NAGICO INSURANCES

NAGICO LIFE INSURANCE (ARUBA) N.V.
Aruba

Financial statements
December 31, 2019

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FOR IDENTIFICATION PURPOSES ONLY
Related to Auditor's
Report dated October 7, 2020
Deloitte.
Oranjestad, Aruba

Financial statements

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of Nagico Life Insurance (Aruba) N.V.

Opinion

We have audited the financial statements of Nagico Life Insurance (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 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.: 21789/2020/BKE/onm

Statement of financial position as at December 31, 2019

Assets *(in Aruba florins)*	**Note**	**2019**	**2018**
Property and equipment	2	755,687	646,203
Intangible assets	4	23,741	43,446
Investment securities	3	9,983,478	6,224,086
Deferred acquisition costs	5	1,179,495	933,144
Receivables			
Due from reinsurers	12	-	-
Insurance receivables	6	944,480	540,581
Policy loans	7	71,516	55,772
Prepayments and other current assets	8	801,365	814,227
Current account affiliated companies	9	338,362	508,745
		2,155,723	*1,919,325*
Cash and cash equivalents	10	1,172,514	296,545
TOTAL ASSETS		**15,270,638**	**10,062,749**

Shareholders' equity and liabilities *(in Aruba florins)*	**Note**	**2019**	**2018**
Shareholders' equity			
Share capital	11	200,000	200,000
Fair value reserve	11	(177)	(177)
Retained earnings		9,582,432	7,453,500
		9,782,255	*7,653,323*
Liabilities			
Insurance liabilities	12	3,981,151	1,761,108
Current tax payable	13	188,192	169,845
Accounts payable and accrued liabilities	14	483,758	266,101
Current account affiliated companies	9	835,282	212,372
		5,488,383	*2,409,426*
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**15,270,638**	**10,062,749**

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

Director

Director

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See accompanying notes to the financial statements

Statement of profit or loss for the year ended December 31, 2019

(in Aruba florins)	Note	2019	2018
Underwriting income			
Premium income	15	6,549,370	5,051,515
Reinsurance cost		(220,375)	(148,992)
Net premiums earned		6,328,995	4,902,523
Commission expense	17	(704,815)	(434,681)
		5,624,180	4,467,842
Other underwriting income		4,232	2,821
Net insurance premium revenue		*5,628,412*	*4,470,663*
Underwriting expenses			
Insurance claims and loss adjustment expenses, net of recoveries from reinsurers	*16*	*(2,148,900)*	*132,189*
Net underwriting income		***3,479,512***	***4,602,852***
Other expenses			
Personnel expenses	18	936,400	1,055,399
Administrative expenses	19	509,284	342,521
Other operating expenses	20	441,880	221,323
Amortization	4	19,705	17,035
Depreciation	2	26,615	17,308
Total other expenses		*1,933,884*	*1,653,586*
Other income			
Investment income	21	739,376	121,461
Other income	22	40,576	(2,118)
Total other income		*779,952*	*119,343*
Net result before taxation		**2,325,580**	**3,068,609**
Taxation	13	(196,648)	(134,325)
Net result after taxation		**2,128,932**	**2,934,284**

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

(in Aruba florins)	Share capital	Fair value reserve	Retained earnings	Total
Balance as at January 1, 2018	**200,000**	**(177)**	**4,519,216**	**4,719,039**
Net result after taxation	-	-	2,934,284	**2,934,284**
	-	-	2,934,284	**2,934,284**
Balance as at December 31, 2018	**200,000**	**(177)**	**7,453,500**	**7,653,323**
Net result after taxation	-	-	2,128,932	**2,128,932**
	-	-	2,128,932	**2,128,932**
Balance as at December 31, 2019	**200,000**	**(177)**	**9,582,432**	**9,782,255**

Refer to note 11 for additional disclosures regarding these equity components.

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

	2019	2018
(in Aruba florins)		
Cash flows from operating activities:		
Net result before taxation	2,325,580	3,068,609
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation of property and equipment	26,615	17,308
Amortization of intangible assets	19,705	17,035
Change in unrealized gains and losses on investments	(377,687)	197,806
Bad debts	-	-
Working capital movements:		
Due from reinsurers	-	622,411
Insurance receivables	(403,899)	(113,869)
Deferred acquisition costs	(246,351)	(329,379)
Policy loans	(15,744)	(4,891)
Other receivables and prepayments	109,032	(235,348)
Insurance liabilities	2,220,043	(645,035)
Accounts payable and accrued liabilities	217,657	76,866
Current account affiliated companies	793,293	(857,674)
	2,342,664	(1,254,770)
Interest expense paid	(96,170)	(37,076)
Profit tax paid	(178,301)	(109,875)
	(274,471)	(146,951)
Net cash flows provided by operating activities	4,393,773	1,666,888
Cash flows from investing activities:		
Purchase of property and equipment	(136,099)	(617,909)
Purchase of investment securities	(5,799,835)	(4,026,601)
Proceeds from sale and maturity of investment securities	2,418,130	2,809,255
Purchase of intangible fixed assets	-	(54,000)
Net cash flows used in investing activities	(3,517,804)	(1,889,255)
Net (decrease) /increase in cash and cash equivalents	**875,969**	**(222,367)**
Cash and cash equivalents at January 1	296,545	518,912
Cash and cash equivalents at December 31	**1,172,514**	**296,545**

