | 51,282         |
| Reinsurance contract assets                | 22,994         | 21,845         |
| Miscellaneous assets and receivables       | 2,537          | 1,656          |
| Account receivable from related parties    | 33,701         | 40,233         |
| <b>Total financial statement exposures</b> | <b>183,825</b> | <b>183,330</b> |



## 29. FINANCIAL RISK (continued)

### 29.1 Credit risk (continued)

#### 29.1.1 Credit risk exposure - financial assets subject to impairment (continued)

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

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

|                       | Debt securities - Amortised Cost |                             |                             |        | Total  |
|-----------------------|----------------------------------|-----------------------------|-----------------------------|--------|--------|
|                       | 2024                             |                             |                             |        |        |
|                       | Performing                       |                             | Impaired                    |        |        |
|                       | Stage 1<br>12-month<br>ECL       | Stage 2<br>life-time<br>ECL | Stage 3<br>life-time<br>ECL | POCI   |        |
| <b>December 31:</b>   |                                  |                             |                             |        |        |
| Credit grade:         |                                  |                             |                             |        |        |
| Investment            | 18,989                           | -                           | -                           | -      | 18,989 |
| Non-investment        | 4,219                            | 4,869                       | -                           | 20,965 | 30,053 |
| Watch                 | 159                              | 262                         | -                           | -      | 421    |
| Gross carrying amount | 23,367                           | 5,131                       | -                           | 20,965 | 49,463 |
| Loss allowance        | (16)                             | (58)                        | -                           | -      | (74)   |
| Carrying amount       | 23,351                           | 5,073                       | -                           | 20,965 | 49,389 |

**29. FINANCIAL RISK (continued)**

**29.1 Credit risk (continued)**

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

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



**29. FINANCIAL RISK (continued)**

**29.1 Credit risk (continued)**

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

**Mortgage loans – Amortised cost**

**2024**

**ECL Staging**

|                       | <b>Stage 1<br/>12-month<br/>ECL</b> | <b>Stage 2<br/>life-time<br/>ECL</b> | <b>Stage 3<br/>life-time<br/>ECL</b> | <b>POCI</b> | <b>Total</b> |
|-----------------------|-------------------------------------|--------------------------------------|--------------------------------------|-------------|--------------|
| <b>December 31:</b>   |                                     |                                      |                                      |             |              |
| Credit grade:         |                                     |                                      |                                      |             |              |
| Investment            | 468                                 | -                                    | -                                    | -           | 468          |
| Watch                 | -                                   | -                                    | 1                                    | -           | 1            |
| Gross carrying amount | 468                                 | -                                    | 1                                    | -           | 469          |
| Loss allowance        | -                                   | -                                    | -                                    | -           | -            |
| Carrying amount       | 468                                 | -                                    | 1                                    | -           | 469          |

**29. FINANCIAL RISK (continued)**

**29.1 Credit risk (continued)**

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

**Mortgage loans – Amortised cost**

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



**29. FINANCIAL RISK (continued)**

**29.1 Credit risk (continued)**

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

|                       | Deposits - Amortised cost  |                             |                             |      |        |
|-----------------------|----------------------------|-----------------------------|-----------------------------|------|--------|
|                       | 2024                       |                             |                             |      |        |
|                       | ECL Staging                |                             |                             | POCI | Total  |
|                       | Stage 1<br>12-month<br>ECL | Stage 2<br>life-time<br>ECL | Stage 3<br>life-time<br>ECL |      |        |
| <b>December 31:</b>   |                            |                             |                             |      |        |
| Credit grade:         |                            |                             |                             |      |        |
| Investment            | 20,321                     | -                           | -                           | -    | 20,321 |
| Non-investment        | 118                        | -                           | -                           | -    | 118    |
| Watch                 | 1,520                      | -                           | -                           | -    | 1,520  |
| Gross carrying amount | 21,959                     | -                           | -                           | -    | 21,959 |
| Loss allowance        | (19)                       | -                           | -                           | -    | (19)   |
| Carrying amount       | 21,940                     | -                           | -                           | -    | 21,940 |

**29. FINANCIAL RISK (continued)**

**29.1 Credit risk (continued)**

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

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



## 29. FINANCIAL RISK (continued)

### 29.1 Credit risk (continued)

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

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

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

The following tables contain analyses of the movement of loss allowances from January 1, 2024 to December 31, 2024 in respect of financial investments subject to impairment.

|  | Debt securities - Amortised cost |                             |   |      |       |
|--|----------------------------------|-----------------------------|---|------|-------|
|  | 2024                             |                             |   |      |       |
|  | ECL Staging                      |                             |   | POCI | Total |
| Stage 1<br>12-month<br>ECL                                 | Stage 2<br>life-time<br>ECL      | Stage 3<br>life-time<br>ECL |   |      |       |
| Loss allowance at January 1, 2024                          | 50                               | 41                          | - | 31   | 122   |
| Debt securities fully derecognised                         |                                  |                             |   |      |       |
| Changes to inputs used in ECL calculation                  | (34)                             | 17                          | - | (31) | (48)  |
| Loss allowance at December 31, 2024                        | 16                               | 58                          | - | -    | 74    |
| Credit impairment reversal recorded in statement of income |                                  |                             |   |      | 47    |

