

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2023



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INDEPENDENT AUDITORS' REPORT

To the Shareholder of
THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Insurance Company of the West Indies Limited (“the Company”), set out on pages 4 to 85, which comprise the statement of financial position as at December 31, 2023, the statements of profit or loss and other comprehensive income, changes in shareholder’s equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and the Jamaican Companies Act.

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 *Auditors’ 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 the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Shareholder of
THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Report on the Audit of the Financial Statements (cont'd)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' 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 auditors' 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 judgement 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.



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INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Shareholder of
THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

Report on the Audit of the Financial Statements (cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also (cont'd):

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Additional Matters as Required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

A handwritten signature of the KPMG firm, written in blue ink. The letters 'KPMG' are written in a stylized, cursive-like font.

Chartered Accountants
Kingston, Jamaica


July 30, 2024

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

	Notes	2023 \$'000	2022 Restated* \$'000	2021 Restated* \$'000
ASSETS				
Cash and cash equivalents	7	704,368	763,933	1,044,584
Investments in securities	8	4,007,475	3,664,775	3,327,111
Accrued investment income		35,329	25,255	19,644
Reinsurance contract assets	9	2,019,032	2,178,926	2,406,703
Other accounts receivables and prepayments	10	61,239	71,766	71,838
Taxation recoverable		123,491	86,959	48,163
Receivables from group companies	11	392,750	432,823	460,277
Investment in subsidiaries	12	324,216	4,013	4,013
Investment properties	13	82,000	73,500	66,752
Right-of-use assets	14	132,468	169,266	191,505
Deferred taxation	23	77,111	72,974	66,352
Property, plant and equipment	15	<u>430,389</u>	<u>588,072</u>	<u>634,574</u>
Total assets		<u>8,389,868</u>	<u>8,132,262</u>	<u>8,341,516</u>
LIABILITIES AND SHAREHOLDER'S EQUITY				
Insurance contract liabilities	9	5,036,265	4,994,378	5,292,460
Other payables and accrued charges	16	493,859	396,540	413,440
Due to group companies	11	29,590	-	2,611
Lease liabilities	14	144,462	185,023	206,250
Employee benefit obligation	17	<u>156,778</u>	<u>113,400</u>	<u>157,788</u>
Total liabilities		<u>5,860,954</u>	<u>5,689,341</u>	<u>6,072,549</u>
Share capital	18	260,237	260,237	260,237
Share premium	18	66,763	66,763	66,763
Capital reserve	18	2,662	2,662	2,662
Investment revaluation reserve	18	(4,123)	3,483	12,156
Retained earnings		<u>2,203,375</u>	<u>2,109,776</u>	<u>1,927,149</u>
Total equity		<u>2,528,914</u>	<u>2,442,921</u>	<u>2,268,967</u>
Total liabilities and equity		<u>8,389,868</u>	<u>8,132,262</u>	<u>8,341,516</u>

The financial statements on pages 4 to 85 were approved by the Board of Directors on July 30, 2024 and signed on its behalf by:


Drane Bean Chairman


Caryl A. Fenton Director

* Restated. See Note 29

The accompanying notes form an integral part of the financial statements.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2023

	Notes	2023 \$'000	2022 Restated* \$'000
Insurance revenue	9	6,788,409	6,696,866
Insurance service expenses	9	(4,582,889)	(4,734,908)
Insurance service result before reinsurance contracts held		2,205,520	1,961,958
Net income or expense from reinsurance contracts held	9	(1,302,167)	(1,107,492)
Insurance service result		<u>903,353</u>	<u>854,466</u>
Income from financial instruments	19	205,393	125,991
Net gain/(loss) from foreign exchange		22,631	(67,898)
Net impairment loss on financial assets		(26)	(3)
Other investment revenue	20	<u>12,843</u>	<u>10,667</u>
Net investment income		240,841	68,757
Insurance finance (expense)/income from insurance contracts issued	9	(80,320)	208,195
Finance income/(expense) from reinsurance contracts held	9	<u>23,902</u>	(<u>101,553</u>)
Net insurance finance income or expenses		(<u>56,418</u>)	<u>106,642</u>
Net insurance and investment result		<u>1,087,776</u>	<u>1,029,865</u>
Other income	21	36,828	45,050
Other operating expenses	22	(985,203)	(920,098)
Profit before tax		139,401	154,817
Income tax credit/(expense)	24	<u>2,995</u>	(<u>9,093</u>)
Profit for the year		<u>142,396</u>	<u>145,724</u>
Other comprehensive (loss)/income:			
Items that will not be reclassified to profit or loss			
Net change in fair value of equity investments		(7,606)	(8,673)
Remeasurement (loss)/gain on employee benefit obligation	17(a)(i)	(36,598)	55,355
Deferred tax on remeasurement	23	(12,199)	(18,452)
		(48,797)	<u>36,903</u>
Other comprehensive (loss)/income		(<u>56,403</u>)	<u>28,230</u>
Total comprehensive income		<u>85,993</u>	<u>173,954</u>

Restated. See Note 29

The accompanying notes form an integral part of the financial statements.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY
YEAR ENDED DECEMBER 31, 2023

	Share Capital (Note 18) \$'000	Share premium (Note 18) \$'000	Capital Reserve (Note 18) \$'000	Fair value Reserve (Note 18) \$'000	Retained earnings \$'000	Total equity \$'000
Balance as at December 31, 2021						
(as previously reported)	260,237	66,763	2,662	12,156	2,070,423	2,412,241
Impact of initial application of IFRS 17	-	-	-	-	(141,786)	(141,786)
Impact of initial application of IFRS 9	-	-	-	-	(1,488)	(1,488)
Restated balance as at January 1, 2022	<u>260,237</u>	<u>66,763</u>	<u>2,662</u>	<u>12,156</u>	<u>1,927,149</u>	<u>2,268,967</u>
Comprehensive income for the year						
Restated profit for the year	-	-	-	-	145,724	145,724
Other comprehensive income for the year	-	-	-	(8,673)	<u>36,903</u>	<u>28,230</u>
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,673)</u>	<u>182,627</u>	<u>173,954</u>
Restated balance as at December 31, 2022	<u>260,237</u>	<u>66,763</u>	<u>2,662</u>	<u>3,483</u>	<u>2,109,776</u>	<u>2,442,921</u>
Comprehensive income for the year						
Profit for the year	-	-	-	-	142,396	142,396
Other comprehensive loss for the year	-	-	-	(7,606)	(48,797)	(56,403)
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,606)</u>	<u>93,599</u>	<u>85,993</u>
Balance as at December 31, 2023	<u>260,237</u>	<u>66,763</u>	<u>2,662</u>	<u>(4,123)</u>	<u>2,203,375</u>	<u>2,528,914</u>

The accompanying notes form an integral part of the financial statements.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

	Notes	2023 \$'000	2022 Restated* \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		142,396	145,724
Adjustments for:			
Depreciation on property, plant and equipment	15	50,607	65,080
Depreciation on right-of-use assets	14(i)(a)	93,106	106,227
(Gain)/loss on disposals of property, plant and equipment	15	178	(27)
Impairment loss on financial assets	27(a)(iii)	26	3
Increase in fair value of investment properties	13	(6,178)	(6,748)
Employee benefit obligation	19	16,155	16,310
Income from financial instruments		(205,393)	(125,991)
Foreign exchange (gain)/loss		(22,631)	67,898
Interest expense on lease liabilities	14(i)(c)	15,021	20,741
Taxation	24	(2,995)	9,093
		<u>80,292</u>	<u>298,310</u>
Changes in:			
Reinsurance contract assets		(163,585)	213,397
Insurance contract liabilities		719,136	(299,224)
Other accounts receivables and prepayments		2,993	72
Other payables and accrued charges		<u>124,285</u>	(29,040)
		763,121	183,515
Tax paid		15,323	(50,318)
Benefits paid	17(a)(i)	(9,375)	(5,342)
Withholding tax		(63,236)	(22,646)
Net cash provided by operating activities		705,833	105,209
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	15	(31,163)	(18,969)
Proceeds from sale of property, plant and equipment		7,475	418
Additions to investment properties		(2,322)	-
Interest and dividend income received		194,466	120,380
Proceeds from the sale of investment securities		1,176,242	1,584,463
Investment securities purchased		(1,758,170)	(1,955,991)
Transfer of cash to ICWI TT		(360,998)	-
Net cash flows used in investing activities		(774,470)	(269,699)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities	14(i)(d)	(111,327)	(125,956)
Increase in Receivables from group companies		<u>124,108</u>	<u>22,018</u>
Net cash flows from / (used in) financing activities		<u>12,781</u>	(103,938)
DECREASE IN CASH AND CASH EQUIVALENTS			
Effect of movement in exchange rates on cash held		(3,709)	(12,223)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
		<u>763,933</u>	<u>1,044,584</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		<u>704,368</u>	<u>763,933</u>

* Restated. See Note 29

The accompanying notes form an integral part of the financial statements.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**1. Corporate structure and nature of business**

The Insurance Company of the West Indies Limited ('the Company'), is incorporated in Jamaica under the Companies Act, is domiciled in Jamaica and is a wholly owned subsidiary of ICWI Group Limited (immediate parent), which is also incorporated in Jamaica. The ultimate holding Company is Atlantic and Caribbean Sea Development Company Limited which is owned by Caribbean Sea Development Limited and Hon. Dennis Lalor O.J. and it is controlled by Hon. Dennis Lalor O.J.

The principal activity of the Company is underwriting general insurance business. The Company also leases its investment properties to third parties. See note 14(ii). The registered office and the principal place of business of the Company and its ultimate holding Company are located at 2 St. Lucia Avenue, Kingston 5.

On July 2, 2014, the Company received approval from The Insurance Commission of the Bahamas to convert The Insurance Company of the West Indies (Bahamas) Limited ("ICWI Bahamas") to a branch of the Company. ICWI Bahamas is licensed under the Bahamas Insurance Act, 2005 to underwrite general insurance business.

On August 14, 2014, the Company received a license from the Central Bank of Trinidad and Tobago to operate a Branch in Trinidad and Tobago ("ICWI TT") writing Motor and other long-term insurance business.

On January 10, 2023, ICWI TT received a license from The Central Bank of Trinidad and Tobago ("CBTT") to write Motor and other long-term insurance business in Trinidad and Tobago. On January 17, 2022, the Company notified the Financial Services Commission of the planned conversion of the Trinidad and Tobago branch of the Company into a stand-alone operation. Consequent on this transaction, ICWI TT became a wholly owned subsidiary of the Company. The insurance portfolio and assets and liabilities of the Trinidad and Tobago branch of the Company were transferred to ICWI TT with effect from February 1, 2023.

On September 27, 2019, the Company registered a branch of the Company in the Commonwealth of Dominica ("ICWI Dominica"). On September 30, 2019, the Company received a license from the Commonwealth of Dominica Ministry of Finance, Financial Services Unit to conduct insurance business in Dominica. ICWI Dominica is registered under the Dominica Insurance Act 2012 to underwrite general insurance business.

