NAGICO LIFE INSURANCE (ARUBA) N.V.
Aruba

Financial statements
December 31, 2021

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Financial statements

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INDEPENDENT AUDITOR'S REPORT

To: the management and supervisory board of NAGICO Life Insurance (Aruba) N.V.

Opinion

We have audited the accompanying financial statements of NAGICO Life Insurance (Aruba) N.V. (the Company), which comprise the statement of financial position as at 31 December 2021, 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 31 December 2021 and of 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 Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of the 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.

The board of supervisory directors is 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 management and the board of supervisory directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Aruba, 28 April 2022
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For Ernst & Young Accountants

Garrick de Cuba, MSc, RA
Associate Partner

Fatima de Windt-Ferreira, CPA
Partner

Statement of financial position as at December 31, 2021

Assets *(in Aruba florins)*	**Note**	**2021**	**2020** (restated)
Property and equipment	2	72,835	106,052
Investment properties	3	3,927,999	636,430
Investment securities	4	8,951,728	11,630,914
Intangible assets	5	25,748	51,079
Deferred acquisition costs	6	1,211,449	1,254,462
Long-term loans receivable	7	1,609,805	1,385,168
Receivables			
Due from reinsurers	14	188,799	82,014
Insurance receivables	8	1,544,579	1,118,641
Policy loans	9	103,651	102,381
Prepayments and other current assets	10	536,764	672,847
Current account affiliated companies	11	211,563	724,081
		2,585,356	*2,699,964*
Cash and cash equivalents	12	3,667,227	1,209,061
TOTAL ASSETS		**22,052,147**	**18,973,130**

Shareholder's equity and liabilities *(in Aruba florins)*	**Note**	**2021**	**2020**
Shareholder's equity			
Share capital	13	200,000	200,000
Fair value reserve	13	-	(177)
Retained earnings		15,060,501	13,164,644
		15,260,501	*13,364,467*
Liabilities			
Insurance liabilities	14	6,054,514	4,647,517
Current tax payable	15	69,755	127,231
Accounts payable and accrued liabilities	16	217,439	472,901
Current account affiliated companies	11	449,938	361,014
		6,791,646	*5,608,663*
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		**22,052,147**	**18,973,130**

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

Director

Director

See accompanying notes to the financial statements

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Statement of profit or loss for the year ended December 31, 2021

(in Aruba florins)	Note	2021	2020
Underwriting income			
Premium income	17	6,767,491	6,511,866
Reinsurance cost		(361,760)	(304,776)
Net premiums earned		6,405,731	6,207,090
Commission expense	17	(631,552)	(674,237)
		5,774,179	5,532,853
Other underwriting income		1,159	698
Net insurance premium revenue		*5,775,338*	*5,533,551*
Underwriting expenses			
Insurance claims and loss adjustment expenses, net of recoveries from reinsurers	*18*	*(2,862,403)*	*(1,369,683)*
Net underwriting income		***2,912,935***	***4,163,868***
Other expenses			
Personnel expenses	20	842,417	615,934
Administrative expenses	21	330,091	335,261
Other operating expenses	22	464,211	376,859
Amortization	5	25,331	37,462
Depreciation	2	34,696	35,514
Total other expenses		*1,696,746*	*1,401,030*
Other income			
Investment income	23	712,476	969,407
Other income	24	97,917	19,326
Total other income		*810,393*	*988,733*
Net result before taxation		**2,026,582**	**3,751,571**
Taxation	15	(130,725)	(169,359)
Net result after taxation		**1,895,857**	**3,582,212**
Other comprehensive income		*177*	-
Comprehensive income for the year		**1,896,034**	**3,582,212**

See accompanying notes to the financial statements

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Statement of changes in shareholder's equity for the year ended December 31, 2021

(in Aruba florins)	Share capital	Fair value reserve	Retained earnings	Total
Balance as at January 1, 2020	**200,000**	**(177)**	**9,582,432**	**9,782,255**
Net result after taxation	-	-	3,582,212	**3,582,212**
	-	-	3,582,212	**3,582,212**
Balance as at December 31, 2020	**200,000**	**(177)**	**13,164,644**	**13,364,467**
Other comprehensive income:				
Reclassification of fair value reserve	-	177	-	**177**
	-	177	-	**177**
Net result after taxation	-	-	1,895,857	**1,895,857**
	-	-	1,895,857	**1,895,857**
Balance as at December 31, 2021	**200,000**	**-**	**15,060,501**	**15,260,501**

Refer to note 13 for additional disclosures regarding these equity components.

See accompanying notes to the financial statements

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Statement of cash flows for the year ended December 31, 2021

(in Aruba florins)	Note	2021	2020 (restated)
Cash flows from operating activities:			
Net result before taxation		2,026,582	3,751,571
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property and equipment	2	34,696	35,514
Amortization of intangible assets	5	25,331	37,462
Gain on revaluation of investment properties	24	(93,806)	-
Change in unrealized gains and losses on investments	4	(6,120)	(337,927)
Policy loans, bad debts	9	20,931	2,491
Working capital movements:			
Due from reinsurers		(106,785)	(82,014)
Insurance receivables		(425,938)	(174,161)
Deferred acquisition costs		43,013	(74,967)
Policy loans		(22,201)	(33,356)
Prepayments and other current assets		97,923	109,958
Insurance liabilities		1,406,997	666,366
Accounts payable and accrued liabilities		(255,462)	(10,857)
Current account affiliated companies		601,442	(859,987)
		1,320,021	(721,478)
Interest expense paid		38,160	(112,287)
Profit tax paid	15	(188,201)	(230,320)
		(150,041)	(342,607)
Net cash flows provided by operating activities		3,196,562	2,687,486
Cash flows from investing activities:			
Purchase of property and equipment	2	(1,479)	(2,866)
Purchase of investment properties	3	(3,197,586)	(19,443)
Purchase of investment securities	4	(1,500,000)	(5,993,363)
Proceeds from sale and maturity of investment securities	4	4,185,306	4,683,854
Movement long-term loans receivable	7	(224,637)	(1,254,321)
Purchase of intangible fixed assets	5	-	(64,800)
Net cash flows used in investing activities		(738,396)	(2,650,939)
Net increase in cash and cash equivalents		**2,458,166**	**36,547**
Cash and cash equivalents at January 1	12	1,209,061	1,172,514
Cash and cash equivalents at December 31		**3,667,227**	**1,209,061**