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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 Life Insurance (Aruba) N.V. (the "Company") was incorporated on December 19, 2007, established in Aruba and is a 100% subsidiary of Nagico Life Insurance N.V., a company incorporated under the laws of St. Maarten. The Company operates as a life insurance company, also including selling annuities, health insurances and accident insurances. The market in which the Company operates consists of the island of Aruba. The Company has its registered office at Irenestraat 15, Oranjestad Oost, Aruba. On January 1, 2008 all of the assets and liabilities of British American Insurance Company Limited - Aruba Branch were transferred to the Company. On the date of transfer the current account - Head Office included in the branch was converted into equity of the Company.

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 Prudential Financial,Inc. (new shareholder effective April 6, 2018).

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.

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.

Basis of preparation (continued)

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.

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.

Information about assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment in the year ended December 31, 2018 is included in the measurement of defined benefit obligations (i.e., key actuarial assumptions) and recognition and measurement of provisions and contingencies (i.e., key assumptions about the likelihood and magnitude of an outflow of resources).

Functional and presentation currency

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

Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing 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.

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.

New and amended standards (continued)

Amendments to IAS 28 Investments in Associates and Joint Ventures (continued)

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 Ventures.

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.

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.

New and amended standards (continued)

Annual Improvements to IFRS Standards 2015–2017 Cycle

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.

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.

Standards issued but not yet effective (continued)

Amendments to IAS 1 and IAS 8 Definition of material (continued)

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.

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.

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.

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 a straight-line basis based on the estimated useful lives of the assets and an eventual residual value has been taken into consideration.

Depreciation is charged to the statement of comprehensive income. The estimated useful lives are as follows:

· furniture and fixtures	5 years
· equipment	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

Other intangible assets

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use. The software license fee is amortized in three years.

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.

Financial instruments

Classification

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

Summary of significant accounting policies (continued)

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.

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 and other comprehensive income.

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.

Summary of significant accounting policies (continued)

Financial assets (continued)

Subsequent measurement (continued)

Available-for-sale financial investments
Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are not designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognized as other comprehensive income in the fair value reserve until the asset is derecognized, at which time, the cumulative gain or loss is recognized in other operating income, or determined to be impaired, or the cumulative loss is recognized in the statement of profit or loss in finance costs and removed from the fair value reserve.

The Company evaluated its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term would still be appropriate. In the case where the Company is unable to trade these financial assets due to inactive markets and management's intention significantly changes to do so in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to held-to-maturity is permitted only when the entity has the ability and intention to hold the financial asset until maturity.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate method (EIR). Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is reclassified to the statement of profit or loss.

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 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.

Summary of significant accounting policies (continued)

Financial assets (continued)

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.

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 collectively 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.

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Summary of significant accounting policies (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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 allowance 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.

Available-for-sale (AFS) financial investments
For available-for-sale financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a 'significant or prolonged' decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the year in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement – is removed from other comprehensive income and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, 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. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of profit or loss, the impairment loss is reversed through the income statement.

Financial liabilities

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 and trade and other payables.

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Summary of significant accounting policies (continued)

Financial liabilities (continued)

Initial recognition and measurement (continued)

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 financial liabilities are classified as other 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 profit or loss.

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.

Insurance receivables

Insurance receivables, which are non-interest-bearing and generally have 30 day terms, are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate of doubtful receivables is made when collection of the full amount is no longer probable. Bad debt is written-off when identified.

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.

Other assets and liabilities

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

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Summary of significant accounting policies (continued)

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.

Life insurance

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

The policy cash flows consist of the policy premiums and policy payments. The policy payments are death and maturity benefits, expenses to service and administer the policies, reinsurance premiums, reinsurance benefits and commissions payable.

The policy cash flows are projected, and were discounted based on a yield curve that is based on the Company's fixed income portfolio.

For Group life insurance, the unearned net premium method has been used to calculate the policy liability. Unearned net premiums are those proportions of the premiums written in a year that relate to the periods of risks from the end of the current accounting period to the subsequent dates of expiry of the policies.

Valuation method

The Policy Premium method is a cash flow valuation method that explicitly identifies all revenues and expenditures related to a company's policy liabilities. The policy cash flows consist of the policy premiums and policy payments. The policy payments are death and maturity benefits, expenses to service and administer the policies, reinsurance premiums, reinsurance benefits and commissions payable. For each contingency, the valuation assumption consists of an assumption for the expected experience and, separately, a margin for adverse deviation that reflects any uncertainty in the expected experience assumption.

