NAGICO ARUBA N.V.
Aruba

Financial statements
December 31, 2019

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Related to Auditor's
Report dated October 7, 2020
Deloitte.
Oranjestad, Aruba

Financial statements

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Deloitte Dutch Caribbean
Avenida Milio J. Croes 60
P.O. Box 1271
Oranjestad
Aruba

Tel: +297 528 6200
www.deloitte.com/aw

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of Nagico Aruba N.V.

Opinion
We have audited the financial statements of Nagico Aruba N.V. (the "Company"), which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of the impact of the coronavirus
On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The COVID-19 outbreak in the Caribbean has resulted in reduced customer traffic as well as temporary office closures where government mandated. The extent of the impact of the financial position and performance of the Company depends on future developments, including but not limited to (i) the duration and spread of the outbreak (ii) the restrictions and advisories and (iii) the effects on the overall economy, all of which are highly uncertain and cannot be predicted. If these factors persist for an extended period, they may have a material adverse effect of the Company's future financial results. Our opinion is not modified in respect of this matter.

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 IFRSs, 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

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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.

Aruba, October 7, 2020
Deloitte Dutch Caribbean

drs. A.J. Kernkamp RA
Ref.: 21790/2020/BKE/onm

Statement of financial position as at December 31, 2019

Assets *(in Aruba florins)*	**Note**	**2019**	**2018**
Property and equipment	2	471,648	1,031,019
Right-of-use assets	3	923,119	-
Intangible assets	5	4,565	4,565
Deferred tax assets	13	274,999	52,114
Investment securities	4	18,724,459	16,510,000
Receivables			
Due from reinsurers	12	9,335,808	10,505,020
Insurance receivables	6	3,221,211	2,989,688
Deferred acquisition costs	7	1,254,534	1,266,475
Prepayments and other current assets	8	871,692	481,537
Current account affiliated companies	9	1,095,132	1,174,324
		15,778,377	*16,417,044*
Cash and cash equivalents	10	3,053,001	6,818,548
TOTAL ASSETS		**39,230,168**	**40,833,290**

Shareholders' equity and liabilities *(in Aruba florins)*	**Note**	**2019**	**2018**
Shareholders' equity			
Share capital	11	1,800,000	1,800,000
Retained earnings		11,253,453	8,052,811
		13,053,453	*9,852,811*
Liabilities			
Insurance liabilities	12	17,132,225	17,889,503
Due to reinsurers	12	5,658,415	6,910,410
Deferred tax payable	13	230,780	-
Current tax payable	13	1,062,425	776,541
Lease liabilities	3	937,676	-
Accounts payable and accrued liabilities	14	719,734	492,241
Current account affiliated companies	9	435,460	4,911,784
		26,176,715	*30,980,479*
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**39,230,168**	**40,833,290**

These financial statements were approved by the Board of Directors and signed on its behalf by:

Director

Director

See accompanying notes to the financial statements

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Statement of comprehensive income for the year ended December 31, 2019

(in Aruba florins)	Note	2019	2018
Underwriting income			
Insurance premium revenue	15	24,593,372	22,969,662
Reinsurance cost		(9,037,380)	(7,969,279)
Net premiums earned		15,555,992	15,000,383
Commission expense	7	(2,757,117)	(2,886,902)
Net insurance premium revenue		12,798,875	12,113,481
Other underwriting income	16	797,355	655,513
Net insurance premium revenue		*13,596,230*	*12,768,994*
Underwriting expenses			
Insurance claims and loss adjustment expenses, net of recoveries from reinsurers	17	*4,929,029*	*4,952,292*
Net underwriting income		***8,667,201***	***7,816,702***
Other expenses			
Personnel expenses	18	2,292,705	2,431,653
Administrative expenses	19	600,925	627,799
Other operating expenses	20	2,413,721	1,860,063
Amortization	5	-	17,365
Depreciation	2,3	300,375	190,996
Total other expenses		*5,607,726*	*5,127,876*
Other income			
Investment income	21	778,525	149,428
Other income	22	438,621	129,509
Total other income		*1,217,146*	*278,937*
Net result before taxation		**4,276,621**	**2,967,763**
Taxation	13	(1,075,979)	(739,272)
Net result after taxation		**3,200,642**	**2,228,491**
Other comprehensive income	2	-	(152,651)
Comprehensive income for the year		**3,200,642**	**2,075,840**

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Statement of changes in shareholders' equity for the year ended December 31, 2019

	Share capital	Revaluation reserve	Retained earnings	Total
(in Aruba florins)				
Balance as at January 1, 2018	1,800,000	152,651	5,824,320	**7,776,971**
Other comprehensive income:				
Revaluation of land and buildings	-	(152,651)	-	**(152,651)**
	-	**(152,651)**	**-**	**(152,651)**
Additional paid in capital	-	-	-	**-**
Dividend pay out	-	-	-	**-**
Net result after taxation	-	-	2,228,491	**2,228,491**
	-	**-**	**2,228,491**	**2,228,491**
Balance as at December 31, 2018	**1,800,000**	**-**	**8,052,811**	**9,852,811**
Other comprehensive income:				
Revaluation of land and buildings	-	-	-	**-**
	-	-	**-**	**-**
Net result after taxation	-	-	3,200,642	**3,200,642**
	-	-	**3,200,642**	**3,200,642**
Balance as at December 31, 2019	**1,800,000**	**-**	**11,253,453**	**13,053,453**

Refer to note 10 for additional disclosures regarding these equity components.

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Statement of cash flows for the year ended December 31, 2019

(in Aruba florins)	2019	2018
Cash flows from operating activities:		
Net result before taxation	4,276,621	2,967,763
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation of property and equipment	250,842	190,996
Depreciation from right-of-use assets	49,533	-
Amortization of intangible assets	-	17,365
Gain on disposal of property and equipment	(336,212)	(105,982)
Interest and other expense from lease liability	80,359	-
Change in unrealized gains and losses on investments	(190,483)	197,152
Write-off of bad debts	7,029	5,845
Working capital movements:		
Due from reinsurers	1,169,212	(4,127,570)
Insurance receivables	(238,552)	(354,552)
Deferred acquisition costs	11,941	(168,972)
Other receivables and prepayments	(733,230)	91,557
Due to reinsurers	(1,251,995)	2,703,940
Insurance liabilities	(757,278)	5,743,690
Accounts payable and accrued liabilities	227,493	(312,054)
Current account affiliated companies	(4,397,132)	580,804
	(6,108,473)	4,462,219
Interest received	343,075	285,908
Profit tax paid	(782,200)	(130,225)
	(439,125)	155,683
Net cash flows (used in) /provided by operating activities	(2,270,977)	7,585,665
Cash flows from investing activities:		
Purchase of property and equipment	(235,153)	(461,826)
Proceeds from sale/disposal of property and equipment	879,894	418,551
Purchase of investment securities	(6,325,418)	(10,032,097)
Proceeds from sale and maturity of investment securities	4,301,442	5,361,588
Net cash flows used in investing activities	(1,379,235)	(4,713,784)
Cash flows from financing activities:		
Repayment of lease liability	(115,335)	-
Net cash flows provided by financing activities	(115,335)	-
Net increase /(decrease) in cash and cash equivalents	**(3,765,547)**	**2,871,881**
Cash and cash equivalents at January 1	6,818,548	3,946,667
Cash and cash equivalents at December 31	**3,053,001**	**6,818,548**

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See accompanying notes to the financial statements

Notes to the financial statements

(1) Other general information and summary of significant accounting policies

CORPORATE INFORMATION

Nagico Aruba N.V., (the "Company") was incorporated on April 2, 2008 under the laws of Aruba. The Company's registered office address is Seroe Blanco 4, Oranjestad, Aruba.

The Company is a wholly-owned subsidiary of National General Insurance Corporation ("Nagico N.V.") which is incorporated in St. Maarten ("the parent"). The ultimate parent is NAGICO Holdings Limited, which is incorporated in Anguilla. All transactions and balances described as group relate to NAGICO Holdings Limited, its subsidiaries and affiliates.

Peak Reinsurance Company Limited ("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 Company's principal activity is the offering of property and casualty insurance including fire, motor, public liability, marine and health insurance. A significant portion of the Company's casualty insurance business is reinsured.

Approval of the financial statements
The financial statements were approved by the Board of Directors on October 7, 2020.

BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

Statement of compliance
The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), under the historical cost convention unless otherwise stated.

Significant accounting judgments, estimates and assumptions
The preparation of the Company's 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.

In the process of applying the Company's accounting policies, management has made various judgments. Those which management has assessed to have the most significant effect on the amounts recognized in the financial statements have been disclosed in the individual notes of the related financial statement line items.

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Basis of preparation (continued)

Significant accounting judgments, estimates and assumptions (continued)

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 also described in the individual notes of the related financial statement line items 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 reserves consist of a provision for the estimated outstanding casualty and property insurance claims to be paid and include a provision for incured but not yet reported (IBNR) claims. These provisions are not discounted. 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 likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

The related portions recoverable from reinsurers in respect of incidents occurring up to the statement of financial position date are recorded as claims receivable.