**29. FINANCIAL RISK (continued)**

**29.1 Credit risk (continued)**

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

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



**29. FINANCIAL RISK (continued)**

**29.1 Credit risk (continued)**

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

|  | <b>Mortgage loans - Amortised cost</b> |                                      |                                      |             |              |
|--|--|--------------------------------------|--------------------------------------|-------------|--------------|
|  | <b>2024</b>                            |                                      |                                      |             |              |
|  | <b>ECL Staging</b>                     |                                      |                                      | <b>POCI</b> | <b>Total</b> |
|  | <b>Stage 1<br/>12-month<br/>ECL</b>    | <b>Stage 2<br/>life-time<br/>ECL</b> | <b>Stage 3<br/>life-time<br/>ECL</b> |             |              |
| Loss allowance at January 1, 2024                          | 16                                     | -                                    | -                                    | -           | 16           |
| Changes to inputs used in ECL calculation                  | (16)                                   | -                                    | -                                    | -           | (16)         |
| Loss allowance at December 31, 2024                        | -                                      | -                                    | -                                    | -           | -            |
| Credit impairment reversal recorded in statement of income |  |                                      |                                      |             | <u>16</u>    |

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

**29. FINANCIAL RISK (continued)**

**29.1 Credit risk (continued)**

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

|  | Deposits – Amortised cost  |                             |                             |      |       |
|--|----------------------------|-----------------------------|-----------------------------|------|-------|
|  | 2024                       |                             |                             |      |       |
|  | ECL Staging                |                             |                             | POCI | Total |
|  | Stage 1<br>12-month<br>ECL | Stage 2<br>life-time<br>ECL | Stage 3<br>life-time<br>ECL |      |       |
| Loss allowance at January 1, 2024                          | 22                         | -                           | -                           | -    | 22    |
| Changes to inputs used in ECL calculation                  | (3)                        | -                           | -                           | -    | (3)   |
| Loss allowance at December 31, 2024                        | 19                         | -                           | -                           |      | 19    |
| Credit impairment reversal recorded in statement of income |                            |                             |                             |      | 3     |

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



**29. FINANCIAL RISK (continued)**

**29.1 Credit risk (continued)**

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

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

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

### **29.1 Credit risk (continued)**

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

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

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

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

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

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

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



## 29. FINANCIAL RISK (continued)

### 29.1 Credit risk (continued)

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

(a) Economic variable assumptions (continued)

|   | As of December 31, 2024 |            |            | As of December 31, 2023 |            |            |
|---|-------------------------|------------|------------|-------------------------|------------|------------|
|   | 2025                    | 2026       | 2027       | 2024                    | 2025       | 2026       |
| <b>GDP Growth (USA)</b>                         |                         |            |            |                         |            |            |
| Base  | 2.4%                    | 1.7%       | 2.1%       | 1.9%                    | 1.5%       | 1.8%       |
| Upside  | 2.7%                    | 3.1%       | 3.2%       | 1.9%                    | 1.5%       | 1.8%       |
| Downside  | 1.6%                    | -2.1%      | 0.6%       | -1.6%                   | 2.4%       | 3.9%       |
| <b>World GDP</b>                                |                         |            |            |                         |            |            |
| Base  | 3.2%                    | 3.3%       | 3.2%       | 2.9%                    | 3.2%       | 3.2%       |
| Upside  | 4.8%                    | 4.9%       | 4.8%       | 4.5%                    | 4.9%       | 4.9%       |
| Downside  | 2.3%                    | 2.4%       | 2.3%       | 2.1%                    | 2.4%       | 2.4%       |
| <b>WTI Oil Prices/10</b>                        |                         |            |            |                         |            |            |
| Base  | \$6.90                  | \$6.60     | \$6.44     | \$14.34                 | \$13.64    | \$13.06    |
| Upside  | \$11.97                 | \$11.43    | \$11.16    | \$26.21                 | \$24.93    | \$23.89    |
| Downside  | \$2.57                  | \$2.45     | \$2.39     | \$ 5.56                 | \$ 5.29    | \$ 5.07    |
| <b>DOW Jones Industrial Average Index - EPS</b> |                         |            |            |                         |            |            |
| Base  | \$1,858.47              | \$2,126.03 | \$2,373.84 | \$4,111.06              | \$4,562.90 | \$4,993.56 |
| Upside  | \$3,231.44              | \$3,696.66 | \$4,127.54 | \$6,811.70              | \$7,560.36 | \$8,273.92 |
| Downside  | \$1,037.59              | \$1,186.97 | \$1,325.32 | \$2,396.36              | \$2,659.74 | \$2,910.76 |
| <b>S&amp;P 500 Financial Index - EPS</b>        |                         |            |            |                         |            |            |
| Base  | \$44.68                 | \$47.41    | \$51.83    | \$ 84.80                | \$ 91.86   | \$ 90.46   |
| Upside  | \$74.64                 | \$79.19    | \$86.57    | \$135.12                | \$146.36   | \$144.16   |
| Downside  | \$23.81                 | \$25.26    | \$27.62    | \$ 54.20                | \$ 58.70   | \$ 57.82   |

**29. FINANCIAL RISK (continued)**

**29.1 Credit risk (continued)**

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

(a) Economic variable assumptions (continued)

|                | As of December 31, 2024 |        |        | As of December 31, 2023 |        |        |
|----------------|-------------------------|--------|--------|-------------------------|--------|--------|
|                | 2025                    | 2026   | 2027   | 2024                    | 2025   | 2026   |
| <b>GBP/USD</b> |                         |        |        |                         |        |        |
| Base           | \$1.25                  | \$1.25 | \$1.25 | \$1.27                  | \$1.28 | \$1.28 |
| Upside         | \$1.36                  | \$1.41 | \$1.46 | \$1.38                  | \$1.44 | \$1.49 |
| Downside       | \$1.14                  | \$1.08 | \$1.04 | \$1.17                  | \$1.12 | \$1.07 |
| <b>NZD/USD</b> |                         |        |        |                         |        |        |
| Base           | \$0.56                  | \$0.57 | \$0.57 | \$0.63                  | \$0.63 | \$0.63 |
| Upside         | \$0.63                  | \$0.66 | \$0.69 | \$0.70                  | \$0.72 | \$0.74 |
| Downside       | \$0.50                  | \$0.48 | \$0.46 | \$0.56                  | \$0.53 | \$0.51 |