See accompanying notes to the financial statements

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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 from First Star Inc., the other 50% shareholder. The transaction has been officially completed in August 2016 after the receipt of all required regulatory approvals and other customary closing conditions. On June 30, 2021, Peak Re reached a definitive agreement with First Star Inc. to acquire the remaining 50% issued share capital of the Company. Upon the completion of the transaction, the Company will become a wholly owned subsidiary of Peak Re. The transaction is subject to 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 April 28, 2022.

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.

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Basis of preparation (continued)

Significant accounting judgments, estimates and assumptions (continued)

Revaluation of property and equipment and investment properties

The Company carries its investment properties at fair value, with changes in fair value being recognized in the statement of profit or loss. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognized in the statement of other comprehensive income (OCI).

Determination of fair value

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

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

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

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities.

For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk free interest rates and credit risk.

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 amortized cost less any impairments.

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, 2021 (and 2020) 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).

Basis of preparation (continued)

Significant accounting judgments, estimates and assumptions (continued)

Taxes

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and the level of future taxable profits together with future tax planning strategies. Further details on taxes are disclosed in Note 13.

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 for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments and interpretations apply for the first time in 2021, but do not have an impact on the financial statements of the Company.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. This amendment had no impact on the financial statements of the Company.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

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.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standardfor insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

* A specific adaptation for contracts with direct participation features (the variable fee approach).
* A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. As at December 31, 2021, Management has yet to reasonably estimate the impact at initial application of IFRS 17 and IFRS 9.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

During 2017, the Company performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects no significant impact on its balance sheet and equity, except for the effect of applying the impairment requirements of IFRS 9. The Company expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent. The Company meets the eligibility criteria of the temporary exemption from IFRS 9 and intends to defer the application of IFRS 9 until the effective date of the new insurance contracts standard (IFRS 17).

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

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Standards issued but not yet effective (continued)

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the Company.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Company.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

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.

Presentation of the financial statements (continued)

Certain comparative amounts in these financial statements have been reclassified to conform with the current year's presentation. For year ended December 31, 2021, there were no reclassifications made to the amounts.

<u>Summary of significant accounting policies</u>

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.

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.

Investment properties

Investment properties (land and buildings) are measured initially at cost, including transaction costs. Following initial recognition at cost, investment properties are stated at fair value, which reflects market conditions at the reporting date. Valuations are performed every three (3) years by an accredited external, independent appraiser, to ensure that the fair value does not differ materially from its carrying amount. A gain or loss arising from a change in the fair value of investment property shall be recognized in the consolidated statement of comprehensive income for the year in which it arises. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognized in the consolidated statement of comprehensive income. Costs for the repairs and maintenance are recognized in the statement of profit or loss as incurred. Gains and losses on disposal of investment property are determined by reference to their carrying amount and are taken into account in determining operating profit.

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.

Summary of significant accounting policies (continued)

Financial instruments

The Company performed an assessment of the IFRS 9 amendments and reached the conclusion that its activities are predominantly connected with insurance. During 2021, there had been no significant change in the activities of the Company that requires reassessment. The Company intends to apply the temporary exemption from IFRS 9 and, therefore, continue to apply IAS 39 to its financial assets and liabilities in its reporting period 1 January 2018 until IFRS 17 is applied.

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.

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.

Summary of significant accounting policies (continued)

Financial assets (continued)

Subsequent measurement (continued)

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

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

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.

Summary of significant accounting policies (continued)

Financial assets (continued)

Subsequent measurement (continued)

Held-to-maturity investments

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

Derecognition

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

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

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

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

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.

Summary of significant accounting policies (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Financial assets carried at amortized cost (continued)

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of investment income in the statement of profit or loss. Loans together with the associated 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.

Summary of significant accounting policies (continued)

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.

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.

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)

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.

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.

Revenue recognition

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

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.

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Summary of significant accounting policies (continued)

Revenue recognition (continued)

Reinsurance premiums
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.

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

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

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

Unrealised gains and losses
Unrealised gains and losses are recorded in the statement of profit or loss from the change in the market value of the fair value through profit or loss financial assets.

Investment income
Investment income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, 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 the statement of other comprehensive income. Interest income is recognized as it accrues in the statement of profit or loss, using the effective interest method. Dividend income is recognized in the statement of 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.

Rental income
Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

Benefits and claims

Gross benefits and claims
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 and delivery of the required documentation. 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.

Correction of error

Prior year reclassification of the land and building properties
After performing a classification reassessment on the Company's land and building properties, it was determined that a portion of the property and equipment should be classified as investment properties. This resulted to a reclassification adjustment amounting to AWG 636,430 from property and equipment to investment properties. This adjustment does not have an impact on the current year's statement of profit or loss.

