NAGICO 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 Aruba N.V.

Opinion

We have audited the accompanying financial statements of NAGICO 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
Property and equipment	2	211,599	291,514
Right-of-use assets	3	300,835	251,034
Intangible assets	5	4,565	4,565
Deferred tax assets	13	108,101	113,929
Investment securities	4	22,032,362	23,315,222
Receivables			
Due from reinsurers	12	5,122,676	6,963,806
Insurance receivables	6	3,151,958	2,001,817
Deferred acquisition costs	7	1,169,556	1,034,984
Prepayments and other current assets	8	640,012	514,222
Current account affiliated companies	9	7,441,300	4,042,179
		17,525,502	*14,557,008*
Cash and cash equivalents	10	6,085,112	3,408,133
TOTAL ASSETS		**46,268,076**	**41,941,405**

Shareholders' equity and liabilities *(in Aruba florins)*	Note	2021	2020
Shareholders' equity			
Share capital	11	1,800,000	1,800,000
Retained earnings		16,965,502	15,595,384
		18,765,502	*17,395,384*
Liabilities			
Insurance liabilities	12	15,315,189	17,162,328
Due to reinsurers	12	9,193,790	4,285,613
Deferred tax payable	13	75,150	62,759
Current tax payable	13	343,196	1,440,694
Lease liabilities	3	313,718	254,994
Accounts payable and accrued liabilities	14	1,912,549	1,160,617
Current account affiliated companies	9	348,982	179,016
		27,502,574	*24,546,021*
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**46,268,076**	**41,941,405**

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

Director Director

See accompanying notes to the financial statements

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Statement of comprehensive income for the year ended December 31, 2021

(in Aruba florins)	Note	2021	2020
Underwriting income			
Insurance premium revenue	15	24,455,969	25,851,451
Reinsurance cost		(8,863,948)	(9,090,237)
Net premiums earned		15,592,021	16,761,214
Commission expense	7	(2,923,544)	(3,201,667)
Net insurance premium revenue		12,668,477	13,559,547
Other underwriting income	16	815,966	795,388
Net insurance premium revenue		*13,484,443*	*14,354,935*
Underwriting expenses			
Insurance claims and loss adjustment expenses, net of recoveries from reinsurers	17	*6,835,135*	*4,251,882*
Net underwriting income		***6,649,308***	***10,103,053***
Other expenses			
Personnel expenses	18	2,630,492	2,242,124
Administrative expenses	19	687,053	589,944
Other operating expenses	20	2,162,524	1,974,747
Amortization	5	-	-
Depreciation	2,3	169,553	267,278
Total other expenses		*5,649,622*	*5,074,093*
Other income			
Investment income	21	646,344	543,825
Other income	22	85,260	208,589
Total other income		*731,604*	*752,414*
Net result before taxation		**1,731,290**	**5,781,374**
Taxation	13	(361,172)	(1,439,443)
Net result after taxation		**1,370,118**	**4,341,931**
Other comprehensive income		-	-
Comprehensive income for the year		**1,370,118**	**4,341,931**

See accompanying notes to the financial statements

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

(in Aruba florins)	Share capital	Retained earnings	Total
Balance as at January 1, 2020	1,800,000	11,253,453	**13,053,453**
Net result after taxation	-	4,341,931	**4,341,931**
	-	**4,341,931**	**4,341,931**
Balance as at December 31, 2020	**1,800,000**	**15,595,384**	**17,395,384**
Net result after taxation	-	1,370,118	**1,370,118**
	-	**1,370,118**	**1,370,118**
Balance as at December 31, 2021	**1,800,000**	**16,965,502**	**18,765,502**

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

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

	Note	2021	2020
(in Aruba florins)			
Cash flows from operating activities:			
Net result before taxation		1,731,290	5,781,374
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property and equipment	2	148,192	252,970
Depreciation from right-of-use assets	3	21,361	14,308
Gain on disposal of property and equipment	2	(42,535)	-
Interest and other expense from lease liability	3	156,345	104,988
Change in unrealized gains and losses on investments	4	11,650	325,057
Write-off of bad debts	20	3,220	536
Working capital movements:			
Due from reinsurers		1,841,130	2,372,002
Insurance receivables		(1,153,361)	1,218,858
Deferred acquisition costs		(134,572)	219,550
Prepayments and other current assets		(870,028)	(415,775)
Due to reinsurers		4,908,177	(1,372,802)
Insurance liabilities		(1,847,139)	30,103
Accounts payable and accrued liabilities		751,932	440,883
Current account affiliated companies		(3,228,044)	(3,203,491)
		566,328	(12,813)
Interest received		744,238	773,245
Profit tax paid	13	(1,440,451)	(1,068,125)
		(696,213)	(294,880)
Net cash flows provided by operating activities		1,601,405	5,473,681
Cash flows from investing activities:			
Purchase of property and equipment	2	(68,277)	(72,836)
Proceeds from sale of property and equipment	2	42,535	-
Purchase of investment securities	4	(5,855,207)	(12,681,933)
Proceeds from sale and maturity of investment securities	4	7,126,417	7,766,113
Net cash flows used in investing activities		1,245,468	(4,988,656)
Cash flows from financing activities:			
Repayment of lease liability	3	(169,894)	(129,893)
Net cash flows used in financing activities		(169,894)	(129,893)
Net increase /(decrease) in cash and cash equivalents		**2,676,979**	**355,132**
Cash and cash equivalents at January 1	10	3,408,133	3,053,001
Cash and cash equivalents at December 31		**6,085,112**	**3,408,133**

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Notes to the financial statements

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

CORPORATE INFORMATION

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

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

Peak Reinsurance Company Limited ("Peak Re"), a Hong Kong based global reinsurer, acquired a 50% share in NAGICO Holdings Limited 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).