The Company is authorised to transact business in the following Caribbean Islands:

- Jamaica
- Bahamas
- Dominica

2. Insurance licence

The Company is registered under the Insurance Act 2001 (the Act).

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**3. Roles of the actuary and auditors**

The actuary is appointed by the Board of Directors pursuant to the Insurance Act, 2001. With respect to preparation of financial statements, the actuary carries out an actuarial valuation of management's estimates of the Company's insurance contract assets and liabilities and reports thereon to the policyholders and shareholders. Actuarially determined insurance contract assets or liabilities and insurance contract assets or liabilities consist of the provisions for, and reinsurance recovery of, unpaid claims and adjustment expenses on insurance policies in force.

The valuation is made in accordance with accepted actuarial practice., as well as any other matter specified in any directive that may be made by regulatory authorities. The actuary's report outlines the scope of his work and opinion. An actuarial valuation is prepared annually. The external auditors are appointed by the shareholders, pursuant to the Jamaican Companies Act to conduct an independent and objective audit of the financial statements of the Company in accordance with International Standards on Auditing, and report thereon to the shareholders. In carrying out their audit, the auditors also make use of the work of the actuary and his report on the Company's actuarially determined insurance contract liabilities. The auditors' report outlines the scope of their audit and their opinion.

4. Statement of compliance and basis of preparation**(a) Statement of compliance:**

The Company prepares the financial statements in accordance with International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board (IASB) and comply with the provisions of the Jamaican Companies Act ('the Act'). These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised or in the period of revisions and future periods if the revision impacts both the reporting period and future period.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**4. Statement of compliance and basis of preparation (continued)**

(b) Basis of preparation and measurement:

The financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments which are measured at fair value and employee benefit obligation which is measured as the present value of the defined-benefit obligation.

Basis of non-consolidation

The Company elects not to prepare consolidated financial statement has it used the exemption from consolidation of its subsidiary. The Insurance Company of the West Indies (Trinidad) Limited on the basis that consolidated financial statements are prepared by Atlantic & Caribbean Sea Development Limited whose consolidated financial statements comply with International Financial Reporting Standards, and will be available on the Company's website when finalised.

(c) New and amended standards that became effective during the year:

This is the first set of the Company's annual financial statements in which IFRS 17 *Insurance Contracts*, IFRS 9 *Financial Instruments and Disclosure of Accounting Policies* (Amendments to IAS 1 and IFRS Practice Statement) have been applied.

- Amendments to IAS 1 *Presentation of Financial Statements* are effective for annual periods beginning on or after January 1, 2023. The amendments help companies provide useful accounting policy disclosures.

The key amendments to IAS 1 include:

- requiring companies to disclose their *material* accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a Company's financial statements.

The amendments are consistent with the refined definition of material:

“Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements”.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**4. Statement of compliance and basis of preparation (continued)**

(c) New and amended standards that became effective during the year (continued):

- Amendments to IAS 1 *Presentation of Financial Statements (continued)*

The Company adopted *Disclosure of Accounting Policies* (Amendments to IAS 1 and IFRS Practice Statement 2) from January 1, 2023. The amendments require the disclosure of “material” rather than “significant” accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements (note 6).

(d) New and amended standards issued but not yet effective:

At the date of authorisation of these financial statements, certain new and amended standards and interpretations have been issued which were not effective for the current year and which the Company has not early-adopted. The Company has assessed them with respect to its operations and has determined that the following are relevant:

- Amendments to IAS 1 *Presentation of Financial Statements* apply retrospectively and is effective for annual periods beginning on or after January 1, 2024. The amendments clarify how a Company classifies a liability that can be settled in its own shares – e.g. convertible debt.

When a liability includes a counterparty conversion option that involves a transfer of the Company’s own equity instruments, the conversion option is recognised as either equity or a liability separately from the host liability under IAS 32 *Financial Instruments: Presentation*. The IASB has now clarified that when a Company classifies the host liability as current or non-current, it can ignore only those conversion options that are recognised as equity.

Companies may have interpreted the existing IAS 1 requirements differently when classifying convertible debt. Therefore, convertible debt may become current.

- Amendments to IAS 1 *Presentation of Financial Statements* apply retrospectively for annual reporting periods beginning on or after January 1, 2024. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current. The amendments require new disclosures for non-current liabilities that are subject to future covenants.
- IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*, is effective for annual reporting periods beginning on or after January 1, 2024 (with earlier application permitted as long as IFRS S2 *Climate-related Disclosures* is also applied).

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**4. Statement of compliance and basis of preparation (continued)**

(d) New and amended standards issued but not yet effective (continued):

- IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (continued)

IFRS S1 requires an entity to disclose information about its sustainability-related risks and opportunities that are useful to users of general-purpose financial reports in making decisions relating to providing resources to the entity.

The standard also requires entities to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term (collectively referred to as sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects').

IFRS S1 prescribes how an entity prepares and reports its sustainability-related financial disclosures and sets out general requirements for the content and presentation of those disclosures so that the information disclosed is useful to users in making decisions relating to providing resources to the entity.

Under the standard, entities are required to provide disclosures about the governance processes, controls and procedures, strategies and processes the entity uses to monitor, manage and oversee sustainability-related risks and opportunities, as well as, the entities performance and progress towards any targets the entity has set or is required to meet by law or regulation.

- IFRS S2 *Climate-related Disclosures*, is effective for annual reporting periods beginning on or after January 1, 2024 (with earlier application permitted as long as IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* is also applied).

IFRS S2 requires entities to disclose information about its climate-related risks and opportunities that is useful to users of general-purpose financial reports in making decisions relating to providing resources to the entity. The standard also requires entities to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term (collectively referred to as climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects). IFRS S2 applies to climate-related physical risks; climate-related transition risks; and climate-related opportunities available to an entity.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**4. Statement of compliance and basis of preparation (continued)**

(d) New and amended standards issued but not yet effective (continued):

- IFRS S2 *Climate-related Disclosures (continued)*

IFRS S2 sets out the requirements for disclosing information about an entity's climate-related risks and opportunities. Under the standard, entities are required to provide disclosures about the governance processes, controls and procedures, strategies and processes the entity uses to monitor, manage and oversee climate-related risks and opportunities, as well as, the entities performance and progress towards any targets the entity has set or is required to meet by law or regulation.

- IFRS 18 *Presentation and Disclosure in Financial Statements*, is effective for annual reporting periods beginning on or after January 1, 2027

Under current IFRS Accounting Standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. IFRS 18 promotes a more structured income statement. In particular, it introduces a newly defined 'operating profit' subtotal and a requirement for all income and expenses to be allocated between three new distinct categories (Operating, Investing and Financing) based on a Company's main business activities.

All companies are required to report the newly defined 'operating profit' subtotal – an important measure for investors' understanding of a Company's operating results – i.e. investing and financing activities are specifically excluded. This means that the results of equity-accounted investees are no longer part of operating profit and are presented in the 'investing' category.

IFRS 18 also requires companies to analyse their operating expenses directly on the face of the income statement – either by nature, by function or using a mixed presentation. Under the new standard, this presentation provides a 'useful structured summary' of those expenses. If any items are presented by function on the face of the income statement (e.g. cost of sales), then a Company provides more detailed disclosures about their nature.

IFRS 18 requires some 'non-GAAP' measures to be reported in the financial statements. It introduces a narrow definition for management performance measures (MPMs), requiring them to be a subtotal of income and expenses, used in public communications outside the financial statements and reflective of management's view of financial performance. For each MPM presented, companies will need to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards.

Companies are discouraged from labelling items as 'other' and will now be required to disclose more information if they continue to do so.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**4. Statement of compliance and basis of preparation (continued)****(e) Functional and presentation currency**

These financial statements are presented in Jamaica dollars, the Company's functional currency. The values presented in the financial statements have been rounded to the nearest thousands (\$'000) unless otherwise stated.

(f) Use of estimates and judgement

Information about assumptions and estimation uncertainties at December 31, 2023 that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year are shown below:

(i) Insurance and reinsurance contracts*Liability for incurred claims*

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. 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 probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency exchange rates.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**4. Statement of compliance and basis of preparation (continued)**

(f) Use of estimates and judgement (continued):

(i) Insurance and reinsurance contracts (continued)

Risk adjustment for non-financial risk

- The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an Company would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.
- The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 70th percentile. That is, the Company has assessed its indifference to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 70th percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

Discount rates

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the yields of highly liquid AAA-rated sovereign securities in the currency of the insurance contract liabilities. The illiquidity premium is determined by reference to observable market rates.

Discount rates applied for discounting of future cash flows are listed below:

	1 year		5 years		10 years	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Insurance contracts issued and reinsurance held	7.66%	11.00%	5.61%	6.87%	6.07%	8.65%

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**4. Statement of compliance and basis of preparation (continued)**

(f) Use of estimates and judgement (continued):

(ii) Post-retirement health and life insurance benefits:

The amounts recognised in profit or loss for post-retirement health and life insurance benefits to certain pensioners, are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include the discount rate used to determine the present value of estimated future cash flows required to settle the pension and other post-retirement medical obligations and the expected rate of increase in medical costs for post-retirement medical benefits.

The discount rate is determined based on the estimate of yield on long-term government securities that have maturity dates approximating the terms of the Company's obligation; in the absence of such instruments in Jamaica, it has been necessary to estimate the rate by extrapolating from the longest tenor security on the market. The estimate of expected rate of increase in medical costs is determined based on inflationary factors. Any changes in these assumptions will impact the amounts recorded in the financial statements for these obligations.

(iii) Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgement, in particular, for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios and the relevant inputs used.

5. Change in accounting policies

In these financial statements, the Company has applied IFRS 17 and IFRS 9 for the first time. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 17 Insurance contracts

IFRS 17 replaces IFRS 4 *Insurance Contracts* for annual periods on or after January 1, 2023.

The Company has restated comparative information for 2022 following the implementation of IFRS 17 as detailed in note 29. The nature of the changes in accounting policies can be summarised, as follows:

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**5. Change in accounting policies (continued)*****Changes to classification and measurement***

The adoption of IFRS 17 did not change the classification of the Company's insurance contracts compared to previously recorded under IFRS 4.

IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

IFRS 17 distinguishes three measurement approaches, under which insurance contracts should be measured:

- The General Measurement Model (GMM),
- Premium Allocation Approach (PAA), and
- Variable Fee Approach (VFA)

Under IFRS 17, the Company's insurance contracts issued, and reinsurance contracts held are all eligible to be measured by applying the PAA. The PAA simplifies the measurement of insurance contracts in comparison with the general model in IFRS 17.

The measurement principles of the PAA differ from the 'earned premium approach' used by the Company under IFRS 4 in the following key areas:

- The liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognised in revenue for insurance services provided.
- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision).
- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not-reported (IBNR) claims) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk. The liability includes the Company's obligation to pay other incurred insurance expenses.
- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**5. Change in accounting policies (continued)***Changes to classification and measurement (continued)*

The Company issues and holds the following insurance contracts and reinsurance contracts held that are accounted for using premium allocation approach under the following lines of business:

- Bonds
- Engineering
- Fire
- General Accident
- Liability
- Motor
- Marine

Accounting policy choices

The Company has an accounting policy choice to:

- (a) include all insurance finance income or expenses (IFIE) for the period in the profit and loss; or
- (b) disaggregate insurance finance income or expenses for the period to include in profit or loss an amount determined by a systematic allocation of the expected total IFIE over the duration of the group of contracts.