(2) Property and equipment

2021 movement schedule	Land, buildings and improve-ments	Furniture and fixtures	Equipment	Vehicles	Total 2021
(in Aruba florins)					
Balance as at January 1					
Cost	1,967	121,950	112,132	72,484	**308,533**
Accumulated depreciation	(780)	(74,169)	(108,203)	(19,329)	**(202,481)**
	1,187	47,781	3,929	53,155	**106,052**
Changes in book value					
Disposal cost	(1,967)	-	-	(1,967)	**(1,967)**
Disposal accumulated depreciation	1,967	-	-	1,967	**1,967**
Additions	-	1,479	-	-	**1,479**
Depreciation	(1,187)	(18,157)	(856)	(14,496)	**(34,696)**
	(1,187)	(16,678)	(856)	(14,496)	**(33,217)**
Balance as at December 31					
Cost	-	123,429	112,132	70,517	**306,078**
Accumulated depreciation	-	(92,326)	(109,059)	(31,858)	**(233,243)**
Net book value	**-**	**31,103**	**3,073**	**38,659**	**72,835**

2020 movement schedule	Land, buildings and improve-ments	Furniture and fixtures	Equipment	Vehicles	Total 2020
(in Aruba florins)					(restated)
Balance as at January 1					
Cost	-	121,051	112,132	72,484	**305,667**
Accumulated depreciation	-	(56,001)	(106,134)	(4,832)	**(166,967)**
	-	65,050	5,998	67,652	**138,700**
Changes in book value					
Additions	1,967	899	-	-	**2,866**
Depreciation	(780)	(18,168)	(2,069)	(14,497)	**(35,514)**
	1,187	(17,269)	(2,069)	(14,497)	**(32,648)**
Balance as at December 31					
Cost	1,967	121,950	112,132	72,484	**308,533**
Accumulated depreciation	(780)	(74,169)	(108,203)	(19,329)	**(202,481)**
Net book value	**1,187**	**47,781**	**3,929**	**53,155**	**106,052**

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.

(3) Investment properties

	31-Dec-21	31-Dec-20
(in Aruba florins)		(restated)
Value as at January 1, as previously stated	-	-
Prior year adjustment (refer to note 1)	636,430	616,987
Value as at January 1, as restated	636,430	616,987
Additions	3,197,586	19,443
Fair value adjustments	93,983	-
Closing balance	**3,927,999**	**636,430**

The investment properties consist of a commercial property which is leased to third parties.

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

Location	Name valuers	Year of valuation
Aruba	Arcotec N.V.	2021

The Company has no restrictions on the realisability of its investment property and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Reconciliation of fair value of investment properties:

	Non- Rental properties	Rental properties	Total
(in Aruba florins)			(restated)
Value as at January 1	-	636,430	636,430
Purchases	-	3,197,586	3,197,586
Remeasurement recognized in profit or loss	-	93,983	93,983
Closing balance	**-**	**3,927,999**	**3,927,999**

	31-Dec-21	31-Dec-20
(in Aruba florins)		(restated)
- Rental income derived from investment properties	73,739	50,670
Profit arising from investment properties carried at fair value	**73,739**	**50,670**

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(4) Investment securities

(in Aruba florins)	2021	2020
Long-term investments	6,211,000	6,813,394
Short-term investments	2,740,728	4,817,520
	8,951,728	**11,630,914**

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

(in Aruba florins)	2021	2020
Long-term investments		
Held-to-maturity financial assets	6,211,000	6,813,394
	6,211,000	6,813,394
Short-term investments		
Held-to-maturity financial assets	602,393	1,000,000
Fair value through profit or loss financial assets	1,120,718	2,787,494
Loans and receivables	967,617	980,026
Available-for-sale financial assets	50,000	50,000
	2,740,728	4,817,520
	8,951,728	**11,630,914**

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

	2021		2020	
(in Aruba florins)	Carrying value	Fair value	Carrying value	Fair value
Long-term investments				
Held-to-maturity financial assets	6,211,000	6,211,000	6,813,394	6,813,394
	6,211,000	6,211,000	6,813,394	6,813,394
Short-term investments				
Held-to-maturity financial assets	602,393	602,393	1,000,000	1,000,000
Fair value through profit or loss financial assets	1,120,718	1,120,718	2,787,494	2,787,494
Loans and receivables	967,617	967,617	980,026	980,026
Available-for-sale financial assets	50,000	50,000	50,000	50,000
	2,740,728	2,740,728	4,817,520	4,817,520
	8,951,728	**8,951,728**	**11,630,914**	**11,630,914**

(4) Investment securities (continued)

The following table shows the movements of the carrying values in 2021:

Movement schedule of the carrying values: *(in Aruba florins)*	**Held-to-maturity**	**Fair value through profit or loss**	**Loans and receivables**	**Available-for-sale**	**Total**
Balance as at January 1	7,813,394	2,787,494	980,026	50,000	**11,630,914**
- Purchases	1,500,000	-	-	-	**1,500,000**
- Maturities	(2,500,001)	-	-	-	**(2,500,001)**
- Disposals	-	(746,463)	-	-	**(746,463)**
- Principal repayments	-	(896,454)	(12,409)	-	**(908,863)**
- Fair value gains (losses) recorded in the statement of profit or loss	-	6,120	-	-	**6,120**
	(1,000,001)	(1,666,776)	(12,409)	-	**(2,679,186)**
Balance as at December 31	**6,813,393**	**1,120,718**	**967,617**	**50,000**	**8,951,728**

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, 2021 and December 31, 2020:

