



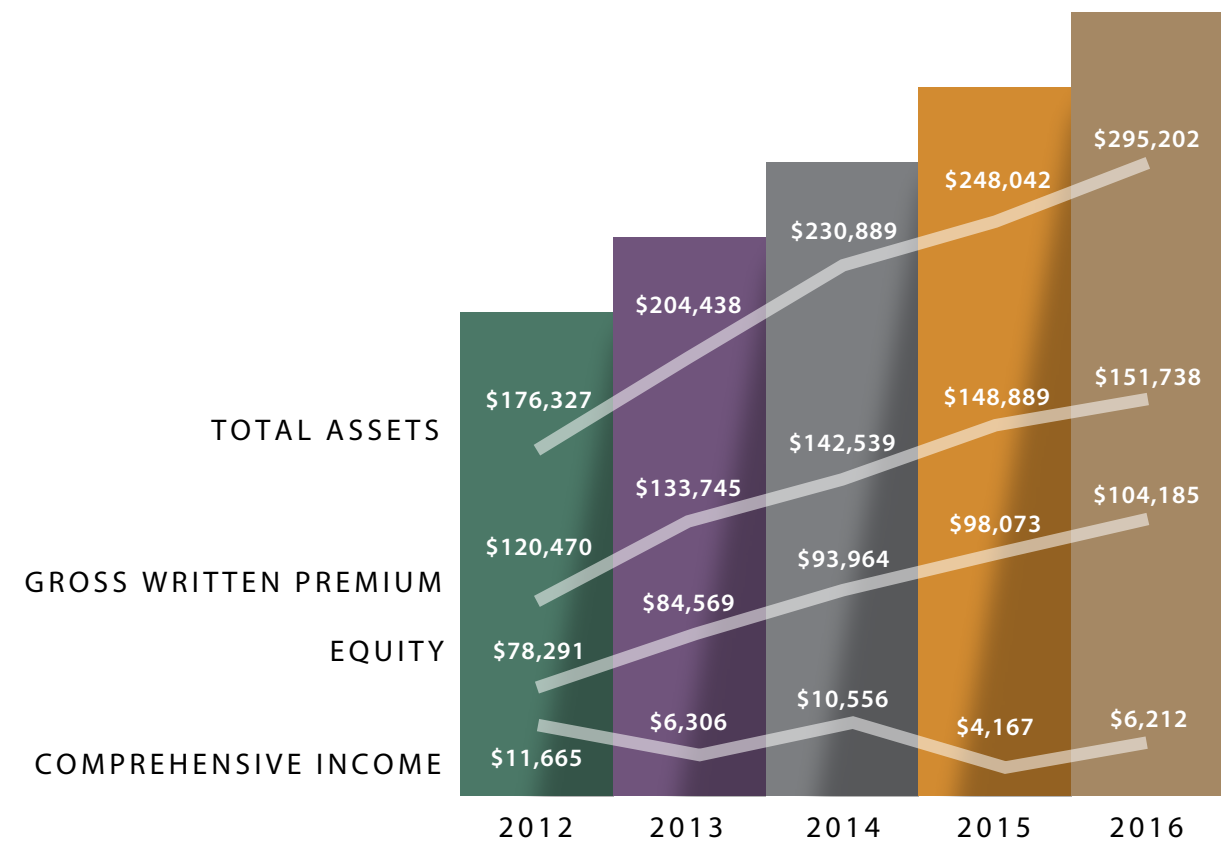
2016 ANNUAL REPORT

2016

ANNUAL REPORT

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## KEY PERFORMANCE INDICATORS



### OUR MISSION

To provide our clients with exceptional value through the friendliest of service, competitive and innovative insurance products, fast and fair claims settlement, sound financial practices and strong community mindedness.

### OUR VISION

To become the most trusted insurance company in the Caribbean.

PROUD OF OUR PAST.

EXCITED ABOUT THE FUTURE

NAGICO is moving into the future. As we lean forward with great optimism, we are reminded that our past accomplishments along with our current reputation is the foundation our continued success will build upon.

Our steady growth is seeded by a strong leadership team who believe that our future is shaped by possibility thinking and the continued reach for a higher standard. Our diverse company culture is laced together with a professional staff who share a sincere passion for the Caribbean and the people who live in it.



## COMMUNITY OUTREACH

NAGICO Insurances is a company known for delivering the best insurance coverage, the best service and the best in class insurance products. Through its sponsorship and donation programme over the past 35 years, NAGICO has become the best corporate citizen in nearly all 21 territories in which it operates.

Guided by its core philosophy, also known as the NAGICO Way, which Chairman of the Group Imran McSood Amjad defines as 'to simply be nice', the company has, through its initiatives, contributed to various causes throughout the Caribbean in the form of monetary donations and volunteer service.

### COMMUNITY INVOLVEMENT

In 2016 alone, more than 200 non-profit organizations benefited from NAGICO's sponsorship and donation program; some through direct sponsorship or donation and others through partnership with local non-profit social groups. NAGICO believes that together we achieve more, thus over the years we have committed to investing in and developing the communities within which we operate. We believe that service goes beyond the provision of insurance coverage and extends to the improvement of quality of life.

Some of the major 2016 projects included: The Digikidz Project which focuses on a modern physical ICT infrastructure and includes 21st century learning and teaching. The project was rolled out to elementary schools and included the delivery and installation of laptops/tablets, wired and wireless network and professional development for staff. In 2016 the project was rolled out at the Hillside Christian School in St. Maarten where more than 500 students benefited.

NAGICO Insurances also partnered with the Rotary Club of Sint Maarten and the Windward Island Medical Association, to host a major nephrology conference. This conference brought a number of specialists together to create awareness in the community about kidney disease, which based on information gathered by medical authorities is becoming a major concern on the island.

### EMPOWERING YOUNG LOCALS AND BUILDING PROFESSIONALS

NAGICO Insurances has positively impacted and enriched the lives of hundreds of people and their families by means of employment. In every NAGICO territory, the management and staff of the Company consists of young locals, as NAGICO strongly believes in the people and its responsibility to contribute as an economic driver. Aside from simply providing employment opportunities, NAGICO is proud of its educational policy which encourages employees to study. "This is how we develop talent," Dwayne Elgin CEO explained. "Further, it is how we guarantee our longevity and guarantee excellence in service. We place strong emphasis on self-improvement and encourage our management team and staff to be extra ordinary."

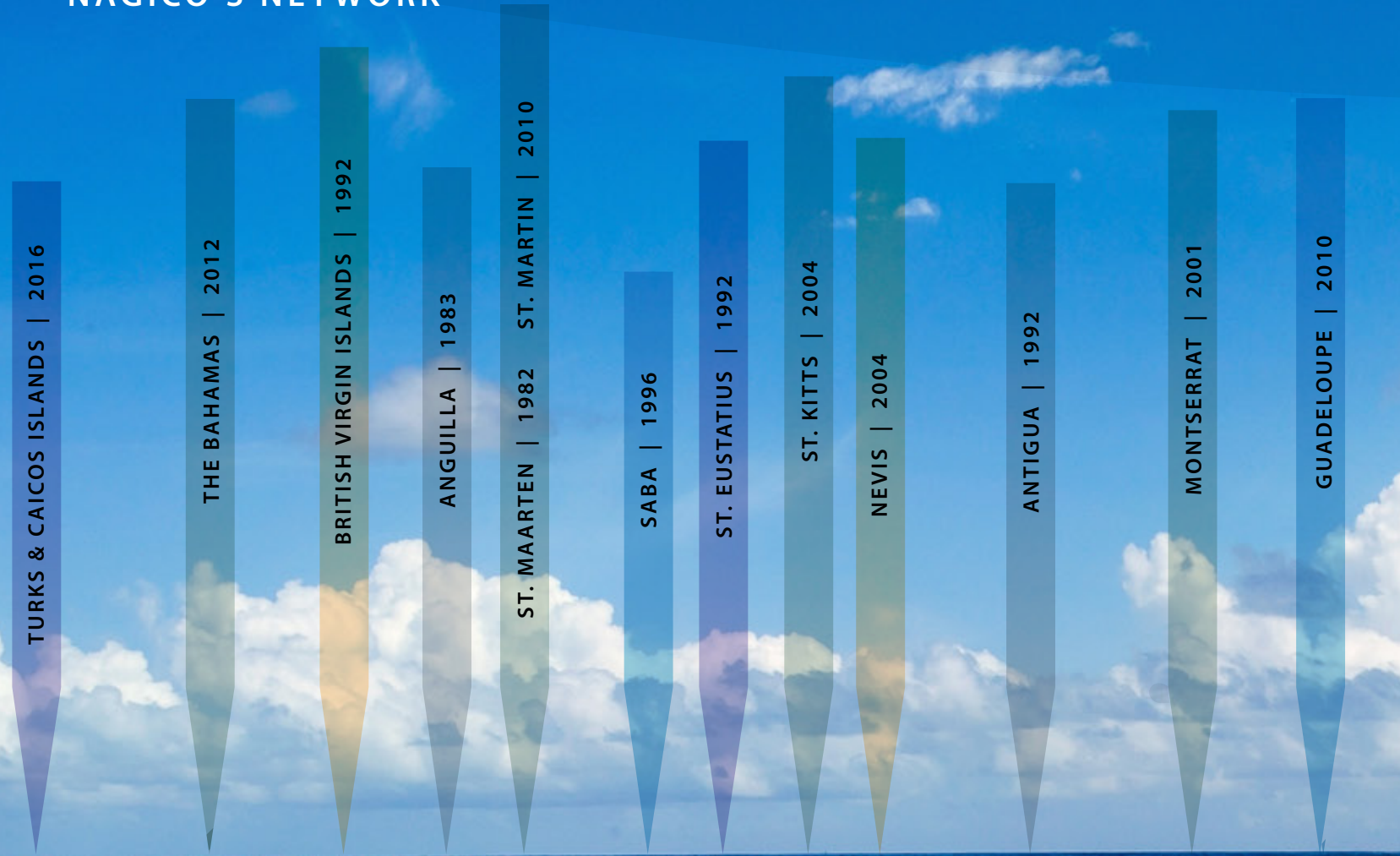
In addition to the above, each year the company provides temporary summer employment to job seekers and internship opportunities to final year students ranging from secondary to tertiary education programs. "When we empower young people, we give them the opportunity to make their lifestyles and that of their families better," Elgin said. "It also bodes better for society, as it reduces unemployment, stimulates economic growth and raises the level of education, professionalism and intellect of our population."