The Company has decided to include all insurance finance income or expenses in profit and loss to ensure consistency in presentation across the financial statements.

For reinsurance contracts held the amounts relating to reinsurance premiums and reinsurance recoveries will be presented as part of the insurance service expense line item as a single net amount (net presentation).

Changes to presentation and disclosure

For presentation in the statement of financial position, the Company aggregates insurance and reinsurance contracts issued and reinsurance contracts held, respectively and presents separately:

- Portfolios of insurance and reinsurance contracts issued that are assets
- Portfolios of insurance and reinsurance contracts issued that are liabilities
- Portfolios of reinsurance contracts held that are assets
- Portfolios of reinsurance contracts held that are liabilities

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**5. Change in accounting policies (continued)*****Changes to classification and measurement (continued)****Changes to presentation and disclosure (continued)*

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

Portfolios of insurance contracts issued include any assets for insurance acquisition cash flows.

The line-item descriptions in the statement of profit or loss and other comprehensive income have been changed significantly compared with last year. Previously, the Company reported the following line items:

- Gross written premiums
- Net written premiums
- Changes in premium reserves
- Gross insurance claims
- Net insurance claims

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Insurance finance income or expenses
- Income or expenses from reinsurance contracts held

The Company provides disaggregated qualitative and quantitative information about:

- Amounts recognised in its financial statements from insurance contracts.
- Significant judgements, and changes in those judgements, when applying the standard

Transition

On transition date, January 1, 2022, the Company:

- Identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied.
- Identified, recognised and measured assets for insurance acquisition cash flows as if IFRS 17 has always applied. However, no recoverability assessment was performed before the transition date. At transition date, a recoverability assessment was performed and no impairment loss was identified.
- Derecognised any existing balances that would not exist had IFRS 17 always applied.
- Recognised any resulting net difference in equity.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**5. Change in accounting policies (continued)**

Transition (continued)

IFRS 9 Financial Instruments

IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after January 1, 2018. However, the Company elected, under the amendments to IFRS 4, to apply the temporary exemption from IFRS 9, thereby deferring the initial application date of IFRS 9 to align with the initial application of IFRS 17.

The Company has applied IFRS 9 retrospectively and restated comparative information for 2022 for financial instruments in the scope of IFRS 9. Differences arising from the adoption of IFRS 9 were recognised in retained earnings as of January 1, 2022 and are disclosed in the following notes.

The nature of the changes in accounting policies can be summarised, as follows:

Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets to be assessed based on a combination of the Company's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories for financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity (HTM) and loans and receivables (L&R) at amortised cost) have been replaced by:

- Financial assets at fair value through profit or loss, including equity instruments and derivatives.
- Debt instruments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition
- Equity instruments at fair value through other comprehensive income (FVOCI), with no recycling of gains or losses to profit or loss on derecognition (not used by the Company).
- Debt instruments at amortised cost

The Company's classification of its financial assets is explained in Note 6c. The quantitative impact of applying IFRS 9 as at January 1, 2022 is disclosed below.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**5. Change in accounting policies (continued)***Transition (continued)*IFRS 9 Financial Instruments (continued)*Changes to the impairment calculation*

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for debt instruments held at FVOCI or amortised cost by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Company to record an allowance for ECLs for all debt instruments not held at FVPL.

For debt instruments, the ECL is based on the portion of lifetime ECLs (LTECL) that would result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination or purchase of the assets, the allowance is based on the full LTECL.

The Company considers an instrument to be in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. There were no such instances in 2023 or 2022.

The adoption of the ECL requirements of IFRS 9 has resulted in increases in impairment allowances in respect of the Company's debt instruments. The increase in allowance was adjusted to retained earnings.

As it was possible to do so without the use of hindsight, the Company restated the statement of financial position as at January 1, 2022, resulting in decreases in financial assets and retained earnings amounting to \$1,488,000 respectively. The statement of profit or loss for the year ended December 31, 2022 was also restated, resulting in increases in impairment loss on financial assets amounting to \$1,491,000.

Details of the Company's impairment method are disclosed in Note 4 above. The quantitative impact of applying IFRS 9 as at January 1, 2022 is disclosed in the table that follows.

Changes in disclosure – IFRS 7

To reflect the differences between IFRS 9 and IAS 39, IFRS 7 Financial Instruments Disclosures was also amended. The Company applied the amended disclosure requirements of IFRS 7, together with IFRS 9, for the year beginning January 1, 2022. Changes include transition disclosures as shown in Note 29. Detailed qualitative and quantitative information about the ECL calculations, such as the assumptions and inputs used, are set out in Note 5c.

Reconciliations from opening to closing ECL allowances are presented in Note 27 a(iii).

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**5. Change in accounting policies (continued)***Transition disclosures – IFRS 9*

The following table summarises the classification and measurement impacts of IFRS 9 on transition. The adoption of IFRS 9 had no significant impact on the Company's other financial assets or liabilities. A reconciliation between the carrying amounts under ISA 39 and the balance reported under IFRS9 as of the initial application date January 1, 2022 is as follows:

Financial assets	Category	January 1, 2022			IFRS 9 Category
		IAS 39 measurement	Remeasurement		
		Amount	ECL	Amount	
		\$'000	\$'000	\$'000	
Cash and cash equivalents	Amortised cost	1,044,584	-	1,044,584	Amortised cost
Certificates of deposit	L&R	1,493,180	-	1,493,180	Amortised cost
Government bonds	L&R	127,313	(108)	127,205	Amortised cost
Corporate bonds	L&R	200,000	(1,380)	198,620	Amortised cost
Securities purchased under resale agreements	Amortised cost	1,399,179	-	1,399,179	Amortised cost
Equity instruments	AFS	<u>108,927</u>	<u>-</u>	<u>108,927</u>	FVOCI
		<u>4,373,183</u>	<u>(1,488)</u>	<u>4,371,695</u>	

6. Material accounting policies

The Company has consistently applied the accounting policies as set out below to all periods presented in these financial statements.

(a) Property, plant and equipment:

- (i) Property, plant and equipment are measured at cost or deemed cost, less accumulated depreciation and impairment losses [see accounting policy 5(k)].

Freehold land and buildings that had been revalued to fair value prior to January 1, 2002, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

(ii) Depreciation:

Property, plant and equipment with the exception of freehold land and work-in-progress, on which no depreciation is provided, are depreciated using the straight-line method at annual rates estimated to write-off the property, plant and equipment over their estimated residual values at the end of their expected useful lives.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**6. Material accounting policies (continued)**

(a) Property, plant and equipment (continued):

(ii) Depreciation (continued):

The annual depreciation rates are as follows:

Buildings	2½%
Leasehold improvements	10%
Furniture, fixtures and equipment	10% & 20%
Motor vehicles	20%
Computers	20%
Computer equipment	33⅓%
Right-of-use assets	Over the lease term

The depreciation methods, useful lives and residual values are reassessed annually at each reporting date and adjusted as appropriate.

(b) Investment properties:

Investment properties are initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

Any gain or loss on disposal of investment properties (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Rental income from the lease of investment properties is recognised as a component of 'investment income' on a straight-line basis over the term of the lease.

Investment properties are carried at fair value using valuations performed every three years by independent appraisers and the intervening years by the directors, based on professional advice received. Fair value is based on current prices for properties similar in location and conditions.

Investment properties are carried in the statement of financial position at market value. It is the Company's policy to use independent qualified property appraisers to value its investment properties, generally using the open market value.

(c) Financial assets

Initial recognition

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**6. Material accounting policies (continued)**

(c) Financial assets (continued)

Initial recognition (continued)

Financial instruments are initially recognised on the trade date measured at their fair value. Except for financial assets and financial liabilities recorded at FVPL, transaction costs are added to this amount.

Measurement categories

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms. The categories include the following:

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVPL)

Debt instruments measured at amortised cost

Debt instruments are held at amortised cost if both of the following conditions are met:

- The instruments are held within a business model with the objective of holding the instrument to collect the contractual cash flows.
- The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**6. Material accounting policies (continued)**

(c) Financial assets (continued)

Business model assessment (continued)

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- The expected frequency, value and timing of asset sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

SPPI Test

As a second step of its classification process the Company assesses the contractual terms to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**6. Material accounting policies (continued)**

(c) Financial assets (continued)

Equity instruments measured at fair value through other comprehensive income

The Company applies the new category under IFRS 9 for equity instruments when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

Equity instruments were previously classified as available-for-sale under IAS 39. Equity instruments in this category are those that are intended to be held to collect contractual cash flows and which may be sold in response to needs for liquidity or in response to changes in market conditions.

*Subsequent measurement**Debt instruments at amortised cost*

After initial measurement, debt instruments are measured at amortised cost, using the effective interest rate (EIR) method, less allowance for impairment. Amortised 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. ECLs are recognised in the statement of profit or loss when the investments are impaired.

Equity instruments at fair value through other comprehensive income

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost as explained above. The ECL calculation for debt instruments at FVOCI is explained in policies that follows below. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Impairment losses on financial instruments.
- Disclosures for significant judgements and estimates.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**6. Material accounting policies (continued)**

(c) Financial assets (continued)

Impairment of financial assets (continued)

The Company recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the appropriate effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company considers a financial asset to be in default (credit impaired) when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Non-financial assets

The carrying amount of the Company's non-financial assets is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount, if the carrying amount is greater than its estimated recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**6. Material accounting policies (continued)**

(c) Financial assets (continued)

The calculation of ECLs

The mechanics of the ECL method are summarised below:

- | | |
|---------|--|
| Stage 1 | The 12-month ECL is calculated as the portion of the LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12 month allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. |
| Stage 2 | When a financial instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR. |
| Stage 3 | For financial instruments considered credit-impaired, the Company recognizes the lifetime expected credit losses. The method is similar to that for Stage 2 assets, with the PD set at 100%. |

Debt instruments measured at fair value through other comprehensive income

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to profit or loss. The accumulated gain recognised in OCI is recycled to the profit or loss upon derecognition of the assets.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**6. Material accounting policies (continued)**

(c) Financial assets (continued)

Forward looking information

In its ECL model, the Company relies on a broad range of forward-looking information as economic inputs such as GDP growth, unemployment rate and Central Bank rates. The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the reporting date. To reflect this, qualitative adjustment or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Securities purchased under resale agreements:

Securities purchased under resale agreements (“reverse repos”) are short-term transactions whereby an entity buys securities and simultaneously agrees to resell the securities on a specified date and at a specified price. Title to the security is not actually transferred unless the counterparty fails to comply with the terms of the contract. Reverse repos are accounted for as short-term collateralised lending, classified as loans and receivables, and measured at amortised cost.