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

Approval of the financial statements
The financial statements were approved by the Board of Directors on 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.

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Basis of preparation (continued)

Significant accounting judgments, estimates and assumptions (continued)

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The reserves consist of a provision for the estimated outstanding casualty and property insurance claims to be paid and include a provision for incured but not yet reported (IBNR) claims. These provisions are not discounted. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

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

Determining the incremental borrowing rate to measure lease liabilities

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Determining the lease term of contracts with renewal and termination options – as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Basis of preparation (continued)

Significant accounting judgments, estimates and assumptions (continued)

Determining the lease term of contracts with renewal and termination options – as lessee (continued)

The Company included the renewal period as part of the lease term for leases of buildings. The Company typically exercises its option to renew for these leases because there will be a significant negative effect on its operations. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

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

	Right-of-use asset	**Lease liability**	**Deprecia-tion expense**	**Interest Expense**
(in Aruba florins)				
25 year lease term	*85,348*	*87,897*	*(3,874)*	*5,353*
10 year lease term	*(117,601)*	*(122,908)*	*4,507*	*(7,485)*

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.

Basis of preparation (continued)

Significant accounting judgments, estimates and assumptions (continued)

Determination of fair value (continued)

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.

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.

Foreign currency translation

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

New and amended standards

The Company applied 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.

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New and amended standards (continued)

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.

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Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

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.

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.

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Standards issued but not yet effective (continued)

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.

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.

Standards issued but not yet effective (continued)

Definition of Accounting Estimates - Amendments to IAS 8 (continued)

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.

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

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

Summary of significant accounting policies

Property and equipment

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

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

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

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

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Summary of significant accounting policies (continued)

Property and equipment (continued)

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

Intangible assets

Present value of acquired in-force business

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

Other tangible assets

Other intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. The Company's Insurance Operating Software "INSPRO III" is amortized in three years.

Impairment of non-financial assets

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

Financial instruments

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

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

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Summary of significant accounting policies (continued)

Financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

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

Financial assets at fair value through profit or loss

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

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

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

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.

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

Financial assets (continued)

Subsequent measurement (continued)

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

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

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

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

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

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

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.

Summary of significant accounting policies (continued)

Impairment of financial assets

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

Financial assets carried at amortized cost

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

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

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

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

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss and other financial liabilities. The Company determines the classification of its financial liabilities at initial recognition. The Company's financial liabilities include insurance payables, trade and other payables.

Summary of significant accounting policies (continued)

Financial liabilities

Derecognition

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

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

Offsetting

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

Cash and cash equivalents

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

Statement of cash flows

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

Other assets and liabilities

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

Related party transactions

Related parties are those enterprises that are either in control of the Company or are controlled by the Company, or can exercise significant influence over the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. All transactions with the related parties are conducted at arm's-length basis., unless otherwise stated. No expense has been recognized in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

Transactions with shareholder

Since June 2015, the Company entered into a Quota Share reinsurance agreement with it's 50% (ultimate) shareholder Peak Re whereby Peak Re agreed to cover a portion of the risks that may be incurred by the Company. Starting June 1, 2019, two more reinsurers have joined the Quota Share reinsurance agreement of the Company. Under this new combined agreement, Peak Re's share has reduced to 40% for the period starting June 1, 2019 until May 31, 2020 after which the Quota Share reinsurance agreement with Peak Re ended.

Deferred acquisition cost

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

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Summary of significant accounting policies (continued)

Deferred acquisition cost (continued)

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

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

Insurance contracts

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

Recognition and measurement

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

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

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

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

The healthcare products provide medical cover to policyholders.

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

Significant assumptions and other sources of estimation uncertainty

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

Summary of significant accounting policies (continued)

Significant assumptions and other sources of estimation uncertainty (continued)

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

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

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

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

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

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

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

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

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

Reinsurance assets (note 12) are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the statement of comprehensive income.

Summary of significant accounting policies (continued)

Reinsurance (continued)

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

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

Revenue recognition

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

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

Reinsurance premiums
Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the year and are recognized on the date on which the policy incepts. Premiums include any adjustments arising in the accounting year in respect of reinsurance contracts incepting in prior accounting years.

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

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

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

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

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.

Summary of significant accounting policies (continued)

Revenue recognition (continued)

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 consolidated 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.

Benefits, claims and expenses recognition

Gross benefits and claims

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

Reinsurance claims

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

Leases

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

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

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

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

As a lessee

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

Summary of significant accounting policies (continued)

Leases (continued)

As a lessee (continued)

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

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

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

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

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

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

Short-term leases and leases of low-value assets

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

As a lessor

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

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

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

Summary of significant accounting policies (continued)

Leases (continued)

As a lessor (continued)

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

Employee benefits

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

Current and deferred income taxes

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Aruba where the Company operates and generates taxable income. The nominal profit tax rate is 25%. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate.

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

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

(2) Property and equipment

2021 movement schedule	Land and buildings	Furniture and fixtures	Equipment	Vehicles	31-Dec-21
(in Aruba florins)					
Balance as at January 1					
Cost	53,883	604,948	772,026	215,292	**1,646,149**
Accumulated depreciation	(15,497)	(574,357)	(627,249)	(137,532)	**(1,354,635)**
Net book value	38,386	30,591	144,777	77,760	**291,514**
Changes in book value					
Disposal cost	-	-	-	(87,896)	**(87,896)**
Disposal accumulated depreciation	1,142	(1,142)	-	87,896	**87,896**
Additions	-	50,088	18,189	-	**68,277**
Depreciation	(3,747)	(20,891)	(89,079)	(34,475)	**(148,192)**
	(2,605)	28,055	(70,890)	(34,475)	**(79,915)**
Balance as at December 31					
Cost	53,883	655,036	790,215	127,396	**1,626,530**
Accumulated depreciation	(18,102)	(596,390)	(716,328)	(84,111)	**(1,414,931)**
Net book value	**35,781**	**58,646**	**73,887**	**43,285**	**211,599**