### VOLUNTEER SERVICE

Volunteer work fills the gap between an individual or community's resources and those provided by the government. It adds tremendous value not only to those directly helped but also to those that actually volunteer. NAGICO is appreciative of the many benefits associated with volunteering and as such established a group wide volunteer program which has enriched the lives of many internal and external to our organisation.

In 2016, as is displayed on our calendar which was themed 'Community Mindedness', each territory chose a major project on which to focus that would add value in their region, these included: the repainting of an elementary school by NAGICO Curacao, fun day hosted by NAGICO St. Maarten for children with down syndrome, the restoration of a community playground in Aruba and in Grenada by NAGICO staff, collaborating with a local comprehensive school to host their annual road race event in Anguilla, working with the National Trust Park in the BVI to monitor newly planted mangroves, participating and coordinating a sports day for the children of Montserrat's Lookout Primary, collaborating with The Bahamas Humane Society to care for dogs at the animal shelter, assisting with the opening of a Library at a school in Trinidad & Tobago, the beautification of a primary school in Dominica, conducting a reading program for The William Connor School in St. Kitts, organizing a major clean up at one of the most popular beaches in Antigua and the building of a home for a needy family of 6 in St. Lucia. These ventures represents a few of the projects that NAGICO undertook in 2016.

## NAGICO'S NETWORK



Through the connections we make with each other we impact lives. The relationships we build over time, fostered by trust, fuels our very existence. It is based on these principles that NAGICO created its winning formula of consistently offering and delivering the best solutions and service predominantly through partners.

NAGICO is proud of its network which spans over 21 Territories. It is represented by over 60 qualified and experienced insurers and in excess of 200 professional and experienced agents and brokers. Our staff, agents and brokers are the heartbeat of the NAGICO Group. Their passion and commitment to serving embodies our core values and infuses our loyal customer base.

**ANGUILLA**  
Branch Office  
Howard Chengajune

**ANTIGUA**  
Brysons Insurance Agency  
Marjorie Parchment

**ARUBA**  
Subsidiary  
Detlef Hooyboer

**BONAIRE**  
Branch Office  
Johannes William

**BVI**  
(Tortola / Virgin Gorda)  
Century Insurance Agency  
Shan Mohamed

**CURACAO**  
Branch Office  
Johannes William

**DOMINICA**  
Branch Office  
Merle Lawrence

**FRANCE AND FRENCH  
OVERSEAS TERRITORIES**  
Cooper Gay

**GRENADA**  
Subsidiary  
Chantelle Bristol  
& Theresa Noel

**MONTserrat**  
Judith Greer &  
Associates Inc.  
Judith Greer

Ryan Investments Ltd.  
(Authorized Agent)  
Yvette Ryan

**NAGICO LIFE**  
(Dutch Antilles)  
Detlef Hooyboer

**NEVIS**  
Branch Office  
Amit Mohabir

**SABA**  
Branch Office  
Sheritsa Oleana

**ST. EUSTATIUS**  
A.R.C. Agency N.V.  
Arlene Cuvalay

Carmen Suares-Mars  
  
I.F. Rivers Enterprises N.V.  
Ivan Rivers

**ST. KITTS**  
Branch Office  
Amit Mohabir

**ST. LUCIA**  
Subsidiary  
Adele Jn Baptiste

**ST. MAARTEN**  
NAGICO Head Office

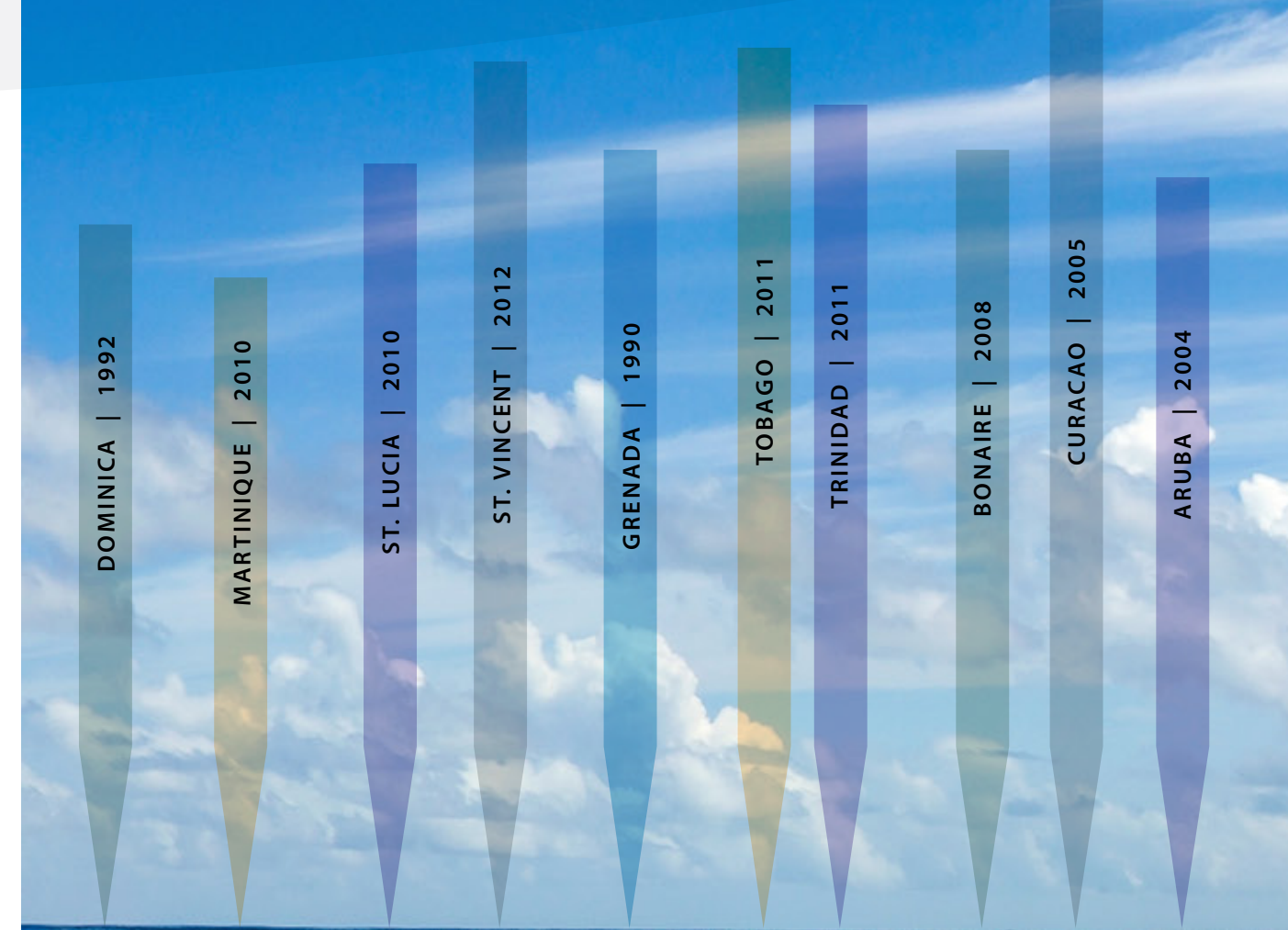
**ST. MARTIN**  
(French Side)  
Branch Office  
David Ménissier

**ST. VINCENT**  
St. Vincent Insurances Ltd.  
(Represented by Vinsure)  
Samuel Goodluck

**THE BAHAMAS**  
Subsidiary  
Vibert Williams

**TRINIDAD & TOBAGO**  
Subsidiary  
Sharon Melville

**TURKS & CAICOS  
ISLANDS**  
Carla Blake



Our intermediary driven model ensures that people deal with people they can trust and rely upon to guide and advise them and most importantly, people who will be there when they need them to be.

## CHAIRMAN'S STATEMENT

**Mr. Imran McSood Amjad** is the Chairman of the Board of Directors for the NAGICO Group of Companies. In 1981 he became one of the youngest Chartered Insurers (ACII) in the Caribbean. After quickly moving up the ranks at GTM Insurance Company in Guyana, he took the challenge of heading a small insurance start-up in St. Maarten. He has been at the helm of NAGICO since its inception in 1982 guiding the one office operation with US \$75,000 starting capital to the largest privately held general insurance provider in the Caribbean.