**29. FINANCIAL RISK (continued)**

**29.1 Credit risk (continued)**

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

(a) Economic variable assumptions (continued)

| <b>As of December 31, 2024</b> |  |                 |                          |
|--------------------------------|--|-----------------|--------------------------|
|                                | <b>Expected state for the next 12 months</b> | <b>Scenario</b> |                          |
|                                |  | <b>Barbados</b> | <b>Eastern Caribbean</b> |
| Unemployment rate              | Base   | Negative        | Negative                 |
|                                | Upside                                       | Stable          | Stable                   |
|                                | Downside                                     | Super Negative  | Negative                 |
| GDP growth                     | Base   | Stable          | Negative                 |
|                                | Upside                                       | Stable          | Stable                   |
|                                | Downside                                     | Negative        | Negative                 |

| <b>As of December 31, 2023</b> |  |                 |                          |
|--------------------------------|--|-----------------|--------------------------|
|                                | <b>Expected state for the next 12 months</b> | <b>Scenario</b> |                          |
|                                |  | <b>Barbados</b> | <b>Eastern Caribbean</b> |
| Unemployment rate              | Base   | Negative        | Negative                 |
|                                | Upside                                       | Stable          | Stable                   |
|                                | Downside                                     | Super Negative  | Super Negative           |
| GDP growth                     | Base   | Negative        | Negative                 |
|                                | Upside                                       | Stable          | Stable                   |
|                                | Downside                                     | Super Negative  | Super Negative           |

## 29. FINANCIAL RISK (continued)

### 29.1 Credit risk (continued)

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

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

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

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

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

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

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

| Loss Given Default   | 2024                 |                     | ECL impact of     |                   |
|--|----------------------|---------------------|-------------------|-------------------|
|  | Actual value applied | Change in threshold | Increase in value | Decrease in value |
| Investments - Corporate Debts                                    | 53%                  | (- /+ 5) %          | 4                 | (4)               |
| Investments - Sovereign Debts (excluding Government of Barbados) | 35%                  | (- /+ 5) %          | 7                 | (7)               |
| Investments - Sovereign Debts (Government of Barbados )          | 36%                  | (- /+ 5) %          | 1                 | (1)               |



**29. FINANCIAL RISK (continued)**

**29.1 Credit risk (continued)**

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

(b) Loss given default (LGD) cont'd

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

(c) Scenario design

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

|   | Base – 80%<br>Upside – 10%<br>Downside – 10% |      | Base – 80%<br>Upside – 10%<br>Downside – 10% |      |
|---|--|------|--|------|
|   | Increase in ECL                              |      | Decrease in ECL                              |      |
|   | 2024   | 2023 | 2024   | 2023 |
| Investments –<br>excluding Government of Barbados | 6  | 9    | (6)  | (9)  |

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

### **29.2 Liquidity risk**

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

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

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

The Company's insurance and reinsurance contract liabilities have expected discounted cash flows, which have been estimated by actuarial or other statistical methods. Insurance contract liabilities of \$61,868 (2023 - \$53,397) and reinsurance contract liabilities of \$0 (2023 - \$427) have expected discounted cash flows maturing within one year.



**29. FINANCIAL RISK (continued)****29.2 Liquidity risk (continued)****(b) Financial liabilities and commitments**

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

| 2024                                     | <b>2024 – Contractual un-discounted cash flows</b> |                     |               |
|--|--|---------------------|---------------|
|  | <b>On demand or within 1 year</b>                  | <b>1 to 5 years</b> | <b>Total</b>  |
| <b>Financial liabilities:</b>            |  |                     |               |
| Loan payable                             | 3,464  | 2,571               | 6,035         |
| Note payable                             | 25,000   | -                   | 25,000        |
| Amounts payable to related parties       | 63   | -                   | 63            |
| Accounts payable and accrued liabilities | 8,452  | -                   | 8,452         |
| <b>Total financial liabilities</b>       | <b>36,979</b>                                      | <b>2,571</b>        | <b>39,550</b> |

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

## 29. FINANCIAL RISK (continued)

### 29.2 Liquidity risk

#### (c) Reinsurance contract assets

Reinsurance contract assets are stated at their carrying values recognised in the financial statements. Reinsurance contract assets of \$6,877 (2023 – \$6,904) have expected discounted cash flows within one year.

#### (d) Financial assets

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

| 2024                                    | 2024 – Contractual un-discounted cash flows |                       |                        |                |
|---|---|-----------------------|------------------------|----------------|
|   | Maturing within 1 year                      | Maturing 1 to 5 years | Maturing after 5 years | Total          |
| <b>Financial Assets:</b>                |   |                       |                        |                |
| Debt securities                         | 2,392                                       | 16,541                | 30,456                 | 49,389         |
| Mortgage loans                          | 88  | 240                   | 141                    | 469            |
| Deposits                                | 21,940                                      | -                     | -                      | 21,940         |
| Amounts receivable from related parties | 33,701                                      | -                     | -                      | 33,701         |
| Other accounts receivable               | 2,537                                       | -                     | -                      | 2,537          |
| Cash and cash equivalents               | 52,702                                      | -                     | -                      | 52,702         |
| <b>Total financial assets</b>           | <b>113,360</b>                              | <b>16,781</b>         | <b>30,597</b>          | <b>160,738</b> |
|   |   |                       |                        |                |
| 2023                                    | 2023 – Contractual un-discounted cash flows |                       |                        |                |
|   | Maturing within 1 year                      | Maturing 1 to 5 years | Maturing after 5 years | Total          |
| <b>Financial Assets:</b>                |   |                       |                        |                |
| Debt securities                         | 4,298                                       | 15,888                | 27,929                 | 48,115         |
| Mortgage loans                          | 74  | 305                   | 163                    | 542            |
| Deposits                                | 19,497                                      | -                     | -                      | 19,497         |
| Amounts receivable from related parties | 40,233                                      | -                     | -                      | 40,233         |
| Other accounts receivable               | 1,656                                       | -                     | -                      | 1,656          |
| Cash and cash equivalents               | 51,282                                      | -                     | -                      | 51,282         |
| <b>Total financial assets</b>           | <b>117,040</b>                              | <b>16,193</b>         | <b>28,092</b>          | <b>161,325</b> |