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

	31-Dec-21	31-Dec-20
If land and buildings were measured using the cost model, the carrying amounts would be as follows:	35,781	38,386

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(2) Property and equipment (continued)

2020 movement schedule	**Land and buildings**	**Furniture and fixtures**	**Equipment**	**Vehicles**	**31-Dec-20**
(in Aruba florins)					
Balance as at January 1					
Cost	53,883	597,294	706,844	215,292	**1,573,313**
Accumulated depreciation	(10,609)	(520,259)	(483,340)	(87,457)	**(1,101,665)**
Net book value	43,274	77,035	223,504	127,835	**471,648**
Changes in book value					
Additions	-	7,654	65,182	-	**72,836**
Depreciation	(4,888)	(54,098)	(143,909)	(50,075)	**(252,970)**
	(4,888)	(46,444)	(78,727)	(50,075)	**(180,134)**
Balance as at December 31					
Cost	53,883	604,948	772,026	215,292	**1,646,149**
Accumulated depreciation	(15,497)	(574,357)	(627,249)	(137,532)	**(1,354,635)**
Net book value	**38,386**	**30,591**	**144,777**	**77,760**	**291,514**

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(3) Leases

As a Lessee

Right-of-use assets

	2021	2020
(in Aruba florins)		
Balance at January 1		
Cost	314,875	972,652
Accumulated depreciation	(63,841)	(49,533)
Net book value	251,034	923,119
Changes in book value		
Increase /(Decrease) in rental payment	71,162	(657,777)
Depreciation charge for the year	(21,361)	(14,308)
	49,801	(672,085)
Balance at December 31		
Cost	386,037	314,875
Accumulated depreciation	(85,202)	(63,841)
Net book value	**300,835**	**251,034**

Lease liabilities

	2021	2020
(in Aruba florins)		
Maturity analysis - contractual undiscounted cash flows		
Less than one year	33,780	25,335
One to five years	135,012	101,340
More than five years	304,020	278,685
Total undiscounted lease liabilities at 31 December	**472,812**	**405,360**
As at 1 January	254,994	937,676
Additions	72,273	-
Reduction	-	(672,335)
Accretion of interest	20,231	14,988
Payments	(33,780)	(25,335)
Lease liabilities included in the statement of financial position as at 31 December	**313,718**	**254,994**
Current	14,428	9,543
Non-current	299,290	245,451

Amounts recognized in the statement of comprehensive inome	2021	2020
(in Aruba florins)		
Interest on lease liabilities	20,231	14,988
Depreciation charge of right-of-use assets	21,361	14,308
Expense relating to short-term leases	136,114	90,000
	177,706	**119,296**

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(3) Leases (continued)

Amount recognized in the statement of cash flows	**2021**	**2020**
(in Aruba florins)		
Total cash outflow for leases	**169,894**	**115,335**

(4) Investment securities

	2021	**2020**
(in Aruba florins)		
Long-term investments	10,598,587	14,078,227
Short-term investments	11,433,775	9,236,995
	22,032,362	**23,315,222**

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

	2021	**2020**
(in Aruba florins)		
Long-term investments		
Held-to-maturity financial assets	8,792,989	12,498,648
Fair value through profit or loss financial assets	1,805,598	1,579,579
	10,598,587	14,078,227
Short-term investments		
Held-to-maturity financial assets	10,058,742	7,818,050
Fair value through profit or loss financial assets	1,375,033	1,418,945
	11,433,775	9,236,995
	22,032,362	**23,315,222**

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	8,792,989	8,780,002	12,498,648	12,480,000
Fair value through profit or loss financial assets	1,805,598	1,805,598	1,579,579	1,579,579
	10,598,587	10,585,600	14,078,227	14,059,579
Short-term investments				
Held-to-maturity financial assets	10,058,742	10,058,742	7,818,050	7,818,050
Fair value through profit or loss financial assets	1,375,033	1,375,033	1,418,945	1,418,945
	11,433,775	11,433,775	9,236,995	9,236,995
	22,032,362	**22,019,375**	**23,315,222**	**23,296,574**

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(4) Investment securities (continued)

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

Movement schedule of the carrying values:	Held-to-maturity	Fair value through profit or loss	Loans and receivables	Available-for-sale	Total
(in Aruba florins)					
Balance as at January 1, 2021	20,316,698	2,998,524	-	-	**23,315,222**
- Purchases	5,108,743	746,464	-	-	**5,855,207**
- Maturities	(6,568,049)	-	-	-	**(6,568,049)**
- Principal repayments	-	(507,991)	-	-	**(507,991)**
- Fair value gain recorded in the statement of profit or loss	-	(5,989)	-	-	**(5,989)**
- Realized gains	-	(50,377)	-	-	**(50,377)**
- Amortization of premium/discount	(5,661)	-	-	-	**(5,661)**
	(1,464,967)	182,107	-	-	**(1,282,860)**
Balance as at December 31, 2021	**18,851,731**	**3,180,631**	**-**	**-**	**22,032,362**

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	Un-restricted
Held-to-maturity investments					
Time deposits	-	16,858,744	**16,858,744**	300,000	16,558,744
Government bonds	-	1,992,987	**1,992,987**	-	1,992,987
	-	18,851,731	**18,851,731**	300,000	18,551,731
Fair value through profit or loss financial assets					
Government bonds	1,805,598	-	**1,805,598**	-	1,805,598
Other bonds	1,375,033	-	**1,375,033**	-	1,375,033
	3,180,631	-	**3,180,631**	-	3,180,631
	3,180,631	**18,851,731**	**22,032,362**	**300,000**	**21,732,362**

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(4) Investment securities (continued)