Revaluation of property and equipment
The Company measures land and buildings at revalued amounts with changes in fair value being recognized in Other Comprehensive Income (OCI).

Determination of fair value
When measuring the fair value of an asset or liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs in the valuation techniques as follows:

- Level 1 – fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Financial assets at fair value through profit or loss are valued using quoted prices in active markets when available. Market values were determined on the basis of available information at the end of the financial year, and therefore did not take into account subsequent movements.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. If the above criteria are not met, the market is regarded as being inactive.

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Basis of preparation (continued)

Determination of fair value (continued)

In cases where the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less any impairments. Investment in government bonds are carried at cost less any impairments due to lack of an active market.

The amortized costs less impairment provision of insurance receivables are assumed to approximate their fair value.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments. The carrying amounts of trade payables and other current liabilities approximate fair values due to the short-term maturities of these liabilities.

Foreign currency translation

The Company maintains its accounting records in Aruban Florins (AWG). Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to AWG at the foreign exchange rate ruling at the date. Foreign exchange differences arising on translation are recognized in the statement of profit or loss and other comprehensive income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

New and amended standards

The Company applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Company is the lessor.

The Company has adopted IFRS 16 Leases retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on January 1, 2019. This is disclosed in the Changes in accounting policies.

IFRIC 23 Uncertainty over Income Tax Treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether tax treatments should be considered collectively;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax
- How an entity considers changes in facts and circumstances.

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New and amended standards (continued)

IFRIC 23 Uncertainty over Income Tax Treatments (continued)

Since the Company's current practice is in line with these amendments, the Company does not expect any effect on its financial statements.

Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The Company having predominant insurance operation has applied the temporary exemption from IFRS 9 and has not previously adopted any version of IFRS 9 for annual periods beginning before January 1, 2023. Consequently, the Company has a single date of initial application of January 1, 2023 for IFRS 9 in its entirety. The Company expects IFRS 9 to have a material impact on the its financial statements in the period of initial application.

Amendments to IAS 28 Investments in Associates and Joint Ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint

These amendments had no impact on the financial statements as the Company does not have longterm interests in its associate and joint venture.

Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no impact on the financial statements of the Company as it did not have any plan amendments, curtailments, or settlements during the period.

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New and amended standards (continued)

Annual Improvements to IFRS Standards 2015–2017 Cycle

These improvements include:

IFRS 3 - The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation. An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the financial statements of the Company as there is no transaction where joint control is obtained.

IFRS 11 - A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured. An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the financial statements of the Company as there is no transaction where a joint control is obtained.

IAS 12 - The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

IAS 23 - The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. Since the Company did not have such borrowing, they had no impact on the financial statements of the Company.

Standards issued but not yet effective

The standards that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

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Standards issued but not yet effective (continued)

Amendments to References to the Conceptual Framework in IFRS Standards (continued)

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after January 1, 2020, with early application permitted. Since the Company's current practice is in line with these amendments, the Company does not expect any effect on its financial statements.

Amendments to IFRS 3 Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or Company of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after January 1, 2020, with early application permitted. These amendments have no impact on the financial statements of the Company.

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from "could influence" to "could reasonably be expected to influence".

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after January 1, 2020, with earlier application permitted. These amendments have no impact on the financial statements of the Company.

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

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Standards issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Standard is effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. An exposure draft Amendments to IFRS 17 addresses concerns and implementation challenges that were identified after IFRS 17 was published. One of the main changes proposed is the deferral of the date of initial application of IFRS 17 by one year to annual periods beginning on or after January 1, 2023.

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods should such transactions arise.

Presentation of the financial statements

IAS 1, Presentation of Financial Statements, provides an option to distinguish between current and non-current items for all assets and liabilities in the statement of financial position of the company. Such a distinction is not appropriate for the company, where close control over liquidity, asset and liability matching, and highly regulated capital and solvency positions are considered more relevant.

These financial statements are presented in AWG, which is the Company's functional currency. All financial information presented in AWG has been rounded to the nearest dollar, except when otherwise indicated.

Certain comparative amounts in these financial statements have been reclassified to conform with the current year's presentation. For year ended December 31, 2018, there were no reclassifications made to the amounts.

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Summary of significant accounting policies

Property and equipment

Property and equipment 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.

Depreciation is determined on the straight-line basis based on the estimated useful life of the property and equipment and an eventual residual value has been taken into consideration. Depreciation is charged to the statement of profit or loss and other comprehensive income. The estimated useful lifes are as follows:

· buildings	10-25 years
· furniture and fixtures	5 years
· equipment	3 years
· vehicles	3 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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 statement of other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. Additional decreases as a result of revaluation shall be recognized in the statement of comprehensive income.

Intangible assets

Present value of acquired in-force business

The Company capitalizes an intangible asset arising from the acquisition of insurance portfolios. The fair value of these type of assets was 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.

Other tangible 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.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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Summary of significant accounting policies (continued)

Financial instruments

Classification
A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. Financial assets have been determined to include cash at bank and in hand, investment securities, insurance receivables, other current assets and related party balances. Financial liabilities include accounts payable and accrued liabilities, related party balances and due to reinsurers.

Financial assets

Initial recognition and measurement
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 and available-for-sale financial assets, as appropriate. The Company 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 at fair value through profit or loss where the Company'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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular-way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and cash equivalents, receivables and investment securities.

Subsequent measurement
For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss;
- Available-for-sale financial investments;
- Loans and receivables; and
- Held-to-maturity investments.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. For investments designated at fair value through profit or loss, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realised gains and losses are recognized in the statement of profit or loss.

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Summary of significant accounting policies (continued)

Financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss (continued)

The Company evaluated its financial assets at fair value through profit and loss (held for trading) to determine whether the intent to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Company may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held-to-maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortized cost, using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in investment income in the statement of profit or loss. Gains and losses are recognized in the statement of profit or loss when the investments are derecognized or impaired, as well as through the amortisation process.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold until maturity. These investments are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, held-to-maturity financial assets are measured at amortized cost, using the effective interest rate method, less impairment. Gains and losses are recognized in the statement of profit or loss when the investments are derecognized or impaired, as well as through the amortisation process.

Derecognition

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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Summary of significant accounting policies (continued)

Financial assets (continued)

Derecognition (continued)

In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of financial assets

The Company 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 Company considers a decline of 20% to be significant and a period of nine months to be prolonged.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of investment income in the statement of profit or loss. Loans together with the associated allowances are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'finance cost' in the statement of profit or loss.

Initial recognition and measurement

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 Company determines the classification of its financial liabilities at initial recognition. The Company's financial liabilities include insurance payables, trade and other payables.

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Summary of significant accounting policies (continued)

Financial liabilities

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. All of the Company's's financial liabilities are classified as other financial liabilities.

Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when the Company currently has legally enforceable right to offset the amounts and intends to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Cash and cash equivalents
Cash and cash equivalents include cash on hand and cash invested in short-term financial instruments purchased that are readily convertible to known amounts of cash, maturing within 90 days of the date of purchase and which are deemed to present insignificant risk of changes in value due to changing interest rates.

Statement of cash flows
The Company has elected to present cash flows from operating activities using the indirect method and has used "Result before taxation" as the starting point for presenting operating cash flows, followed by the investing and financial activities on cash flows.

Other assets and liabilities
Other assets and liabilities are stated at cost unless otherwise stated.

Related party transactions
Related parties are those enterprises that are either in control of the Company or are controlled by the Company, or can exercise significant influence over the Company. Control exists when the Company 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 basis., unless otherwise stated. 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.

Transactions with shareholder
Since June 2015, the Company entered into a Quota Share reinsurance agreement with it's 50% (ultimate) shareholder Peak Re whereby Peak Re agreed to cover a portion of the risks that may be incurred by the Company. Starting June 1, 2019, two more reinsurers have joined the Quota Share reinsurance agreement of the Company. Under this new combined agreement, Peak Re's share has reduced to 40% and the third party reinsurers together are sharing 10%. During 2019, the net transactions between the Company and it’s reinsurers (combined) in relation to this agreement amounted to AWG 2.2 million (2018: AWG 0.5 million). As at December 31, 2019, the net outstanding balance amounts to AWG 2.9 million (receivable) and is included in both "due from reinsurers" and "due to reinsurers" (2018: AWG 2.0 million, receivable).

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Summary of significant accounting policies (continued)

Related party transactions (continued)

Transactions with key management personnel

A number of key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies. A number of these companies transacted with the Company during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on an arm's length basis.

These transactions are on the same terms and conditions as those entered in to by other Company employees or customers. During 2019, the net transactions between the Company and key management personnel and/or their other companies amounted to AWG 648 thousand (2018: AWG 529 thousand). As at December 31, 2019, the outstanding balance is nil (2018: nil).

Deferred acquisition cost

Those direct and indirect costs incurred during the financial year arising from the writing or renewal of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred.