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

### **29.3 Interest rate risk**

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

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

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

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

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

**29. FINANCIAL RISK (continued)**

**29.3 Interest rate risk (continued)**

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

| <b>2024</b>                              | <b>Exposure<br/>within 1<br/>year</b> | <b>Exposure<br/>1 to 5<br/>years</b> | <b>Exposure<br/>after 5<br/>years</b> | <b>Not<br/>exposed<br/>to<br/>interest</b> | <b>Total</b>   |
|--|---------------------------------------|--------------------------------------|---------------------------------------|--|----------------|
| Loan payable                             | 3,429                                 | 2,571                                | -                                     | 35   | 6,035          |
| Note payable                             | -                                     | -                                    | -                                     | 25,000                                     | 25,000         |
| Insurance contract liabilities           | -                                     | -                                    | -                                     | 92,865                                     | 92,865         |
| Reinsurance contract liabilities         | -                                     | -                                    | -                                     | 345  | 345            |
| Amounts payable to related parties       | -                                     | -                                    | -                                     | 63   | 63             |
| Accounts payable and accrued liabilities | -                                     | -                                    | -                                     | 8,452                                      | 8,452          |
| <b>Total</b>                             | <b>3,429</b>                          | <b>2,571</b>                         | <b>-</b>                              | <b>126,760</b>                             | <b>132,760</b> |

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



## 29. FINANCIAL RISK (continued)

### 29.3 Interest rate risk (continued)

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

| <b>2024</b>                             | <b>Exposure within 1 year</b> | <b>Exposure 1 to 5 years</b> | <b>Exposure after 5 years</b> | <b>Not exposed to interest</b> | <b>Total</b>   |
|---|-------------------------------|------------------------------|-------------------------------|--------------------------------|----------------|
| Debt securities                         | 2,307                         | 16,343                       | 29,453                        | 1,286                          | 49,389         |
| Equity securities                       | -                             | -                            | -                             | 955                            | 955            |
| Mortgage loans                          | 88                            | 240                          | 141                           | -                              | 469            |
| Deposits                                | 21,816                        | -                            | -                             | 124                            | 21,940         |
| Reinsurance contract assets             | -                             | -                            | -                             | 22,994                         | 22,994         |
| Amounts receivable from related parties | -                             | -                            | -                             | 33,701                         | 33,701         |
| Other accounts receivable               | -                             | -                            | -                             | 2,537                          | 2,537          |
| Cash and cash equivalents               | -                             | -                            | -                             | 52,702                         | 52,702         |
| <b>Total</b>                            | <b>24,211</b>                 | <b>16,583</b>                | <b>29,594</b>                 | <b>114,299</b>                 | <b>184,687</b> |

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

## 29. FINANCIAL RISK (continued)

### 29.3 Interest rate risk (continued)

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

|                 | <b>2024</b> | <b>2023</b> |
|-----------------|-------------|-------------|
| Debt securities | 5.7%        | 6.0%        |
| Mortgage loans  | 4.0%        | 4.1%        |
| Deposits        | 0.8%        | 0.6%        |

#### Sensitivity

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



**29. FINANCIAL RISK (continued)****29.4 Foreign exchange risk**

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

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

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

| 2024   | BBD \$000 equivalents of balances denominated in |                |                     |               |
|--|--|----------------|---------------------|---------------|
|  | Barbados<br>\$                                   | Trinidad<br>\$ | Other<br>Currencies | Total         |
| <b>ASSETS</b>  |  |                |                     |               |
| Cash resources   | 16,760   | -              | 35,942              | 52,702        |
| Financial investments <sup>(1)</sup>                   | 33,170   | 9,997          | 28,631              | 71,798        |
| Reinsurance contract assets <sup>(1)</sup>             | -  | -              | 22,994              | 22,994        |
| Other accounts receivable <sup>(1)</sup>               | 2,164  | -              | 373                 | 2,537         |
| Amounts receivable from related parties <sup>(1)</sup> | 33,701   | -              | -                   | 33,701        |
| Total monetary assets                                  | 85,795   | 9,997          | 87,940              | 183,732       |
| Other assets <sup>(2)</sup>                            | 9,453  | -              | 265                 | 9,718         |
| Total assets   | 95,248   | 9,997          | 88,205              | 193,450       |
| <b>LIABILITIES</b>                                     |  |                |                     |               |
| Accounts payable and accruals                          | 7,252  | -              | 1,200               | 8,452         |
| Amounts payable to related parties                     | -  | -              | 63                  | 63            |
| Reinsurance contract liabilities                       | -  | -              | 345                 | 345           |
| Insurance contract liabilities                         | 86,733   | -              | 6,132               | 92,865        |
| Loan payable   | 6,035  | -              | -                   | 6,035         |
| Notes payable  | 25,000   | -              | -                   | 25,000        |
| Total monetary liabilities                             | 125,020  | -              | 7,740               | 132,760       |
| Income tax liabilities <sup>(2)</sup>                  | -  | -              | 413                 | 413           |
| Total liabilities                                      | 125,020  | -              | 8,153               | 133,173       |
| <b>Net position</b>                                    | <b>(29,772)</b>                                  | <b>9,997</b>   | <b>80,053</b>       | <b>60,278</b> |