	2020				
(in Aruba florins)	Listed	Non-listed	Total	Restricted	Un-restricted
Held-to-maturity investments					
Time deposits	-	18,318,050	**18,318,050**	300,000	18,018,050
Government bonds	-	1,998,648	**1,998,648**	-	1,998,648
	-	20,316,698	**20,316,698**	300,000	20,016,698
Fair value through profit or loss financial assets					
Government bonds	1,579,579	-	**1,579,579**	-	1,579,579
Other bonds	1,418,945	-	**1,418,945**	-	1,418,945
	2,998,524	-	**2,998,524**	-	2,998,524
	2,998,524	**20,316,698**	**23,315,222**	**300,000**	**23,015,222**

Restricted investment securities

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

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

2021	< 1 year	1-3 years	3-5 years	> 5 years	Total
(in Aruba florins)					
Held-to-maturity	10,058,742	4,899,999	2,800,001	1,092,989	18,851,731
Fair value through profit or	1,375,029	1,805,602	-	-	3,180,631
	11,433,771	**6,705,601**	**2,800,001**	**1,092,989**	**22,032,362**

2020	< 1 year	1-3 years	3-5 years	> 5 years	Total
(in Aruba florins)					
Held-to-maturity	7,818,050	3,999,999	7,400,000	1,098,649	20,316,698
Fair value through profit or	1,418,945	1,579,579	-	-	2,998,524
	9,236,995	**5,579,578**	**7,400,000**	**1,098,649**	**23,315,222**

(5) Intangible assets

(in Aruba florins)	2021	2020
Other intangible assets	4,565	4,565
	4,565	**4,565**

Other intangible assets

There are no movements in other intangible assets for the year ended December 31, 2021 (2020: nil).

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(6) Insurance receivables

(in Aruba florins)	2021	2020
Direct sales	680,253	1,075,478
Agents and brokers	2,649,705	1,146,384
	3,329,958	2,221,862
Less: provision for doubtful debts	(178,000)	(220,045)
	3,151,958	**2,001,817**

Movements in provision for doubtful debts

(in Aruba florins)	2021	2020
Balance as at January 1	220,045	275,506
Additions and recoveries	(38,825)	(54,925)
Write-offs	(3,220)	(536)
Balance as at December 31	**178,000**	**220,045**

(7) Deferred acquisition costs

(in Aruba florins)	2021	2020
Commercial and private property	695,092	521,041
Motor	371,211	394,630
Group medical and personal accident	42,152	40,233
Marine hull and cargo	5,205	4,478
Public liability	52,393	65,094
Other	3,503	9,508
	1,169,556	**1,034,984**

Movement in deferred acquisition costs

(in Aruba florins)	2021	2020
Balance as at January 1	1,034,984	1,254,534
Gross commissions	3,058,116	2,982,117
	4,093,100	4,236,651
Commission expense reported for the year	(2,923,544)	(3,201,667)
Balance as at December 31	**1,169,556**	**1,034,984**

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

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(8) Prepayments and other current assets

(in Aruba florins)	2021	2020
Other loans and receivables	-	-
Interest receivable on investment securities	432,605	453,486
Prepaid expenses and other receivables	207,407	60,736
	640,012	**514,222**

(9) Current account affiliated companies

(in Aruba florins)	2021	2020
Due from related parties		
National General Insurance Co. (NAGICO) N.V.	5,230,345	2,460,753
Nagico Road and Claims Services N.V.	1,761,031	1,217,250
Nagico Insurance Company Ltd. (NICL)	-	3,162
Nagico Life Insurance (Aruba) N.V.	449,924	361,014
	7,441,300	**4,042,179**

(in Aruba florins)	2021	2020
Due to related parties		
Nagico Insurance (Trinidad and Tobago) Limited	32,868	32,868
Nagico Insurance Company Ltd. (NICL)	14,142	-
Nagico (St. Lucia) Limited	56	56
Nagico Life Insurance N.V.	301,916	146,092
	348,982	**179,016**

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

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(9) Current account affiliated companies (continued)

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	4,042,179	1,095,132
Quota Share Settlements	(716,515)	387,241
Settlements	4,485,000	2,691,000
Reinsurance	(3,449,751)	(2,788,318)
Investment	1,125,000	2,634,655
Premiums paid/received	98,875	(315,861)
Claims expenses	2,000,698	19,259
Cash Paid/Transfers	183,437	646,544
Personnel expenses	352,396	190,835
Office expenses	(683,507)	181,155
Management fees	3,488	(699,463)
	7,441,300	**4,042,179**
Due to related parties		
Opening balance, January 1	179,016	435,460
Office expenses	13,317	(275,037)
Personnel expenses	156,649	18,593
	348,982	**179,016**

(10) Cash and cash equivalents

(in Aruba florins)	2021	2020
Current accounts	3,180,661	1,065,224
Savings accounts	2,089,927	2,163,352
Investment cash account	807,078	168,407
Other	7,446	11,150
	6,085,112	**3,408,133**

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

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(11) Capital and other components of equity

Share capital and additional paid-in capital

The authorized capital consists of 9,000 shares with a par value of AWG 1,000 each. As of December 31, 2021, the issued and fully paid up share capital amounted to AWG 1,800,000 being 1,800 shares of AWG 1,000 each. There was no movement in the number of shares outstanding during the year.