Liability adequacy test for life insurance business

Under IFRS 4, the Company shall assess at each reporting date whether the Company's recognized insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. The current valuation method clearly makes provision for all contractual cash flows and related cash flows. Further, the entire change in liability is recognized in profit or loss at each reporting date. Hence, the current valuation method includes a 'built-in' liability adequacy test that meets the minimum requirement of IFRS 4 paragraph 16. International Actuarial Standards of Practice (IASP) 5 of International Actuarial Association (IAA) define current estimate as the estimation of the expected value based on current knowledge. Further, section 4.1.5 of IASP indicates that a current estimate would be based on continuously updated assumptions, and that both estimates with and without adjustments for risk and uncertainty would be acceptable for a test to meet the minimum requirements. Current valuation assumptions are acceptable in this context.

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.

Summary of significant accounting policies (continued)

Insurance contracts (continued)

Significant assumptions and other sources of estimation uncertainty (continued)

The assumptions used for the insurance contracts disclosed in this note are as follows:

Mortality
For individual life insurance policies, the mortality assumptions are made based on 1997-2004 Canadian Institute of Actuaries Select and Ultimate, and Ultimate mortality tables. An investigation into the Company's mortality experience is performed, and the mortality tables are adjusted to reflect the Company's experience and territory differences. Additional margin was provided for uncertainty in setting the expected mortality assumptions.

Lapses
Lapse assumptions are made based on the Company's experience. An investigation into the Company's lapse experience over the past years is performed. The expected lapse rate assumptions are based on the results of the study, and vary by policy years. Additional margin was provided for uncertainty in setting the expected lapse assumptions.

Interest rates
The Company's investment portfolio served as the basis to determine the expected assumption for future gross rate of return on invested assets. Additional allowances are made for investment expense, asset default and asset/liability mismatch.

Expense
Policy administrative expense assumptions are made based on the Company's operating experience during the year of valuation. An expense study is performed and a per-policy administrative expense is derived from the analysis results. Future expected rate of inflation is assumed based on the actual rate of inflation during the year of valuation.

Reinsurance
Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

Reinsurance (continued)

The benefits to which the Company is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

In the normal course of business, the Company seeks to reduce the loss that may arise from events that cause unfavorable underwriting results by reinsuring certain levels of risks in various areas of exposure with other insurance enterprises or reinsurers. Amounts recoverable from reinsurers are estimated in a manner consistent with the reinsured policy.

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

Revenue recognition

<u>Gross premiums</u>
Gross recurring premiums on life are recognized as revenue when payable by the policyholder. For single premium business, revenue is recognized on the date on which the policy is effective.

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.

<u>Reinsurance premiums</u>
Gross reinsurance premiums on life are recognized as an expense when payable or on the date on which the policy is effective.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods 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 contract for losses occurring contracts.

<u>Commission expense</u>
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.

<u>Policy fees</u>
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.

<u>Realised gains and losses</u>
Realised gains and losses recorded in the statement of profit or loss and other comprehensive income 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.

<u>Investment income</u>
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 and claims

<u>Gross benefits and claims</u>
Benefits and claims for life insurance contracts include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared on contracts, as well as changes in the gross valuation of insurance. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

Summary of significant accounting policies (continued)

Current and deferred income tax

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. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset only if certain criteria are met.

(2) Property and equipment

2019 movement schedule	**Land, buildings and improve-ments**	**Furniture and fixtures**	**Equipment**	**Vehicles**	**Total 2019**
(in Aruba florins)					
Balance as at January 1					
Cost	596,706	77,717	112,132	-	**786,555**
Accumulated depreciation	-	(42,266)	(98,086)	-	**(140,352)**
	596,706	35,451	14,046	-	**646,203**
Changes in book value					
Additions	20,281	43,334	-	72,484	**136,099**
Depreciation	-	(13,735)	(8,048)	(4,832)	**(26,615)**
	20,281	29,599	(8,048)	67,652	**109,484**
Balance as at December 31					
Cost	616,987	121,051	112,132	72,484	**922,654**
Accumulated depreciation	-	(56,001)	(106,134)	(4,832)	**(166,967)**
Net book value	**616,987**	**65,050**	**5,998**	**67,652**	**755,687**

2018 movement schedule	**Land, buildings and improve-ments**	**Furniture and fixtures**	**Equipment**	**Vehicles**	**Total 2018**
(in Aruba florins)					
Balance as at January 1					
Cost	-	60,708	106,286	-	**166,994**
Accumulated depreciation	-	(36,819)	(84,573)	-	**(121,392)**
	-	23,889	21,713	-	**45,602**
Changes in book value					
Additions	596,706	17,008	4,195	-	**617,909**
Depreciation	-	(5,447)	(11,861)	-	**(17,308)**
	596,706	11,561	(7,666)	-	**600,601**
Balance as at December 31					
Cost	596,706	77,716	110,481	-	**784,903**
Accumulated depreciation	-	(42,266)	(96,434)	-	**(138,700)**
Net book value	**596,706**	**35,450**	**14,047**	**-**	**646,203**

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.