Subsequent to initial recognition, costs for acquisition are amortized over the year in which the related revenues are earned.

Deferred acquistion costs are reviewed at end of each reporting period. These are impaired if these are no longer considered recoverable.

Insurance contracts

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.

Recognition and measurement

Casualty insurance contracts protect the Company's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Motor insurance contracts cover the driver's liability to third parties in respect of personal injury or property damage. If comprehensive cover is purchased, the policy also covers damage to the policyholder's vehicle.

Marine insurance contracts include the insurance of goods in transit over land or sea and also the insurance of hulls. Hull insurances typically cover both physical damage to the vessel and also the boat owner's liability to third parties in respect of personal injury or property damage.

The healthcare products provide medical cover to policyholders.

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Summary of significant accounting policies (continued)

Insurance contracts (continued)

For all these contracts, premiums are recognized as revenue (earned premiums) proportionally over the year of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the statement of financial position date is reported as the unearned premium liability. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

Significant assumptions and other sources of estimation uncertainty

IFRS 4 requires an insurer to describe the process used to determine the assumptions that have the greatest effect on the measurement of assets, liabilities, income and expense arising from insurance contracts. At each financial reporting date, the valuation assumption for each component of policy cash flow consists of an assumption for the expected experience and, separately, a margin for adverse deviation that reflects the degree of uncertainty in the expected experience assumption. The expected experience and the margin reflect the latest current experiences.

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 Company also underwrites sickness insurance. These policies are reinsured over a minimum threshold per incident. Subsequent claim settlements above the threshold amount are provided for.

The provision for IBNR claims is computed by the Company with the assistance of independent professional actuaries using standard actuarial techniques and assumptions, in our case the Bornhuetter-Ferguson (BF) methodology.

Unallocated loss adjustment expenses (ULAE) are expenses incurred during the processing of claims that cannot be attributed to a specific claim. The ULAE are computed by the Company with the assistance of independent professional actuaries. The sources of ULAE are salaries of in-house examiners, information technology and/or communication expenses.

To ensure appropriate reserving, the Company has established and implemented a policy to ensure consistency in its reserve positioning year to year and thus preserve the integrity of its financial reporting. The Company's loss reserves shall not exceed the actuary's calculated centralized point nor shall it fall below 5% of that value.

Claim expenses

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

Reinsurance

The Company 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.

The Company obtains certain elements of its reinsurance coverage on a group basis. The associated cost of this reinsurance coverage is allocated to all subsidiaries and branches which benefit from such coverage. The method used to allocate this coverage involves judgement and considers available information from both third-party and internal sources. Management believes that the allocation basis used is appropriate.

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Summary of significant accounting policies (continued)

Reinsurance (continued)

Interpretation of the terms of the reinsurance contracts entered into by the Company involves judgement. The Company records reinsurance amounts in line with management's understanding of the underlying contracts as well as based on historical experience and their knowledge of typical industry practices. One of the Company's reinsurers disagrees with management on the interpretation of the terms of a quota share treaty in place; refer to note 23 for further details.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the income statement.

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

The Company also assumes reinsurance risk in the normal course of business for insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognized as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Revenue recognition

Gross premiums
Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognized on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. 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 periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Reinsurance premiums
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 incepts. 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
Commissions paid to agents and received from insurers and reinsurers are calculated based on gross premiums written and reinsured. 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.

Policy fees
Insurance contract policyholders are charged for policy administration services and other contract fees. These fees are recognized as revenue over the period in which the related services are performed. If the fees are for services provided in future periods then they are deferred and recognized over those future periods.

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Summary of significant accounting policies (continued)

Revenue recognition (continued)

Realised gains and losses
Realised gains and losses recorded in the income statement on investments include gains and losses on financial assets. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

Investment income
Investment 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 Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Benefits, claims and expenses recognition

Gross benefits and claims
General insurance and health claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Reinsurance claims
Reinsurance claims are recognized when the related gross insurance claim is recognized according to the terms of the relevant contract.

Leases
Policy applicable from January 1, 2019
At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:

  a. the Company has the right to operate the asset; or

  b. the Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

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<u>Summary of significant accounting policies (continued)</u>

Leases (continued)

<u>Policy applicable before January 1, 2019</u>
For contracts entered into before January 1, 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  a. the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  b. the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  c. facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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Summary of significant accounting policies (continued)

Leases (continued)

As a lessee (continued)

The value of the right-of-use asset and a lease liability are particularly sensitive to changes in the term of the lease. Since the lease held by the Company is on a perpetual method, Management has decided to take the median of the maximum useful life for a building (10-25 years), which is 18 years, as the term of the lease. The analysis below shows the impact to the right-of-use asset, lease liability, depreciation expense and interest expense when using the the higher end and lower end of the useful life for a building.

(in Aruba florins)	**Right-of-use asset**	**Lease liability**	**Depreciation expense**	**Interest Expense**
25 year lease term	*172,737*	174,692	(7,822)	9,778
10 year lease term	*(314,563)*	(320,628)	11,881	(17,946)

Short-term leases and leases of low-value assets
The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of office spaces that have a lease term of 12 months or less and leases of low-value assets (such as small items of furniture and telephones). The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Under IAS 17
In the comparative period, as a lessee the Company classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease.

As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

The Company recognises lease payments received under operating leases as income on a straightline basis over the lease term as part of "investment income" and "other income".

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Summary of significant accounting policies (continued)

Employee benefits

As of the report date, all of the Company's employees are included in a pension plan as required by a newly-enacted law in Aruba. Only former employees of Nagico N.V. that were transferred to the Company when it became a separate company, have existing pension schemes under a defined contribution plan. For these employees, premiums are being paid at the beginning of each year, which represents 10% of the gross salaries; 5% for the account of employee and the remaining 5% is shouldered by the Company.

Current and deferred income taxes

The tax expense for the period comprises current and deferred taxes. Tax is recognized in the statement of profit or loss and other comprehensive income, 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 Aruba where the Company operates and generates taxable income. The nominal profit tax rate is 25%. 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.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

Changes in accounting policies

Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in these financial statements.

The Company applied IFRS 16 with a date of initial application of January 1, 2019. As a result, the Company has changed its accounting policy for lease contracts as detailed below.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at January 1, 2019. The details of the changes in accounting policies are disclosed below.

As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Company decided to apply recognition exemptions to short-term leases of office spaces. For leases of other assets, which were classified as operating under IAS 17, the Company recognised right-of-use assets and lease liabilities.

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Summary of significant accounting policies (continued)

Changes in accounting policies (continued)

As a lessee (continued)

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted using the rate implicit in the lease, if available, or at the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

- Their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the rate implicit in the lease, if available, or the lessee's incremental borrowing at date of initial application; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments - the Company applied this approach for all its leases.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at January 1, 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date. The Company did not have finance leases under IAS 17 before the effective date of IFRS 16.

As a lessor

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. The Company accounted for its leases in accordance with IFRS 16 from the date of initial application.

Impacts on Financial Statements

On transition to IFRS 16, the Group recognised an additional AWG 973 thousand of right-of-use assets and AWG 973 thousand of lease liabilities, resulting to zero impact to the opening retained earnings.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 6.30%.

(in Aruba florins)	1-Jan-19
Operating lease commitment at 31 December 2018 as disclosed in the Company's financial statements	1,645,335
Recognition exemption for short term lease	(25,335)
Discount using the incremental borrowing rate at 1 January 2019	(647,348)
Lease liabilities recognised at 1 January 2019	972,652

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(2) Property and equipment

2019 movement schedule	Land and buildings	Furniture and fixtures	Equipment	Vehicles	31-Dec-19
(in Aruba florins)					
Balance as at January 1					
Cost	689,648	552,681	595,181	218,604	**2,056,114**
Revaluation of assets	-	-	-	-	-
Accumulated depreciation	(153,578)	(450,156)	(364,383)	(56,978)	**(1,025,095)**
Net book value	536,070	102,525	230,798	161,626	**1,031,019**
Changes in book value					
Disposal cost	(641,190)	28,057	2,374	(107,195)	**(717,954)**
Disposal accumulated depreciation	159,311	(2,042)	(861)	17,864	**174,272**
Additions	5,425	16,556	109,289	103,883	**235,153**
Revaluation of assets	-	-	-	-	-
Depreciation	(16,342)	(68,061)	(118,096)	(48,343)	**(250,842)**
	(492,796)	(25,490)	(7,294)	(33,791)	**(559,371)**
Balance as at December 31					
Cost	53,883	597,294	706,844	215,292	**1,573,313**
Revaluation of assets	-	-	-	-	-
Accumulated depreciation	(10,609)	(520,259)	(483,340)	(87,457)	**(1,101,665)**
Net book value	**43,274**	**77,035**	**223,504**	**127,835**	**471,648**

There are no restrictions on the realisability of property and equipment or the remittance of income and proceeds of disposal. The Company has no contractual obligations to purchase, construct or develop property or for repairs, maintenance or enhancements.