Revaluation reserve

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

Foreign currency translation reserve

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

(12) Insurance liabilities

The following table presents details of insurance liabilities:

	2021	2020
(in Aruba florins)		
Provision for unearned premiums		
Commercial and private property	4,330,740	3,119,199
Motor	6,013,794	6,144,793
Group medical and personal accident	297,161	285,417
Marine hull and cargo	75,828	79,316
Public liability	425,402	499,102
Other	24,575	72,063
	11,167,500	10,199,890
Outstanding claims provisions		
Commercial and private property	40,071	3,421,891
Motor	1,882,339	1,549,261
Marine hull and cargo	515,897	9,820
Public liability	163,183	307,466
	2,601,490	5,288,438
Incurred but not reported claims (IBNR)		
Commercial and private property	122,068	153,074
Motor	1,148,993	1,201,041
Group medical and personal accident	27,126	15,700
Marine hull and cargo	5,813	7,850
Public liability	242,199	296,335
	1,546,199	1,674,000
Gross insurance liabilities	**15,315,189**	**17,162,328**
Due to reinsurers	9,193,790	4,285,613
Gross (re)insurance liabilities	**24,508,979**	**21,447,941**

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(12) Insurance liabilities (continued)

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

	2021	2020
(in Aruba florins)		
Gross (re)insurance liabilities *from previous page*	**24,508,979**	**21,447,941**
Due from reinsurers		
Unearned reinsurance premiums	4,647,526	3,358,349
Claims receivable from reinsurers	533,032	4,257,747
Commission revenue receivable from reinsurers	(57,882)	(652,290)
Total reinsurance assets	**5,122,676**	**6,963,806**
Net insurance liabilities	**19,386,303**	**14,484,135**

The following table shows the reconciliation of the movement in outstanding claims provisions:

	2021	2020
(in Aruba florins)		
Balance as at January 1	5,288,438	2,484,165
Claims incurred in the current accident year	7,258,203	6,929,970
Movement in claims incurred in prior years	328,083	1,962,870
Claims paid	(10,273,234)	(6,088,567)
Balance as at December 31	**2,601,490**	**5,288,438**

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

	2021	2020
(in Aruba florins)		(restated)
Balance as at January 1	17,162,328	17,132,225
Net change in unearned premiums	967,610	(2,673,370)
Change in claims provision	(2,686,948)	2,804,273
Change in IBNR	(127,801)	(100,800)
Balance as at December 31	**15,315,189**	**17,162,328**

Unearned premiums represent the portion of premiums received in 2021 and 2020, but refer to a period of coverage expiring in 2022 and 2021, respectively. Consequently, this balance represents funds received in advance for which repayment is not considered likely.

The majority of the claims will be paid within one to three years. Individual claims in excess of AWG 90,000 included in the claims provision amount to AWG 515 thousand (2020: AWG 3.7 million).

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(12) Insurance liabilities (continued)

Claims development schedule

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. The cumulative claims estimates and cumulative payments are translated to the respective currency at the rate of exchange that applied at the end of the accident year. The impact of exchange differences is shown at the bottom of the table.

As required by IFRS, in setting claims provisions the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

Gross and net non–life insurance contract outstanding claims provision for 2021:

Accident year	**Before 2017**	**2018**	**2019**	**2020**	**2021**	**Total**
(in Aruban Florins)						
At end of accident year		6,117,256	8,772,676	6,295,518	7,258,204	
One year later		2,699,010	9,193,009	5,979,284		
Two years later		2,523,373	9,493,946			
Three years later		2,667,159				
Current estimate of cummulative claims incurred	**9,464,142**	**2,667,159**	**9,493,946**	**5,979,284**	**7,258,204**	**34,862,735**
At end of accident year		(1,749,088)	(7,073,447)	(1,764,000)	(5,519,133)	
One year later		(2,045,649)	(8,945,447)	(5,694,330)		
Two years later		(2,131,422)	(9,187,669)			
Three years later		(2,520,113)				
Cummulative payments to date	**(9,340,000)**	**(2,520,113)**	**(9,187,669)**	**(5,694,330)**	**(5,519,133)**	**(32,261,245)**
Total Gross non-life insurance outstanding claims provision per the statement of financial position	**124,142**	**147,046**	**306,277**	**284,954**	**1,739,071**	**2,601,490**
Total Net non-life insurance outstanding claims provision per the statement of financial position	**115,496**	**136,806**	**284,677**	**291,526**	**1,617,955**	**2,446,459**

(13) Taxation

Deferred tax asset & payable

As at 31 December 2021, a deferred tax position of AWG 32,951 (2020: AWG 51,170), which relates to fixed assets and investment securities, has been recognized.

	2021	**2020**
(in Aruba florins)		
Deferred tax asset	108,101	113,929
Deferred tax payable on Right-of-use assets	(75,150)	(62,759)
Deferred tax position as at December 31	**32,951**	**51,170**

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(13) Taxation (continued)

Deferred tax asset & payable (continued)

2021	***Fixed assets***	***Lease liability***	***Total***
(in Aruba florins)			
Fiscal book value fixed assets	330,804	313,200	**644,004**
Commercial book value fixed assets	211,601	-	**211,601**
Difference in book value	119,203	313,200	**432,403**
Deferred tax asset recognized (25%)	**29,801**	**78,300**	**108,101**

2020	***Fixed assets***	***Lease liability***	***Total***
(in Aruba florins)			
Fiscal book value fixed assets	489,499	254,994	**744,493**
Commercial book value fixed assets	289,895	-	**289,895**
Difference in book value	199,604	254,994	**454,598**
Deferred tax liability recognized (25%)	**49,901**	**64,028**	**113,929**

Current tax payable

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

	2021	**2020**
(in Aruba florins)		
Balance as at January 1	1,440,694	1,062,425
Current year charge	342,953	1,446,394
Profit tax paid	(1,440,451)	(1,068,125)
Balance as at December 31	**343,196**	**1,440,694**

Profit tax expense

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

	2021	**2020**
(in Aruba florins)		
Movement of deferred tax asset	5,828	161,070
Movement of deferred tax payable	12,391	(168,021)
Current year profit tax	342,953	1,446,394
	361,172	**1,439,443**

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(13) Taxation (continued)

Profit tax expense (continued)