The difference between the sale and repurchase considerations is recognised on an accrual basis over the period of the transaction and is included in interest income.

Any gain or loss on disposal of securities purchased under resale agreement is recognised in profit or loss.

(d) Financial liabilities

Initial recognition and subsequent measurement

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through the statement of income, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge as appropriate.

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value. The Company’s financial liabilities include other payables and accrued charges, and insurance liabilities. The Company has not designated any financial liabilities upon initial recognition as at fair value through statement of income.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**6. Material accounting policies (continued)****(e) De-recognition of financial assets and liabilities**

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial asset that is create or retained by the Company is recognised as a separate asset or liability. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

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

(f) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 – *Related Party Disclosures* as the “reporting entity”). An entity is related to a reporting entity if any of the following conditions applies:

- (a) A person or a close member of that person’s family is related to a reporting entity if that person:
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**6. Material accounting policies (continued)**

(f) Related parties (continued):

- (b) An entity is related to a reporting entity if any of the following conditions applies (continued):
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled, or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity or any member of a group which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

The Company has a related party relationship with its ultimate and intermediate holding companies and their subsidiaries, the directors of the Company and those of its holding companies, its key management personnel, companies with common directors, its subsidiary and pension plans established for the benefit of its employees. “Key management personnel” represents certain senior officers of the Company.

(g) Cash and cash equivalents:

Cash and cash equivalents comprise cash and bank balances measured at amortised cost.

(h) Provisions:

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligations.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**6. Material accounting policies (continued)****(i) Foreign currencies:**

Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Jamaica dollars at the rates of exchange ruling on that date. Gains and losses arising from fluctuations in exchange rates are recognised in profit or loss.

(j) Employee benefits:

Employee benefits are all forms of consideration given by the Company in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, statutory contributions, annual vacation leave and non-monetary benefits such as post-employment benefits related to pension and health and life insurance.

Employee benefits that are earned as a result of past or current service are recognised in the following manner:

(i) Post retirement health and life insurance benefits:

Employee benefits comprising post-employment medical benefits included in these financial statements have been actuarially determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion.

The actuarial valuations were conducted in accordance with IAS 19, and the financial statements reflect the Company's post-employment benefit obligations as computed by the actuary. In carrying out their audit, the auditors have relied on the work of the actuary and the actuary's report.

The Company provides post retirement health and life insurance benefits to retirees. In 2006, the Company revised its policy to provide post retirement health and life insurance benefits to persons employed on or before April 20, 2006.

The Company's net obligation in respect of post retirement health and life insurance benefits is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of any plan assets is deducted.

The discount rate is determined based on the estimate of yield at the reporting date on long-term government securities that have maturity dates approximating the terms of the Company's obligations. The calculation is performed by a qualified actuary using the Projected Unit Credit Method.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**6. Material accounting policies (continued)**

(j) Employee benefits: (continued)

(i) Post retirement health and life insurance benefits: (continued)

Re-measurements of the net employee benefit liability, which comprise actuarial gains and losses are recognised immediately in other comprehensive income. The Company determines the net interest expense/(income) on the net employee benefit liability for the period by applying the discount rate used to measure the employee benefit obligation at the beginning of the annual period to the then-net employee benefit liability, taking into account any changes in the net employee benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other post-retirement obligations expenses are recognised in profit or loss.

When the benefits of a plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of an employee benefit plan when the settlement occurs.

(ii) Defined contribution pension plan:

The Company participates in a defined contribution pension plan, the assets of which are held separately from those of the Company. The plan does not expose the Company to actuarial risk, and as such, pension contributions are expensed as and when incurred.

(iii) Short-term employee benefits:

Short-term employee benefits are expressed as the related service is provided. Employee entitlements to leave are recognised when they accrue to employees. A provision is made for the estimated liability for vacation leave, as a result of services rendered by employees up to the reporting date. The Company recognises a provision for bonuses and other short-term employee benefits based on contractual or constructive obligations to pay these amounts as a result of past services provided by the employee and the obligation can be estimated reliably.

(k) Taxation:

Taxation on profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**6. Material accounting policies (continued)**

(k) Taxation (continued):

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date. For investment properties that are measured at fair value, the presumption that the carrying amount of the investment properties will be recovered through sale has not been rebutted.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

(l) Recognition of income

(i) Insurance Revenue

See note 6(n).

(ii) Interest and similar income

Interest income comprises amounts calculated using the effective interest method and other methods. These are disclosed separately on the face of the income statement.

In its interest income calculated using the effective interest method the Company only includes interest on financial instruments at amortised.

Other interest income includes interest on all financial assets measured at FVPL, using the contractual interest rate.

The Company calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**6. Material accounting policies (continued)**

(l) Recognition of income (continued)

(iii) Other investment income

Dividend income is recognised when the irrevocable right to receive income is established. Usually this is the ex-dividend date for equity securities. Rental income from investment properties under operating leases is recognised in profit or loss on a straight-line basis over the term of each lease.

(m) Insurance and reinsurance contracts classification

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. The Company issues non-life insurance to individuals and businesses. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of a policyholder's accident.

The Company also issues reinsurance contracts in the normal course of business to compensate other entities for claims arising from one or more insurance contracts issued by those entities.

The Company does not issue any contracts with direct participating features.

(n) Insurance and reinsurance contracts accounting treatment

Separating components from insurance and reinsurance contracts

The Company assesses its non-life insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Company applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Company's products do not include any distinct components that require separation.

Level of aggregation

IFRS 17 requires a Company to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**6. Material accounting policies (continued)**

(n) Insurance and reinsurance contracts accounting treatment (continued)

Level of aggregation (continued)

Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Company identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Company makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). IFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart.

The Company applied a full retrospective approach for transition to IFRS 17. The portfolios are further divided by year of issue and profitability for recognition and measurement purposes. Hence, within each year of issue, portfolios of contracts are divided into three groups, as follows:

- A group of contracts that are onerous at initial recognition (if any)
- A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any)
- A group of the remaining contracts in the portfolio (if any)

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstance.

The Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognised
- Environmental factors, e.g., a change in market experience or regulations

The Company divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**6. Material accounting policies (continued)**

(n) Insurance and reinsurance contracts accounting treatment (continued)

Recognition

The Company recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous.

The Company recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held; and
- The date the Company recognises an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

Contract boundary

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services.

A substantive obligation to provide insurance contract services ends when:

- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**6. Material accounting policies (continued)**

(n) Insurance and reinsurance contracts accounting treatment (continued)

Contract boundary (continued)

- Both of the following criteria are satisfied:
 - The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio
 - The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

Initial measurement - premium allocation approach

	Adopted approach for IFRS 17
Premium allocation approach (PAA) eligibility	Coverage period for property, motor, bonds, general accidents and marine insurance and reinsurance assumed is one year or less and so qualifies automatically for PAA. A number of Engineering and liability insurance include contracts with coverage period greater than one year. For these contracts, the PAA simplification would produce a measurement of the LRC that would not differ materially from the one that would be produced by applying the General Measurement Model (“GMM”) based on a qualitative assessment.
Insurance acquisition cash flows for insurance contracts issued	For all lines of business, insurance acquisition cash flows are allocated to related groups of insurance contracts and amortised over the coverage period of the related group.
Liability for remaining coverage (LFRC), adjusted for financial risk and time value of money	For all lines of business, there is no allowance as the premiums are received within one year of the coverage period.
Liability for incurred claims, (LIC) adjusted for time value of money	For LIC, the estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**6. Material accounting policies (continued)**

(n) Insurance and reinsurance contracts accounting treatment (continued)

Initial measurement - premium allocation approach (continued)

	Adopted approach for IFRS 17
Insurance finance income and expense	For all lines of business, the change in LIC as a result of changes in discount rates are captured within profit or loss.

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for remaining coverage as:

- The premiums, if any, received at initial recognition
- Minus any insurance acquisition cash flows at that date, with the exception of contracts which are one year or less where this is expensed,
- Plus or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows and
- Any other asset or liability previously recognised for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts is recognised.

There is no allowance for time value of money as the premiums are received within one year of the coverage period.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised.

Reinsurance contracts held – initial measurement

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**6. Material accounting policies (continued)**

(n) Insurance and reinsurance contracts accounting treatment (continued)

Reinsurance contracts held – initial measurement (continued)

The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The Company uses a systematic and rational method to determine the portion of losses recognised on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

Insurance contracts – subsequent measurement

The Company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus, premiums received in the period
- Minus insurance acquisition cash flows, with the exception of property insurance product line for which the Company chooses to expense insurance acquisition cash flows as they occur.
- Plus any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period for the group
- Minus the amount recognised as insurance revenue for the services provided in the period.

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company and include an explicit adjustment for non-financial risk (the risk adjustment). The Company does not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected to be paid within one year of being incurred.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**6. Material accounting policies (continued)**

(n) Insurance and reinsurance contracts accounting treatment (continued)

Insurance contracts – subsequent measurement (continued)

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised.

Insurance acquisition cash flows are allocated on a straight-line basis as a portion of premium to profit or loss (through insurance revenue).

Reinsurance contracts held – subsequent measurement

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

Where the Company has established a loss-recovery component, the Company subsequently reduces the loss-recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

The Company uses a systematic and rational method to allocate:

- (a) Insurance acquisition cash flows that are directly attributable to a group of insurance contracts:
 - (i) to that group; and
 - (ii) to groups that include insurance contracts that are expected to arise from the renewals of the insurance contracts in that group.
- (b) Insurance acquisition cash flows directly attributable to a portfolio of insurance contracts that are not directly attributable to a group of contracts, to groups in the portfolio.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**6. Material accounting policies (continued)**

(n) Insurance and reinsurance contracts accounting treatment (continued)

Insurance acquisition cash flows (continued)

Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognised in the statement of financial position, a separate asset for insurance acquisition cash flows is recognised for each related group.

The asset for insurance acquisition cash flow is derecognised from the statement of financial position when the insurance acquisition cash flows are included in the initial measurement of the related group of insurance contracts.

At the end of each reporting period, the Company revises amounts of insurance acquisition cash flows allocated to groups of insurance contracts not yet recognised, to reflect changes in assumptions related to the method of allocation used.

If an impairment loss is recognised, the carrying amount of the asset is adjusted and an impairment loss is recognised in profit or loss.

The Company recognises in profit or loss a reversal of some or all of an impairment loss previously recognised and increases the carrying amount of the asset, to the extent that the impairment conditions no longer exist or have improved.

The Company does not recognise an asset for insurance acquisition cash flows as at the reporting date.

Insurance contracts – modification and derecognition

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired); or
- The contract is modified such that the modification results in a change in the measurement model; or
- the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**6. Material accounting policies (continued)**

(n) Insurance and reinsurance contracts accounting treatment (continued)

Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

The Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

For the periods presented, all revenue has been recognised on the basis of the passage of time.

Insurance finance income and expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

Net income or expense from reinsurance contracts held

The Company presents separately on the face of the statement of profit or loss and other comprehensive income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid.

The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**6. Material accounting policies (continued)**

(o) 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 uses the definition of a lease in IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term.