			2021		
(in Aruba florins)	**Listed**	**Non-listed**	**Total**	**Restricted**	**Unrestricted**
Held-to-maturity investments					
Time deposits	-	1,002,393	**1,002,393**	1,002,393	-
Government bonds	-	5,811,000	**5,811,000**	-	5,811,000
	-	6,813,393	**6,813,393**	1,002,393	5,811,000
Fair value through profit or loss financial assets					
Government bonds	1,120,718	-	**1,120,718**	-	1,120,718
	1,120,718	-	**1,120,718**	-	1,120,718
Loans and receivables					
Other loans	-	967,617	**967,617**	967,617	-
	-	967,617	**967,617**	967,617	-
Available-for-sale financial investments					
Equity securities, non-listed	-	50,000	**50,000**	50,000	-
	-	50,000	**50,000**	50,000	-
	1,120,718	**7,831,010**	**8,951,728**	**2,020,010**	**6,931,718**

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(4) Investment securities (continued)

(in Aruba florins)	Listed	Non-listed	2020 Total	Restricted	Unrestricted
Held-to-maturity investments					
Time deposits	-	2,002,394	**2,002,394**	2,002,394	-
Government bonds	-	5,811,000	**5,811,000**	-	5,811,000
	-	7,813,394	**7,813,394**	2,002,394	5,811,000
Fair value through profit or loss financial assets					
Government bonds	2,787,494	-	**2,787,494**	-	2,787,494
	2,787,494	-	**2,787,494**	-	2,787,494
Loans and receivables					
Other loans	-	980,026	**980,026**	980,026	-
	-	980,026	**980,026**	980,026	-
Available-for-sale financial investments					
Equity securities	-	50,000	**50,000**	-	50,000
	-	50,000	**50,000**	-	50,000
	2,787,494	**8,843,420**	**11,630,914**	**2,982,420**	**8,648,494**

The following table provides an analysis of the investments of the Company into relevant maturity categories as per December 31, 2021 and December 31, 2020:

2021	< 1 year	1-3 years	3-5 years	> 5 years	Total
Held-to-maturity	602,393	400,000	294,000	5,517,000	6,813,393
Fair value through profit or loss	1,120,718	-	-	-	1,120,718
Loans and receivables	967,617	-	-	-	967,617
Available-for-sale	50,000	-	-	-	50,000
	2,740,728	**400,000**	**294,000**	**5,517,000**	**8,951,728**

2020	< 1 year	1-3 years	3-5 years	> 5 years	Total
Held-to-maturity	1,000,000	602,393	694,001	5,517,000	7,813,394
Fair value through profit or loss	2,787,494	-	-	-	2,787,494
Loans and receivables	980,026	-	-	-	980,026
Available-for-sale	50,000	-	-	-	50,000
	4,817,520	**602,393**	**694,001**	**5,517,000**	**11,630,914**

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(4) Investment securities (continued)

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

	Interest rate (range)	Carrying value 2021	Carrying value 2020
(in Aruba florins)			
Government of Aruba Bonds	6% - 8%	6,931,718	8,598,494
		6,931,718	**8,598,494**

(5) Intangible assets

	2021	2020
(in Aruba florins)		
Other intangible assets	25,748	51,079
	25,748	**51,079**

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

Movement in other intangible assets

	2021	2020
(in Aruba florins)		
Balance as at January 1	51,079	23,741
Additions	-	64,800
Amortization	(25,331)	(37,462)
Balance as at December 31	**25,748**	**51,079**

(6) Deferred acquisition costs

Movements in deferred acquisition costs

	2021	2020
(in Aruba florins)		
Balance as at January 1	1,254,462	1,179,495
Deferred expenses	69,547	178,850
Prior year adjustments	(2,020)	-
Amortization	(110,540)	(103,883)
Balance as at December 31	**1,211,449**	**1,254,462**

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(7) Long-term loans receivable

(in Aruba florins)	2021	2020
Mortgage loans	1,609,805	1,385,168
	1,609,805	**1,385,168**

(8) Insurance receivables

(in Aruba florins)	2021	2020
Direct sales	998,763	507,729
Agents and brokers	846,357	741,866
	1,845,120	1,249,595
Less: provision for doubtful debts	(300,541)	(130,954)
	1,544,579	**1,118,641**

Movements in provision for doubtful debts

(in Aruba florins)	2021	2020
Balance as at January 1	130,954	14,850
Additions	169,587	118,595
Write-offs	-	(2,491)
Balance as at December 31	**300,541**	**130,954**

(9) Policy loans

(in Aruba florins)	2021	2020
Policy loans	128,823	106,622
Less: provision for doubtful debts	(25,172)	(4,241)
	103,651	**102,381**

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)	2021	2020
Balance as at January 1	4,241	1,750
Additions	20,931	2,491
Balance as at December 31	**25,172**	**4,241**

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(10) Prepayments and other current assets

(in Aruba florins)	2021	2020
Advance and short-term loans to employees	76,770	104,038
Prepaid commissions	158,986	253,533
Interest receivable on investment securities	272,627	310,787
Prepaid expenses and other receivables	28,381	4,489
	536,764	**672,847**

(11) Current account affiliated companies

(in Aruba florins)	2021	2020
Due from related parties		
National General Insurance Co. (NAGICO) N.V.	25,550	14,392
Nagico Road and Claims Services N.V.	-	311,174
Nagico Life Insurance N.V.	190,640	403,142
Nagico Life Insurance (EC) Limited	(4,627)	(4,627)
	211,563	**724,081**
Due to related parties		
Nagico Aruba N.V.	449,938	361,014
	449,938	**361,014**