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	1,731,290	5,781,374
Income tax calculated at average rate	432,822	1,445,344
Tax effect of expenses that are not deductible in determining taxable profit	2,520	10,457
Tax effect of income not taxable in determining taxable profit	(21,206)	(5,721)
Change in recogized deferred tax asset	5,828	161,070
Change in recognized deferred tax liability	12,391	(168,021)
Other	(71,183)	(3,686)
	361,172	**1,439,443**

(14) Accounts payable and accrued liabilities

(in Aruba florins)	**2021**	**2020**
Accounts payable	203,732	11,744
Wage tax, pension and social premiums	252,813	122,368
Other taxes payable	60,875	74,360
Accrued expenses	1,395,129	952,145
	1,912,549	**1,160,617**

(15) Underwriting income

The following table presents details of premium income:

(in Aruba florins)	**2021**	**2020**
Gross premiums written		
Commercial and private property	11,195,323	8,879,323
Motor	11,803,177	12,013,282
Group medical and personal accident	606,531	580,147
Marine hull and cargo	215,415	121,973
Public liability	1,545,045	1,363,669
Other	58,087	145,862
	25,423,578	23,104,256

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(1) Underwriting income (continued)

(in Aruba florins)	2021	2020
Gross premiums written *from previous page*	**25,423,578**	**23,104,256**
Movement in unearned premiums		
Commercial and private property	(1,211,542)	1,762,731
Motor	130,999	395,689
Group medical and personal accident	(11,743)	41,058
Marine hull and cargo	3,488	89,769
Public liability	73,700	447,650
Other	47,489	10,298
	(967,609)	2,747,195
Insurance premium revenue	**24,455,969**	**25,851,451**

(16) Other underwriting income

(in Aruba florins)	2021	2020
Policy fees	815,966	795,388
	815,966	**795,388**

(17) Underwriting expenses

The underwriting expenses are built up as follows:

(in Aruba florins)	2021	2020
Claims Paid		
Commercial and private property	3,462,690	(2,672,507)
Motor	5,765,816	3,703,471
Group medical and personal accident	-	869
Marine hull and cargo	119,155	285,274
Public liability	190,420	164,354
Other	111,803	66,948
Subtotal to the next page	9,649,884	1,548,409
Changes in claims provisions		
Commercial and private property	(3,381,820)	3,367,672
Motor	333,078	(499,763)
Marine hull and cargo	506,077	(284,673)
Public liability	(144,283)	221,037
	(2,686,948)	2,804,273
Changes in IBNR	(127,801)	(100,800)
Insurance claims and loss adjustment expenses, net of recoveries from reinsurers	**6,835,135**	**4,251,882**

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(18) Personnel expenses

(in Aruba florins)	**2021**	**2020**
Salaries and bonuses	1,562,770	1,445,568
Social premiums	312,698	311,579
Car expenses	54,480	44,446
Entertainment	72,240	33,064
Directors' fees	535,641	115,866
Pension, defined contribution plan	53,194	51,391
Other personnel expenses	39,469	240,210
	2,630,492	**2,242,124**
Number of employees as at December 31	**44**	**36**

The total gross salaries and bonuses that are paid out by the company to key management personnel in 2021 amounted to AWG 606,721 (2020: AWG 380,081). The pension premiums paid for key management in 2021 amounted to AWG 33,178 (2020: AWG 18,099).

(19) Administrative expenses

(in Aruba florins)	**2021**	**2020**
Office expenses	114,758	80,495
Rent	136,114	90,000
Insurance	14,397	8,712
Maintenance	268,869	276,412
Telephone	75,318	51,162
Utilities	38,153	32,218
Travel and lodging	39,444	50,945
	687,053	**589,944**

(20) Other operating expenses

(in Aruba florins)	**2021**	**2020**
Advertising and promotional costs	307,290	427,033
Bad debt expense	(38,825)	(54,925)
Professional fees	444,615	665,554
Financing costs	20,231	14,988
Management fee	846,987	706,953
Subscriptions	9,535	2,275
Supervision fees and insurance levies	182,351	53,089
Security	3,268	2,846
Postage	88,151	29,847
Bank charges	141,367	127,688
Other operating expenses	157,554	(601)
	2,162[illegible]	**[illegible]7**

(20) Other operating expenses (continued)

Management fee allocation

Effective January 1, 2014 the Company entered into an agreement with NAGICO N.V. to pay 1.48% of total expenses for providing back office services to the Company. The agreement has a term of 5 years. For the year ended December 31, 2021 management fees totalled AWG 859,562 (2020: AWG 706,953), which is included in due to affiliated companies in the statement of financial position.

(21) Investment income

(in Aruba florins)	**2021**	**2020**
Interest on investments	708,371	672,119
Fair value (loss) /gain	(5,989)	(321,394)
Realized gain on derecogntion of financial assets	(50,377)	196,763
Net amortization of premium / (discount)	(5,661)	(3,663)
	646,344	**543,825**

(22) Other income

(in Aruba florins)	**2021**	**2020**
Other interest income	14,986	10,000
Gain on disposal of property and equipment	42,535	-
Foreign exchange gain	3,988	359
Other income	23,751	198,230
	85,260	**208,589**

(23) Commitments and contingencies

Contingent liability

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

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

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(24) Financial Risk Management

General

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

The overriding objective of the Company's risk management framework is to enhance its capital base through competitive earnings growth and to protect capital against inherent business risks. This means that the Company accepts certain levels of risk in order to generate returns, and the Company manages the levels of risk assumed through enterprise wide risk management policies and procedures. Identified risks are assessed as to their potential financial impact and as to their likelihood of occurrence.