In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is 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.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**6. Material accounting policies (continued)**

(o) Leases (continued):

As a lessee (continued)

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, 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.

The Company presents right-of-use assets and lease liabilities separately in the statement of financial position.

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 that have a lease term of 12 months or less and 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

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

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

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**6. Material accounting policies (continued)**

(o) Leases (continued):

As a lessor (continued)

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.

The Company recognises lease payments received under operating leases as rental income on a straight- line basis over the lease term as part of 'investment income'.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16.

(p) Determination of fair value:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Some financial instruments lack an available trading market. These instruments have been valued using present value or other valuation techniques and the fair value shown may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

(q) Share capital

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets. Transaction costs directly attributable to the issuance of shares are shown in equity as a deduction from the proceeds of the share issue.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**7. Cash and cash equivalents**

Cash and cash equivalents include amounts denominated in foreign currencies as follows:

	<u>2023</u> \$'000	<u>2022</u> \$'000
United States dollars	896	696
Cayman Islands dollars	5	5
Bahamas dollars	2,130	684
Trinidad and Tobago dollars	-	14,354
Great Britain Pound sterling	13	13
Eastern Caribbean dollars	<u>1,730</u>	<u>1,684</u>

Trinidad and Tobago cash and cash equivalents include the amount of Nil (2022: TT\$10,106) held in a statutory fund. [See note 8].

8. Investment in securities

	<u>2023</u> \$'000	<u>2022</u> \$'000
Debt instruments at amortised cost:		
Issued by		
Government of Jamaica	29,891	29,891
Government of Dominica	57,189	56,185
Corporate Bonds	198,592	198,618
Certificate of deposits and reverse repurchase agreements	<u>3,617,948</u>	<u>3,269,664</u>
	<u>3,903,620</u>	<u>3,554,358</u>
Equity instruments at FVOCI		
Unquoted investments	599	599
Quoted investments	<u>103,256</u>	<u>109,818</u>
	<u>103,855</u>	<u>110,417</u>
	<u>4,007,475</u>	<u>3,664,775</u>

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**8. Investment in securities (continued)**

Investments, excluding interest receivable, are due from the reporting date as follows:

	<u>2023</u> \$'000	<u>2022</u> \$'000
Government of Jamaica bonds:		
From 1 year to 5 years	19,928	19,928
Over 5 years	<u>9,963</u>	<u>9,963</u>
	<u>29,891</u>	<u>29,891</u>
Government of Dominica T-Bills:		
From 3 months to 1 year	<u>57,189</u>	<u>56,185</u>
Corporate Bonds:		
From 3 months to 1 year	<u>198,592</u>	<u>198,618</u>
Certificates of deposit and reverse repurchase agreements:		
Within 3 months	2,375,082	2,267,744
From 3 months to 1 year	<u>1,242,866</u>	<u>1,001,920</u>
	<u>3,617,948</u>	<u>3,269,664</u>
Unquoted investments:		
No specific maturity	<u>599</u>	<u>599</u>
	<u>599</u>	<u>599</u>
Quoted investments:		
No specific maturity	<u>103,256</u>	<u>109,818</u>
	<u>103,256</u>	<u>109,818</u>
	<u>4,007,475</u>	<u>3,664,775</u>

Certificates of deposit and reverse repurchase agreements classified under debt instruments at amortised cost above include amounts pledged funds as follows:

	<u>2023</u> \$'000	<u>2022</u> \$'000
Jamaica (J\$) (i)	45,000	45,000
Bahamas (BAH\$)	4,161	4,139
Dominica (EC\$)	4,500	4,000
Trinidad and Tobago (TT\$)	<u>-</u>	<u>4,978</u>

- (i) Pledged with the regulator, the Financial Services Commission, pursuant to Regulation 8(1) (b) of the Insurance Regulations, 2001.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**9. Insurance and reinsurance contracts**

(a) Insurance contract liabilities

Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims is disclosed in the table below:

	<u>Liability for remaining coverage</u>		<u>Liability for incurred claims</u>		
	<u>Excluding loss component</u>	<u>Loss component</u>	<u>Estimates of the present value of future cash flows</u>	<u>Risk adjustment</u>	<u>Total</u>
Year ended 2023	\$'000	\$'000	\$'000	\$'000	\$'000
Insurance contract liabilities, beginning of the year	<u>1,998,416</u>	<u>-</u>	<u>2,907,816</u>	<u>88,146</u>	<u>4,994,378</u>
Transfer to ICWI TT	<u>(207,192)</u>	<u>-</u>	<u>(454,983)</u>	<u>(10,239)</u>	<u>(672,454)</u>
Changes in the statement of comprehensive income					
Insurance revenue	<u>(6,788,409)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,788,409)</u>
Insurance service expense:					
Incurred claims and the other insurance service expenses	<u>-</u>	<u>-</u>	<u>3,964,220</u>	<u>-</u>	<u>3,964,220</u>
Insurance acquisition cash flows amortisation	<u>622,202</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>622,202</u>
Adjustments to liabilities for incurred claims	<u>-</u>	<u>-</u>	<u>(13,652)</u>	<u>10,119</u>	<u>(3,533)</u>
Insurance service expenses	<u>622,202</u>	<u>-</u>	<u>3,950,568</u>	<u>10,119</u>	<u>4,582,889</u>
Insurance service result	<u>(6,166,207)</u>	<u>-</u>	<u>3,950,568</u>	<u>10,119</u>	<u>(2,205,520)</u>
Net finance income from insurance contracts	<u>-</u>	<u>-</u>	<u>80,320</u>	<u>-</u>	<u>80,320</u>
Total changes in statement of comprehensive income	<u>(6,166,207)</u>	<u>-</u>	<u>4,030,888</u>	<u>10,119</u>	<u>(2,125,200)</u>
Cash flows					
Premiums received	<u>7,306,163</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,306,163</u>
Claims and other insurance service expenses paid	<u>-</u>	<u>-</u>	<u>(3,791,334)</u>	<u>-</u>	<u>(3,791,334)</u>
Insurance acquisition cash flows amortisation	<u>(675,288)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(675,288)</u>
Total cash flows	<u>6,630,875</u>	<u>-</u>	<u>(3,791,334)</u>	<u>-</u>	<u>2,839,541</u>
Net closing balance as at December 31, 2023	<u>2,255,892</u>	<u>-</u>	<u>2,692,387</u>	<u>87,986</u>	<u>5,036,265</u>

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**9. Insurance and reinsurance contracts (continued)**

(a) Insurance contract liabilities (continued)

Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims is disclosed in the table below (continued):

	Liability for remaining coverage		Liability for incurred claims		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	
	\$'000	\$'000	\$'000	\$'000	'000
Year ended 2022					
Insurance contract liabilities, beginning of the year	1,931,575	-	3,260,861	100,024	5,292,460
Changes in the statement of comprehensive income					
Insurance revenue	(6,696,866)	-	-	-	(6,696,866)
Insurance service expense:					
Incurred claims and the other insurance service expenses	-	-	3,988,384	-	3,988,384
Insurance acquisition cash flows amortisation	761,580	-	-	-	761,580
Adjustments to liabilities for incurred claims	-	-	(3,178)	(11,878)	(15,056)
Insurance service expenses	761,580	-	3,985,206	(11,878)	4,734,908
Insurance service result	(5,935,286)	-	3,985,206	(11,878)	(1,961,958)
Net finance expenses from insurance contracts	-	-	(208,195)	-	(208,195)
Total changes in statement of comprehensive income	(5,935,286)	-	3,777,011	(11,878)	(2,170,153)
Cash flows					
Premiums received	6,781,525	-	-	-	6,781,525
Claims and other insurance service expenses paid	-	-	(4,130,057)	-	(4,130,057)
Insurance acquisition cash flows amortisation	(779,397)	-	-	-	(779,397)
Total cash flows	6,002,128	-	(4,130,057)	-	1,872,071
Net closing balance as at December 31, 2022	1,998,417	-	2,907,815	88,146	4,994,378

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**9. Insurance and reinsurance contracts (continued)**

(b) Reinsurance contract assets (net)

The below table represents the reconciliation of changes in reinsurance contracts by remaining coverage and incurred claims.

	<u>Asset for remaining coverage</u>		<u>Asset for incurred claims</u>		<u>Total</u>
	<u>Excluding loss Recovery component</u>	<u>Loss recovery component</u>	<u>Estimate of the present value of future cash flow</u>	<u>Risk adjustment for non financial asset</u>	
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Year ended 2023					
Reinsurance contract assets, beginning of the year	<u>233,293</u>	-	<u>1,899,770</u>	<u>45,863</u>	<u>2,178,926</u>
Transfer to ICWI TT	<u>(75,687)</u>	-	<u>(235,497)</u>	<u>(5,144)</u>	<u>(316,328)</u>
Reinsurance expense	(3,997,127)	-	-	-	(3,997,127)
Net income from reinsurance contracts	1,254,064	-	-	-	1,254,064
Recoveries on incurred claims and other incurred reinsurance service expense	-	-	<u>1,436,751</u>	<u>4,145</u>	<u>1,440,896</u>
Net expenses from reinsurance contracts	<u>(2,743,063)</u>	-	<u>1,436,751</u>	<u>4,145</u>	<u>(1,302,167)</u>
Net finance income from reinsurance contracts	-	-	<u>23,902</u>	-	<u>23,902</u>
Total changes in the statement of comprehensive income	<u>(2,743,063)</u>	-	<u>1,460,653</u>	<u>4,145</u>	<u>(1,278,265)</u>
Cash flows					
Premiums paid	3,001,758	-	-	-	3,001,758
Amounts received from reinsurers relating to incurred claims	-	-	<u>(1,567,059)</u>	-	<u>(1,567,059)</u>
	<u>3,001,758</u>	-	<u>(1,567,059)</u>	-	<u>1,434,699</u>
Net closing balance as at December 31, 2023	<u>416,301</u>	-	<u>1,557,867</u>	<u>44,864</u>	<u>2,019,032</u>
Year ended 2022					
Reinsurance contract assets, beginning of the year	<u>133,669</u>	-	<u>2,220,396</u>	<u>52,638</u>	<u>2,406,703</u>
Reinsurance expense	(3,892,308)	-	-	-	(3,892,308)
Net income from reinsurance contracts	1,308,535	-	-	-	1,308,535
Recoveries on incurred claims and other incurred reinsurance service expense	-	-	<u>1,483,056</u>	<u>(6,775)</u>	<u>1,476,281</u>
Net expenses from reinsurance contracts	<u>(2,583,773)</u>	-	<u>1,483,056</u>	<u>(6,775)</u>	<u>(1,107,492)</u>
Net finance expense from reinsurance contracts	-	-	<u>(101,553)</u>	-	<u>(101,553)</u>
Total changes in the statement of comprehensive income	<u>(2,583,773)</u>	-	<u>1,381,503</u>	<u>(6,775)</u>	<u>(1,209,045)</u>
Cash flows					
Premiums paid	2,683,397	-	-	-	2,683,397
Amounts received from reinsurers relating to incurred claims	-	-	<u>(1,702,129)</u>	-	<u>(1,702,129)</u>
	<u>2,683,397</u>	-	<u>(1,702,129)</u>	-	<u>981,268</u>
Net closing balance as at December 31, 2022	<u>233,293</u>	-	<u>1,899,770</u>	<u>45,863</u>	<u>2,178,926</u>