This reporting year has been very interesting for the NAGICO Group and while we have experienced some negatives, there have been many more positives.

The negatives were primarily:

- A lower than budgeted underwriting profit
- A category 4 hurricane affecting the Bahamas and other territories.
- A higher than projected claims loss ratio, due to the hurricane referenced above, coupled with a frequency of fire and crime losses unprecedented in our company's history.
- Portfolio transfer cost resulting from the change in our reinsurance treaties from purely excess of loss to quota share in all classes with the exception of medical.
- Currency exchange losses from the deteriorating Trinidad & Tobago dollar.
- Anemic or declining economies within most of the territories in which we operate.
- Continued decline in premium rates.

Whilst all of the above have been impactful, I am very pleased to report on several positives for the NAGICO Group. These were primarily:

- An increase in our overall net income to US\$6.2 million after tax compared to the US\$4.2 million earned in 2015. See financial highlights for more details.
- Completion of the sale of 50% of our shares to Peak Reinsurance Company Limited (Peak Re), an international reinsurer with over US\$1 billion of assets and majority owned by the Fosun Group, which has over US\$12 billion in equity and in excess of US\$50 billion of assets.
- Conversion of all our reinsurance treaties except for the medical line of business from an excess of loss basis to 50% quota share; thereby providing release of capital for further organic growth as well as mergers and acquisitions.
- Surpassing US\$150 million in gross written premiums for the first time in our history. We are particularly proud of this accomplishment given the state of the market, with consistently falling premium rates and a fiercely competitive environment.



- We have surpassed our equity and asset targets as defined in our initial 2020 vision for NAGICO well in advance of the deadline of year 2020. Our equity now surpasses US\$100 million and assets stand at just under US\$300 million.
- Loyalty of agents, brokers and staff are at a very high level, indicative of our commitment to consistently delivering quality service: providing effective risk solutions and fast and fair claim settlement.
- Turnaround of our life insurance company which generated a profit after tax of US\$744 thousand compared to a loss of US\$426 thousand in 2015.
- Completion of our office buildings in St. Lucia and Trinidad and purchase of an office building in The Bahamas.
- Commenced operations in Martinique, St. Barths and The Turks and Caicos Islands, thereby resulting in the achievement of yet another target defined in our initial 2020 vision; having offices on 20 Islands by the end of the year 2020.
- The launch of our proprietary system, Insurance Pro 3, in a couple of key territories paving the way for implementation of this software in all Islands.

Our hardworking and highly driven executives, managers, staff, agents and brokers continue to forge ahead in the English, Dutch and French Caribbean looking for every opportunity for growth whilst observing good governance and applying enterprise risk management practices. We have invested a lot of time, money and talent in the last 5 years in these areas. We are well equipped to meet any challenge and will do so with focus, resolve and forward thinking, through a highly qualified staff and a powerful partner in Peak Re.

In 2017 we will be celebrating our 35th Anniversary. We are tremendously pleased with our accomplishments thus far as in addition to having surpassed our initial 2020 targets, we have also outdone most other companies in the non-life insurance business within the Caribbean, even those established long before us.

As a Group, we remain goal oriented and driven to succeed. We are Proud of our Past and Excited about the Future!

Imran McSood Amjad, ACII  
Chairman  
Chartered Insurer  
NAGICO Group of Companies



## NAGICO GENERAL - CEO'S STATEMENT

**Mr. Dwayne Elgin** is the Chief Executive Officer of National General Insurances Corp. N.V. and NAGICO Insurance Company Limited. He joined the company in 2001 and consistently worked his way up the ranks. With 13 years of experience under his belt he successfully obtained the following accreditations; Chartered Property Casualty Underwriter (CPCU) and Accredited Advisor in Insurance (AAI). In addition, he has obtained the following Associate Degrees; Insurance Services (AIS), Commercial Underwriting (AU) and Reinsurance (ARe).

2016 was a landmark year for the NAGICO Group. We achieved several milestones, positioning us well on track to achieving our current 2020 vision. Most notably, the Group's equity crossed US\$100 million and our gross written premiums surpassed US\$150 million. We expanded our Caribbean footprint to include operations in The Turks & Caicos Islands, further solidifying our presence in the Northern Caribbean and enhancing our geographical spread throughout the region. In addition, we completed construction of our own office building in St. Lucia, which now stands as a symbol of the roots we have planted in this territory and our commitment to continued development there.

Unfortunately, the economic conditions around the Caribbean did not improve sufficiently to stimulate market expansion in 2016 and the insurance industry did not show signs of emerging from the prolonged soft cycle, making growth and development very challenging. Internationally, reinsurance market conditions continued to soften, albeit at a much slower pace than the insurance market, and the lack of frequent major catastrophes continues to make the reinsurance market attractive for investors seeking better returns than the financial markets.

Only one major storm impacted the Group during 2016. Hurricane Matthew made landfall as a category 4 hurricane in The Bahamas and while our losses from this event were insignificant when compared to industry experience, less than 1% of the total loss, our commitment to 'Fast and Fair' claims settlement was evident in our resolution of over 90% of claims within 90 days. The Hurricane Matthew experience also showcased our prudent and effective risk selection and underwriting practices.

International reinsurer, Peak Re's investment in NAGICO has further strengthened our balance sheet and our operational capabilities through their contributions to the enhancement of our reinsurance program, investment management and general oversight. Our reinsurance program was further enhanced in 2016 to include a Whole



Account Quota Share arrangement. This arrangement is a very beneficial one for the NAGICO Group and its customers; it reduces our volatility risk and protects our capital even more. It also allows us to remain competitive in this hostile environment and provides us with capacity to facilitate further growth and expansion.

### 2017 Outlook

In spite of the economic and industry challenges experienced in 2016, many of which are expected to persist in 2017, NAGICO remains focused on seizing opportunities whilst effectively executing its strategic plan. Solidifying our presence in major markets such as Trinidad and Tobago, The Bahamas, the French overseas territories and the Turks and Caicos Islands remains a top priority for the Group as we intend to capitalize on the growth potential in these markets.

2017 marks 35 years of existence for NAGICO and this will be commemorated throughout the year. We have had a phenomenal past; from very modest beginnings in the island of St. Maarten, to 21 islands in the Caribbean where NAGICO has been the #1 insurer in St. Maarten, the British Virgin Islands, St. Lucia, Anguilla, Montserrat, Saba and St. Eustatius for many years. I wish to thank our staff, agents, brokers, regulators, other partners, directors and shareholders for their support over the years; however, we are most grateful to our clients for their patronage, belief and loyalty to NAGICO.

Resolutely we charge forward; 'Proud of our Past and Excited about our Future'

Dwayne Elgin, CPCU, AIS, AAI  
Chief Executive Officer,  
NAGICO Insurances N.V.



## NAGICO LIFE - CEO'S STATEMENT

**Detlef J.G. Hooyboer** is the CEO for NAGICO Life and Executive Director responsible for the growth and profit targets of the Non-Life operations in Aruba, Bonaire and Curaçao. Mr. Hooyboer has been at the helm of the NAGICO Aruba operation since its inception in 2003. He was appointed CEO for the Life operations in December 2014.

Mr. Hooyboer holds a Master of Science degree in Business Administration, with emphasis in Strategic Management, Financial Management, Strategic Control Systems, Project Management and Management of non-profit organizations. He also has a Chartered Property and Casualty Underwriter (CPCU) degree from the American Institute for CPCU.