(1) Monetary balances only

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

## 29. FINANCIAL RISK (continued)

### 29.4 Foreign exchange risk (continued)

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

(1) Monetary balances only

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

#### Sensitivity

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

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



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

### **29.5 Fair value of financial instruments**

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

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

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

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

A financial instrument is classified as Level 2 if:

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

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

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

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

A financial instrument is classified as Level 3 if:

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

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

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

## 29. FINANCIAL RISK (continued)

### 29.5 Fair value of financial instruments (continued)

#### (a) Financial instruments carried at fair value

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

|                   | Level 1 | Level 2 | Level 3 | Total |
|-------------------|---------|---------|---------|-------|
| <b>2024</b>       |         |         |         |       |
| Equity securities | 955     | -       | -       | 955   |
| <b>2023</b>       |         |         |         |       |
| Equity securities | 894     | -       | -       | 894   |

There were no transfers occurring in 2024 or 2023 between levels 1, 2 and 3.

#### (b) Financial instruments carried at amortised cost

The carrying values of the Company's non-traded financial assets and financial liabilities carried at amortised cost approximate their fair value in notes 6, 10 and 12. The fair value hierarchy of other financial instruments carried at amortised cost as of December 31, 2024 is set out in the following tables.

|                 | Level 1 | Level 2 | Level 3 | Total  |
|-----------------|---------|---------|---------|--------|
| <b>2024</b>     |         |         |         |        |
| Debt securities | -       | 13,601  | 36,599  | 50,200 |
| Mortgage loans  | -       | -       | 460     | 460    |
|                 | -       | 13,601  | 37,059  | 50,660 |
| <b>2023</b>     |         |         |         |        |
| Debt securities | 2,744   | 11,335  | 34,712  | 48,791 |
| Mortgage loans  | -       | -       | 561     | 561    |
|                 | 2,744   | 11,335  | 35,273  | 49,352 |



## 29. FINANCIAL RISK (continued)

### 29.6 Equity Price Risk

Equity risk is the potential adverse effect on the Company's financial performance and financial condition from declines or volatility in equity market prices. The Company is exposed to equity risk through its investment portfolio. Its equity risk is managed through its investment policies and various internal controls, including among others established concentration limits and performing frequent monitoring.

The following table sets out the potential immediate impact on net income (pre-tax), and other comprehensive income (pre-tax) to certain changes in the specific market variable at year end. The analysis is based on an instantaneous change in the specific market variable while holding all other assumptions constant. In practice, this is unlikely to occur, as changes in some assumptions might be correlated.

| 2024                             |                         |                                  |                         | 2023                             |                         |                                  |                         |
|----------------------------------|-------------------------|----------------------------------|-------------------------|----------------------------------|-------------------------|----------------------------------|-------------------------|
| 20% increase<br>in equity prices |                         | 20% decrease<br>in equity prices |                         | 20% increase<br>in equity prices |                         | 20% decrease<br>in equity prices |                         |
| Impact on<br>Assets              | Impact on<br>Net income | Impact on<br>Assets              | Impact on<br>Net income | Impact on<br>Assets              | Impact on<br>Net income | Impact on<br>Assets              | Impact on<br>Net income |
| 190                              | 190                     | (190)                            | (190)                   | 178                              | 178                     | (178)                            | (178)                   |

### 30. INSURANCE RISK

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

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

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

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

| Total insurance coverage |       | 2024       | 2023       |
|--------------------------|-------|------------|------------|
| Property                 | Gross | 10,642,484 | 10,379,816 |
|                          | Net   | 2,571,271  | 2,519,283  |
| Motor                    | Gross | 723,854    | 699,342    |
|                          | Net   | 723,854    | 699,342    |
| Accident & Liability     | Gross | 4,145,388  | 4,306,865  |
|                          | Net   | 3,891,769  | 4,074,940  |
| Marine                   | Gross | 161,867    | 162,764    |
|                          | Net   | 157,859    | 158,756    |
| Total                    | Gross | 15,673,593 | 15,548,787 |
|                          | Net   | 7,344,753  | 7,452,321  |

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



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

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

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

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

#### **30.1 Underwriting risk**

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

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

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

#### **30.2 Claims risk**

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

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

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

### 30. INSURANCE RISK (continued)

#### 30.2 Claims risk (continued)

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

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

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

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

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

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

Concentration of risk is mitigated through risk selection, event limits, quota share reinsurance and excess of loss reinsurance. Levels of reinsurance cover are summarised in note 30.3.

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

Realistic disaster scenarios modelled for 2024 resulted in estimated gross and net losses as follows:

| <b>Scenario:</b>   | <b>Gross loss</b> | <b>Net loss</b> |
|--|-------------------|-----------------|
| Hurricane affecting Barbados and St. Lucia:<br>Used assumption of this event having a 200 year return period | 635,027           | 10,000          |

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



### 30. INSURANCE RISK (continued)

#### 30.2 Claims risk (continued)

##### 30.2.1 Claims development table

In addition to sensitivity analysis, the development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The table below illustrates how the Company's estimate of the ultimate claims liability for accident years 2015 - 2024 has changed at successive year ends, up to 2024. Updated unpaid claims and other directly attributable expenses related to claims management in each successive year, as well as amounts paid to date, are used to derive the revised amounts for the ultimate claims liability for each accident year used in the development calculations. The most recent estimate is then reconciled to the liability for incurred claims recognised in the statement of financial position.