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**10. Other accounts receivable and prepayments**

	<u>2023</u> \$'000	<u>2022</u> \$'000
Prepayments	22,605	36,091
Staff loans	24,575	24,130
Other	<u>14,059</u>	<u>11,545</u>
	<u>61,239</u>	<u>71,766</u>

11. Related party balances/transactions

- (a) The statement of financial position includes balances, arising in the ordinary course of business with related parties, as follows:

	<u>2023</u> \$'000	<u>2022</u> \$'000
Receivables from group companies		
(i) Due from immediate parent Company: ICWI Group Limited	303,515	320,556
(ii) Due from fellow subsidiaries:		
The Insurance Company of the West Indies (Trinidad) Limited	40,660	-
Turks & Caicos First Insurance Company Limited	3,520	543
The Great Northern Insurance Company Ltd.	-	47,336
The Insurance Company of the West Indies (Cayman) Limited	-	27,909
The Insurance Company of the West Indies (Sint Maarten) B.V.	7,760	94
GPI Limited	1,590	1,643
(iii) Due from related Company: REACT Limited – common director	<u>35,705</u>	<u>34,742</u>
	<u>392,750</u>	<u>432,823</u>
Due to group companies		
(iv) Due to fellow subsidiaries:		
The Insurance Company of the West Indies (Cayman) Limited	29,559	-
The Insurance Company of the West Indies (Bahamas) Limited	<u>31</u>	<u>-</u>
	<u>29,590</u>	<u>-</u>

Related party balances are interest free, unsecured and are repayable on demand.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**11. Related party balances/transactions (continued)**

- (b) The statement of profit or loss includes the following income earned from, and expenses incurred in, transactions with related parties. The transactions were in the ordinary course of business.

	<u>2023</u> \$'000	<u>2022</u> \$'000
Corporate office expenses - immediate parent Company [note 22]	36,000	30,000
Other charges - related Company (common director)	40,618	40,618
Lease expense - related Company (common director)	7,625	8,181
Gross premiums written - related Company (common director)	2,736	2,377
- related parties (directors and common director)	17,428	13,066
Claims expenses - related parties (directors and common director)	3,869	(1,384)
Commission expense - fellow subsidiary	<u>1,505</u>	<u>162,102</u>

- (c) Key management personnel compensation is as follows:

	2023 \$'000	2022 \$'000
Short term employment benefits:		
Salary and related costs (excluding directors' fees)	109,018	117,079
Pension contributions [see note 6(j)]	<u>2,130</u>	<u>1,783</u>
	<u>111,148</u>	<u>118,862</u>

12. Investment in subsidiaries

	<u>2023</u> \$'000	<u>2022</u> \$'000
Shares, at cost	<u>324,216</u>	<u>4,013</u>
	% of equity capital held	
	<u>2023</u>	<u>2022</u>
Insurance Company of Jamaica Limited (i)	<u>100</u>	<u>100</u>
The Insurance Company of West Indies (Trinidad) Limited (ii)	<u>100</u>	<u>-</u>

- (i) Incorporated in Jamaica, and is non-trading.
(ii) Incorporated in Trinidad and Tobago and registered with the CBTT to write Motor and other than long-term insurance business

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**13. Investment properties**

	<u>2023</u> \$'000	<u>2022</u> \$'000
Balance at January 1	73,500	66,752
Additions during the year	2,322	-
Change in fair value recognised in profit or loss	<u>6,178</u>	<u>6,748</u>
Balance at December 31	<u>82,000</u>	<u>73,500</u>

Investment properties comprise commercial properties that are leased to third parties and land held for capital appreciation. Investment properties are valued every three years by an independent professional valuer and in the intervening years by the directors, based on professional advice received.

Each of these leases contains an initial non-cancellable period of three years. Subsequent renewals are negotiated with the lessors and historically, the average renewal period is three years. Further information about these leases is included in note 14(ii).

Investment properties were valued in April 2024 (2022: March 2023) by D.C. Tavares & Finson Realty Ltd. The significant underlying assumptions considered is the comparable prices for similar properties in the area, the level of current and future occupancy, the rate of annual rent changes, the rate of inflation of direct expenses, the appropriate discount rate, and the current condition of the properties together with an estimate of future maintenance and capital expenditures.

The rental income earned on the properties during the year amounted to \$2,370,000 (2022: \$2,256,000) and the related expenses totalled \$290,000 (2022: \$203,000).

Changes in fair values are recognised as gains in profit or loss and included in other 'investment revenue'. All gains are unrealised.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**13. Investment properties (continued)**

The fair value measurement for investment properties of \$82,000,000 (2022: \$73,500,000) has been categorised as a level 3 in the fair value hierarchy. The following table shows the valuation technique used in measuring fair value as well as the significant unobservable inputs used.

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<p><i>Market based approach:</i> The approach is based on the principle of substitution whereby the purchaser with perfect knowledge of the property market pays no more for the subject property than the cost of acquiring an existing comparable property, assuming no cost delay in making the substitution.</p> <p>The approach requires comparison of the subject property with others of similar design and utility, inter alia, which were sold in the recent past.</p> <p>However as no two properties are exactly alike, adjustment is made for the difference between the property subject to valuation and comparable properties.</p>	<ul style="list-style-type: none"> • Details of the sales of comparable properties. • Conditions influencing the sale of the comparable properties. • Comparability adjustment. 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> • Sale value of comparable properties were higher/(lower). • Comparability adjustment were higher/(lower).

14. Leases

The Company leases properties for its branch operations. The term of the leases run for the period of one (1) to five (5) years, with an option to renew after that date. Lease payments are renegotiated to reflect market rates.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**14. Leases (continued)**

The Company elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and/or short-term leases. Information about leases for which the Company is a lessee is presented below:

i. Leases as lessee

(a) Right-of-use assets

	<u>2023</u> \$'000	<u>2022</u> \$'000
Balance at January 1	457,675	424,998
Additions to right-of-use assets	80,098	83,988
De-recognition of right-of-use assets	(39,409)	(51,311)
Transfer to ICWI TT	<u>(39,435)</u>	<u>-</u>
Balance at December 31	<u>458,929</u>	<u>457,675</u>
Depreciation at January 1	288,409	233,493
Depreciation charge for the year	93,106	106,227
Eliminated on de-recognition	(27,669)	(51,311)
Transfer to ICWI TT	<u>(27,385)</u>	<u>-</u>
Balance at December 31	<u>326,461</u>	<u>288,409</u>
Carrying amount of right-of-use assets	<u>132,468</u>	<u>169,266</u>

(b) Lease liabilities

Maturity analysis – contractual undiscounted cash flows:

	<u>2023</u> \$'000	<u>2022</u> \$'000
Less than one year	63,569	126,415
One to five years	<u>114,243</u>	<u>79,740</u>
Total undiscounted lease liabilities at December 31	177,812	206,155
Less: future interest expense	<u>(33,350)</u>	<u>(21,132)</u>
Carrying amount of lease liabilities	<u>144,462</u>	<u>185,023</u>
Current	50,025	115,691
Non-current	<u>94,437</u>	<u>69,332</u>
	<u>144,462</u>	<u>185,023</u>

Included in the above is a lease with a related party amounting to \$47,023,000 (2022: \$60,627,000).

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**14. Leases (continued)****i. Leases as lessee (continued)**

(c) Amount recognised in profit or loss		
	<u>2023</u>	<u>2022</u>
	\$'000	\$'000
Interest on lease liabilities	15,021	20,741
Expenses relating to lease of low-value assets [note 22]	<u>4,199</u>	<u>1,223</u>
(d) Amounts recognised in the statement of cash flows		
	<u>2023</u>	<u>2022</u>
	\$'000	\$'000
Total cash outflow for leases	<u>111,327</u>	<u>125,956</u>
(e) Extension options		

Certain property leases includes extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

ii. Leases as lessor

The Company leases out its investment properties consisting of its owned commercial properties. All leases are classified as operating leases from a lessor perspective, because they do not transfer substantially all of the risk and rewards incidental to the ownership of the assets. Note 13 sets out information about the operating leases of investment properties.

The following table sets out a maturity analysis of the lease payments, showing the undiscounted lease payments to be received after the reporting date.

	<u>2023</u>	<u>2022</u>
	\$'000	\$'000
Less than one year	2,370	2,256
One to two years	2,370	2,256
Two to three years	2,370	2,256
Three to four years	2,370	2,256
Four to five years	<u>2,370</u>	<u>2,256</u>
Total	<u>11,850</u>	<u>11,280</u>

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**15. Property, plant and equipment**

	<u>Land, buildings and leasehold improvement</u>	<u>Furniture, fixtures, equipment and computers</u>	<u>Motor vehicles</u>	<u>Work-in- progress</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
At cost or deemed cost:					
December 31, 2021	623,804	422,081	66,597	6,554	1,119,036
Additions	9,427	8,856	686	-	18,969
Transfers	-	287	-	(287)	-
Disposals	<u>-</u>	<u>(1,371)</u>	<u>(316)</u>	<u>-</u>	<u>(1,687)</u>
December 31, 2022	633,231	429,853	66,967	6,267	1,136,318
Additions	6,887	12,039	10,740	1,497	31,163
Transfers to ICWI TT	(137,088)	(26,742)	(17,946)	-	(181,776)
Disposals	<u>-</u>	<u>(11,940)</u>	<u>(7,577)</u>	<u>-</u>	<u>(19,517)</u>
December 31, 2023	<u>503,030</u>	<u>403,210</u>	<u>52,184</u>	<u>7,764</u>	<u>966,188</u>
Depreciation:					
December 31, 2021	159,712	281,466	43,284	-	484,462
Charge for the year	14,372	40,352	10,356	-	65,080
Eliminated on disposals	<u>-</u>	<u>(980)</u>	<u>(316)</u>	<u>-</u>	<u>(1,296)</u>
December 31, 2022	174,084	320,838	53,324	-	548,246
Charge for the year	12,867	30,971	6,769	-	50,607
Transfers to ICWI TT	(17,392)	(19,853)	(13,945)	-	(51,190)
Eliminated on disposals	<u>-</u>	<u>(7,023)</u>	<u>(4,841)</u>	<u>-</u>	<u>(11,864)</u>
December 31, 2023	<u>169,559</u>	<u>324,933</u>	<u>41,307</u>	<u>-</u>	<u>535,799</u>
Net book values:					
December 31, 2023	<u>333,471</u>	<u>78,277</u>	<u>10,877</u>	<u>7,764</u>	<u>430,389</u>
December 31, 2022	<u>459,147</u>	<u>109,015</u>	<u>13,643</u>	<u>6,267</u>	<u>588,072</u>

Freehold land and buildings were revalued on October 28, 1997, at an open market valuation of \$12,400,000 by Sagicor Property Management Limited. The revalued amounts have been deemed to be the assets' cost upon first-time adoption of IFRS in 2002. The previously reported surplus arising on revaluation is included in capital reserve [see note 18(c)].