	31-Dec-19	31-Dec-18
If land and buildings were measured using the cost model, the carrying amounts would be as follows:	43,274	536,070

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(2) Property and equipment (continued)

2018 movement schedule	Land and buildings	Furniture and fixtures	Equipment	Vehicles	31-Dec-18
(in Aruba florins)					
Balance as at January 1					
Cost	1,068,609	580,835	355,679	23,512	**2,028,635**
Revaluation of assets	152,651	-	-	-	**152,651**
Accumulated depreciation	(224,396)	(408,841)	(299,128)	(23,512)	**(955,877)**
Net book value	996,864	171,994	56,551	-	**1,225,409**
Changes in book value					
Disposal cost	(378,961)	(55,386)	-	-	**(434,347)**
Disposal accumulated depreciation	101,299	20,479	-	-	**121,778**
Additions	-	27,232	239,502	195,092	**461,826**
Revaluation of assets	(152,651)	-	-	-	**(152,651)**
Depreciation	(30,481)	(61,794)	(65,255)	(33,466)	**(190,996)**
	(460,794)	(69,469)	174,247	161,626	**(194,390)**
Balance as at December 31					
Cost	689,648	552,681	595,181	218,604	**2,056,114**
Revaluation of assets	-	-	-	-	-
Accumulated depreciation	(153,578)	(450,156)	(364,383)	(56,978)	**(1,025,095)**
Net book value	**536,070**	**102,525**	**230,798**	**161,626**	**1,031,019**

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(3) Leases

As a Lessee

Right-of-use assets

(in Aruba florins)	Building	Equipment	2019	2018
Balance at January 1				
Cost	972,652	-	**972,652**	-
Accumulated depreciation	-	-	-	-
Net book value	972,652	-	**972,652**	-
Changes in book value				
Additions	-	-	-	-
Depreciation charge for the year	(49,533)	-	**(49,533)**	-
	(49,533)	-	**(49,533)**	-
Balance at December 31				
Cost	972,652	-	972,652	-
Accumulated depreciation	(49,533)	-	(49,533)	-
Net book value	**923,119**	-	**923,119**	-

Lease liabilities

(in Aruba florins)	2019	2018
Maturity analysis - contractual undiscounted cash flows		
Less than one year	90,000	-
One to five years	360,000	-
More than five years	1,080,000	-
Total undiscounted lease liabilities at 31 December	**1,530,000**	-
Lease liabilities included in the statement of financial position as at 31 December	937,676	-
Current	31,835	-
Non-current	905,841	-

Amounts recognized in the statement of comprehensive inome (in Aruba florins)	2019	2018
Interest on lease liabilities	55,024	-
Depreciation charge of right-of-use assets	49,533	-
Expense relating to short-term leases	25,335	-
	129,892	-

Amount recognized in the statement of cash flows (in Aruba florins)	2019	2018
Total cash outflow for leases	**90,000**	-

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(4) Investment securities

(in Aruba florins)	2019	2018
Long-term investments	14,724,459	9,430,000
Short-term investments	4,000,000	7,080,000
	18,724,459	**16,510,000**

The Company's investment securities are summarized into the following categories:

(in Aruba florins)	2019	2018
Long-term investments		
Held-to-maturity financial assets	10,302,311	5,200,000
Fair value through profit or loss financial assets	4,422,148	4,230,000
	14,724,459	9,430,000
Short-term investments		
Held-to-maturity financial assets	4,000,000	7,080,000
Fair value through profit or loss financial assets	-	-
	4,000,000	7,080,000
	18,724,459	**16,510,000**

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

(in Aruba florins)	2019		2018	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Long-term investments				
Held-to-maturity financial assets	10,302,311	10,280,000	5,200,000	5,200,000
Fair value through profit or loss financial assets	4,422,148	4,422,148	4,230,000	4,230,000
	14,724,459	14,702,148	9,430,000	9,430,000
Short-term investments				
Held-to-maturity financial assets	4,000,000	4,000,000	7,080,000	7,080,000
Fair value through profit or loss financial assets	-	-	-	-
	4,000,000	4,000,000	7,080,000	7,080,000
	18,724,459	**18,702,148**	**16,510,000**	**16,510,000**

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(4) Investment securities (continued)

The following table shows the movements of the carrying values in 2019:

Movement schedule of the carrying values:	**Held-to-maturity**	**Fair value through profit or loss**	**Loans and receivables**	**Available-for-sale**	**Total**
(in Aruba florins)					
Balance as at January 1, 2019	12,280,000	4,230,000	-	-	**16,510,000**
- Purchases	6,003,976	321,442	-	-	**6,325,418**
- Maturities	(3,980,000)	-	-	-	**(3,980,000)**
- Disposals	-	(321,442)	-	-	**(321,442)**
- Fair value gain recorded in the statement of profit or loss	-	192,148	-	-	**192,148**
- Realized gains	-	-	-	-	**-**
- Amortization of premium/discount	(1,665)	-	-	-	**(1,665)**
	2,022,311	192,148	-	-	**2,214,459**
Balance as at December 31, 2019	**14,302,311**	**4,422,148**	**-**	**-**	**18,724,459**

The following tables show a further breakdown of the various investments for each category and also separate for the restricted and the unrestricted investments as well as the listed and non-listed investments as per December 31, 2019 and December 31, 2018:

			2019		
(in Aruba florins)	**Listed**	**Non-listed**	**Total**	**Restricted**	**Un-restricted**
<u>Held-to-maturity investments</u>					
Time deposits	-	12,300,000	**12,300,000**	300,000	12,000,000
Government bonds	-	2,002,311	**2,002,311**	-	2,002,311
	-	14,302,311	**14,302,311**	300,000	14,002,311
<u>Fair value through profit or loss financial assets</u>					
Government bonds	4,422,148	-	**4,422,148**	-	4,422,148
	4,422,148	-	**4,422,148**	-	4,422,148
	4,422,148	**14,302,311**	**18,724,459**	**300,000**	**18,424,459**

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(4) Investment securities (continued)

	2018				
(in Aruba florins)	**Listed**	**Non-listed**	**Total**	**Restricted**	**Un-restricted**
Held-to-maturity investments					
Time deposits	-	11,380,000	**11,380,000**	300,000	11,080,000
Government bonds	-	900,000	**900,000**	-	900,000
	-	12,280,000	**12,280,000**	300,000	11,980,000
Fair value through profit or loss financial assets					
Government bonds	4,230,000	-	**4,230,000**	-	4,230,000
	4,230,000	-	**4,230,000**	-	4,230,000
	4,230,000	**12,280,000**	**16,510,000**	**300,000**	**16,210,000**

Restricted investment securities

The restricted investment securities relates to Regulatory requirements for operating licenses in Aruba. The balance also includes fixed deposits held with a local bank with terms of more than 90 days but less than one

The following table provides an analysis of the investments of the Company into relevant maturity categories as per December 31, 2019 and December 31, 2018:

2019	**< 1 year**	**1-3 years**	**3-5 years**	**> 5 years**	**Total**
(in Aruba florins)					
Held-to-maturity	4,000,001	4,299,999	4,900,000	1,102,311	14,302,311
Fair value through profit or	-	-	4,422,148	-	4,422,148
	4,000,001	**4,299,999**	**9,322,148**	**1,102,311**	**18,724,459**

2018	**< 1 year**	**1-3 years**	**3-5 years**	**> 5 years**	**Total**
(in Aruba florins)					
Held-to-maturity	7,080,000	300,000	4,000,000	900,000	12,280,000
Fair value through profit or	-	-	4,230,000	-	4,230,000
	7,080,000	**300,000**	**8,230,000**	**900,000**	**16,510,000**

(5) Intangible assets

	2019	**2018**
(in Aruba florins)		
Acquisition of in-force business	-	-
Other intangible assets	4,565	4,565
	4,565	**4,565**

Acquisition of in-force business

During 2014, the Company purchased an insurance portfolio for the amount of AWG 85,000. This portfolio has been amortized in full as at December 31, 2019.

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(5) Intangible assets (continued)

Movement in acquisition of in-force business:

(in Aruba florins)	2019	2018
Balance as at January 1	-	17,365
Amortization	-	(17,365)
Balance as at December 31	-	-

Other intangible assets

There are no movements in other intangible assets for the year ended December 31, 2019 (2018: nil).

(6) Insurance receivables

(in Aruba florins)	2019	2018
Direct sales	676,458	782,291
Agents and brokers	2,820,259	2,317,463
	3,496,717	3,099,754
Less: provision for doubtful debts	(275,506)	(110,066)
	3,221,211	**2,989,688**

Movements in provision for doubtful debts

(in Aruba florins)	2019	2018
Balance as at January 1	110,066	115,911
Additions	172,469	-
Write-offs	(7,029)	(5,845)
Balance as at December 31	**275,506**	**110,066**

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(7) Deferred acquisition costs

(in Aruba florins)	2019	2018
Commercial and private property	620,908	648,664
Motor	424,816	463,555
Group medical and personal accident	47,774	41,714
Marine hull and cargo	5,986	7,322
Public liability	146,947	94,926
Other	8,103	10,294
	1,254,534	**1,266,475**

Movement in deferred acquisition costs

(in Aruba florins)	2019	2018
Balance as at January 1	1,266,475	1,097,503
Gross commissions	2,745,176	3,055,874
	4,011,651	4,153,377
Commission expense reported for the year	(2,757,117)	(2,886,902)
Balance as at December 31	**1,254,534**	**1,266,475**

Deferred acquisition cost relates to prepaid commissions to agents and brokers.