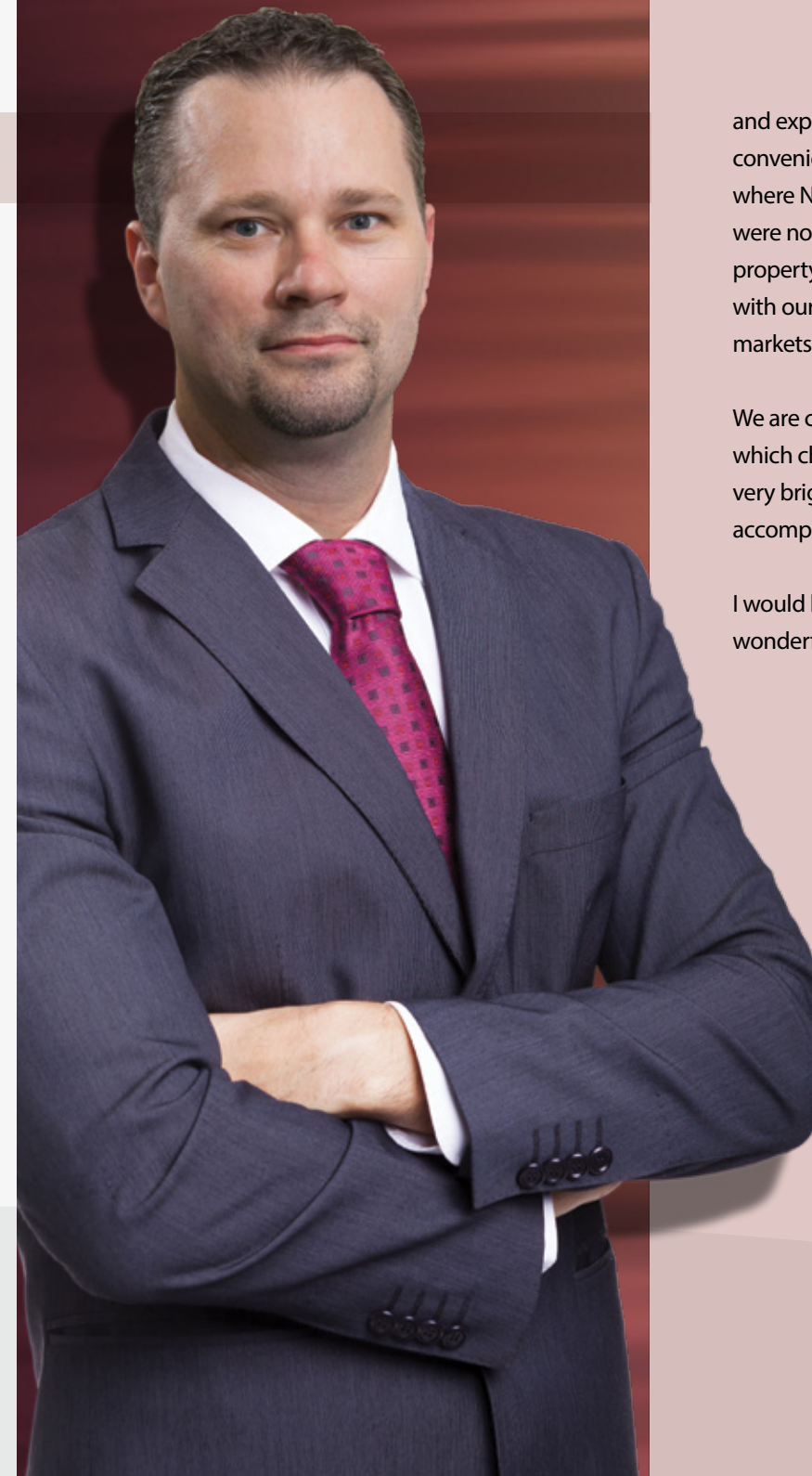
Having laid the groundwork in 2015, the past twelve months represented a period in which our focus was to capitalize on the investments already made and consolidate our position in the market. We developed superior, attractively-priced products and services including more efficient, customer-friendly processes for our brokers and clients which directly contributed to the positive results of 2016.

We reflected on our past and applied key learnings to build a life insurance company that is scalable and able to capitalize on market opportunities thus creating a platform from which we are charting an exciting future. The 2016 financial year saw an increase in our net results of US\$1.17 million over the prior year; a stark contrast from a loss of US\$426 thousand in 2015 to a profit of US\$744 thousand in 2016. Although the 2016 results were very positive, there were a number of one-off transactions experienced during the year, the absence thereof would have resulted in an even higher return being generated.

Our success came as a result of applying specific strategies centered around a two-pronged approach:

- A focus on products desired by the market that would not cause a significant growth strain on the business; and
- A review and enhancement of our systems and processes to make them more efficient as well as user and customer friendly.

We will continue this excellent work with the momentum created. Looking ahead to 2017, we have identified our strategic growth products and markets; NAGICO Life is focused on profitable growth



and expansion and is eager to provide superior service to the market. We note that many clients prefer the convenience of a one-stop shop. In fact, in the past, there have been numerous instances in the ABC territories where NAGICO's property and casualty operation missed out on opportunities, because life insurance products were not yet available; the presence of a life insurance operation creates a symbiotic relationship for the property and casualty arm. We are well poised to shift gears and increase the value of the NAGICO Group with our winning formula. Through the acquisition of portfolios and direct market entry, we will provide new markets with superior products and service.

We are cognizant of the challenging environment in which we operate and the competitive landscapes which characterize the majority of our markets. Despite this, the future of NAGICO Life and its customers is very bright. With our team of dedicated professionals and partners, we look forward to building on our 2016 accomplishments and catapulting the NAGICO Group to greater heights in 2017 and beyond.

I would like to take this opportunity to congratulate the NAGICO Group on its 35-year anniversary and the wonderful journey to date. We are Proud of our Past and Excited about our Future.

drs. Detlef Hooyboer, CPCU  
Chief Executive Officer  
NAGICO Life Insurance N.V.





## CFO'S STATEMENT

**Mr. Justin Woods** is the Chief Financial Officer of the NAGICO Group of Companies. With 14 years of public auditing experience, he has acquired a wealth of knowledge in various industries, including the financial, banking, insurance, manufacturing, retail and wholesale. He joined the NAGICO Group in 2013 and given his excellent performance was appointed as a Managing Director of National General Insurances Corp. N.V. Mr. Woods is a Certified General Accountant and also holds an Honors Bachelor of Commerce Degree.

2016 has been a successful year for the NAGICO Group notwithstanding the continued soft, highly competitive markets and weakened economies throughout the Caribbean. During 2016, Peak Re, an A- rated global reinsurer, completed the 50% acquisition of the NAGICO Group, accumulated shareholders' equity rose to US\$104 million due to positive earnings driven by underwriting profits and investment income. We strengthened our reinsurance structure and increased our underwriting capacity as we continued on our strategic growth and expansion path and opened a new branch office in the Turks and Caicos Islands.

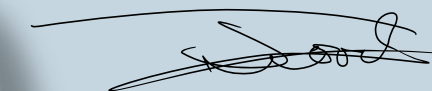
Although there were significant changes in the economic environment, including but not limited to the introduction of National Health Insurance in the British Virgin Islands and the devaluation of the Trinidad and Tobago dollar, largely due to low oil prices, the NAGICO Group's gross premiums grew to US\$152 million from US\$149 million in the prior year. In addition, we were impacted by Hurricane Matthew, a Category 4 hurricane, one of the strongest of the 2016 catastrophe season and throughout the region we experienced several attritional losses which affected our gross claims. However, we continue to benefit significantly from our effective enterprise risk management practices, particularly as it relates to the selection and underwriting of risk and modified reinsurance program; as a result, our net claims reduced to US\$32 million from US\$47 million in the previous year.

Operational efficiency is of paramount importance to NAGICO and management therefore continues to introduce measures to create efficiencies and synergies. During 2016 we successfully maintained our expenses at US\$34 million, the same level as the prior year, while the operations grew, as reflected by our increased gross premiums. Further, NAGICO applies a prudent investment strategy to complement its underwriting performance. This has worked well for the Group even in the face of several interest rate hikes by the US Fed, the 2016 US Election results, Brexit, the instability of several governments throughout the Caribbean and downgrades in the credit ratings of several

countries in which the Group operates. Investment income generated increased to US\$2.7 million in 2016 compared to US\$2.1 million in the prior year, largely as a result of our effective monitoring of and response to the various changes in market conditions.

As at 31st December 2016, overall net income was US\$6.2 million compared to US\$4.2 million as at 31st December 2015. Total Assets increased by 19% to US\$295 million from US\$247 million in 2015. The Group continues to have positive cash flows from investment income and has liquid assets amounting to US\$148 million.

During 2017, NAGICO celebrates its 35th Anniversary. Over the years the Group has demonstrated its resilience and ability to add value to its customers, agents, brokers and staff and cultivate a culture of care and trustworthiness. NAGICO is a dominant force throughout the Caribbean. We are "Proud of our Past and Excited about our Future."



Justin Woods, H.B Comm, CGA  
Chief Financial Officer  
NAGICO Group of Companies



## CSRO'S STATEMENT

**Ms. Kyria Ali** joined NAGICO in 2014 as Chief Risk Officer of the NAGICO Group of Companies and was also appointed to a number of the Group's boards. In 2016 she relinquished her directorship position to facilitate a fully non-executive board. She is a Chartered Certified Accountant, a Certified Internal Auditor, Certified Fraud Examiner, is a Member of the Chartered Institute for Securities & Investments and an Enterprise Risk Management Certified Professional.

Ms. Ali has a diverse background spanning from strategy development and business planning to internal controls and forensic reviews. She has provided various business advisory services to financial service entities in the Caribbean region since 2005 and has significant experience in the governance, risk management and compliance fields.

NAGICO achieved a number of milestones despite the tumultuous events of 2016. It was a year full of disruptions and change which required businesses to constantly monitor and effectively navigate the volatile landscape; it has also set the stage for an interesting 2017. In the international arena, we saw the UK vote to exit the European Union, a new President elected in the United States and an increase in terrorist attacks worldwide. Notwithstanding these international developments, in the Caribbean tourist arrivals increased by 4.2% in 2016, better than the 3.9% overall increase experienced internationally. Visitor expenditure in the region also increased by an estimated 3.5% over the prior year. It is expected though that the rapprochement between the US and Cuba may likely contribute to a shift in tourism flow to Cuba at the expense of some other Caribbean destinations.

Another major regional development was the deterioration in the exchange rate of the T&T dollar to the US dollar by approximately 5.35% and the limited allocation of US currency available for purchase by those operating within Trinidad & Tobago. Further, despite gross losses in the billions suffered by the Caribbean from Hurricane Matthew, the insurance industry continued to operate in an environment where it appears that premium rates have not yet bottomed out. In addition to this, the demand for increased compliance and capitalization levels continued to escalate, thus narrowing margins even further as a result of the associated costs.