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(3) Investment securities

(in Aruba florins)	2019	2018
Long-term investments	3,463,393	1,063,393
Short-term investments	6,520,085	5,160,693
	9,983,478	**6,224,086**

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

(in Aruba florins)	2019	2018
Long-term investments		
Held-to-maturity financial assets	3,463,393	1,063,393
	3,463,393	1,063,393
Short-term investments		
Held-to-maturity financial assets	3,000,000	2,320,000
Fair value through profit or loss financial assets	2,470,086	1,981,103
Loans and receivables	999,999	809,590
Available-for-sale financial assets	50,000	50,000
	6,520,085	5,160,693
	9,983,478	**6,224,086**

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

	2019		2018	
(in Aruba florins)	Carrying value	Fair value	Carrying value	Fair value
Long-term investments				
Held-to-maturity financial assets	3,463,393	3,463,393	1,063,393	1,063,393
	3,463,393	3,463,393	1,063,393	1,063,393
Short-term investments				
Held-to-maturity financial assets	3,000,000	3,000,000	2,320,000	2,320,000
Fair value through profit or loss financial assets	2,470,086	2,470,086	1,981,103	1,981,103
Loans and receivables	999,999	999,999	809,590	809,590
Available-for-sale financial assets	50,000	50,000	50,000	50,000
	6,520,085	6,520,085	5,160,693	5,160,693
	9,983,478	**9,983,478**	**6,224,086**	**6,224,086**

(3) 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	3,383,393	1,981,103	809,590	50,000	**6,224,086**
- Purchases	5,400,000	209,426	190,409	-	**5,799,835**
- Maturities	(2,320,000)	-	-	-	**(2,320,000)**
- Disposals	-	(98,130)	-	-	**(98,130)**
- Fair value gains (losses) recorded in the statement of profit or loss	-	377,687	-	-	**377,687**
	3,080,000	488,983	190,409	-	**3,759,392**
Balance as at December 31	**6,463,393**	**2,470,086**	**999,999**	**50,000**	**9,983,478**

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**	**Unrestricted**
Held-to-maturity investments					
Time deposits	-	4,002,394	**4,002,394**	4,002,394	-
Government bonds	-	2,460,999	**2,460,999**	-	2,460,999
	-	6,463,393	**6,463,393**	4,002,394	2,460,999
Fair value through profit or loss financial assets					
Other bonds	2,470,086	-	**2,470,086**	-	2,470,086
	2,470,086	-	**2,470,086**	-	2,470,086
Loans and receivables					
Other loans	-	999,999	**999,999**	999,999	-
	-	999,999	**999,999**	999,999	-
Available-for-sale financial investments					
Equity securities, non-listed	-	50,000	**50,000**	50,000	-
	-	50,000	**50,000**	50,000	-
	2,470,086	**7,513,392**	**9,983,478**	**5,052,393**	**4,931,085**

(3) Investment securities (continued)

	2018				
(in Aruba florins)	**Listed**	**Non-listed**	**Total**	**Restricted**	**Unrestricted**
Held-to-maturity investments					
Time deposits	-	2,922,394	**2,922,394**	2,922,394	-
Government bonds	-	460,999	**460,999**	-	460,999
	-	3,383,393	**3,383,393**	2,922,394	460,999
Fair value through profit or loss financial assets					
Other bonds	1,981,103	-	**1,981,103**	-	1,981,103
	1,981,103	-	**1,981,103**	-	1,981,103
Loans and receivables					
Other loans	-	809,590	**809,590**	809,590	-
	-	809,590	**809,590**	809,590	-
Available-for-sale financial investments					
Equity securities	-	50,000	**50,000**	-	50,000
	-	50,000	**50,000**	-	50,000
	1,981,103	**4,242,983**	**6,224,086**	**3,731,984**	**2,492,102**

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**
Held-to-maturity	3,000,000	602,393	400,000	2,461,000	6,463,393
Fair value through profit or loss	2,470,086	-	-	-	2,470,086
Loans and receivables	999,999	-	-	-	999,999
Available-for-sale	50,000	-	-	-	50,000
	6,520,085	**602,393**	**400,000**	**2,461,000**	**9,983,478**

2018	**< 1 year**	**1-3 years**	**3-5 years**	**> 5 years**	**Total**
Held-to-maturity	2,320,000	-	602,393	461,000	3,383,393
Fair value through profit or loss	1,981,103	-	-	-	1,981,103
Loans and receivables	809,590	-	-	-	809,590
Available-for-sale	50,000	-	-	-	50,000
	5,160,693	**-**	**602,393**	**461,000**	**6,224,086**

(3) Investment securities (continued)

Government bonds

The Company owns bonds in various territories with various maturity dates and interest rates:

(in Aruba florins)	Interest rate (range)	Carrying value 2019	Carrying value 2018
Government of Aruba Bonds	6% - 8%	2,460,999	460,999
		2,460,999	**460,999**

(4) Intangible assets

(in Aruba florins)	2019	2018
Other intangible assets	23,741	43,446
	23,741	**43,446**

Other intangible assets

Other intangible assets relates to the purchase of software licence fee.