(8) Prepayments and other current assets

(in Aruba florins)	2019	2018
Advance and short-term loans to employees	-	-
Other loans and receivables	791	146
Interest receivable on investment securities	544,612	296,614
Prepaid expenses and other receivables	326,289	184,777
	871,692	**481,537**

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(9) Current account affiliated companies

(in Aruba florins)	2019	2018
Due from related parties		
Nagico Road and Claims Services N.V.	956,787	957,119
Nagico Insurance Company Ltd. (NICL)	3,162	3,162
Nagico Life Insurance (Aruba) N.V.	135,183	214,043
	1,095,132	**1,174,324**

(in Aruba florins)	2019	2018
Due to related parties		
National General Insurance Corporation (Nagico) N.V.	267,905	4,739,770
Nagico Insurance (Trinidad and Tobago) Limited	32,868	-
Nagico (St. Lucia) Limited	56	56
Nagico Life Insurance N.V.	134,631	171,958
	435,460	**4,911,784**

The current account with National General Insurance Corporation (NAGICO) N.V. is debited or credited for payments made and collections received on behalf of the Company such as reinsurance expenses, collection of revenue and for management fees being paid by the Company to Nagico N.V. for the administrative services being performed by Nagico N.V. The current account has no fixed repayment terms and does not carry interest unless otherwise specifically agreed between the companies.

Transactions between the Company and related parties including associated companies can be specified as follows by nature of the transactions:

(in Aruba florins)	2019	2018
Due from related parties		
Opening balance, January 1	1,174,324	1,762,991
Investment	-	(10,636)
Premiums paid/received	7,903	135,212
Cash Paid	(664,989)	(852,238)
Personnel expenses	71,885	78,766
Office expenses	506,009	60,229
	1,095,132	**1,174,324**

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(9) Current account affiliated companies (continued)

(in Aruba florins)	2019	2018
Due to related parties		
Opening balance, January 1	4,911,784	4,919,647
Settlements	(3,060,000)	-
Office expenses	92,957	(194,669)
Finance costs	29,838	(52,958)
Investment	(518,317)	2,636,568
Reinsurance	(4,257,809)	(1,710,083)
Quota Share Settlements	3,137,060	-
Personnel expenses	96,921	(28,838)
Premiums received	(562,680)	-
Management fees	736,943	(597,277)
Claims expenses	(171,237)	(60,606)
	435,460	**4,911,784**

(10) Cash and cash equivalents

(in Aruba florins)	2019	2018
Current accounts	1,630,981	5,228,775
Savings accounts	1,403,320	1,454,599
Investment cash account	2,433	124,250
Other	16,267	10,924
	3,053,001	**6,818,548**

There are no restricted accounts and therefore all cash and cash equivalents are currently available for the Company's use.

(11) Capital and other components of equity

Share capital and additional paid-in capital

The authorized capital consists of 9,000 shares with a par value of AWG 1,000 each. As of December 31, 2019, the issued and fully paid up share capital amounted to AWG 1,800,000 being 1,800 shares of AWG 1,000 each. There was no movement in the number of shares outstanding during the year.

Revaluation reserve

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

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(12) Insurance liabilities

The following table presents details of insurance liabilities:

	2019	2018
(in Aruba florins)		
Provision for unearned premiums		
Commercial and private property	4,883,671	3,877,691
Motor	6,386,417	6,011,502
Group medical and personal accident	326,475	296,361
Marine hull and cargo	153,989	176,016
Public liability	1,049,471	865,977
Other	73,237	89,745
	12,873,260	11,317,292
Outstanding claims provisions		
Commercial and private property	54,219	2,708,970
Motor	2,049,024	2,435,772
Marine hull and cargo	294,493	7,353
Public liability	86,429	23,316
	2,484,165	5,175,411
Incurred but not reported claims (IBNR)		
Commercial and private property	269,909	38,971
Motor	1,073,812	1,039,908
Group medical and personal accident	21,360	2,051
Marine hull and cargo	1,942	36,920
Public liability	407,777	278,950
	1,774,800	1,396,800
Gross insurance liabilities	**17,132,225**	**17,889,503**
Due to reinsurers	5,658,415	6,910,410
Gross (re)insurance liabilities	**22,790,640**	**24,799,913**
Due from reinsurers		
Unearned reinsurance premiums	7,190,271	6,061,591
Claims receivable from reinsurers	2,593,531	4,130,421
Commission revenue receivable from reinsurers	(447,994)	313,008
Total reinsurance assets	**9,335,808**	**10,505,020**
Net insurance liabilities	**13,454,832**	**14,294,893**

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(12) Insurance liabilities (continued)

The following table shows the reconciliation of the movement in gross insurance liabilities:

	2019	2018
(in Aruba florins)		
Balance as at January 1	17,889,503	12,145,813
Net change in unearned premiums	1,555,968	2,400,054
Change in claims provision	(2,691,246)	2,803,636
Change in IBNR	378,000	540,000
Balance as at December 31	**17,132,225**	**17,889,503**

Unearned premiums represent the portion of premiums received in 2019 and 2018, but refer to a period of coverage expiring in 2020 and 2019, respectively. Consequently, this balance represents funds received in advance for which repayment is not considered likely.

The majority of the claims will be paid within one to three years. Individual claims in excess of AWG 90,000 included in the claims provision amount to AWG 423 thousand (2018: AWG 3.1 million).

(13) Taxation

Deferred tax asset & payable

As at 31 December 2019, a deferred tax position of AWG 44,219 (2018: AWG 52,114), which relates to fixed assets and investment securities, has been recognized.

	2019	2018
(in Aruba florins)		
Deferred tax asset	274,999	52,114
Deferred tax payable on Right-of-use assets	(230,780)	-
Deferred tax position as at December 31	**44,219**	**52,114**

2019	***Fixed assets***	***Lease liability***	***Total***
(in Aruba florins)			
Fiscal book value fixed assets	634,499	937,145	**1,571,644**
Commercial book value fixed assets	471,648	-	**471,648**
Difference in book value	162,851	937,145	**1,099,996**
Deferred tax asset recognized (25%)	**40,713**	**234,286**	**274,999**

2018	***Fixed assets***	***Investment securities***	***Total***
(in Aruba florins)			
Commercial book value fixed assets	1,239,476	-	**1,239,476**
Fiscal book value fixed assets	1,031,020	-	**1,031,020**
Difference in book value	208,456	-	**208,456**
Deferred tax liability recognized (25%)	**52,113**	-	**52,113**

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(13) Taxation (continued)

Current tax payable

Movement of the current tax payable arises from the calculation of the profit tax expenses reported in the statement of profit or loss and other comprehensive income:

	2019	2018
(in Aruba florins)		
Balance as at January 1	776,541	124,576
Current year charge	1,068,084	782,190
Profit tax paid	(782,200)	(130,225)
Balance as at December 31	**1,062,425**	**776,541**

Profit tax expense

The profit tax expense for the year can be specified as follows:

	2019	2018
(in Aruba florins)		
Movement of deferred tax asset	(222,885)	(42,918)
Movement of deferred tax payable	230,780	-
Current year profit tax	1,068,084	782,190
	1,075,979	**739,272**

The charge for the year can be reconciled to the profit /(loss) before tax as follows:

	2019	2018
(in Aruba florins)		
Profit before tax from continuing operations	4,276,621	2,967,763
Income tax calculated at average rate	1,069,155	741,941
Tax effect for change in tax rate	-	-
Tax effect of expenses that are not deductible in determining taxable profit	32,229	44,290
Tax effect of income not taxable in determining taxable profit	(33,248)	(4,001)
Change in recognized deferred tax assets	(222,885)	(42,918)
Change in recognized deferred tax liability	230,780	-
Unreconciled difference (Effect of subsequent adjustments to profit before tax)	(52)	(40)
	1,075,979	**739,272**

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(14) Accounts payable and accrued liabilities

(in Aruba florins)	2019	2018
Accounts payable	66,184	47,807
Wage tax, pension and social premiums	47,749	41,911
Salaries	-	(12,174)
Other taxes payable	95,330	56,534
Accrued expenses	510,471	358,163
	719,734	**492,241**

(15) Underwriting income

The following table presents details of premium income:

(in Aruba florins)	2019	2018
Gross premiums written		
Commercial and private property	9,950,199	9,657,178
Motor	12,677,158	12,417,247
Group medical and personal accident	774,132	596,008
Marine hull and cargo	369,317	425,159
Public liability	2,172,054	1,911,794
Other	206,480	362,330
	26,149,340	25,369,716
Movement in unearned premiums		
Commercial and private property	(1,005,980)	(938,679)
Motor	(374,915)	(1,431,316)
Group medical and personal accident	(30,114)	(31,341)
Marine hull and cargo	22,027	(15,030)
Public liability	(183,494)	31,999
Other	16,508	(15,687)
	(1,555,968)	(2,400,054)
Insurance premium revenue	**24,593,372**	**22,969,662**