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)	2021	2020
Due from related parties		
Opening balance, January 1	724,081	338,362
Settlements	(294,825)	-
Investments	391,076	92,226
Personnel expenses	(205,277)	(204,069)
Rent	-	(16,500)
Management fees	-	22,742
Office expenses	(507,586)	491,320
Claims	104,094	-
	211,563	**724,081**

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(11) Current account affiliated companies (continued)

(in Aruba florins)	2021	2020
Due to related parties		
Opening balance, January 1	361,014	835,282
Settlements	(661,287)	-
Personnel expenses	223,019	158,474
Investments	429,698	599,902
Interest	-	-
Operating expenses	91,541	(653,193)
Claims expenses		(1,050)
Premiums received	5,953	(619,373)
Management fees	-	40,972
	449,938	**361,014**

(12) Cash and cash equivalents

(in Aruba florins)	2021	2020
Current accounts	2,502,375	1,065,574
Investment cash account	1,163,993	142,628
Other	859	859
	3,667,227	**1,209,061**

(13) 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.

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(14) Insurance liabilities

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

	2021	2020
(in Aruba florins)		
Policy liabilities		
Home Service Life	229,878	232,519
Ordinary Life	(3,813,252)	(4,282,901)
Universal Life	1,216,821	1,238,947
Annuity	1,151,362	902,385
Group life	12,924	8,299
Group Pension	4,620,784	4,201,740
	3,418,517	2,300,989
Insurance liabilities		
Reinsurance liabilities	477,200	463,779
Insurance premiums paid in advance	1,842,538	1,882,999
Outstanding claims	316,259	(250)
	2,635,997	2,346,528
Gross insurance liabilities	**6,054,514**	**4,647,517**
Due from reinsurers		
Claims receivable from reinsurers	(188,799)	(82,014)
	(188,799)	(82,014)
Net insurance liabilities	**5,865,715**	**4,565,503**

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

	2021	2020
(in Aruba florins)		
Actuarial reserves as at January 1,	2,300,989	2,013,889
Inforce changes & terminations	1,538,492	2,257,350
Actuarial reserves increase for new business	(480,309)	(554,341)
Long-term riders reserve method change	-	(1,819,914)
Change in assumptions impact:		
Lapse, expense, interest and mortality changes	(636,400)	(239,689)
Group Life change	4,625	(241)
Pension change	713,760	645,029
FPA cost of guarantee change	(1,305)	6,586
SPIA change from prior year	(21,335)	(7,680)
Actuarial reserves as at December 31	**3,418,517**	**2,300,989**

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(15) Taxation

Current tax payable

(in Aruba florins)	2021	2020
Taxable amount life insurance (10%)	652,957	624,814
Taxable amount premium income other (20%)	21,451	52,205
Investment allowance	(319,889)	(2,218)
Total taxable amount	354,519	674,801
Net tax payable	**88,605**	**169,605**

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:

(in Aruba florins)	2021	2020
Balance as at January 1	127,231	188,192
Current year charge	88,605	169,605
Profit tax paid	(188,201)	(230,320)
Prior year adjustments	42,120	(246)
Balance at December 31	**69,755**	**127,231**

Profit tax expense

The movement of current and deferred taxes payable can be reconciled to the profit tax expense as reported in the statement of profit or loss as follows:

(in Aruba florins)	2021	2020
Prior year adjustments	42,120	-
Current year profit tax	88,605	169,359
	130,725	**169,359**

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

(in Aruba florins)	2021	2020
Profit before tax from continuing operations	2,026,582	3,751,571
Income tax calculated at average rate	506,646	937,893
Tax effect of income not taxable in determining taxable profit	(375,921)	(768,534)
	130,725	**169,359**

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(16) Accounts payable and accrued liabilities

(in Aruba florins)	2021	2020
Accounts payable	13,303	-
Other taxes payable	30,712	11,644
Accrued expenses	173,424	461,257
	217,439	**472,901**

(17) Underwriting income

The following table presents details of premium income:

(in Aruba florins)	2021	2020
Premium income		
Home Service Life	19,136	11,111
Group Health	107,251	262,486
Ordinary Life	5,184,764	4,997,256
Universal Life	147,447	119,818
Annuity	15,594	17,652
Pension	1,162,625	1,137,209
	6,636,817	6,545,532
Changes in arrears	130,674	(33,666)
	6,767,491	**6,511,866**

(18) Underwriting expenses

The underwriting expenses are built up as follows:

(in Aruba florins)	2021	2020
Policyholder benefits	1,928,133	1,176,123
Movement in policy liabilities		
Home Service Life	(2,641)	(436)
Ordinary Life	459,776	(431,984)
Universal Life	(22,126)	46,131
Annuity	248,977	16,925
Group life	4,625	(89)
Pension	434,459	645,028
	1,123,070	275,575
Recoveries from reinsurers	(188,800)	(82,015)
Insurance claims and loss adjustment expenses net of recoveries from reinsurers	**2,862,403**	**1,369,683**

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(19) Commission expense

(in Aruba florins)	2021	2020
Total commission expense	588,539	749,204
Deferred expenses	(69,547)	(178,850)
Prior year adjustments	2,020	-
Amortization of deferred expenses	110,540	103,883
	631,552	**674,237**

(20) Personnel expenses

(in Aruba florins)	2021	2020
Salaries and bonuses	652,187	573,861
Social premiums	69,271	37,468
Car expenses	1,585	907
Directors' fees	119,624	(15,706)
Pension, defined contribution plan	10,750	8,404
Other personnel expenses	(11,000)	11,000
	842,417	**615,934**
Number of employees as at December 31	**8**	**6**

The total gross salaries and bonuses (including director fees) that are paid out by the Company to key management personnel in 2021 amounted to AWG 246,459 (2020: AWG 172,798). The pension premiums paid for key management in 2021 amounted to AWG 11,736 (2020: AWG 8,228).