Movement in other intangible assets

(in Aruba florins)	2019	2018
Balance as at January 1	43,446	6,481
Additions	-	54,000
Amortization	(19,705)	(17,035)
Balance as at December 31	**23,741**	**43,446**

(5) Deferred acquisition costs

Movements in deferred acquisition costs

(in Aruba florins)	2019	2018
Balance as at January 1	933,144	603,765
Deferred expenses	340,331	400,671
Amortization	(93,980)	(71,292)
Balance as at December 31	**1,179,495**	**933,144**

(6) Insurance receivables

(in Aruba florins)	2019	2018
Direct sales	307,194	26,375
Agents and brokers	652,136	514,413
	959,330	540,788
Less: provision for doubtful debts	(14,850)	(207)
	944,480	**540,581**

Movements in provision for doubtful debts

(in Aruba florins)	2019	2018
Balance as at January 1	207	207
Additions	14,643	-
Balance as at December 31	**14,850**	**207**

(7) Policy loans

(in Aruba florins)	2019	2018
Policy loans	73,266	57,522
Less: provision for doubtful debts	(1,750)	(1,750)
	71,516	**55,772**

The policy loans consist of loans to policyholders with interest rates varying from 0% to 10%.

Movements in provision for doubtful debts policy loans

(in Aruba florins)	2019	2018
Balance as at January 1	1,750	1,750
Additions	-	-
Balance as at December 31	**1,750**	**1,750**

(8) Prepayments and other current assets

(in Aruba florins)	2019	2018
Advance and short-term loans to employees	232,048	135,542
Prepaid commissions	289,753	186,524
Interest receivable on investment securities	198,500	102,330
Prepaid expenses and other receivables	81,064	389,831
	801,365	**814,227**

(9) Current account affiliated companies

(in Aruba florins)	2019	2018
Due from related parties		
National General Insurance Corporation (Nagico) N.V.	31,539	-
Nagico Road and Claims Services N.V.	306,823	279,862
Nagico Life Insurance N.V.	-	228,883
	338,362	**508,745**
Due to related parties		
Nagico Aruba N.V.	135,183	212,372
Nagico Life Insurance N.V.	700,099	-
	835,282	**212,372**

The current account with Nagico Life Insurance N.V. is debited or credited for payments made and collections received on behalf of the Company such as reinsurance expenses, and collection of revenue on behalf of the Company. This current account has no fixed repayment terms and does not carry interest unless otherwise specifically agreed between the companies.

The current account with Nagico Road and Claims Services N.V. has no fixed repayment terms anymore 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	508,745	149,483
Settlements	(228,883)	(505,766)
Personnel expenses	-	(185,986)
Pension premium	12,812	76,714
Office Expenses	45,688	526,685
Investment	-	447,615
Others	-	-
	338,362	**508,745**
Due to related parties		
Opening balance, January 1	212,372	710,784
Settlements	(683,807)	(262,368)
Personnel expenses	331,464	(107,273)
Interest	877,794	-
Operating expenses	(170,776)	(127,159)
Premiums received	268,235	(1,612)
	835,282	**212,372**

(10) Cash and cash equivalents

(in Aruba florins)	2019	2018
Current accounts	1,158,493	275,273
Investment cash account	13,162	20,851
Other	859	421
	1,172,514	**296,545**

(11) Capital and other components of equity

Share capital

The authorized capital consists of 200 shares with a par value of AWG 1,000 each. All shares were issued and fully paid up. There was no movement in the number of shares outstanding during the year.

Fair value reserve

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

(12) Insurance liabilities

The following table presents details of insurance liabilities as at December 31:

(in Aruba florins)	2019	2018
Policy liabilities		
Home Service Life	232,955	228,440
Ordinary Life	(3,862,593)	(3,737,943)
Universal Life	1,192,816	1,170,131
Annuity	885,459	281,458
Group life	8,539	27,971
Group Pension	3,556,713	2,307,677
	2,013,889	277,734
Insurance liabilities		
Reinsurance liabilities	159,003	98,961
Insurance premiums paid in advance	1,808,509	1,365,929
Outstanding claims	(250)	18,484
	1,967,262	1,483,374
Gross insurance liabilities	**3,981,151**	**1,761,108**
Due from reinsurers		
Claims receivable from reinsurers	-	-
	-	-
Net insurance liabilities	**3,981,151**	**1,761,108**

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(12) Insurance liabilities (continued)

The following table shows the reconciliation of changes in policy liabilities:

	2019	2018
(in Aruba florins)		
Actuarial reserves as at January 1,	277,734	1,009,580
Inforce changes & terminations	937,966	659,728
Actuarial reserves increase for new business	(947,568)	(1,243,243)
Change in assumptions impact:		
Lapse, expense, interest and mortality changes	(85,899)	
Group Life change	(19,432)	(451,692)
Change in flexible premium annuity	-	16,090
Pension change	1,249,035	
FPA cost of guarantee change	806	285,229
SPIA change from prior year	601,247	2,042
Actuarial reserves as at December 31	**2,013,889**	**277,734**