(16) Other underwriting income

(in Aruba florins)	2019	2018
Policy fees	797,355	655,513
	797,355	**655,513**

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(17) Underwriting expenses

The underwriting expenses are built up as follows:

(in Aruba florins)	2019	2018
Claims Paid		
Commercial and private property	3,021,185	(655,245)
Motor	3,870,691	1,668,827
Group medical and personal accident	29,811	38,961
Marine hull and cargo	(112,109)	(1,922)
Public liability	339,524	33,648
Other	93,173	524,387
Subtotal to the next page	7,242,275	1,608,656
Changes in claims provisions		
Commercial and private property	(2,654,751)	2,227,004
Motor	(386,748)	572,249
Marine hull and cargo	287,140	2,978
Public liability	63,113	1,405
Other	-	-
	(2,691,246)	2,803,636
Changes in IBNR	378,000	540,000
Insurance claims and loss adjustment expenses, net of recoveries from reinsurers	**4,929,029**	**4,952,292**

(18) Personnel expenses

(in Aruba florins)	2019	2018
Salaries and bonuses	1,413,638	1,359,140
Social premiums	297,164	302,774
Travel and accommodation allowances	-	369
Car expenses	53,402	72,681
Entertainment	29,068	62,241
Directors' fees	143,901	325,799
Pension, defined contribution plan	51,159	61,243
Other personnel expenses	304,373	247,406
	2,292,705	**2,431,653**
Number of employees as at December 31	**28**	**24**

The total gross salaries and bonuses that are paid out by the company to key management personnel in 2019 amounted to AWG 648,322 (2018: AWG 528,576). The pension premiums paid for key management in 2019 amounted to AWG 12,368 (2018: AWG 12,368).

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(19) Administrative expenses

(in Aruba florins)	2019	2018
Office expenses	168,404	118,182
Rent	25,335	109,475
Insurance	8,712	8,095
Maintenance	241,721	216,352
Telephone	44,515	52,324
Utilities	36,964	37,888
Travel and lodging	75,274	85,483
	600,925	**627,799**

(20) Other operating expenses

(in Aruba florins)	2019	2018
Advertising and promotional costs	649,421	622,180
Bad debt expense	172,469	-
Professional fees	318,716	257,681
Financing costs	55,024	-
Management fee	801,272	683,164
Other taxes	6,000	-
Subscriptions	2,921	5,876
Supervision fees and insurance levies	58,610	-
Security	2,883	3,350
Postage	95,686	71,027
Bank charges	188,681	193,928
Other operating expenses	62,038	22,857
	2,413,721	**1,860,063**

Management fee allocation

Effective January 1, 2014 the Company entered into an agreement with NAGICO N.V. to pay 1.48% of total expenses for providing back office services to the Company. The agreement has a term of 5 years. For the year ended December 31, 2019 management fees totalled AWG 680,610 (2018: 540,944), which is included in due to affiliated companies in the statement of financial position.

(21) Investment income

(in Aruba florins)	2019	2018
Interest on investments	586,960	410,818
Fair value gain/(loss)	192,148	(195,959)
Realized gain /(loss)	-	(64,787)
Amortization of premium	(1,665)	(1,193)
Dividend income	1,082	549
	778,525	**149,428**

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(22) Other income

(in Aruba florins)	2019	2018
Other interest income	4,113	6,807
and equipment	336,212	105,982
Foreign exchange gain	330	2,146
Other income	97,966	14,574
	438,621	**129,509**

(23) Commitments and contingencies

Contingent liability

During the ordinary course of business, the Company is subject to complaints and threatened or actual legal proceedings brought by or on behalf of current or former employees, customers or other third parties. Although it is not practicable to forecast or determine the final outcome of all pending or threatened legal proceedings, Management periodically reassessed, with the assistance of external professional advisors where appropriate, to determine the likelihood of the Company incurring a liability, and whether a provision is required.

The Company recognizes amounts due to reinsurers in relation to the reinsurance treaties in place, in the normal course of business. In May 2020, one of the Company's reinsurers informed us that their interpretation of the terms applicable to the quota share treaty which was in place for the period from June 1, 2017 to May 31, 2019 results in a higher amount being due and payable. If the reinsurer's position is found to be correct, management estimate that this would result in an increase in the Company's liability of approximately AWG 1.0 million. The Company does not agree with the reinsurer's position and, having taken appropriate advice, does not consider that this is a case where additional liability will ultimately fall due on the Company, thus no provision has been recorded.

(24) Financial Risk Management

General

The Company is exposed to financial risk through its financial assets and financial liabilities. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management structure. The Company has established the Governance, Risk and Conduct Committee and the Investment, Mergers and Acquisition Committee to ensure that management has a system which details the risk policies, procedures, measurement, reporting and compliance. The Company's Internal Audit reviews the risk management policies and processes and reports directly to the Audit Committee. The Audit Committee oversees how management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks that face the Company. These committees report regularly to the Board of Directors on their activities.

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.

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(24) Financial Risk Management (continued)

General (continued)

This section provides details of the Company's exposure to risk and describes the methods used by management to control risk. The most important types of financial risk to which the Company is exposed are credit risk, market risk, liquidity risk, operational risk and insurance risk.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and reinsurers, investment securities, policy loans and cash and cash equivalents. The concentration of credit risk is also monitored to minimize the Company's exposure to significant losses from reinsurer insolvency.

The following assets of the Company are exposed to credit risk:

(in Aruba florins)	**2019**	**2018**
Long-term investments	14,724,459	9,430,000
Short-term investments	4,000,000	7,080,000
Due from reinsurers	2,145,537	4,443,429
Insurance receivables	3,496,717	3,099,754
Cash and cash equivalents	3,053,001	6,818,548
Other current assets	545,403	296,760
	27,965,117	**31,168,491**

Financial assets exposed to credit risk that are neither past due nor impaired, past due but not impaired and those that are impaired are analyzed in the table below:

(in Aruba florins)	**Neither past due nor impaired**	**Past due but not impaired**	**Impaired**	**Total**
As at December 31, 2019				
Long-term investments	14,724,459	-	-	14,724,459
Short-term investments	4,000,000	-	-	4,000,000
Due from reinsurers	2,145,537	-	-	2,145,537
Insurance receivables	1,426,611	1,794,600	275,506	3,496,717
Cash and cash equivalents	3,053,001	-	-	3,053,001
Other current assets	545,403	-	-	545,403
	25,895,011	**1,794,600**	**275,506**	**27,965,117**

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(24) Financial Risk Management (continued)

Credit risk (continued)

(in Aruba florins)	Neither past due nor impaired	Past due but not impaired	Impaired	Total
As at December 31, 2018				
Long-term investments	9,430,000	-	-	9,430,000
Short-term investments	7,080,000	-	-	7,080,000
Due from reinsurers	4,443,429	-	-	4,443,429
Insurance receivables	1,323,207	1,666,481	110,066	3,099,754
Cash and cash equivalents	6,818,548	-	-	6,818,548
Other current assets	296,760	-	-	296,760
	29,391,944	**1,666,481**	**110,066**	**31,168,491**

The credit risk associated with short-term investments and cash equivalents is mitigated by the fact that investment and cash transactions are limited to high credit financial institutions. The Company has policies that limit the amount of credit exposure to any one financial institution.

Investments

The Company has no significant concentration of credit risk on its investments. The Company minimizes its credit risk by limiting its investments primarily to counterparties to Government and financial institutions. All investments are held with well established financial institutions (brokers). All other investments are evaluated individually by the Investment Manager and members of the Executive Board. If the investment involves third parties, consideration is given to its criteria including the relative expertise available, the Company's relative level of exposure and the viability of the investment itself.

The investments can be specified as follows:

(in Aruba florins)	2019	2018
Investments held by governments	6,424,459	5,130,000
Investments held by financial institutions	12,300,000	11,380,000
Equity instruments and other investments	4,422,148	4,230,000
	23,146,607	**20,740,000**

Insurance receivables

The Company's exposure to credit risk from insurance receivables is influenced mainly by the individual characteristic of each agent and broker.

Agents are ultimately responsible for credit granted to their clients. The Company establishes certain guidelines within which agents are expected to operate. Agents are held liable when they grant credit outside of the Company's general guidelines or where they are unable to collect from clients. With regards to direct sales, all credits require management approval.