| Gross  | 2015     | 2016     | 2017     | 2018     | 2019     | 2020     | 2021     | 2022     | 2023     | 2024     | Total     |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|
| Estimate of ultimate claims incurred<br>(undiscounted, inclusive of other directly attributable expenses): |          |          |          |          |          |          |          |          |          |          |           |
| At the end of financial year   | 22,325   | 11,315   | 48,198   | 26,495   | 31,115   | 27,034   | 30,614   | 33,541   | 32,481   | 32,277   |           |
| One year later   | 17,415   | 14,074   | 56,480   | 23,942   | 27,333   | 23,156   | 26,272   | 30,331   | 30,649   |          |           |
| Two years later  | 17,836   | 17,121   | 56,562   | 22,937   | 25,701   | 21,803   | 24,495   | 29,384   |          |          |           |
| Three years later  | 14,664   | 16,852   | 55,855   | 22,030   | 23,608   | 21,999   | 24,181   |          |          |          |           |
| Four years later   | 14,329   | 16,656   | 56,065   | 21,621   | 23,543   | 22,451   |          |          |          |          |           |
| Five years later   | 14,108   | 16,894   | 56,334   | 21,514   | 23,428   |          |          |          |          |          |           |
| Six years later  | 13,907   | 17,283   | 56,345   | 21,754   |          |          |          |          |          |          |           |
| Seven years later  | 14,078   | 17,138   | 56,791   |          |          |          |          |          |          |          |           |
| Eight years later  | 14,115   | 16,828   |          |          |          |          |          |          |          |          |           |
| Nine years later   | 14,055   |          |          |          |          |          |          |          |          |          |           |
| Current estimate of<br>cumulative claims   | 14,055   | 16,828   | 56,791   | 21,754   | 23,428   | 22,451   | 24,181   | 29,384   | 30,649   | 32,277   | 271,798   |
| Cumulative payments to<br>date   | (12,370) | (15,617) | (54,650) | (19,008) | (20,597) | (19,003) | (20,283) | (22,241) | (19,056) | (13,089) | (215,914) |
| Gross undiscounted<br>liabilities for incurred claims  | 1,685    | 1,211    | 2,141    | 2,746    | 2,831    | 3,448    | 3,898    | 7,143    | 11,593   | 19,188   | 55,884    |
| Liability in respect of prior years  |          |          |          |          |          |          |          |          |          |          | 11,911    |
| Effect of discounting  |          |          |          |          |          |          |          |          |          |          | (5,927)   |
| Effect of the risk adjustment margin for non-financial risk  |          |          |          |          |          |          |          |          |          |          | 3,100     |
| Other  |          |          |          |          |          |          |          |          |          |          | -         |
| Total gross liability for incurred claims  |          |          |          |          |          |          |          |          |          |          | 64,968    |

### 30. INSURANCE RISK (continued)

#### 30.2 Claims risk (continued)

##### 30.2.1 Claims development table (continued)

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

| Reinsurance   | 2015    | 2016    | 2017     | 2018    | 2019  | 2020    | 2021    | 2022    | 2023  | 2024    | Total    |
|---|---------|---------|----------|---------|-------|---------|---------|---------|-------|---------|----------|
| Estimate of reinsurance recoveries<br>(on undiscounted claims incurred and other directly attributable expenses): |         |         |          |         |       |         |         |         |       |         |          |
| At the end of financial year  | 14,349  | 1,318   | 15,889   | 2,258   | 1,218 | 3,012   | 7,308   | 6,175   | 1,800 | 2,828   |          |
| One year later  | 9,437   | 3,450   | 24,873   | 1,996   | 1,138 | 3,182   | 5,881   | 5,056   | 1,594 |         |          |
| Two years later   | 9,823   | 6,834   | 25,369   | 1,993   | 1,024 | 3,136   | 5,973   | 5,066   |       |         |          |
| Three years later   | 6,819   | 6,673   | 25,285   | 2,018   | 931   | 3,223   | 5,939   |         |       |         |          |
| Four years later  | 6,373   | 6,526   | 25,270   | 2,011   | 931   | 3,440   |         |         |       |         |          |
| Five years later  | 6,164   | 6,631   | 25,589   | 1,991   | 956   |         |         |         |       |         |          |
| Six years later   | 6,124   | 6,817   | 25,626   | 1,957   |       |         |         |         |       |         |          |
| Seven years later   | 6,201   | 6,858   | 25,133   |         |       |         |         |         |       |         |          |
| Eight years later   | 6,214   | 6,679   |          |         |       |         |         |         |       |         |          |
| Nine years later  | 6,237   |         |          |         |       |         |         |         |       |         |          |
| Current estimate of reinsurance recoveries  | 6,237   | 6,679   | 25,133   | 1,957   | 956   | 3,440   | 5,939   | 5,066   | 1,594 | 2,828   | 59,829   |
| Cumulative reinsurance receipts to date   | (5,129) | (6,189) | (24,747) | (1,952) | (942) | (3,109) | (5,644) | (4,814) | (983) | (1,355) | (54,864) |
| Gross recoverable from reinsurers   | 1,108   | 490     | 386      | 5       | 14    | 331     | 295     | 252     | 611   | 1,473   | 4,965    |
| Recoverable in respect of prior years   |         |         |          |         |       |         |         |         |       |         | 2,121    |
| Effect of discounting   |         |         |          |         |       |         |         |         |       |         | (286)    |
| Effect of the risk adjustment margin for non-financial risk   |         |         |          |         |       |         |         |         |       |         | 494      |
| Other   |         |         |          |         |       |         |         |         |       |         | 77       |
| Total recoverable from reinsurers   |         |         |          |         |       |         |         |         |       |         | 7,371    |

Historical balances in the tables above have been adjusted to present balances for the Barbados and Eastern Caribbean territories only, consistent with the transfer of all property, rights, liabilities and obligations to Sagicor General Insurance Trinidad & Tobago Limited (note 28).