(13) Taxation

Current tax payable

	2019	2018
(in Aruba florins)		
Taxable amount life insurance (10%)	709,264	524,682
Taxable amount premium income other (20%)	43,165	42,709
Investment allowance	(3,796)	(32,904)
Total taxable amount	748,633	534,487
Net tax payable	**188,190**	**133,622**

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	169,845	145,395
Current year charge	188,190	134,325
Profit tax paid	(178,301)	(109,875)
Prior year adjustments	8,458	-
Balance at December 31	**188,192**	**169,845**

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(13) Taxation (continued)

Profit tax expense

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

(in Aruba florins)	2019	2018
Current year profit tax	196,648	134,325
	196,648	**134,325**

(14) Accounts payable and accrued liabilities

(in Aruba florins)	2019	2018
Accounts payable	15,421	18,629
Accrued expenses	468,337	247,472
	483,758	**266,101**

(15) Underwriting income

The following table presents details of premium income:

(in Aruba florins)	2019	2018
Premium income		
Home Service Life	14,418	15,634
Group Health	217,032	213,547
Ordinary Life	5,306,800	4,199,739
Universal Life	120,843	135,580
Annuity	19,802	20,628
Pension	1,670,404	1,196,264
	7,349,299	5,781,392
Changes in arrears	(799,929)	(729,877)
	6,549,370	**5,051,515**

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(16) Underwriting expenses

The underwriting expenses are built up as follows:

(in Aruba florins)	2019	2018
Policyholder benefits	415,221	571,878
Movement in policy liabilities		
Home Service Life	4,517	(12,899)
Ordinary Life	(127,877)	(959,760)
Universal Life	22,684	(53,315)
Annuity	943,379	20,589
Group life	(18,682)	16,090
Pension	909,658	285,228
	1,733,679	(704,067)
Recoveries from reinsurers	-	-
Insurance claims and loss adjustment expenses net of recoveries from reinsurers	**2,148,900**	**(132,189)**

(17) Commission expense

(in Aruba florins)	2019	2018
Total commission expense	951,166	764,060
Deferred expenses	(340,331)	(400,671)
Amortization of deferred expenses	93,980	71,292
	704,815	**434,681**

(18) Personnel expenses

(in Aruba florins)	2019	2018
Salaries and bonuses	684,168	807,135
Social premiums	74,326	63,112
Travel and accomodation allowances	-	21,686
Directors' fees	160,729	143,870
Pension, defined contribution plan	12,338	13,996
Other personnel expenses	4,839	5,600
	936,400	**1,055,399**

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(18) Personnel expenses (continued)

	2019	2018
Number of employees as at December 31	**5**	**6**

The total gross salaries and bonuses (including director fees) that are paid out by the Company to key management personnel in 2019 amounted to ANG 233,395 (2018: ANG 304,393). The pension premiums paid for key management in 2019 amounted to ANG 11,669 (2018: ANG 15,219).

(19) Administrative expenses

(in Aruba florins)	2019	2018
Office expenses	282,571	218,668
Rent	57,667	57,195
Insurance	2,222	-
Maintenance	5,927	3,540
Telephone	32,075	27,325
Utilities	22,889	18,032
Travel and lodging	105,933	17,761
	509,284	**342,521**

(20) Other operating expenses

(in Aruba florins)	2019	2018
Advertising and promotional costs	1,590	33,129
Bad debt expense	14,643	-
Professional fees	328,540	165,622
Other taxes	46,495	-
Subscriptions and donations	1,170	1,379
Postage	3,060	2,578
Bank charges	46,382	18,615
	441,880	**221,323**

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(21) Investment income

(in Aruba florins)	2019	2018
Interest on investments	293,756	257,050
Rental income investment properties	50,670	42,225
Fair value gain /(loss)	377,687	(197,806)
Dividend income	2,500	6,105
	724,613	107,574
Other interest income	14,763	13,887
	14,763	13,887
	739,376	**121,461**

(22) Other income

(in Aruba florins)	2019	2018
Foreign exchange (loss) /gain	(1,799)	(2,118)
Other income /(loss)	42,375	-
	40,576	**(2,118)**

(23) 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.

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.