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:

	2021	**2020**
(in Aruba florins)		
Long-term investments	10,598,587	14,078,227
Short-term investments	11,433,775	9,236,995
Due from reinsurers	475,150	3,605,457
Insurance receivables	3,329,958	2,221,862
Cash and cash equivalents	6,085,112	3,408,133
Other current assets	432,605	453,486
	32,355,187	**33,004,160**

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(24) 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:

	Neither past due nor impaired				
	Investment grade	**Non-investment grade**	**Past due but not impaired**	**Impaired**	**Total**
(in Aruba florins)					
As at December 31, 2021					
Long-term investments	3,798,587	6,800,000	-	-	10,598,587
Short-term investments	-	11,433,775	-	-	11,433,775
Due from reinsurers	475,150	-	-	-	475,150
Insurance receivables	1,146,321	-	2,005,637	178,000	3,329,958
Cash and cash equivalents	6,085,112	-	-	-	6,085,112
Other current assets	-	432,605	-	-	432,605
	11,505,170	**18,666,380**	**2,005,637**	**178,000**	**32,355,187**

	Neither past due nor impaired				
	Investment grade	**Non-investment grade**	**Past due but not impaired**	**Impaired**	**Total**
(in Aruba florins)					
As at December 31, 2020					
Long-term investments	3,578,228	10,499,999	-	-	14,078,227
Short-term investments	1,418,945	7,818,050	-	-	9,236,995
Due from reinsurers	3,605,457	-	-	-	3,605,457
Insurance receivables	1,176,191	-	825,626	220,045	2,221,862
Cash and cash equivalents	3,408,133	-	-	-	3,408,133
Other current assets	-	453,486	-	-	453,486
	13,186,954	**18,771,535**	**825,626**	**220,045**	**33,004,160**

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+	2,219,369	-	3,578,228	236,471
BBB	2,402,071	-	-	618,551
BB+	307,109	-	-	423,793
BB	245,071	-	-	140,130
No Rate	6,800,000	10,058,742	10,499,999	7,818,050
	11,973,620	**10,058,742**	**14,078,227**	**9,236,995**

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(24) Financial Risk Management (continued)

Credit risk (continued)

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

Investments

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

The investments can be specified as follows:

	2021	**2020**
(in Aruba florins)		
Investments held by governments	3,798,585	3,578,227
Investments held by financial institutions	16,858,744	18,318,050
Equity instruments and other investments	3,180,631	2,998,524
	23,837,960	**24,894,801**

Insurance receivables

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

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

Breakdown of insurance receivables for 2021:

	Neither past due nor impaired	**Past due but not impaired**	**Impaired**	**Total**
(in Aruba florins)				
Direct	417,965	262,289	-	680,254
Agent	728,356	1,743,348	178,000	2,649,704
	1,146,321	**2,005,637**	**178,000**	**3,329,958**

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

	< 30 days	**30-90 days**	**> 90 days**	**Total**
(in Aruba florins)				
Direct	417,965	293,338	(31,049)	680,254
Agent	728,357	945,239	798,108	2,471,704
	1,146,322	**1,238,577**	**767,059**	**3,151,958**

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(24) Financial Risk Management (continued)

Credit risk (continued)

Breakdown of insurance receivables for 2020:

(in Aruba florins)	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Direct	496,267	579,208	-	1,075,475
Agent	679,924	246,418	220,045	1,146,387
	1,176,191	**825,626**	**220,045**	**2,221,862**

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

(in Aruba florins)	< 30 days	30-90 days	> 90 days	Total
Direct	496,267	407,479	171,729	1,075,475
Agent	679,924	(419,492)	665,910	926,342
	1,176,191	**(12,013)**	**837,639**	**2,001,817**

Accounting classifications and fair values

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

Assets for which fair value approximates carrying value

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

Fixed rate financial instruments

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

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(24) Financial Risk Management (continued)

Accounting classifications and fair values (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.

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(24) Financial Risk Management (continued)

Accounting classifications and fair values (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 next table presents information about the Company's financial assets measured at fair value on a recurring basis as of December 31, 2021 (2020: nil).

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				
Government bonds	1,805,598	-	-	**1,805,598**
Other bonds	1,375,033	-	-	**1,375,033**
Total financial assets	**3,180,631**	-	-	**3,180,631**

December 31, 2020	Level 1	Level 2	Level 3	**Total fair value**
(in Aruba florins)				
Financial assets				
Fair value through profit or loss financial assets				
Government bonds	1,579,579	-	-	**1,579,579**
Total financial assets	**1,579,579**	-	-	**1,579,579**

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.

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(24) Financial Risk Management (continued)

Market risk (continued)

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.

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

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

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	16,858,744	18,318,050
Other bonds	1,375,033	1,418,945
	18,233,777	**19,736,995**

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).

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(24) Financial Risk Management (continued)

Market risk (continued)

Sensitivity analysis-interest rate risk (continued)

If the effective interest rate increased by 100 basis points, this would have increased the equity and the net income for the year by AWG 12,301 (2020: AWG 11,380). A decrease of 100 basis points would have had an equal but opposite effect.

Foreign currency risk

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

Liquidity risk

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

Liquidity risk management process

The Company's liquidity management process as carried out within the Company is monitored by the 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.