**30. INSURANCE RISK (continued)****30.3 Reinsurance risk**

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

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

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

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

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

| Type of risk                                  | Retention by Company  |
|---|---|
| Property risks                                | Maximum retention of \$9,000 (2023 - \$9,000) for a single non-catastrophic event;<br>Maximum retention of \$10,000 (2023 - \$10,000) for a catastrophic event in Barbados;<br>Quota share retention to a maximum of 20% in respect of the treaty limits;<br>Quota share retention is further reduced to a maximum of \$750 (2023 - \$750) per risk for all territories.<br>Maximum net retention of \$10,000 for a single catastrophic 1st event in Barbados and \$5,000 in Antigua, St. Lucia, Dominica, Trinidad and Bahamas.<br>For all territories a deductible of \$5,000 will apply for a 2nd and 3rd event.<br>treaty limits apply. |
| Motor and liability risks                     | Maximum retention of \$1,500 for a single event;<br>treaty limits apply.  |
| Miscellaneous accident risks                  | Maximum retention of \$150 for a single event;<br>treaty limits apply.  |
| Engineering business risks                    | Maximum retention of \$1,000 for a single risk;<br>treaty limits apply for material damage and for liability claims.  |
| Marine risks                                  | Maximum retention of \$250 for a single event;<br>treaty limits apply.  |
| Bond risks                                    | Maximum retention of \$600 for a single risk;<br>Quota share retention to maximum of 15% in respect of the treaty limits;<br>treaty limits apply.   |
| Property, motor, marine, and engineering risk | Catastrophic excess of loss reinsurance cover is available per event for amounts in excess of treaty limits for property, motor, marine and engineering risks; treaty limits apply to catastrophic excess of loss coverage.   |

**30. INSURANCE RISK (continued)**

**30.3 Reinsurance risk (continued)**

In order to assess the potential reinsurance recoveries on the occurrence of a catastrophic insurance event, the Sagicor credit risk ratings of the reinsurance recoverable are assessed using the realistic disaster scenarios of a hurricane with a 200 year return period affecting Barbados and St. Lucia

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

| <b>Reinsurance assets by<br/>Credit rating</b> | <b>Classification</b> | <b>2024</b>    | <b>2023</b>    |
|--|-----------------------|----------------|----------------|
| 1  | Minimal risk          | 313,087        | 269,251        |
| 2  | Low risk              | 298,582        | 353,319        |
| 3  | Moderate risk         | 13,358         | 16,120         |
| <b>Total</b>                                   |                       | <b>625,027</b> | <b>638,690</b> |
| <b>Less: Reinsurance liability</b>             |                       | -              | -              |
| <b>Total Reinsurance Assets</b>                |                       | <b>625,027</b> | <b>638,690</b> |



## 31. CAPITAL MANAGEMENT

### 31.1 Capital resources

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

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

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

|                         | <u>2024</u>   | <u>2023</u>   |
|-------------------------|---------------|---------------|
| Equity                  | 60,277        | 66,607        |
| Surplus notes (note 11) | 25,000        | 25,000        |
| Total capital resources | <u>85,277</u> | <u>91,607</u> |

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

The Financial Services Commission has approved the Surplus Debenture in the amount of \$25,000 (note 11) to be included as part of the Company's regulatory contributed capital.

### 31.2 Capital adequacy

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

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

### 31.3 Covenants

#### CIBC Caribbean 3.50% loan agreement

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

At December 31, 2024, the Company was in compliance with the specified covenants.



# ADVISORS & BANKERS

# ADVISORS & BANKERS

## APPOINTED ACTUARY

Eckler Ltd.

## AUDITOR

PricewaterhouseCoopers SRL

## COUNSEL

Sir Richard Cheltenham, QC, Ph.D.

## BANKERS

CIBC Caribbean

First Citizens Bank (Barbados) Limited

The Bank of Nova Scotia

RBC Royal Bank (Barbados) Limited

Republic Bank (EC) Limited

Sagicor Bank (Barbados) Limited





NOTICE OF MEETING /  
MANAGEMENT PROXY CIRCULAR

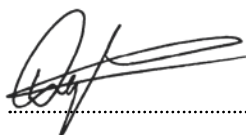
# NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the TWENTY-NINTH ANNUAL GENERAL MEETING of the Shareholders of SAGICOR GENERAL INSURANCE INC. will be held at Cecil F. de Caires Building, Wildey, St. Michael, Barbados, on Friday, August 29, 2025, at 10:30 a.m. to transact the following business:

1. To receive and consider the Financial Statements of the Company and the Reports of the Directors and Auditors for the year ended December 31, 2024.
2. To elect Directors:-  
Mr. Patrick Hinkson and Mr. Robert Trestrail are the Directors whose terms of office expire at the close of this meeting and being eligible offer themselves for re-election for terms expiring at the close of the third annual meeting following this meeting.

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

## BY ORDER OF THE BOARD



Andrew C. Greaves  
Corporate Secretary  
July 21, 2025

## PROXIES

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

# SAGICOR GENERAL INSURANCE INC. COMPANY NO. 42724

## MANAGEMENT PROXY CIRCULAR

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

This Management Proxy Circular accompanies the Notice of the Twenty-Ninth Annual General Meeting of the Shareholders of Sagicor General Insurance Inc. (hereinafter called the “Company”) to be held on Friday, August 29, 2025 at 10:30 a.m. (hereinafter called the “Meeting”) and is furnished in connection with the solicitation by the Management of the Company of proxies for use at the Meeting, or any adjournment thereof. It is expected that the solicitation will primarily be by mail. The cost of the solicitation will be borne by the Company.

### REVOCAION OF PROXY

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

### RECORD DATE, NOTICE OF MEETING & VOTING SHARES

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

Only the holders of common shares of the Company will be entitled to attend and vote at the Meeting. Each

holder is entitled to one vote for each share held. As at the date hereof there are 2,018,087 common shares of the Company outstanding.