(23) Financial Risk Management (continued)

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	3,463,393	1,063,393
Short-term investments	6,520,085	5,160,693
Insurance receivables	959,330	540,788
Policy loans	73,266	57,522
Cash and cash equivalents	1,172,514	296,545
Other current assets	720,301	424,396
	12,908,889	**7,543,337**

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	3,463,393	-	-	3,463,393
Short-term investments	6,520,085	-	-	6,520,085
Insurance receivables	924,656	19,824	14,850	959,330
Policy loans	71,516	-	1,750	73,266
Cash and cash equivalents	1,172,514	-	-	1,172,514
Other current assets	720,301	-	-	720,301
	12,872,465	**19,824**	**16,600**	**12,908,889**
As at December, 2018				
Long-term investments	1,063,393	-	-	1,063,393
Short-term investments	5,160,693	-	-	5,160,693
Insurance receivables	529,737	10,844	207	540,788
Policy loans	55,772	-	1,750	57,522
Cash and cash equivalents	296,545	-	-	296,545
Other current assets	424,396	-	-	424,396
	7,530,536	**10,844**	**1,957**	**7,543,337**

(23) Financial Risk Management (continued)

Credit risk (continued)

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 Chief Investment Officer 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	2,460,999	460,999
Investments held by financial institutions	4,002,394	2,922,394
Equity instruments and other investments	3,520,085	2,840,693
	9,983,478	**6,224,086**

Insurance and other receivables

The Company's exposure to credit risk from insurance receivables is influenced mainly by the individual characteristics 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 where 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.

Ageing analysis of insurance receivables 2019 and 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	298,421	-	8,773	307,194
Agents and brokers	626,235	19,824	6,077	652,136
	924,656	**19,824**	**14,850**	**959,330**

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(23) Financial Risk Management (continued)

Credit risk (continued)

(in Aruba florins)	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Direct	25,065	1,102	207	26,374
Agents and brokers	504,672	9,742	-	514,414
	529,737	**10,844**	**207**	**540,788**

Breakdown of insurance receivables 2019 and 2018:

As at December 31, 2019 *(in Aruba florins)*	< 30 days	30-90 days	> 90 days	Total
Direct	7,412	291,009	-	298,421
Agents and brokers	203,799	422,436	19,824	646,059
	211,211	**713,445**	**19,824**	**944,480**

As at December 31, 2018 *(in Aruba florins)*	< 30 days	30-90 days	> 90 days	Total
Direct	13,043	12,022	1,102	26,167
Agents and brokers	142,784	361,888	9,742	514,414
	155,827	**373,910**	**10,844**	**540,581**

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.

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(23) Financial Risk Management (continued)

Determination of fair value and fair values hierarchy (continued)

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.

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.

(23) Financial Risk Management (continued)

Determination of fair value and fair values hierarchy (continued)

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

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				
Other bonds	2,470,086	-	-	**2,470,086**
Available-for-sale financial assets				
Equity securities	-	50,000	-	**50,000**
Total financial assets	**2,470,086**	**50,000**	**-**	**2,520,086**

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	1,981,103	-	-	**1,981,103**
Available-for-sale financial assets				
Equity securities	-	50,000	-	**50,000**
Total financial assets	**1,981,103**	**50,000**	**-**	**2,031,103**

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.

(23) Financial Risk Management (continued)

Market risk (continued)

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 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 government bonds and fixed interest rate deposits.

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	4,002,394	2,922,394
Government bonds	2,460,999	460,999
Other bonds	2,470,086	1,981,103
	8,933,479	**5,364,496**

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).

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

(23) Financial Risk Management (continued)

Market risk (continued)

Sensitivity analysis-interest rate risk (continued)

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 89 thousand (2018: AWG 54 thousand). A decrease of 100 basis points would have had an equal but opposite effect.

Foreign currency risk

The Company's exposure to currency risk is limited to transactions entered in Euros. All other currencies used such as US dollars, Netherlands Antilles guilders and Eastern Caribbean (EC) dollars have fixed exchange rates. The small exposure to currency risk is managed by charging premiums on Euro policies in that currency and revising the internal exchange rate where necessary to stay competitive and encourage payments by customers in Euro. There were no transactions entered in Euros in 2019 or 2018, hence management did not find it necessary to perform a sensitivity analysis on currency risk.

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. 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 inflow.

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.

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 and loans and receivables).

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.

(23) Financial Risk Management (continued)

Liquidity risk (continued)

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.

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)				
<u>*Investments*</u>				
Held-to-maturity	3,000,000	602,393	2,861,000	6,463,393
Fair value through profit or loss	2,470,086	-	-	2,470,086
Available-for-sale	50,000	-	-	50,000
Loans and receivables	999,999	-	-	999,999
	6,520,085	602,393	2,861,000	9,983,478
Receivables	2,003,143	-	71,516	2,074,659
Cash and cash equivalents	1,172,514	-	-	1,172,514
	3,175,657	-	71,516	3,247,173
Total	***9,695,742***	***602,393***	***2,932,516***	***13,230,651***
Insurance liabilities	(177,306)	(3,543,326)	1,547,990	(2,172,642)
Accounts payable	(15,421)	-	-	(15,421)
Total	***(192,727)***	***(3,543,326)***	***1,547,990***	***(2,188,063)***
Difference in expected cash flows	**9,503,015**	**(2,940,933)**	**4,480,506**	**11,042,588**

(23) Financial Risk Management (continued)

Liquidity risk (continued)