(21) Administrative expenses

(in Aruba florins)	2021	2020
Office expenses	178,006	194,912
Rent	61,892	57,667
Insurance	577	2,067
Maintenance	13,170	11,956
Telephone	41,736	28,829
Utilities	34,133	32,906
Travel and lodging	577	6,924
	330,091	**335,261**

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(22) Other operating expenses

(in Aruba florins)	**2021**	**2020**
Advertising and promotional costs	2,057	3,121
Bad debt expense	169,587	118,595
Policy loan loss	20,931	-
Professional fees	236,513	204,036
Other taxes	3,569	495
Subscriptions and donations	1,275	1,275
Postage	17	978
Bank charges	30,262	48,359
	464,211	**376,859**

(23) Investment income

(in Aruba florins)	**2021**	**2020**
Interest on investments	565,145	529,382
Rental income of investment properties	73,739	50,670
Fair value gain	6,121	337,926
Realized gains and (losses)	(29,979)	-
Dividend income	2,500	2,500
	617,526	920,478
Other interest income	94,950	48,929
	94,950	48,929
	712,476	**969,407**

(24) Other income

(in Aruba florins)	**2021**	**2020**
Gain on revaluation of land and buildings	93,983	-
Foreign exchange loss	(1,837)	(1,919)
Other income	5,771	21,245
	97,917	**19,326**

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(25) 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.

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)	**2021**	**2020**
Long-term investments	6,211,000	6,813,394
Long-term loans receivable	1,609,805	1,385,168
Short-term investments	2,740,728	4,817,520
Due from reinsurers	188,799	82,014
Insurance receivables	1,845,120	1,249,595
Policy loans	128,823	106,622
Cash and cash equivalents	3,667,227	1,209,061
Other current assets	508,383	668,358
	16,899,885	**16,331,732**

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(25) Financial Risk Management (continued)

Credit risk (continued)

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** Investment grade	Non-investment grade	**Past due but not impaired**	**Impaired**	**Total**
As at December 31, 2021					
Long-term investments	5,811,000	400,000	-	-	6,211,000
Long-term loans receivable	-	1,609,805	-	-	1,609,805
Short-term investments	-	2,740,728	-	-	2,740,728
Due from reinsurers	188,799	-	-	-	188,799
Insurance receivables	870,802	-	673,778	300,540	1,845,120
Policy loans	-	103,651	-	25,172	128,823
Cash and cash equivalents	3,667,227	-	-	-	3,667,227
Other current assets	-	508,383	-	-	508,383
	10,537,828	**5,362,567**	**673,778**	**325,712**	**16,899,885**
As at December, 2020					
Long-term investments	5,811,000	1,002,394	-	-	6,813,394
Long-term loans receivable	-	1,385,168	-	-	1,385,168
Short-term investments	-	4,817,520	-	-	4,817,520
Insurance receivables	829,250	-	289,391	130,954	1,249,595
Policy loans	-	102,381	-	4,241	106,622
Cash and cash equivalents	1,209,061	-	-	-	1,209,061
Other current assets	-	668,358	-	-	668,358
	7,931,325	**7,975,821**	**289,391**	**135,195**	**16,331,732**

An analysis of the credit quality of the Company's investments are as follows:

	2021		**2020**	
	Long-term	**Short-term**	**Long-term**	**Short-term**
(in Aruba florins)				
BBB+	5,811,000	-	5,811,000	-
BBB	1,120,718	-	-	-
No Rate	400,000	1,620,010	1,002,394	4,817,520
	7,331,718	**1,620,010**	**6,813,394**	**4,817,520**

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.

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(25) Financial Risk Management (continued)

Credit risk (continued)

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:

	2021	**2020**
(in Aruba florins)		
Investments held by governments	6,931,718	8,598,494
Investments held by financial institutions	1,002,393	2,002,394
Equity instruments and other investments	1,017,617	1,030,026
	8,951,728	**11,630,914**

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.

Breakdown of insurance receivables 2021:

	Neither past due nor impaired	**Past due but not impaired**	**Impaired**	**Total**
(in Aruba florins)				
Direct	63,510	634,714	300,540	998,764
Agents and brokers	807,292	39,064	-	846,356
	870,802	**673,778**	**300,540**	**1,845,120**

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(25) Financial Risk Management (continued)

Credit risk (continued)

Insurance and other receivables (continued)

Breakdown of insurance receivables 2020:

(in Aruba florins)	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Direct	111,897	264,878	130,954	507,729
Agents and brokers	717,353	24,513	-	741,866
	829,250	**289,391**	**130,954**	**1,249,595**

Ageing analysis of insurance receivables 2021 neither past due nor impaired and past due but not impaired:

As at December 31, 2021	< 30 days	30-90 days	> 90 days	Total
(in Aruba florins)				
Direct	17,764	45,746	634,714	698,224
Agents and brokers	257,596	549,696	39,064	846,356
	275,360	**595,442**	**673,778**	**1,544,580**

Ageing analysis of insurance receivables 2020 neither past due nor impaired and past due but not impaired:

As at December 31, 2020	< 30 days	30-90 days	> 90 days	Total
(in Aruba florins)				
Direct	56,691	55,207	264,878	376,776
Agents and brokers	216,949	500,403	24,513	741,865
	273,640	**555,610**	**289,391**	**1,118,641**

(25) Financial Risk Management (continued)

Determination of fair value and fair values hierarchy

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

- Level 1

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

- Level 2

A financial instrument is classified as Level 2 if:
- The fair value is derived from quoted prices of similar instruments which would be classified as Level 1; or
- The fair value is determined from quoted prices that are observable but there is no data available to substantiate frequent market trading of the instrument.