As mentioned above, 2016 was a milestone year for NAGICO. After a mere 34 years of operation and having weathered a multitude of natural disasters ranging from tropical storms to Category 5 strength hurricanes, persevering through a major global financial crisis and operating within an abnormally prolonged soft market where premium rates have fallen in excess of 40% in the Caribbean region, we have grown our equity to over US\$100 million and total assets to US\$295 million from a starting capital base of only US\$75 thousand. These impressive results, which were attained within a comparatively very short time period, have been achieved primarily through the application of effective risk management by the Group, commitment to service to our intermediaries and clients and their resounding loyalty and support over the years.



At NAGICO Insurances, we recognize the importance of strategic risk management to the business and its longevity, thus we have conscientiously and consistently invested in this area on various platforms; our human resources, partnerships and relationships, reinsurance programs, technology etc. Risk is not treated as an afterthought to planning strategy; we are a dynamic, forward looking group that remains focused on achieving our vision, cognizant of the associated risks. During 2016, we effectively utilized technology in our strategic risk management process; particularly, in the monitoring and management of performance which enabled us to identify and adapt quickly in our response to undesirable results, changing environments and to protect our enterprise value. In addition, we modified our reinsurance program to further enhance our balance sheet strength and increase our underwriting capacity so that we could better serve our customers and the region. Our customers need us to deliver on our promises, thus our financial strength and stability, and by direct extension the quality of our reinsurance program and providers, is very important. We are proud of our balance sheet strength, which is at 'aaa', the highest score/ category as per AM Best's BCAR guidelines and also of our reinsurance panel who are all A- or higher rated by AM Best.

Another milestone event that crystalized as part of our 2016 strategic risk management initiatives was the completion of the sale transaction with Peak Re, who was warmly welcomed as a 50% shareholder of the Group in August 2016. The Peak Re partnership creates a unique and significant strategic advantage for NAGICO Insurances, its intermediaries and clients. In pursuit of our shared vision we will utilize our strong foundation and the insights that hindsight provides us, in conjunction with technological advancements and our expanded network to attain greater success in both the property and casualty as well as life insurance space.

Our history proves that NAGICO is a resilient Group that can be relied upon. We are a team of risk advisors that provide solutions through effective risk management. The platform that has been created and the momentum that has been built places NAGICO Insurances in an exceptional position to soar to even greater heights. We are extremely Proud of our Past and are Excited about our Future!

A handwritten signature in black ink that reads "Kyria Ali".

Kyria Ali, FCCA, CIA, CFE, MCSI, ERMCP  
Chief Strategy & Risk Officer  
NAGICO Group of Companies



# BOARD OF DIRECTORS

- Holdings Board
- NV Board
- Life Board
- Aruba Life Board
- Aruba General Board
- T&T Board
- Ltd Board
- Bahamas Board
- Grenada Board
- St. Lucia Board
- Vinsure Board

## Imran McSood Amjad

Mr. Amjad is the Chairman of the Board of Directors for the NAGICO Group of Companies. In 1981 he became one of the youngest Chartered Insurers (ACII) in the Caribbean. After quickly moving up the ranks at GTM Insurance Company in Guyana, he took the challenge of heading a small insurance start-up in St. Maarten. He has been at the helm of NAGICO since its inception in 1982 guiding the one office operation with US \$75,000 starting capital to the largest privately held general insurance provider in the Caribbean.

## Reza Amjad

Mr. Amjad is a member of the Supervisory Board of National General Insurance Corp. N.V., NAGICO Life Insurance N.V. Board and NAGICO Insurance Company Limited Board and the NICL General Insurance Company Limited since 2014. He is the Managing Director of Motorworld, Caribbean Auto and Dollar/Thrifty Car Rental in St. Maarten and also International Motors located in Anguilla. He earned a Bachelor's Degree in Communications and Public Relations from St. John's University in New York.

## Mark Teelucksingh

Mr. Teelucksingh is a member of the Board of Directors of NAGICO Insurance (Trinidad & Tobago) Limited, NAGICO General Insurance Corp. N.V. and NAGICO Life Insurance N.V. He previously worked at Nationwide Insurance starting as an Assistant Accountant. He attained his FLMI designation while at Nationwide and acquired his MBA from the Heriot Watt University in 2009. Mr. Teelucksingh previously worked at Royal Bank of Trinidad and Tobago and is currently the Corporate Secretary for Ferreira Optical Limited.



## Ronald Knowles

Mr. Knowles has been a member of the Supervisory Board of National General Insurance Corp. N.V., NAGICO Life Insurance N.V. Board, NAGICO Insurance Company Limited Board since 2008. He is a Fellow of the Association of Chartered Certified Accountants. Mr. Knowles previously worked for Peat Marwick (now known as KPMG) in their Bahamas and London Offices. In 1989, Mr. Knowles started his own accounting practice and now runs two offices in The Bahamas.

## Sarah Hatcher

Mrs. Hatcher is on the Supervisory Board of National General Insurance Corp. N.V. and the NAGICO Life Insurance N.V. Board. She initially worked for a number of UK life insurance companies in the capacity of Compliance Manager. Mrs. Hatcher holds a Distinction in the International Compliance Diploma, a certificate in Financial Planning from Chartered Institute of Personnel from Development (CIPD). She is currently the Compliance and Money Laundering Reporting Officer at Century Insurance Agency in BVI.

## Ronald Ramphal

Mr. Ramphal joined the Supervisory Board of National General Insurance Corp. N.V., NAGICO Life Insurance N.V. Board and NAGICO Insurance Company Limited Board in 2013. Mr. Ramphal has over 40 years of experience and knowledge in the insurance industry; he became a chartered insurer in 1981 after completing the Associate Chartered Insurances Institute (ACII). Prior to joining the board Mr. Ramphal worked at NAGICO for over 20 years and he retired in 2012 as the Managing Director of Underwriting and Reinsurance.

## Brenda Brooks

Ms. Brooks is a member of the Supervisory Board of National General Insurance Corp. N.V. and NAGICO Life Insurance N.V. She is an attorney at law by profession and Director at Brooks & Associates Attorneys at Law on St. Maarten. Ms. Brooks also serves as the Chairperson of the Supervisory Board at the Bureau for Telecommunications & Post in St. Maarten.



## BOARD OF DIRECTORS, CONTINUED

### Dawn Davies

Ms. Davies has been the Director of NAGICO Insurance (Bahamas) Limited since 2011. Mrs. Davies retired as Deputy Managing Director of Fortis Fund Services (Bahamas) Limited in 2000, after having served in managerial positions in the financial services sector in The Bahamas for over thirty-five years. She is a graduate of the University of Strathclyde in Scotland and obtained her MBA from the University of Miami, Florida. Currently, Mrs. Davies serves as a Director of Euro-Dutch Trust Company (Bahamas) Limited and a number of investment companies.

### Vibert Williams

Mr. Williams joined NAGICO in 2001. He is a member of the Board of Directors and Managing Director of NAGICO Insurance (Bahamas) Limited and the Executive Director for Regional Development. Mr. Williams has a wealth of insurance experience and holds the following designations: Chartered Property Casualty Underwriter (CPCU), Accredited Adviser in Insurance (AAIA) and Fellow of the Life Management Institute (FLMI) Mr. Williams has earned an Associate Degree in four other insurance disciplines.

### Edward Lord

Mr. Lord is the Director of NICL General Insurance Company Limited. He is the Administrative Manager of the Grenada Ports Authority and past member of the Grenada Sustainable Development Council. In 2006, Lord was a part of the Ministry of Finance Strategy Design Team which formulated the Grenada Export Strategy. Mr. Lord represented the Ministry of Environment, Foreign Trade and Export Development in preparing the social road map on building a green economy for sustainable development in Carriacou and Petite Martinique, Grenada for United Nations Department of Economic and Social Council.



### Franz Hahn

Mr. Franz Josef Hahn is the Co-founder and Chief Executive Officer of Peak Re. He is responsible for chartering corporate strategic directions and oversees operations. With over 28 years of reinsurance experience, he has a successful track record in building strong teams and successful reinsurance business in China and the Asia Pacific region. Before Peak Re, he was the Managing Partner of FJ Hahn & Associates, offering strategic business advisory services to insurance companies and other financial institutions in Asia, Europe and the US. Mr. Hahn was previously Swiss Re's lead in the Greater China region where he built up a strong leadership team and developed a number of innovations. Before his time with Swiss Re, he had spent nine years at Munich Re, where he served as Head of Casualty in Hong Kong.



### Kaihong "Cathy" Chen

Ms. Cathy Chen is the Chief Financial Officer for Peak Re, overseeing their financial and operational management. Cathy has over 10 years of accounting and financial experience in both the insurance and reinsurance industry and has solid knowledge of the related regulations. Prior to joining Peak Re, Cathy was the Chief Representative for Lloyd's Beijing representation office, responsible for Lloyd's brand exposure and government relations in China. Before that, she was the CFO for Swiss Re's China operation and had successfully established and maintained good relationships with Chinese government agencies. Cathy holds an MBA in Finance and a Bachelor's degree in Economics. She is also a member of the Association of Chartered Certified Accountants (ACCA) Fellowship.