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(24) Financial Risk Management (continued)

Credit risk (continued)

Ageing analysis of insurance receivables 2019 neither past due nor impaired and past due but not impaired:

(in Aruba florins)	**Neither past due nor impaired**	**Past due but not impaired**	**Impaired**	**Total**
Direct	467,211	208,800	-	676,011
Agent	959,400	1,585,800	275,506	2,820,706
	1,426,611	**1,794,600**	**275,506**	**3,496,717**

Breakdown of insurance receivables for 2019:

(in Aruba florins)	**< 30 days**	**30-90 days**	**> 90 days**	**Total**
Direct	467,211	261,000	(52,200)	676,011
Agent	959,400	1,053,000	532,800	2,545,200
	1,426,611	**1,314,000**	**480,600**	**3,221,211**

Ageing analysis of insurance receivables 2018 neither past due nor impaired and past due but not impaired:

(in Aruba florins)	**Neither past due nor impaired**	**Past due but not impaired**	**Impaired**	**Total**
Direct	353,238	429,054	-	782,292
Agent	969,969	1,237,427	110,066	2,317,462
	1,323,207	**1,666,481**	**110,066**	**3,099,754**

Breakdown of insurance receivables for 2018:

(in Aruba florins)	**< 30 days**	**30-90 days**	**> 90 days**	**Total**
Direct	353,238	224,967	204,086	782,291
Agent	969,969	906,923	330,505	2,207,397
	1,323,207	**1,131,890**	**534,591**	**2,989,688**

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(24) Financial Risk Management (continued)

Accounting classifications and fair values

The following describes the methodologies and assumptions used to determine fair values for those investments which are not already recorded at fair value in the financial statements (i.e., held-to-maturity).

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short-term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity. For other variable rate investments, adjustments are also made to reflect the change in required credit spread since the investments were first recognized.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognized with current market rates for similar investment securities. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued, the fair values are determined based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads.

Determination of fair value and fair values hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1

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.

- Level 2

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 broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Company's models whereby the majority of assumptions are market observable 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. Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

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(24) Financial Risk Management (continued)

Accounting classifications and fair values (continued)

In assessing the fair value of non-traded financial liabilities, the Company uses a variety of methods including obtaining broker quotes for specific or similar instruments, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Company's models whereby the majority of assumptions are market observable 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.

- Level 3

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.

Financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets and liabilities for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Company's own models whereby the majority of assumptions are market observable.

Non market observable inputs means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset classes in this category are unlisted equity investments and debt instruments. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Company. Therefore, unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Company's own data.

None of the total financial assets recorded at fair value are based on estimates and recorded as Level 3 investments. Where estimates would have been used, these would have been based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible. While such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions would not change the fair value significantly.

During 2019, the Company did not have any transfers between levels. The next table presents information about the Company's financial assets measured at fair value on a recurring basis as of December 31, 2019 (2018: nil).

December 31, 2019	Level 1	Level 2	Level 3	**Total fair value**
(in Aruba florins)				
Financial assets				
Fair value through profit or loss financial assets				
Government bonds	4,422,148	-	-	**4,422,148**
Total financial assets	**4,422,148**	**-**	**-**	**4,422,148**

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(24) Financial Risk Management (continued)

Accounting classifications and fair values (continued)

December 31, 2018	Level 1	Level 2	Level 3	**Total fair value**
(in Aruba florins)				
Financial assets				
Fair value through profit or loss financial assets				
Other bonds	4,230,000	-	-	**4,230,000**
Total financial assets	**4,230,000**	**-**	**-**	**4,230,000**

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Market risks are evaluated on an ongoing basis by the Board of Directors and by Executive Management through discussions and the review of market developments and trends.

Management also proactively anticipates likely developments in their markets via monitoring of regional and international trends via industry publications. Based on the reviews performed, there has been no change to the Company's exposure to market risks or the manner in which it manages the risk.

Equity price risk

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

Sensitivity analysis-equity risk

The sensitivity analysis for equity risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in the market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity securities traded in the market.

The Company’s listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Furthermore, management monitors movements of financial assets and equity price risk movements on a quarterly basis by assessing the expected changes in the different portfolios due to movements in the various benchmarks with all other variables held constant compared with all the Company's equity instruments.

The sensitivity to fair value changes in equity securities arises from those instruments classified as available-for-sale. There is no significant sensitivity to those instruments classified at fair value through income, since fair value changes are borne by policy contract holders.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk is solely to the extent that interest-earning assets mature or re-price at different times or in differing amounts. The Company addresses this risk by concentrating its investments on risk-free investments such as fixed interest rate deposits.

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(24) Financial Risk Management (continued)

Market risk (continued)

Sensitivity analysis-interest rate risk
The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The analysis below has been determined based on the Company's exposure to interest rates for interest bearing assets and liabilities at the reporting date.

As at December 31, 2019 and December 31, 2018 the interest bearing assets and liabilities consisted of:

	2019	2018
(in Aruba florins)		
Time deposits	12,300,000	11,380,000
Other loans and receivables	791	146
	12,300,791	**11,380,146**

There were no interest bearing liabilities as at December 31, 2019 (2018: nil). The analysis assumes that the stipulated change takes place at the beginning of the financial year and is held constant throughout the reporting period. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated (for example, change in interest rate and change in market values).

If the effective interest rate increased by 100 basis points, this would have increased the equity and the net income for the year by AWG 12,301 (2018: AWG 11,380). A decrease of 100 basis points would have had an equal but opposite effect.

Foreign currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Due to the fact that most transactions are performed using in Aruba florins, which is pegged to the United States dollars at a rate of USD 1 = AWG 1.80, the Company does not have significant currency risk exposure.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Company's reputation. In respect of catastrophic events, the Company is exposed to liquidity risk associated with the timing differences between cash flows and expected reinsurance recoveries to meet its insurance liability obligation.

Liquidity risk management process
The Company's liquidity management process as carried out within the Company is monitored by the Accounts Department includes:

- Cash flow is monitored weekly through cash summary reports. In order to evaluate excess funds availability, the Company considers large recurring commitments, such as reinsurance, and claims/expenditure patterns as well as expected large expenditures. These are then weighed against cash inflows;
- Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Optimizing cash returns on investment; and
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements.

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(24) Financial Risk Management (continued)

Liquidity risk (continued)

In accordance with IFRS 7.39 the following table provides an analysis of the financial assets and liabilities of the Company into relevant maturity groupings based on the remaining periods to repayment.

December 31, 2019	**< 1 year**	**1-3 years**	**> 3 years**	**Total**
(in Aruba florins)				
Investments				
Held-to-maturity	4,000,001	4,299,999	6,002,311	14,302,311
Fair value through profit or loss	-	-	4,422,148	4,422,148
	4,000,001	4,299,999	10,424,459	18,724,459
Receivables	5,912,151	-	-	5,912,151
Cash and cash equivalents	3,053,001	-	-	3,053,001
	8,965,152	-	-	8,965,152
Total	***12,965,153***	***4,299,999***	***10,424,459***	***27,689,611***
Gross insurance liabilities	(2,787,636)	(1,219,883)	(251,446)	(4,258,965)
Due to reinsurers	(3,618,447)	-	-	(3,618,447)
Accounts payable	(719,734)	-	-	(719,734)
Total	***(7,125,817)***	***(1,219,883)***	***(251,446)***	***(8,597,146)***
Difference in expected cash flows	**5,839,336**	**3,080,116**	**10,173,013**	**19,092,465**

December 31, 2018	**< 1 year**	**1-3 years**	**> 3 years**	**Total**
(in Aruba florins)				
Investments				
Held-to-maturity	7,080,000	300,000	4,900,000	12,280,000
Fair value through profit or loss	-	-	4,230,000	4,230,000
	7,080,000	300,000	9,130,000	16,510,000
Receivables	7,729,877	-	-	7,729,877
Cash and cash equivalents	6,818,548	-	-	6,818,548
	14,548,425	-	-	14,548,425
Total	***21,628,425***	***300,000***	***9,130,000***	***31,058,425***
Gross insurance liabilities	(4,301,733)	(1,882,460)	(388,018)	(6,572,211)
Due to reinsurers	(4,655,251)	-	-	(4,655,251)
Accounts payable	(492,241)	-	-	(492,241)
Total	***(9,449,225)***	***(1,882,460)***	***(388,018)***	***(11,719,703)***
Difference in expected cash flows	**12,179,200**	**(1,582,460)**	**8,741,982**	**19,338,722**

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(24) Financial Risk Management (continued)

Liquidity risk (continued)

(in Aruba florins)	2019	2018
Financial assets		
Long-term investments - held-to-maturity	10,302,311	5,200,000
Long-term investments - fair value through profit or loss	4,422,148	4,230,000
Short-term investments - held-to-maturity	4,000,000	7,080,000
Short-term investments - fair value through profit or loss	-	-
Due from reinsurers	2,145,537	4,443,429
Insurance receivables	3,221,211	2,989,688
Other current assets	545,403	296,760
Cash and cash equivalents	3,053,001	6,818,548
	27,689,611	**31,058,425**
Financial liabilities		
Outstanding claims provisions	2,484,165	5,175,411
Incurred but not reported claims	1,774,800	1,396,800
Due to reinsurers	3,618,447	4,655,251
Accounts payable	719,734	492,241
	8,597,146	**11,719,703**

Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate governance. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risks so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the periodic assessments of the operational risks faced, and the adequacy of controls and procedures to assess and manage the risks identified.
- Development of contingency plans.
- Training and professional development of staff.
- Ethical and business standards.