In estimating the fair value of non-traded financial assets, the Company uses a variety of methods such as obtaining broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Company's models whereby the majority of assumptions are market observable and using discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are discounted at market derived rates for government securities in the same country of issue as the security; for non-government securities, an interest spread is added to the derived rate for a similar government security rate according to the perceived additional risk of the non-government security. Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

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.

(25) Financial Risk Management (continued)

Determination of fair value and fair values hierarchy (continued)

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

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

During 2021, 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, 2021 and December 31, 2020:

December 31, 2021	Level 1	Level 2	Level 3	**Total fair value**
(in Aruba florins)				
Financial assets				
Fair value through profit or loss financial assets				
Investment properties	3,927,999	-	-	**3,927,999**
Government bonds	1,120,718	-	-	**1,120,718**
Available-for-sale financial assets				
Equity securities	-	50,000	-	**50,000**
Total financial assets	**5,048,717**	**50,000**	**-**	**5,098,717**

December 31, 2020	Level 1	Level 2	Level 3	**Total fair value**
(in Aruba florins)				(restated)
Financial assets				
Fair value through profit or loss financial assets				
Investment properties	636,430	-	-	**636,430**
Government bonds	2,787,494	-	-	**2,787,494**
Available-for-sale financial assets				
Equity securities	-	50,000	-	**50,000**
Total financial assets	**3,423,924**	**50,000**	**-**	**3,473,924**

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(24) Financial Risk Management (continued)

Determination of fair value and fair values hierarchy (continued)

During 2021, the Company did not have any transfers between levels. The following table presents information about the Company's financial assets disclosed at fair value on a recurring basis as of December 31, 2021 and December 31, 2020:

December 31, 2021	Level 1	Level 2	Level 3	**Total fair value**
(in Aruba florins)				
Financial assets				
HTM financial assets				
Long-term investments	-	6,813,394	-	**6,813,394**
Short-term investments	-	1,000,000	-	**1,000,000**
	-	7,813,394	-	**7,813,394**
Loans and receivables financial assets				
Other loans	-	980,026	-	**980,026**
Total financial assets	**-**	**8,793,420**	**-**	**8,793,420**

December 31, 2020	Level 1	Level 2	Level 3	**Total fair value**
(in Aruba florins)				
Financial assets				
HTM financial assets				
Long-term investments	-	6,211,000	-	**6,211,000**
Short-term investments	-	602,393	-	**602,393**
	-	6,813,393	-	**6,813,393**
Loans and receivables financial assets				
Other loans	-	967,617	-	**967,617**
Total financial assets	**-**	**7,781,010**	**-**	**7,781,010**

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 Management through discussions and the review of market developments and trends.

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

Equity price risk

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

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(25) Financial Risk Management (continued)

Market risk (continued)

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.

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 or interest is insufficient to meet the interest rate credited to policyholders. 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, 2021 and December 31, 2020 the interest bearing assets and liabilities consisted of:

	2021	**2020**
(in Aruba florins)		
Time deposits	1,002,393	2,002,394
Government bonds	6,931,718	8,598,494
Other bonds	-	-
	7,934,111	**10,600,888**

There were no interest bearing liabilities as at December 31, 2021 (2020: nil). The analysis assumes that the stipulated change takes place at the beginning of the financial year and is held constant throughout the reporting period. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated (for example, change in interest rate and change in market values).

If the effective interest rate increased by 100 basis points, this would have increased the equity and the net income for the year by AWG 79 thousand (2020: AWG 106 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 2021 or 2020, hence management did not find it necessary to perform a sensitivity analysis on currency risk.

(25) Financial Risk Management (continued)

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 Finance 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.

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.

(25) Financial Risk Management (continued)

Liquidity risk (continued)

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

December 31, 2021	**< 1 year**	**1-3 years**	**> 3 years**	**Total**
(in Aruba florins)				
Investments				
Held-to-maturity	602,393	400,000	5,811,000	6,813,393
Fair value through profit or loss	1,120,718	-	-	1,120,718
Available-for-sale	50,000	-	-	50,000
Loans and receivables	967,617	-	-	967,617
	2,740,728	400,000	5,811,000	8,951,728
Receivables	2,556,975	-	1,609,805	4,166,780
Cash and cash equivalents	3,667,227	-	-	3,667,227
	6,224,202	-	1,609,805	7,834,007
Total	***8,964,930***	***400,000***	***7,420,805***	***16,785,735***
Insurance liabilities	(5,776,779)	-	(277,735)	(6,054,514)
Accounts payable	(13,303)	-	-	(13,303)
Total	***(5,790,082)***	**-**	***(277,735)***	***(6,067,817)***
Difference in expected cash flows	**3,174,848**	**400,000**	**7,143,070**	**10,717,918**

December 31, 2020	**< 1 year**	**1-3 years**	**> 3 years**	**Total**
(in Aruba florins)				
Investments				
Held-to-maturity	1,000,000	602,393	6,211,001	7,813,394
Fair value through profit or loss	2,787,494	-	-	2,787,494
Available-for-sale	50,000	-	-	50,000
Loans and receivables	980,026	-	-	980,026
	4,817,520	602,393	6,211,001	11,630,914
Receivables	2,695,475	-	1,385,168	4,080,643
Cash and cash equivalents	1,209,061	-	-	1,209,061
	3,904,536	-	1,385,168	5,289,704
Total	***8,722,056***	***602,393***	***7,596,169***	***16,920,618***
Insurance liabilities	(4,369,782)	-	(277,735)	(4,647,517)
Accounts payable	-	-	-	-
Total	***(4,369,782)***	**-**	***(277,735)***	***(4,647,517)***
Difference in expected cash flows	**4,352,274**	**602,393**	**7,318,434**	**12,273,101**