December 31, 2018	< 1 year	1-3 years	> 3 years	Total
(in Aruba florins)				
Investments				
Held-to-maturity	2,320,000	-	1,063,393	3,383,393
Fair value through profit or loss	1,981,103	-	-	1,981,103
Available-for-sale	50,000	-	-	50,000
Loans and receivables	809,590	-	-	809,590
	5,160,693	-	1,063,393	6,224,086
Receivables	1,473,722	-	55,772	1,529,494
Cash and cash equivalents	296,545	-	-	296,545
	1,770,267	-	55,772	1,826,039
Total	***6,930,960***	-	***1,119,165***	***8,050,125***
Insurance liabilities	(117,444)	-	(277,735)	(395,179)
Accounts payable	(18,629)	-	-	(18,629)
Total	***(136,073)***	-	***(277,735)***	***(413,808)***
Difference in expected cash flows	**6,794,887**	-	**841,430**	**7,636,317**

	2019	2018
(in Aruba florins)		
Financial assets		
Long-term investments - held-to-maturity	3,463,393	1,063,393
Short-term investments - held-to-maturity	3,000,000	2,320,000
Short-term investments - fair value through profit or loss	2,470,086	1,981,103
Short-term investments - available-for-sale	50,000	50,000
Short-term investments - loans and receivables	999,999	809,590
Insurance receivables	944,480	540,581
Policy loans	71,516	55,772
Other current assets	720,301	424,396
Current account affiliated companies	338,362	508,745
Cash and cash equivalents	1,172,514	296,545
	13,230,651	**8,050,125**
Financial liabilities		
Insurance liabilities	2,172,642	395,179
Accounts payable	15,421	18,629
	2,188,063	**413,808**

(23) Financial Risk Management (continued)

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.

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 life insurance business to maintain a solvency margin equal to the highest outcome of any of the following calculations: 1) 4% of the technical provision of previous year, or; 2) a minimum solvency requirement of AWG 400,000 if strictly doing life insurance; if not 3) AWG 500,000 if the insurer has been doing both life, accident & sickness insurance prior to July 2001 within the same entity. As of December 31, 2019, the Company is in compliance with the solvency requirement 3 margin of CBA.

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.

(23) Financial Risk Management (continued)

Insurance risk (continued)

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 disclosure for compliance with IFRS 4 is as follows:

Line of Business	Assumption	Change in assumption	Reason for the change	Change in actuarial liabilities (in AWG)
Individual Life – HS, OL, UL	Lapse rates, UL premium, persistency, rates	Reduction in lapse rates and increase in UL premium persistency rates	Updated lapse experience study	170,885
Individual Life – HS, OL, UL, FPA	Discount Interest rate	Decrease in discount rates	Based on changes in new assets and LAT modeling	304,490
FPA	FPA annuity guar factor	Increase in FPA annuity guar factor	Revised determinis-tic scenarios methodology change	806
Individual Life – HS, OL, UL	Per policy expense and inflation	Reduction in per policy expense and increase in inflation	Updated expenses from Expense Study AND Updated CPI data	(166,808)
Individual Life – OL, UL	Mortality	Increased mortality multiple: HS from 120% to 115%	Updated Company and industry mortality study	(394,466)

For contracts where death is the insured risk (life insurance), the most significant factors that could increase the overall frequency of claims are epidemics, resulting in earlier or more claims than expected. The Company manages the mortality risks through its underwriting strategy and reinsurance arrangements. The procedures the Company implements to measure and manage these risks are as follows:

* Mortality and Lapse Risks:
Mortality and Lapse experience studies are performed to quantify the extent of the mortality and lapse risks. Premature death means the Company loses its acquisition costs as these costs are unrecoverable. Early lapses also create losses to the Company. Use of reinsurance will transfer some of the risk to the reinsurer.

(23) Financial Risk Management (continued)

Insurance risk (continued)

* Expense Risk:
Expense studies are performed to measure the per policy expense.

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

Effect of changes in assumptions

Variable		**Change in policy liabilities**	
(in Aruba florins)		**2019**	**2018**
Increase in mortality, decrease in mortality for FPA	10%	922,730	660,203
Increase in expenses	10%	351,596	270,732
Parallel downward shift of valuation interest curve	1%	1,478,160	868,951
Adverse lapse impact	10%	517,794	444,772

(24) Risk Management framework

Governance 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.

(24) Risk Management framework (continued)

Capital management objectives, policies and approach (continued)

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 shareholders;
- 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 the jurisdictions in which it operates. 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.

The Company has met all of these requirements throughout the financial year. In reporting financial strength, capital and solvency are measured using the rules prescribed by the Central Bank of Aruba (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.

The Company's capital management policy for its insurance and non–insurance business is to hold sufficient capital to cover the statutory requirements based on the CBA directives, including any additional amounts required by the regulator.

<u>*Approach to capital management*</u>

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 shareholders of the Company also have a “no dividend” policy.

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.

(24) Risk Management framework (continued)

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 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.

(25) 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.