### Yu "Alex" Pei

Mr. Alex Pei is the Vice President of Fosun Insurance Group and leads insurance investments. He has extensive experience in financial institution mergers and acquisitions. He led the execution of several major Fosun investments of more than 4 billion USD during the last three years, including the acquisition of Fidelidade Group in Portugal and Ironshore Inc. in Bermuda. He also serves as the board director for Ironshore Inc. and NAGICO Insurance Group and supervisory board director for Fidelidade Group. Mr. Pei has more than 10 years experience in the insurance and financial industry and worked in London and Paris before he joined Fosun in Hong Kong. Mr. Pei is the fellowship member of the Institute and Faculty of Actuaries (IFoA) in the UK and the fellowship member for the Institut des Actuaire in France.



### Yongqing "Johnny" Zhang

Mr. Zhang Yongqing joined Fosun Group in February 2015 and is now the HR Executive Director of Fosun Insurance Group. He is responsible for HR management of Fosun Insurance Group and its domestic and overseas portfolio companies. Mr. Zhang is also director of NAGICO Insurance Ltd. Prior to joining Fosun, Mr. Zhang worked in insurance industry for more than 12 years, involving life industry and non-life industry for about 6 years separately and mainly focusing in HR management and corporate governance. Before that, he worked in a university for more than 5 years. Mr. Zhang received his MBA from Business School of Nanjing University. He has 13 years of experience in HR management and has accumulated a rich knowledge in the insurance industry. Mr. Zhang is also the supervisor of FOSUN PRAMEICA Insurance company.





## INDEPENDENT AUDITOR'S REPORT

### OPINION

The accompanying condensed consolidated financial highlights of Nagico Holdings Limited, which comprise the condensed consolidated statement of financial position as at December 31, 2016, the condensed consolidated statement of profit or loss and other comprehensive income for the year then ended, and related notes, are derived from the audited consolidated financial statements of Nagico Holdings Limited, for the year ended December 31, 2016.

In our opinion, the accompanying condensed consolidated financial highlights are consistent, in all material respects, with the consolidated financial statements of Nagico Holdings Limited, in accordance with International Financial Reporting Standards.

### CONDENSED CONSOLIDATED FINANCIAL HIGHLIGHTS

The condensed consolidated financial highlights do not contain all the disclosures required by International Financial Reporting Standards. Reading the condensed consolidated financial highlights, therefore, is not a substitute for reading the audited consolidated financial statements of Nagico Holdings Limited.

### THE AUDITED STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the consolidated financial statements of Nagico Holdings Limited in our report dated March 4, 2017. This condensed consolidated financial highlights and the consolidated financial statements of Nagico Holdings Limited do not reflect the effects of events that occurred subsequent to the date of our report on the consolidated financial statements of Nagico Holdings Limited.

### MANAGEMENT'S AND SUPERVISORY BOARD'S RESPONSIBILITY FOR THE CONDENSED CONSOLIDATED FINANCIAL HIGHLIGHTS

Management is responsible for the preparation of the condensed consolidated financial highlights derived from the consolidated audited financial statements in accordance with the International Financial Reporting Standards. The supervisory board is responsible for overseeing the financial reporting process.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on whether the condensed consolidated financial highlights are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), "Engagements to Report on Summary Financial Statements".

Sint Maarten,  
August 3, 2017

KPMG Accountants B.V.  
Lindomar L.P. Scoop RA

## CONDENSED CONSOLIDATED FINANCIAL HIGHLIGHTS

Condensed Consolidated Statement of Financial Position as at December 31, 2016  
(in thousands of U.S. dollars)

ASSETS	2016	2015
<b>Property and equipment</b>	21,052	18,434
<b>Retirement benefit asset</b>	12,598	10,613
<b>Investment properties</b>	19,429	30,373
<b>Held-for-sale assets</b>	11,300	-
<b>Investment securities</b>	76,451	70,586
<b>Intangible assets</b>	3,857	2,949
<b>Deferred tax assets</b>	3,447	3,227
<b>Receivables</b>		
Due from reinsurers	67,342	29,056
Insurance receivables	30,878	26,816
Deferred acquisition costs	8,941	8,006
Policy loans	1,233	1,298
Prepayments and other current assets	3,833	5,011
	<u>112,227</u>	<u>70,187</u>
<b>Cash and cash equivalents</b>	34,841	41,673
<b>TOTAL ASSETS</b>	<b><u>295,202</u></b>	<b><u>248,042</u></b>
<b>EQUITY AND LIABILITIES</b>	<b>2016</b>	<b>2015</b>
<b>Equity</b>		
Share capital	10	10
Additional paid in capital	43,515	43,515
Other components of equity	5,979	5,718
Retained earnings	52,758	47,048
<i>Shareholders' equity</i>	<u>102,262</u>	<u>96,291</u>
Non-controlling interests	1,923	1,782
<i>Total equity</i>	<u>104,185</u>	<u>98,073</u>
<b>Liabilities</b>		
Insurance liabilities	120,505	113,049
Due to reinsurers	57,690	25,258
Deferred tax payable	4,566	4,055
Current tax payable	1,513	1,505
Accounts payable and accrued liabilities	6,743	6,102
	<u>191,017</u>	<u>149,969</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>295,202</u></b>	<b><u>248,042</u></b>

Condensed Consolidated Statement of Profit or Loss for the Year Ended December 31, 2016  
(in thousands of U.S. dollars)

	2016	2015
<b>Underwriting income</b>		
Insurance premium revenue	148,576	146,398
Reinsurance cost	(60,626)	(41,547)
<i>Net premiums earned</i>	<u>87,950</u>	<u>104,851</u>
Commission expense	(22,740)	(22,824)
<i>Net insurance premium revenue</i>	<u>65,210</u>	<u>82,027</u>
Other underwriting income	1,891	1,637
<i>Total underwriting income</i>	<u>67,101</u>	<u>83,664</u>
<b>Underwriting expenses</b>		
Insurance claims and loss adjustment expenses, net of recoveries from reinsurers	31,589	46,650
Other underwriting expenses	327	340
<i>Total underwriting expenses</i>	<u>31,916</u>	<u>46,990</u>
<b>Net underwriting income</b>	<b>35,185</b>	<b>36,674</b>
<b>Other expenses</b>		
Personnel expenses	17,142	16,601
Administrative expenses	5,369	5,426
Other operating expenses	9,630	10,011
Amortization	84	159
Depreciation	1,492	1,450
<i>Total other expenses</i>	<u>33,717</u>	<u>33,647</u>
<b>Other income</b>		
Investment income	2,707	2,126
Other income	1,380	998
<i>Total other income</i>	<u>4,087</u>	<u>3,124</u>
<b>Net result before taxation</b>	<b>5,555</b>	<b>6,151</b>
Taxation	(1,027)	(568)
<b>Net result after taxation</b>	<b><u>4,528</u></b>	<b><u>5,583</u></b>
<b>Attribution</b>		
Net income for the year attributable to shareholders	4,290	5,467
Net income for the year attributable to non-controlling interests	238	116
	<u>4,528</u>	<u>5,583</u>

\* restatements: refer to notes to the Condensed Consolidated Financial Highlights

## CONDENSED CONSOLIDATED FINANCIAL HIGHLIGHTS

Condensed Consolidated Statement of Other Comprehensive Income for the Year Ended as at December 31, 2016  
(in thousands of U.S. dollars)

	2016	2015
<b>Net result after taxation</b>	<b>4,528</b>	<b>5,583</b>
<b>Other comprehensive income</b>		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):</i>		
Exchange differences on translation of foreign operations	(868)	(393)
Net loss on available-for-sale financial assets	(1)	(44)
Realized (loss) gain on available for sales assets	-	(18)
	<u>(869)</u>	<u>(455)</u>
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):</i>		
Remeasurement gains/(losses) on defined benefit plans	1,515	(961)
Revaluation of land and buildings	1,038	-
	<u>2,553</u>	<u>(961)</u>
<b>Net other comprehensive income</b>	<b>1,684</b>	<b>(1,416)</b>
<b>Comprehensive income for the year</b>	<b><u>6,212</u></b>	<b><u>4,167</u></b>
<b>Attribution:</b>		
Comprehensive income for the year attributable to shareholders	5,971	4,072
Comprehensive income for the year attributable to non-controlling interests	241	95
	<u>6,212</u>	<u>4,167</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL HIGHLIGHTS

As per December 31, 2016

### GENERAL

NAGICO Holdings Limited (the "Company") was incorporated in Anguilla on July 15, 1999. The company's principal activity is to manage its subsidiaries. The address of the company's registered office is Caribbean Commercial Centre, The Valley, Anguilla. The condensed consolidated financial statements as at and for the year ended December 31, 2016 include the company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

Peak Re, a Hong Kong based global reinsurer, acquired a 50% share in NAGICO Holdings Limited. The transaction has been officially completed in August 2016 after the receipt of all required regulatory approvals and other customary closing conditions. Peak Re is a global reinsurer with extensive experience in the Asia Pacific market. Peak Re is authorized by the Office of the Commissioner of Insurance of Hong Kong and is backed by Fosun International Limited and the International Finance Corporation.