### PRESENTATION OF FINANCIAL STATEMENTS AND AUDITORS' REPORT

The Financial Statements of the Company for the year ended December 31, 2024 and the Auditors' Report thereon, are included in the 2024 Annual Report which is being mailed to shareholders with this Notice of the Annual General Meeting and Management Proxy Circular.

### ELECTION OF DIRECTORS

The Board of Directors currently consists of five (5) members. The number of Directors to be elected at the Meeting is two (2). Mr. Patrick Hinkson and Mr. Robert Trestrail will retire by normal rotation at the end of the Meeting. Being eligible, the Board proposes Mr. Patrick Hinkson and Mr. Robert Trestrail as nominees for re-election as Directors of the Company, and for whom it is intended that votes will be cast for their re-election as Directors pursuant to the form of proxy hereby enclosed.

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

The Directors recommend the appointment of Mr. Patrick Hinkson and Mr. Robert Trestrail for the terms stated above or until their successors are elected or appointed.

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

### APPOINTMENT OF AUDITORS

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



# SAGICOR GENERAL INSURANCE INC. COMPANY NO. 42724

## MANAGEMENT PROXY CIRCULAR

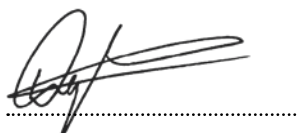
### DISCRETIONARY AUTHORITY

Management knows of no matter to come before the Meeting other than the matters referred to in the Notice of Meeting enclosed herewith. However, if any matters which are not known to Management should properly come before the Meeting or any adjournment thereof, the shares represented by proxies will be voted on such matters in accordance with the best judgment of the proxy nominee. Similar discretionary authority is conferred with respect to amendments to the matters identified in the Notice of the Meeting.

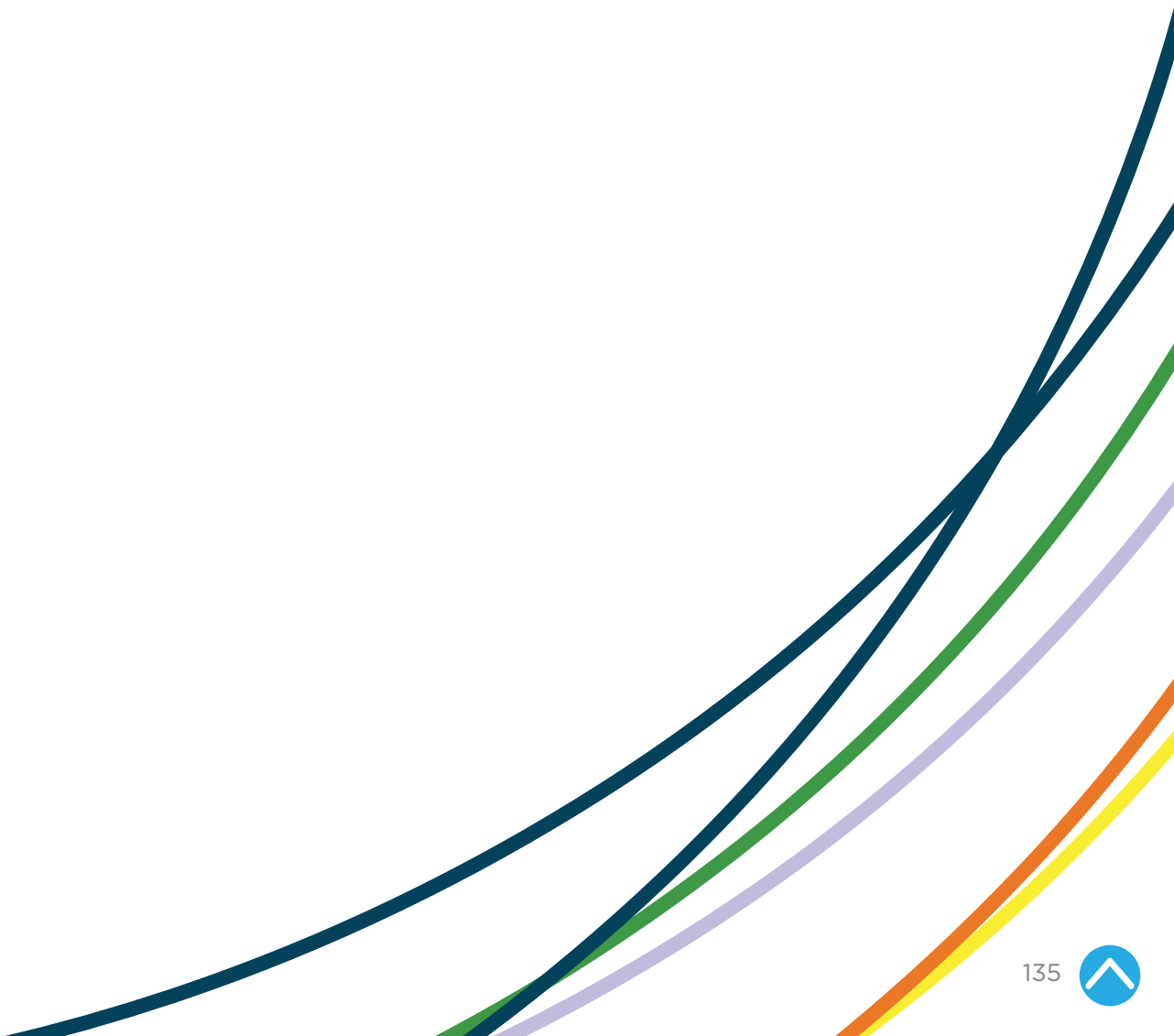
The contents of this Management Proxy Circular and the sending thereof to the holders of the common shares of the Company have been approved by the Directors of the Company.

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

Date: July 21, 2025.



Andrew C. Greaves  
Corporate Secretary





Sagicor

1 246 431 2800 | [www.sagicor.com](http://www.sagicor.com)