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**
Investments				
Held-to-maturity	10,058,742	4,899,999	3,892,990	18,851,731
Fair value through profit or loss	1,375,029	1,805,602	-	3,180,631
	11,433,771	6,705,601	3,892,990	22,032,362
Receivables	4,059,713	-	-	4,059,713
Cash and cash equivalents	6,085,112	-	-	6,085,112
	10,144,825	-	-	10,144,825
Total	***21,578,596***	***6,705,601***	***3,892,990***	***32,177,187***
Gross insurance liabilities	(2,795,112)	(1,121,426)	(231,152)	(4,147,689)
Due to reinsurers	(8,155,770)	-	-	(8,155,770)
Accounts payable	(1,912,549)	-	-	(1,912,549)
Total	***(12,863,431)***	***(1,121,426)***	***(231,152)***	***(14,216,008)***
Difference in expected cash flows	**8,715,165**	**5,584,175**	**3,661,838**	**17,961,179**

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(24) Financial Risk Management (continued)

Liquidity risk (continued)

December 31, 2020	**< 1 year**	**1-3 years**	**> 3 years**	**Total**
Investments				
Held-to-maturity	7,818,050	3,999,999	8,498,649	20,316,698
Fair value through profit or loss	1,418,945	1,579,579	-	2,998,524
	9,236,995	5,579,578	8,498,649	23,315,222
Receivables	6,060,760	-	-	6,060,760
Cash and cash equivalents	3,408,133	-	-	3,408,133
	9,468,893	-	-	9,468,893
Total	***18,705,888***	***5,579,578***	***8,498,649***	***32,784,115***
Gross insurance liabilities	(4,691,960)	(1,882,460)	(388,018)	(6,962,438)
Due to reinsurers	(3,941,108)	-	-	(3,941,108)
Accounts payable	(1,160,617)	-	-	(1,160,617)
Total	***(9,793,685)***	***(1,882,460)***	***(388,018)***	***(12,064,163)***
Difference in expected cash flows	**8,912,203**	**3,697,118**	**8,110,631**	**20,719,952**

(in Aruba florins)	**2021**	**2020**
Financial assets		
Long-term investments - held-to-maturity	8,792,989	12,498,648
Long-term investments - fair value through profit or loss	1,805,598	1,579,579
Short-term investments - held-to-maturity	10,058,742	7,818,050
Short-term investments - fair value through profit or loss	1,375,033	1,418,945
Due from reinsurers	475,150	3,605,457
Insurance receivables	3,151,958	2,001,817
Other current assets	432,605	453,486
Cash and cash equivalents	6,085,112	3,408,133
	32,177,187	**32,784,115**
Financial liabilities		
Outstanding claims provisions	2,601,490	5,288,438
Incurred but not reported claims	1,546,199	1,674,000
Due to reinsurers	8,155,770	3,941,108
Accounts payable and other payables	1,912,549	1,160,617
	14,216,008	**12,064,163**

(24) Financial Risk Management (continued)

Liquidity risk (continued)

The table below sets out the concentration of non–life insurance contract liabilities by type of contract:

	Gross Liabilities	Reinsurance of Liabilities	Net liabilities
(in Aruba florins)			
As at December 31, 2021			
Commercial and private property	4,492,879	191,788	4,684,667
Motor	9,045,126	(532,813)	8,512,313
Group medical and personal accident	324,287	-	324,287
Marine hull and cargo	597,538	(68,582)	528,956
Public liability	830,784	(123,425)	707,359
Other	24,575	-	24,575
	15,315,189	**(533,032)**	**14,782,157**

	Gross Liabilities	Reinsurance of Liabilities	Net liabilities
(in Aruba florins)			
As at December 31, 2020			
Commercial and private property	6,694,164	(3,241,841)	3,452,323
Motor	8,895,095	(779,258)	8,115,837
Group medical and personal accident	301,117	-	301,117
Marine hull and cargo	96,986	(7,249)	89,737
Public liability	1,102,903	(229,399)	873,504
Other	72,063	-	72,063
	17,162,328	**(4,257,747)**	**12,904,581**

The geographical concentration of the Company's non–life insurance contract liabilities is based on the countries where the business is written which in this case is Aruba only.

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:

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(24) Financial Risk Management (continued)

Operational risk (continued)

- 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.

Frequency

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

Loss reserves

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

Reinsurance risk

To mitigate the financial loss exposure, reinsurance is purchased by the Company. The Company selects reinsurers which have established capability to meet their contractual obligations whose A.M. Best credit ratings 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 Company utilises the Excess of Loss reinsurance and Quota Share reinsurance structure for the majority of its treaties. Operations are spread across territories which are exposed to catastrophe and as a consequence, catastrophe reinsurance is purchased to protect our policyholders against a one in one hundred year event.

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

(24) Financial Risk Management (continued)

Insurance risk (continued)

Sources of uncertainty in the estimation of future claim payments

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

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

Sensitivity analysis

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

(24) Financial Risk Management (continued)

Insurance risk (continued)

Sensitivity analysis (continued)

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

Claims expense	December 31, 2021		December 31, 2020	
(in Aruba florins)	**+1%**	**-1%**	**+1%**	**-1%**
Impact on net income before tax	(68,351)	68,351	(42,519)	42,519
	+2%	**-2%**	**+2%**	**-2%**
Impact on net income before tax	(136,703)	136,703	(85,038)	85,038
	+5%	**-5%**	**+5%**	**-5%**
Impact on net income before tax	(341,757)	341,757	(212,594)	212,594
	+10%	**-10%**	**+10%**	**-10%**
Impact on net income before tax	(683,514)	683,514	(425,188)	425,188

Managing insurance risks

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

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

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

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(25) Risk Management framework

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

The Board of Directors approves the Company's risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements. For example, following the regulatory changes brought about by the various Financial Services Commissions (FSC) throughout the Caribbean Region, the Company has placed a greater emphasis on assessment and documentation of risks and controls. 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 non-life insurance business to maintain a solvency margin equal to the highest outcome of any of the following calculations: 1) 15% of the gross premium of previous year, or; 2) 15% of the average gross claims incurred in the last three financial years, or; 3) a minimum solvency requirement of AWG 300,000. As of December 31, 2021, the Company is in compliance with the solvency margin requirement margin of CBA.

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

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.

(25) Risk Management framework (continued)

Capital management objectives, policies and approach (continued)

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

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

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

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

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

Approach to capital management

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

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

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

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(25) Risk Management framework (continued)

Capital management objectives, policies and approach (continued)

Approach to capital management (continued)

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

Regulatory framework

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

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.

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.

(26) 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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