The Group is primarily involved in the offering of property and casualty insurance including fire, motor, public liability, health, marine insurance and life insurance. The Group conducts business through subsidiaries and their branches and agents in St. Maarten, St. Martin, French Overseas Territories (mainly Guadeloupe and Martinique), Anguilla, British Virgin Islands, Antigua, Aruba, Curaçao, Bonaire, Dominica, St. Kitts and Nevis, Montserrat, Turks & Caicos Islands, Saba, St. Eustatius, St. Vincent and the Grenadines, Trinidad & Tobago, Grenada, The Bahamas and St. Lucia. A significant portion of the Group's casualty and life insurance business is reinsured.

The consolidated financial statements, from which these condensed consolidated financial highlights were derived, were approved by the Board of Directors on March 3, 2017.

### BASIS OF PREPARATION

The consolidated financial statements, from which these condensed consolidated financial highlights were derived, were prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention. The accounting policies applied in the preparation of the consolidated financial statements from which these condensed consolidated financial highlights were derived from are as follows:

### Statement of compliance

The condensed consolidated financial statements of the Group, from which the condensed consolidated highlights have been derived, are prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention.

### Significant accounting judgments, estimates and assumptions

The preparation of the Group's condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

### Basis of consolidation

The condensed consolidated financial statements comprise the financial statements of the Group entities as at December 31 of each reporting year. The financial statements of the subsidiaries have been prepared for the same reporting year as the parent company, using consistent accounting policies.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL HIGHLIGHTS

Details of the company's subsidiaries as at December 31, 2016 are as follows:

NAME OF SUBSIDIARY	PLACE OF INCORPORATION AND OPERATION	PROPORTION OF OWNERSHIP INTEREST	PRINCIPAL ACTIVITY
NAGICO (Dutch Caribbean) B.V.	St. Maarten	100%	Holding company
National General Insurance Corporation (NAGICO) N.V.	St. Maarten	100% through NAGICO (Dutch Caribbean) B.V.	Non-life insurance
NAGICO Insurance Company Ltd. (NICL)	Anguilla	100%	Non-life insurance
NAGICO Aruba N.V.	Aruba	100% through NAGICO N.V.	Non-life insurance
NAGICO Investments Ltd.	Anguilla	100%	Investments
NAGICO Finance B.V.	Curaçao	100% through NAGICO N.V.	Investments
Pasha N.V.	St. Maarten	100% through NAGICO N.V.	Real estate
Zonover N.V.	St. Maarten	100% through NAGICO N.V.	Real estate
NAGICO Reinsurance Company Limited	Anguilla	100%	Inactive
NAGICO Information Technology Centre (NITC)	Dominican Republic	100% through NAGICO Investments N.V.	Technology
NAGICO Road and Claims Services N.V.	Aruba	100% through NAGICO N.V.	Road assistance service
NAGICO Insurance (Trinidad and Tobago) Limited	Trinidad and Tobago	100% through NAGICO N.V.	Non-life insurance
NAGICO Life Insurance N.V.	St. Maarten	100% through NAGICO (Dutch Caribbean) B.V.	Life insurance
NAGICO Life Insurance (Aruba) N.V.	Aruba	100% through NAGICO.	Life insurance
St. Vincent Insurances Ltd.	St. Vincent & the Grenadines	54.54% through NICL	Non-life insurance
NAGICO Insurance (Bahamas) Limited	The Bahamas	100% through NICL	Non-life insurance
NAGICO Insurance (Grenada) Ltd.	Grenada	100% through NICL	Non-life insurance
NAGICO (St. Lucia) Limited	St. Lucia	100% through NICL	Non-life insurance
The Grenadines Insurance Limited	St. Vincent & the Grenadines	54.54% through St. Vincent Insurance Ltd.	Non-trading
Insurance Company of St. Vincent and the Grenadines Limited	St. Vincent & the Grenadines	54.54% through St. Vincent Insurance Ltd.	Non-trading

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Property and equipment

Property and equipment, except for land, buildings and improvements, are stated at cost net of accumulated depreciation and impairment losses. Depreciation is determined on the straight-line basis based on the estimated useful life of the assets and an eventual residual value has been taken into consideration.

Land, buildings and improvements are measured on initial recognition at cost. Following initial recognition at cost, land, buildings and improvements are carried at revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and improvements and subsequent accumulated impairment losses. Impairment reviews are performed when there are indications that the carrying value may not be recoverable. Impairment losses are recognized in the condensed consolidated statement of other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. Additional decrease as a result of revaluation shall be recognized in the condensed consolidated statement of profit or loss.

#### Investment properties

Investment properties (land and buildings) are measured initially at cost, including transaction costs. Following initial recognition at cost, investment properties are stated at fair value, which reflects market conditions at the reporting date. Valuations are performed every three (3) years (last performed in 2016) by an accredited external, independent

appraiser, to ensure that the fair value does not differ materially from its carrying amount. A gain or loss arising from a change in the fair value of investment property shall be recognized in the condensed consolidated statement of profit or loss for the year in which it arises. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognized in the statement of profit or loss. Costs for the repairs and maintenance are recognized in the statement of profit or loss as incurred. Gains and losses on disposal of investment property are determined by reference to their carrying amount and are taken into account in determining operating profit, any related amount included in the revaluation reserve is transferred to retained earnings.

#### Held-for-sale assets

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill and then to the remaining assets and liabilities on a pro-rata basis, except that no loss is allocated to financial assets, deferred tax assets, employee benefit assets or investment property, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in the condensed consolidated statement of profit or loss. Once classified as held-for-sale, intangible assets and property and equipment are no longer amortized or depreciated and any equity-accounted investee is no longer equity accounted.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL HIGHLIGHTS

As per December 31, 2016

### Intangible assets

#### Goodwill

Goodwill is recognized at its cost, being the excess of the cost of the acquisition over the interest acquired in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity at the acquisition date. After initial recognition, goodwill acquired in a business combination is to be measured at cost less any accumulated impairment losses. Goodwill is not amortized, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

#### Present value of acquired in-force business

The Group recognizes an intangible asset arising from the acquisition of insurance portfolios. The fair value of these type of assets were calculated based on cost savings on commissions and management fees and other opportunity costs. The capitalized cost will be amortized over the lifetime of the policies and expected client relationships, which have an estimated useful life not longer than five years. These are reviewed at the end of each reporting date and are written-off where they are no longer considered as recoverable.

#### Development costs

Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;

- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

#### Other intangible assets

Other intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

## FINANCIAL INSTRUMENTS

### Classification

The Group's non-derivative financial instruments comprise of financial assets at fair value through profit or loss, loans and receivables, held-to-maturity instruments, available-for-sale financial assets and trade and other payables.

### Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss (loans and receivables, held-to-maturity investments, available-for-sale financial assets) as appropriate. The Group determines the classification of its financial assets at initial recognition.

Financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss,

directly attributable transaction costs.

The classification depends on the purpose for which the investments were acquired or originated. Financial assets are classified as at fair value through profit or loss where the Group's documented investment strategy is to manage financial investments on a fair value basis, because the related liabilities are also managed on this basis. The available-for-sale and held-to-maturity categories are used when the relevant liability (including shareholders' funds) is passively managed and/or carried at amortized cost.

### Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that have occurred since the initial recognition of the asset (an incurred 'loss event'), have an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 20% to be significant and a period of nine months to be prolonged.

### Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial

liabilities at fair value through profit or loss and other financial liabilities. The Group determines the classification of its financial liabilities at initial recognition. The Group's financial liabilities include insurance payables, trade and other payables.

### Insurance contracts

#### General insurance

Insurance contracts are defined as those containing significant insurance risk if, and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract. Such contracts remain insurance contracts until all rights and obligations are extinguished or expires. Contracts can be reclassified to insurance contracts after inception of insurance risk becomes significant.

#### Life insurance

Life insurance contracts insure events associated with human life (for example, death or survival) over a long duration. Premiums are recognized as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission. When policies lapse due to non-receipt of premiums, all the related premium income accrued but not received from the date they are deemed to have lapsed are debited to premiums.

#### Claim expenses

Claim expenses are charged to income as incurred and accounted for net of the reinsured portion and proceeds from salvage and subrogations.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL HIGHLIGHTS

As per December 31, 2016

### **Claims and loss adjustment expenses and related liabilities**

These reserves consist of a provision for the estimated outstanding casualty and property insurance claims to be paid and include a provision for incurred but not yet reported (IBNR) claims. These provisions are not discounted. The related portions recoverable from reinsurers in respect of incidents occurring up to the statement of financial position date are recorded as claims receivable.

Besides casualty and property insurance, the Group also underwrites life and sickness insurance. These policies are reinsured over a minimum threshold per incident. Subsequent claim settlements above the threshold amount are provided for.

### **Reinsurance**

The Group cedes insurance risk in the normal course of business for most of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

### **Revenue recognition**

#### **Gross premiums**

Gross recurring premiums on life are recognized as revenue when

payable by the policyholder. For single premium business, revenue is recognized on the date on which the policy is effective. Gross general insurance written premiums comprise the total premiums receivable for the whole year of cover provided by contracts entered into during the accounting year and are recognized on the date on which the policy commences. Premiums include any adjustments arising in the accounting year for premiums receivable in respect of business written in prior accounting years. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

Unearned premiums are those proportions of premiums written in a year that relate to years of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent years is deferred as a provision for unearned premiums.