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(24) Financial Risk Management (continued)

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also monitored through maintaining a balance between aiming for higher profits and having a sound capital position. The Company is under supervision from the Central Bank of Aruba (CBA).

Solvency requirement margin for insurance company
CBA requires an insurer engaged in the non-life insurance business to maintain a solvency margin equal to the highest outcome of any of the following calculations: 1) 15% of the gross premium of previous year, or; 2) 15% of the average gross claims incurred in the last three financial years, or; 3) a minimum solvency requirement of AWG 300,000. As of December 31, 2019, the Company is in compliance with the solvency margin requirement margin of CBA.

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

Insurance risk
The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty that the Company will have sufficient assets to satisfy the benefits payable under the contract. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated, and subsequent development of long-term claims. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Frequency
The frequency and severity of claims can be affected by several factors. The most significant are the increasing level of awards for the damage suffered as a result of exposure to various causes of loss events. The Company's underwriting strategy is intended to ensure that risks underwritten are well diversified in terms of the type of risk and the level of insured benefits. The Company manages this risk though the review of its underwriting and reinsurance program on an annual basis in order to ensure that there is adequate mitigation against this risk.

Loss reserves
To ensure appropriate reserving, the Company has established and implemented a policy to ensure consistency in its reserve positioning year to year and thus preserve the integrity of its financial reporting. The Company's loss reserves shall not exceed the actuary's calculated centralized point nor shall it fall below 95% of that value.

Reinsurance risk
To mitigate the financial loss exposure, reinsurance is purchased by the Company. The Company selects reinsurers which have established capability to meet their contractual obligations whose A.M. Best credit ratings are A- or better. There is an ongoing due diligence review to ensure that all reinsurers meet the minimum financial strength criteria.

The Company utilises the Excess of Loss reinsurance and Quota Share reinsurance structure for the majority of its treaties. Operations are spread across territories which are exposed to catastrophe and as a consequence, catastrophe reinsurance is purchased to protect our policyholders against a one in one hundred year event.

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(24) Financial Risk Management (continued)

Insurance risk (continued)

Reinsurance risk (continued)

The Board of Directors and Management prudently set and approve the Company's risk retention levels under its reinsurance treaties.

Sources of uncertainty in the estimation of future claim payments
Claims on casualty contracts are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and a larger element of the claims provision relates to IBNR. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted. The compensation paid on these contracts is the monetary awards granted for bodily injury suffered by employees (for employer's liability coverage) or members of the public (for public liability coverage). Such awards are lump-sum payments that are calculated as the present value of the lost earnings and rehabilitation expenses that the injured party will incur as a result of the accident. The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries.

The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprise a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks at year-end. The amount of casualty claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. Casualty contracts are also subject to the emergence of new types of latent claims, but no allowance is included for this at year-end.

Sensitivity analysis
The Company predominantly funds its net insurance liabilities through its cash generated in the normal course of its operations. In the event of a catastrophe, the net insurance liabilities may be required to be funded through the Company's portfolio of investments. Insurance liabilities are calculated using historical claims data to determine an estimate of the amount needed to provide for the ultimate expected cost of settling claims related to insured losses (both reported and unreported) that have occurred at the date of the statement of financial position. In most cases, no explicit assumptions are made as projections are based on assumptions implicit in the historic claims development on which the projections are based. As such, the sensitivity of the insurance liabilities is based on the financial impact of changes to the reported loss ratio. The provision for long tail claims is determined by using the incurred loss method and loss ratio method. The loss development factors used are based on the Company's experience. The sensitivity analysis below is based on a change in one assumption while holding all other assumptions constant. The analyses assume that there is no correlation between the

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(24) Financial Risk Management (continued)

Insurance risk (continued)

Sensitivity factor	**Description of sensitivity factor applied**
Claims expense	The impact of a change in claims expense by 1%, 2%, 5% or 10%

Claims expense	December 31, 2019		December 31, 2018	
(in Aruba florins)	**+1%**	**-1%**	**+1%**	**-1%**
Impact on net income before tax	(49,290)	49,290	(49,523)	49,523
	+2%	**-2%**	**+2%**	**-2%**
Impact on net income before tax	(98,581)	98,581	(99,046)	99,046
	+5%	**-5%**	**+5%**	**-5%**
Impact on net income before tax	(246,451)	246,451	(247,615)	247,615
	+10%	**-10%**	**+10%**	**-10%**
Impact on net income before tax	(492,903)	492,903	(495,229)	495,229

Managing insurance risks
Each contract is reviewed annually by the underwriting department under the supervision of the Underwriting Manager. The “four-eyes principle” is applied to ensure that the rate charged is appropriate for the risk.

Four (4) types of reinsurance that are used to mitigate insurance risk are:

- Risk Excess of Loss contracts provide an automatic binding authority up to the limit of the reinsurance treaty and protects against individual loss(es) which exceed(s) the Company deductible.
- Individual Facultative Reinsurance is used on an individual basis to buy reinsurance when the sum to be insured on a particular risk exceeds our automatic binding limit referred to the first type above. Individual Facultative Reinsurance is also used for risks that are excluded from the Company automatic binding treaty.
- Catastrophe Reinsurance protects against the total loss from a single event that affects several risks at the same time. For example, a hurricane or earthquake.
- Quota Share Treaty, a type of coverage is in effect for a specified period of time, rather than on a per risk, or contract basis. For the duration of the contract, the reinsurer agrees to cover a portion of the risks that may be incurred by the insurance company being covered.

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(25) Risk Management framework

The Company has established a risk management function with clear terms of reference from the Board of Directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the Board of Directors to executive management committees and senior managers. Lastly, a Company policy framework which sets out the risk profiles for the Company, risk management, control and business conduct standards for the Company's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Company.

The Board of Directors approves the Company's risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements. For example, following the regulatory changes brought about by the various Financial Services Commissions (FSC) throughout the Caribbean Region, the Company has placed a greater emphasis on assessment and documentation of risks and controls.

Capital management objectives, policies and approach

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Company has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

- To maintain the required level of stability of the Company thereby providing a degree of security to policyholders;
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholder;
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- To safeguard the Company's ability to continue as a going concern in order to provide the requisite returns for shareholders and benefits for other stakeholders;
- To align the profile of assets and liabilities taking account of risks inherent in the business;
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders;
- To provide an adequate return to shareholders by pricing insurance and investment contracts consumerately with the level of risk; and
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximize shareholder's value.

The operations of the Company are also subject to regulatory requirements within Aruba. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy) to minimize the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

In order to comply with these capital requirements by the regulators, management considers the quantitative threshold sufficient to maximize shareholder's returns and to support the capital required to write each of its business in countries where the company operates.

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(25) Risk Management framework (continued)

Capital management objectives, policies and approach (continued)

The Company has complied with the regulatory imposed capital requirements throughout the year. In reporting financial strength, capital and solvency are measured using the rules prescribed by the CBA and A.M. Best Rating Agency. These regulatory capital tests are based upon required levels of solvency, capital and a series of prudent assumptions in respect of the type of business written.

Approach to capital management

The Company seeks to optimize the structure and sources of capital to ensure that it consistently maximizes returns to the shareholders and policyholders.

The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels (by each regulated entity) on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics. An important aspect of the Company's overall capital management process is the setting of target risk adjusted rates of return, which are aligned to performance objectives and ensure that the Company is focused on the creation of value for shareholders.

The primary source of capital used by the Company is shareholders' equity funds. The capital requirements are routinely forecast on a periodic basis and assessed against both the forecast available capital and the expected internal rate of return, including risk and sensitivity analysis. The process is ultimately subject to approval by the Board.

The Company has had no significant changes in its policies and processes to its capital structure during the past year from previous years.

Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, regulators are also informed that the Company is satisfactorily managing affairs for their benefit. Regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

Asset-liability management (ALM) framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Company faces, due to the nature of its investments and liabilities, is interest rate risk. The Company manages these positions within an ALM framework that has been developed to achieve long–term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. For each distinct category of liabilities, a separate portfolio of assets is maintained.

The Company's ALM is:

- Integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance and investment liabilities;
- An integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance and investment contracts.

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(26) Subsequent events

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The COVID-19 outbreak in the Caribbean has resulted in reduced customer traffic as well as temporary office closures where government mandated. The extent of the impact on the financial position and performance of the Company depends on future developments, including but not limited to (i) the duration and spread of the outbreak, (ii) the restrictions and advisories, and (iii) the effects on the overall economy, all of which are highly uncertain and cannot be predicted. If these factors persist for an extended period, they may have a material adverse effect on the Company's future financial results.

Management has evaluated the need for disclosures and adjustments resulting from subsequent events from January 1, 2020 to October 7, 2020, the date the financial statements were available to be issued. There were no subsequent events requiring disclosures and/or adjustments.