Land, buildings and leasehold improvement include freehold land at a deemed cost/cost of \$178,500,000 (2022: \$178,500,000).

Furniture, fixtures and equipment were revalued at January 1, 1994, at an open market valuation of \$63,056,000 by Sagicor Property Management Limited. The revalued amount was deemed to be the assets' cost upon first-time adoption of IFRS in 2002. The previously reported surplus arising on revaluation is included in capital reserve [see note 18(c)].

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**16. Other payables and accrued charges**

	<u>2023</u> \$'000	<u>2022</u> \$'000
Accrued charges	140,198	75,963
Other payables	<u>353,661</u>	<u>320,577</u>
	<u>493,859</u>	<u>396,540</u>

17. Employee benefit obligation and pensions

(a) Employee benefit obligation:

The employee benefit obligation represents the present value of the Company's constructive obligation to provide post-employment health and life insurance benefits for pensioners as follows:

(i) Employee benefit obligation recognised in the statement of financial position:

	<u>2023</u> \$'000	<u>2022</u> \$'000
Balance at January 1	<u>113,400</u>	<u>157,788</u>
Included in profit or loss:		
Current service costs	1,790	3,612
Interest costs	<u>14,365</u>	<u>12,697</u>
	<u>16,155</u>	<u>16,309</u>
Included in other comprehensive income:		
Actuarial gains:		
Experience losses	6,698	8,336
Remeasurement losses/(gains)	<u>29,900</u>	<u>(63,691)</u>
	<u>36,598</u>	<u>(55,355)</u>
Benefits paid	<u>(9,375)</u>	<u>(5,342)</u>
Balance at December 31	<u>156,778</u>	<u>113,400</u>

(ii) Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	<u>2023</u> %	<u>2022</u> %
Discount rate	11.0	13.5
Long term inflation rate	6.0	5.5
Health claims growth	<u>6.0</u>	<u>5.5</u>

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**17. Employee benefit obligation and pensions (continued)**

(a) Employee benefit obligation (continued):

(ii) Principal actuarial assumptions at the reporting date (expressed as weighted averages) (continued):

Assumptions regarding future mortality are based on 1994 Group annuitants mortality table.

At December 31, 2023, the weighted average duration of employee benefit obligation was 12 years (2022: 11 years).

The calculation of the projected benefit obligation is sensitive to the assumptions used. The table below summarizes how the projected benefit obligation measured at the end of the reporting period would have increased/(decreased) as a result of a change in the health care and life insurance cost trend rates by one percentage point. In preparing the analyses for each assumption, all others were held constant.

	<u>One percentage point increase</u>		<u>One percentage point decrease</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	\$'000	\$'000	\$'000	\$'000
Effect on the employee benefit obligation	<u>12,241</u>	<u>7,689</u>	<u>(10,309)</u>	<u>(6,596)</u>

(iii) The Company is expected to contribute \$9,774,600 towards the health and life benefit plan in the subsequent reporting period (2022: \$5,734,100).

(b) Pensions:

The Company is a participating employer in The Insurance Company of the West Indies Limited Defined Contribution Pension Fund, which was approved with effect from January 1, 2005. The pension fund is administered and managed by Proven Wealth Limited. The benefits are restricted to employee and employer contributions made during the course of employment together with accumulated interest, and therefore, the Company has no liability beyond its annual contributions for funding benefits.

The fund is subject to triennial actuarial valuations for funding purposes.

The Company's contributions to the fund for the year ended December 31, 2023, aggregated \$38,020,000 (2022: \$35,932,000) [see note 22].

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**18. Capital and reserves**

(a) Share capital

	<u>2023</u>		<u>2022</u>	
	\$'000	Number of shares	\$'000	Number of shares
Stated capital:				
In issue at December 31 – fully paid ordinary shares of no par value	<u>260,237</u>	<u>260,237,000</u>	<u>260,237</u>	<u>260,237,000</u>

There is no maximum limit to the authorised shares that the Company can issue.

(b) Share premium

	<u>2023</u>	<u>2022</u>
	\$'000	\$'000
Share premium	<u>66,763</u>	<u>66,763</u>

The issued shared capital does not include the above premium on shares, in accordance with section 39 (7) of the Companies Act of Jamaica. This has been retained in the share premium account.

(c) Capital reserve

The capital reserve comprises revaluation surplus on certain property, plant and equipment (see note 15).

(d) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of equity investments classified as FVOCI.

19. Income from financial instruments

	<u>2023</u>	<u>2022</u>
	\$'000	\$'000
Interest income	202,033	123,433
Dividend income	<u>3,360</u>	<u>2,558</u>
	<u>205,393</u>	<u>125,991</u>

20. Other investment revenue

	<u>2023</u>	<u>2022</u>
	\$'000	\$'000
Rental income	6,665	3,919
Revaluation gains on investment property	<u>6,178</u>	<u>6,748</u>
	<u>12,843</u>	<u>10,667</u>

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**21. Other income**

	<u>2023</u>	<u>2022</u>
	\$'000	\$'000
Credit balances and other deposits written off	26,261	26,463
(Loss)/gain on disposals of property, plant and equipment	(178)	27
Other	<u>10,745</u>	<u>18,560</u>
	<u>36,828</u>	<u>45,050</u>

22. Operating expenses

	<u>2023</u>	<u>2022</u>
	\$'000	\$'000
Claims and benefits	3,062,666	2,843,815
Fees and commissions	622,202	761,580
Audit and accounting fees	37,590	41,121
Advertising and promotion	89,206	101,675
Bad debt	3,312	4,128
Bank interest and related charges	48,443	47,308
Corporate office expenses [note 11(b)]	36,000	30,000
Data maintenance	37,075	33,408
Depreciation - Property, plant and equipment (note 15)	50,607	65,080
- Right-of-use assets (note 14)	93,106	106,227
Donations	8,883	6,912
Insurance	12,267	14,762
Legal and professional fees	39,760	37,638
Office rental [note 14(c)]	4,199	1,223
Other administrative expenses	23,995	39,947
Other staff related costs	334,931	309,051
Premium Tax	30,401	28,162
Registration fee	25,907	26,599
Pension contributions [note 17(b)]	38,020	35,932
Property maintenance	65,540	60,332
Post-employment health and life insurance benefits [note 17(a)(i)]	16,155	16,310
Printing and stationary	12,762	12,257
Repairs and maintenance	81,902	63,925
Salaries and wages	769,876	734,255
Travelling and entertainment	8,266	4,423
Lease expense on lease liabilities [note 14(c)]	<u>15,021</u>	<u>20,741</u>
	<u>5,568,092</u>	<u>5,446,811</u>
Represented by:		
Insurance service expenses	4,582,889	4,526,713
Other operating expenses	<u>985,203</u>	<u>920,098</u>
	<u>5,568,092</u>	<u>5,446,811</u>

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**23. Deferred taxation**

Deferred tax asset is attributable to the following:

	2021	Recognised in income	Recognised in other comprehensive income	2022	Recognised in income	Recognised in other comprehensive income	Transferred to	2023
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	ICWI TT	\$'000
		[note 24(a)]			[note 24(a)]			
Property, plant and equipment	25,379	1,851	-	27,230	4,072	-	-	31,302
Investment properties	430	(103)	-	327	(874)	-	-	(547)
Other accounts receivables and prepayments	(5,721)	(1,627)	-	(7,348)	(5,180)	-	1,960	(10,568)
Other payables and accruals	201	-	-	201	-	-	-	201
Net lease liabilities	4,475	277	-	4,752	(899)	-	-	3,853
Employee benefit obligation	52,596	3,656	(18,452)	37,800	26,658	(12,199)	-	52,259
Unrealised exchange difference	(11,007)	21,019	-	10,012	(9,401)	-	-	611
	<u>66,353</u>	<u>25,073</u>	<u>(18,452)</u>	<u>72,974</u>	<u>14,376</u>	<u>(12,199)</u>	<u>1,960</u>	<u>77,111</u>

24. Taxation

- (a) Taxation is based on the profit for the year adjusted for tax purposes and is made up as follows:

	<u>2023</u>	<u>2022</u>
	\$'000	\$'000
Current tax expense:		
Income tax – current year	11,381	34,166
Deferred tax expense:		
Origination and reversal of temporary differences (note 23)	(14,376)	(25,073)
Total taxation (credit)/expense	<u>(2,995)</u>	<u> 9,093</u>

- (b) Reconciliation of expected tax expense and actual tax expense

The statutory tax rate of 33½% for Jamaica, 25% for Trinidad and Tobago and Dominica and nil for Bahamas.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**24. Taxation (continued)**

(b) Reconciliation of expected tax expense and actual tax expense (continued)

The actual tax expense differed from the “expected” tax expense for the year as follows:

	<u>2023</u> \$'000	<u>2022</u> \$'000
Profit before taxation	<u>139,401</u>	<u>154,817</u>
Computed "expected" tax (credit)/expense @ 33½%/25%	44,800	54,716
Difference between (loss)/profit for financial statements and tax reporting purposes on		
Depreciation charge and capital allowances	24,195	31,636
Income/expense not allowed for tax purposes	(88,843)	(14,434)
Business levy	410	4,104
IFRS 17 Transition adjustment	<u>16,443</u>	<u>(66,929)</u>
	<u>(2,995)</u>	<u>9,093</u>

25. Reinsurance ceded

The Company limits its exposure to a maximum amount on any one loss as detailed below:

	<u>Jamaica</u>	<u>Bahamas</u>	<u>Dominica</u>
Liability	J\$1,000,000	US\$100,000	US\$125,000
Marine Hull	US\$50,000	US\$50,000	US\$50,000
Marine Cargo	US\$33,333	US\$33,333	US\$33,333
Engineering	US\$30,000	US\$30,000	US\$30,000
Property	US\$8,750	US\$22,500	US\$5,000
Motor	J\$10,000,000	US\$100,000	US\$125,000
Bonds and Fidelity Guarantee	US\$125,000	US\$125,000	US\$125,000
Cash	US\$18,750	US\$18,750	US\$18,750
Burglary	US\$25,000	US\$25,000	US\$25,000
All risk	US\$50,000	US\$50,000	US\$50,000

In addition, the Company has catastrophe reinsurance on which its liability on each event is limited to US\$300,000.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**26. Insurance risk management**

Risk management objectives and policies for mitigating insurance risk:

The Company's management of insurance risk is a critical aspect of the business. The primary insurance activity carried out by the Company is the transfer of risk from persons or entities that are directly subject to the risk, by means of the sale of insurance policies. As such, the Company is exposed to uncertainty surrounding the timing, frequency and severity of claims under these policies.

The principal types of policy written by the Company are as follows:

Motor insurance
Property insurance
Liability insurance

The Company manages its insurance risk through its underwriting policy that includes, *inter alia*, authority limits, approval procedures for transactions that exceed set limits, pricing guidelines and the centralised management of reinsurance.