#### **Reinsurance premiums**

Gross reinsurance premiums on life are recognized as an expense when payable or on the date on which the policy is effective. Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the year and are recognized on the date on which the policy incept. Premiums include any adjustments arising in the accounting year in respect of reinsurance contracts incepting in prior accounting years.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to years of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contracts.

#### **Commission income and expense**

Base commissions paid to agents and received from insurers and reinsurers are calculated based on gross premiums written and reinsured. Base commissions paid and received are adjusted so that they are recognized over the period covered by the related policies taking into consideration the exposure period to which they relate.

#### **Investment income**

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss, and gains on the remeasurement to fair value of any pre-existing interest in an acquiree in a business combination and reclassifications of net gains previously recognized in other comprehensive income. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

#### **Employee benefits**

The Group (except for NAGICO Insurance (Trinidad and Tobago) Limited) participates in a defined contribution pension plan which

covers all permanent employees and/or employees who have been with the Group for a minimum of one year. At the beginning of each year premiums are being paid which represents 10% of the gross salaries, 5% for the account of employee and the remaining 5% is shouldered by the Group. In 2010, this pension scheme was transferred to NAGICO Pension Fund Foundation which is a newly established Fund that will manage the pension of NAGICO Group of Companies.

NAGICO Insurance (Trinidad and Tobago) Limited participates in a defined benefit pension plan which covers all permanent employees under a trust agreement. The plan is administered by another company, an approved trustee under the Financial Institution Act, and is regulated by the Central Bank of Trinidad and Tobago. The employer and employee both contribute to the plan as defined by the trust deed.

#### **Related party transactions**

Related parties are those enterprises that are either in control of the Group or are controlled by the Group, or can exercise significant influence over the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. All transactions with the related parties are conducted at arm's-length except that no interest is charged to group and affiliated company balances and such balances are unsecured. No expense has been recognized in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties. These include transactions with key management personnel, shareholders and controlling party.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL HIGHLIGHTS

As per December 31, 2016

### Current and deferred income tax

The tax expense for the year comprises current and deferred taxes. Tax is recognized in the condensed consolidated statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group entities operate and generate taxable income. The profit tax rates in the various countries are varying from 0% as being the minimum nominal rate to 35% as being the maximum nominal rate. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate.

Deferred income tax assets and liabilities are derived from temporary differences between fiscal and financial valuation of assets and liabilities. Deferred income taxes are determined using the tax rate when it is expected to be reversed and are expressed at nominal value. Valuation of a deferred tax asset takes place to the extent that such valuation is deemed possible.

## CONDENSED CONSOLIDATED FINANCIAL HIGHLIGHTS

Condensed Consolidated Statement of Financial Position as at December 31, 2016

RETIREMENT BENEFIT ASSET (in thousands of U.S. dollars)	2016	2015
<i>The amounts recognised in the statement of financial position are as follows:</i>		
Present value of obligations	(5,336)	6,778
Fair value of plan assets	17,934	17,391
	<u>12,598</u>	<u>10,613</u>
<b>Liability profile</b>		
The defined benefit obligation is allocated between the Fund members as follows:		
Active members	29%	33%
Deferred members	7%	6%
Pensioners	64%	61%
	<u>100%</u>	<u>100%</u>
<b>Asset allocation</b>		
Equity securities	53%	57%
Government bonds	16%	10%
Term deposits, cash and accruals	31%	33%
	<u>100%</u>	<u>100%</u>
<b>INVESTMENT PROPERTIES (in thousands of U.S. dollars)</b>		
	<b>2016</b>	<b>2015</b>
Balance as at January 1	30,373	30,373
Disposals	(660)	-
Transfer from property and equipment	423	-
Fair value adjustments	593	-
Transfer to held-for-sale assets	(11,300)	-
Balance as at December 31	<u>19,429</u>	<u>30,373</u>

## CONDENSED CONSOLIDATED FINANCIAL HIGHLIGHTS

As per December 31, 2016

This means that valuations performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property. The properties' fair values are based on valuations performed by various accredited, independent valuers who all have relevant valuation experience. A valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

INVESTMENT SECURITIES (in thousands of U.S. dollars)	2016	2015
<i>Long term investments</i>	26,951	29,961
<i>Short-term investments</i>	49,500	40,625
	<b><u>76,451</u></b>	<b><u>70,586</u></b>
The Group's investment securities are summarized into the following categories:		
<i>Long term investments</i>		
Held-to-maturity financial assets	24,708	28,020
Fair value through profit or loss financial assets	<u>2,243</u>	<u>1,941</u>
	26,951	29,961
<i>Short-term investments</i>		
Held-to-maturity financial assets	22,088	23,834
Fair value through profit or loss financial assets	24,463	13,916
Loans and receivables	2,351	2,271
Available-for-sale financial assets	<u>598</u>	<u>604</u>
	49,500	40,625
	<b><u>76,451</u></b>	<b><u>70,586</u></b>

## INVESTMENT SECURITIES CONTINUED (in thousands of U.S. dollars)

2016

2015

The following table compares the fair values of investments to their carrying values:

	Carrying Value	Fair Value	Carrying Value	Fair Value
<i>Long term investments</i>				
Held-to-maturity financial assets	24,708	25,427	28,020	28,451
Fair value through profit or loss financial assets	<u>2,243</u>	<u>2,243</u>	<u>1,941</u>	<u>1,941</u>
	26,951	27,670	29,961	30,392
<i>Short-term investments</i>				
Held-to-maturity financial assets	22,088	22,148	23,834	23,877
Fair value through profit or loss financial assets	24,463	24,463	13,916	13,916
Loans and receivables	2,351	2,351	2,271	2,271
Available-for-sale financial assets	<u>598</u>	<u>598</u>	<u>604</u>	<u>604</u>
	49,500	49,560	40,625	40,668
	<b><u>76,451</u></b>	<b><u>77,230</u></b>	<b><u>70,586</u></b>	<b><u>71,060</u></b>

### Restricted investment securities

The restricted investment securities relate to regulatory requirements for operating licenses on the different islands where the Group operates and are being managed by our investment brokers. Fixed deposits are held with various commercial banks.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL HIGHLIGHTS

As per December 31, 2016

### CASH AND CASH EQUIVALENTS

A total amount of US \$9.4 million (2015: US \$18.1 million) is held in restricted accounts and is not currently available for the Group's use.

### CAPITAL AND OTHER COMPONENTS OF EQUITY

#### Share capital and additional paid-in capital

The authorized capital consists of 10,000 ordinary shares with a par value of US \$1 each. All of the shares have been issued and outstanding. The additional paid-in capital relates to capital that was issued above the nominal value of the shares. There was no movement in the number of shares outstanding during the year.

#### Statutory reserve

As required by Section 171 of the Insurance Act, 1980 of Trinidad and Tobago at least 25% of the profit of NAGICO Insurance (Trinidad and Tobago) Limited from general insurance business, for the preceding year is to be appropriated towards a statutory surplus reserve until such surplus equals or exceeds the reserves in respect of its outstanding unexpired policies. This reserve is not distributable.

#### Catastrophe Reserve Fund

On an annual basis, management of NAGICO Insurance (Trinidad and Tobago) Limited determines an amount that is transferred to a catastrophe reserve. This is treated as an appropriation of retained earnings and is included as a separate component of equity.

#### Fair Value Reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognized or impaired.

#### Revaluation reserve

All unreleased gains arising from the revaluation of property and equipment are recognized as part of equity.

#### Foreign currency translation reserve

The currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

### UNDERWRITING INCOME (in thousands of U.S. dollars)

2016

2015

*The following table presents breakdown of premium income:*

General insurance	142,776	140,950
Life insurance	5,800	5,448
<b>Insurance premium revenue</b>	<b>148,576</b>	<b>146,398</b>

### UNDERWRITING EXPENSES (in thousands of U.S. dollars)

2016

2015

*The underwriting expenses are as follows:*

General insurance	29,421	44,212
Life insurance	2,168	2,438
<b>Insurance claims and loss adjustment expenses, net of recoveries from reinsurers</b>	<b>31,589</b>	<b>46,650</b>

### COMMITMENTS AND CONTINGENCIES

#### Contingent liability

Certain pending litigations exist for which the outcome is uncertain at this time and for which no provision has been made. A provision is made where a potential liability is assessed as being probable.

### SUBSEQUENT EVENTS

Management has evaluated the need for disclosures and adjustments resulting from subsequent events from January 1, 2017 to March 3, 2017, the date the consolidated financial statements, from which these condensed consolidated financial highlights were derived, were available to be issued. There were no subsequent events requiring disclosures and/or adjustments up to that date in the consolidated financial statements.

We are on a steady path towards achieving our 2020 Vision. These goals are, but not limited to: remain a Caribbean insurer– firmly built based on trusted relationships; maintain, at a minimum, an A- Excellent rating from AM Best; be known for our financial strength and stability; be admired and respected for our core values: integrity, leadership, empowerment, diversity and kindness to people; provide an infrastructure where partnerships and innovation will thrive; increase premiums and profitability from long

## OUR FUTURE

term insurance products; maintain adequate risk-adjusted capitalization for our business profiles as measured by AM Best's Capital Adequacy Ratio; access all major segments of the market through our powerful intermediary network; be a place where the most talented, diverse and socially responsible employees endeavor to work.



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