(25) Financial Risk Management (continued)

Liquidity risk (continued)

	2021	2020
(in Aruba florins)		
Financial assets		
Long-term investments - held-to-maturity	6,211,000	6,813,394
Long-term loans receivable	1,609,805	1,385,168
Short-term investments - held-to-maturity	602,393	1,000,000
Short-term investments - fair value through profit or loss	1,120,718	2,787,494
Short-term investments - available-for-sale	50,000	50,000
Short-term investments - loans and receivables	967,617	980,026
Due from reinsurers	188,799	82,014
Insurance receivables	1,544,579	1,118,641
Policy loans	103,651	102,381
Other current assets	508,383	668,358
Current account affiliated companies	211,563	724,081
Cash and cash equivalents	3,667,227	1,209,061
	16,785,735	**16,920,618**
Financial liabilities		
Insurance liabilities	6,054,514	4,647,517
Accounts payable and other payables	13,303	-
	6,067,817	**4,647,517**

The following tables show the concentration of life insurance contract liabilities with DPF by type of contract.

	Gross		**Reinsurance**		
	Insurance contract with DPF	Insurance contract liabilities without DPF	Insurance contract with DPF	Insurance contract liabilities without DPF	**Net**
(in Aruba florins)					
As at December 31, 2021					
Gross insurance liabilities					
Ordinary Life	-	(4,088,454)	-	505,079	(3,583,375)
Universal Life	-	1,191,538	-	25,283	1,216,821
Individual Deferred Annuities	-	284,414	-	-	284,414
Individual Immediate Annuities	-	572,231	-	-	572,231
Group Pension	-	4,915,502	-	-	4,915,502
Group Life	-	12,924	-	-	12,924
Total life insurance	**-**	**2,888,155**	**-**	**530,362**	**3,418,517**

(25) Financial Risk Management (continued)

Liquidity risk (continued)

	Gross		Reinsurance		
	Insurance contract with DPF	Insurance contract liabilities without DPF	Insurance contract with DPF	Insurance contract liabilities without DPF	**Net**
(in Aruba florins)					
As at December 31, 2020					
Gross insurance liabilities					
Ordinary Life	-	- 4,460,647	-	410,264	(4,050,383)
Universal Life	-	1,216,153	-	22,794	1,238,947
Individual Deferred Annuities	-	308,819	-	-	308,819
Individual Immediate Annuities	-	593,566	-	-	593,566
Group Pension	-	4,201,741	-	-	4,201,741
Group Life	-	8,299	-	-	8,299
Total life insurance	**-**	**1,867,931**	**-**	**433,058**	**2,300,989**

The geographical concentration of the Company's life insurance contract liabilities with DPF is shown below. The disclosure is based on the countries where the business is written. The analysis would not be materially different if based on the countries in which the counterparties are situated.

	Gross		Reinsurance		
(in Aruba florins)	Insurance contract with DPF	Insurance contract liabilities without DPF	Insurance contract with DPF	Insurance contract liabilities without DPF	**Net**
As at December 31, 2021					
Gross insurance liabilities					
Dutch Caribbean	-	2,888,155	-	530,362	3,418,517
Total life insurance	**-**	**2,888,155**	**-**	**530,362**	**3,418,517**

	Gross		Reinsurance		
(in Aruba florins)	Insurance contract with DPF	Insurance contract liabilities without DPF	Insurance contract with DPF	Insurance contract liabilities without DPF	**Net**
As at December 31, 2020					
Gross insurance liabilities					
Dutch Caribbean	-	1,867,931	-	433,058	2,300,989
Total life insurance	**-**	**1,867,931**	**-**	**433,058**	**2,300,989**

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(25) 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.

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.

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, FPA	Discount Interest rate	Increase in discount rates	Based on changes in new assets and LAT modeling	(636,400)

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(25) Financial Risk Management (continued)

Insurance risk (continued)

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.

* 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 of the majority 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)		**2021**	**2020**
Increase in mortality, decrease in mortality for FPA	10%	1,017,500	910,182
Increase in expenses	10%	402,000	372,188
Parallel downward shift of valuation interest curve	1%	1,552,400	1,662,779
Adverse lapse impact	10%	537,700	583,101

(26) 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.

(26) Risk Management framework (continued)

Governance framework (continued)

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. From a governance perspective, The Company ensures that the majority of the Supervisory Board of Directors are independent in exercising their fiduciary obligations to the Company.

Capital management objectives, policies and approach

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

The 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, 2021, the Company is in compliance with the solvency requirement 3 margin of CBA.

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. Management recognises the critical importance of having efficient and effective risk management systems in place.

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

- To maintain the required level of stability of the Company thereby providing a degree of security to policyholders;
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its 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.

(26) Risk Management framework (continued)

Capital management objectives, policies and approach (continued)

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.

Approach to capital management

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

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

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.

In reporting financial strength, capital and solvency are measured using the rules prescribed by the regulator. These regulatory capital tests are based upon required levels of solvency and capital 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 regulators directives, including any additional amounts required by the regulator.

The Company has met all of these requirements throughout the financial year.

(26) Risk Management framework (continued)

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.

(27) Subsequent events

Management has evaluated the need for disclosures and adjustments resulting from subsequent events from January 1, 2022 to the date the financial statements were approved. There were no subsequent events requiring disclosures and/or adjustments.

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