The Company actively monitors insurance risk exposures both for individual and portfolio types of risks. These methods include internal risk measurement, portfolio modelling and scenario analyses.

Underwriting strategy:

The Company seeks to underwrite a balanced portfolio of risks at rates and terms that will produce underwriting results consistent with its long-term objectives.

The board of directors approves the underwriting strategy which is set out in an annual business plan and management is responsible for the attainment of the established objectives.

Reinsurance strategy:

The Company reinsures a portion of the risks it underwrites in order to protect capital resources and to limit its exposure to variations in the projected frequency and severity of losses.

Ceded reinsurance includes credit risk, and the Company monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. The board of directors is responsible for setting the minimum security criteria for accepting reinsurance and monitoring the purchase of reinsurance against those criteria. They also monitor its adequacy on an ongoing basis. Credit risk on reinsurance is addressed in more detail in note 27.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**26. Insurance risk management (continued)**

Terms and conditions of general insurance contracts:

The table below provides an overview of the terms and conditions of general insurance contracts written by the Company and the key factors upon which the timing and uncertainty of future cash flows of these contracts depend.

Type of contract	Terms and conditions	Key factors affecting future cash flows
Motor	Motor insurance contracts provide cover in respect of policyholders' motor vehicles and their liability to third parties in respect of damage to property and injury. The exposure on motor insurance contracts is normally limited to the market value of the vehicle and policy limits in respect of third party damage and bodily injury.	In general, claims reporting lags are minor and claim complexity is relatively low. The frequency of claims is affected by excessive speeding, the condition of the road network, failure by some motorists to obey traffic signals and an overall increase in the incidence of motor vehicle theft. The number of claims is also correlated with economic activity, which also affects the amount of traffic activity. Although majority of bodily injury claims have a relatively long tail, the majority of the claims incurred by the Company are settled in the short term. In general, these claims involve higher estimation uncertainty.
Property	Property insurance indemnifies, subject to any limits or excesses, the policyholders against the loss or damage to their own material property and business interruption arising from this damage.	The risk on any policy varies according to many factors such as location, safety measures in place and the age of the property. The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (as for fire and burglary) and the cause is easily determinable. Therefore, claims are generally notified promptly and can be settled without delay (property business is therefore classified as "short-tailed" and expense deterioration and investment return is of less importance in estimating provisions). The cost of repairing or rebuilding assets, of replacement or indemnity for contents and the time taken to restart or resume operations to original levels for business interruption losses are the key factors influencing the level of claims under these policies.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**26. Insurance risk management (continued)**

Terms and conditions of general insurance contracts (continued):

Type of contract	Terms and conditions	Key factors affecting future cash flows
Liability	Under these contracts, compensation is paid for injury suffered by individuals, including employees or members of the public. The main liability exposures are in relation to bodily injury.	<p>The timing of claim reporting and settlement is a function of factors such as the nature of the coverage and the policy provisions.</p> <p>Although majority of bodily injury claims have a relatively long tail, the majority of the claims incurred by the Company are settled in the short term. In general, these claims involve higher estimation uncertainty.</p>

Motor contracts:

The risks relating to motor contracts are managed primarily through the pricing process and reinsurance. The Company monitors and reacts to changes in trends of injury awards, litigation and frequency of claims.

Property contracts:

The risks relating to property contracts are managed primarily through the pricing process and reinsurance. The Company uses strict underwriting criteria to ensure that the risk of losses is acceptable. Furthermore, the Company accepts property insurance risks for one year so that each contract can be re-priced on renewal to reflect the continually evolving risk profile.

Liability contracts:

Risks arising from liability insurance are managed primarily through pricing, product design, risk selection, adopting an appropriate investment strategy, rating and reinsurance. The Company monitors and reacts to changes in the general economic and commercial environment in which it operates to ensure that only liability risks which meet its criteria for profitability are underwritten. In pricing contracts, the Company makes assumptions that costs will increase in line with the latest available financial and actuarial forecasts.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**26. Insurance risk management (continued)**

Liability contracts: (continued)

The following tables show the concentration of net insurance contract liabilities by type of contract:

	Insurance contracts liabilities \$'000	2023 Reinsurance contract assets \$'000	Net \$'000	Insurance contracts liabilities \$'000	2022 Reinsurance contract asset \$'000	Net \$'000
Motor	(4,548,204)	1,825,486	(2,722,718)	(4,518,058)	1,846,934	(2,671,124)
Bonds	(410,715)	156,713	(254,002)	(387,194)	288,444	(98,750)
Liability	(56,144)	22,701	(33,443)	(67,776)	23,586	(44,190)
Other insurance issued	(21,202)	14,132	(7,070)	(21,350)	19,962	(1,388)
Total net insurance contracts	(5,036,265)	2,019,032	(3,017,233)	(4,994,378)	2,178,926	(2,815,452)

The geographical concentration of the Company's insurance contract liabilities is noted below. The disclosure is based on the countries where the business is written:

	2023				
	Motor \$'000	Property \$'000	Liability \$'000	Other Insurance \$'000	Total \$'000
Jamaica					
Insurance contracts issued	(3,743,089)	(215,950)	(47,413)	(13,386)	(4,019,838)
Reinsurance contracts held	1,569,229	65,141	22,330	12,153	1,668,853
Bahamas					
Insurance contracts issued	(563,344)	(86,611)	(1,191)	(6,055)	(657,201)
Reinsurance contracts held	255,652	40,669	371	3,092	299,784
Dominica					
Insurance contracts issued	(241,771)	(108,154)	7,540	(1,761)	(359,226)
Reinsurance contracts held	605	50,903	-	1,113	50,395
Total net insurance contracts	(2,722,718)	(254,002)	(33,443)	(7,070)	(3,017,233)

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**26. Insurance risk management (continued)**

Liability contracts: (continued)

The geographical concentration of the Company's insurance contract liabilities is noted below. The disclosure is based on the countries where the business is written (continued):

	2022				
	<u>Motor</u> \$'000	<u>Property</u> \$'000	<u>Liability</u> \$'000	<u>Other</u> <u>Insurance</u> \$'000	<u>Total</u> \$'000
Jamaica					
Insurance contracts issued	(3,295,425)	(224,908)	(59,779)	(12,861)	(3,592,973)
Reinsurance contracts held	1,340,288	175,707	24,102	8,406	1,548,503
Trinidad					
Insurance contracts issued	(611,712)	(27,366)	(755)	(140)	(639,973)
Reinsurance contracts held	322,093	382	847	738	320,890
Bahamas					
Insurance contracts issued	(425,642)	(46,782)	(253)	(5,875)	(478,552)
Reinsurance contracts held	184,340	68,259	331	4,173	257,103
Dominica					
Insurance contracts issued	(185,279)	(88,138)	(6,989)	(2,474)	(282,880)
Reinsurance contracts held	<u>213</u>	<u>44,096</u>	<u>-</u>	<u>8,121</u>	<u>52,430</u>
Total net insurance contracts	(<u>2,671,124</u>)	(<u>98,750</u>)	(<u>44,190</u>)	(<u>1,388</u>)	(<u>2,815,452</u>)

Sensitivities

The liability for incurred claims is sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following sensitivity analysis shows the impact on gross and net liabilities, profit before tax and equity for reasonably possible movements in key assumptions with all other assumptions held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions have been changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**26. Insurance risk management (continued)**

Sensitivities (continued)

The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

	<u>(Increase)/decrease in profit before taxation</u>	
	2023 \$'000	2022 \$'000
Ultimate claims 10% (2022:10% increase)	(145,359)	(148,436)
Ultimate claims 10% (2022:10% decrease)	<u>145,359</u>	<u>148,436</u>

Claims development table

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.

As required by IFRS 17, in setting claims provisions, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed which is reflected in the risk adjustment. In general, the uncertainty associated with the ultimate cost of settling claims is greatest when the claim is at an early stage of development. As claims develop, the ultimate cost of claims becomes more certain. The Company has not disclosed previously unpublished information about claims development that occurred earlier than five years before the end of the annual reporting period in which it first applies IFRS 17.

Undiscounted liabilities for incurred claims for 2023

	<u>Accident year</u>						<u>Total</u> \$'000
	<u>2018& prior</u> \$'000	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000	<u>2022</u> \$'000	<u>2023</u> \$'000	
Estimate of cumulative claims							
at end of accident year	1,428,078	1,083,056	1,223,711	1,218,056	1,422,554	1,654,668	8,030,123
-one year later	1,548,583	1,276,262	1,154,653	1,400,087	1,577,366	-	6,956,951
-two years later	1,388,538	1,337,986	1,203,352	1,337,184	-	-	5,267,060
-three years later	1,575,118	1,332,874	1,156,202	-	-	-	4,064,194
-four years later	1,587,151	1,288,936	-	-	-	-	2,876,087
-five years later	1,419,219	-	-	-	-	-	1,419,219
Estimate of cumulative claims	1,419,219	1,288,936	1,156,202	1,337,184	1,577,366	1,654,668	8,433,575
Cumulative payments to date	<u>1,253,792</u>	<u>1,217,981</u>	<u>1,064,281</u>	<u>1,229,994</u>	<u>1,330,077</u>	<u>800,537</u>	<u>6,896,662</u>
Undiscounted net claims liabilities	<u>165,427</u>	<u>70,955</u>	<u>91,921</u>	<u>107,190</u>	<u>247,289</u>	<u>854,131</u>	1,536,913
Risk adjustment							43,122
Effect of discounting							(126,446)
Net liability for incurred claims							<u>1,453,589</u>

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**27. Financial risk management**

The Company has exposure to the following risks from its use of financial instruments:

Credit risk
Liquidity risk
Market risk

Risk management framework

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The focus of financial risk management for the Company is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance and investment contracts. The goal of the investment management process is to optimise the net of taxes, risk-adjusted investment income and risk-adjusted total return by investing in a diversified portfolio of securities, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

The asset/liability matching process is largely influenced by estimates of the timing of payments required in terms of insurance. These estimates are re-evaluated on a regular basis. There are also criteria for ensuring the matching of assets and liabilities as investment markets change.

Firstly, the risk is managed through the establishment of an appropriate underwriting strategy and its implementation by means of the Company's underwriting policy.

Secondly, the risk is managed through the use of reinsurance. The Company arranges proportional reinsurance at the risk level and purchases excess of loss covers for motor, property and liability business. The Company assesses the costs and benefits associated with the reinsurance programme on a regular basis.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument, insurance contract issued in an asset position or reinsurance contract held will cause a financial loss for the other party by failing to discharge an obligation.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**27. Financial risk management (continued)**

(a) Credit risk (continued)

The Company's key areas of exposure to credit risk include:

- debt securities and cash and cash equivalents
- reinsurers' share of insurance liabilities (components of reinsurance contract assets)
- amounts due from reinsurers in respect of payments already made to policyholders
- amounts due from related parties

The nature of the Company's exposure to credit risk and its objectives, policies and processes for managing credit risk have not changed significantly from the prior year.

Management of credit risk

The Company manages its credit risk in respect of debt securities by placing limits on its exposure to a single counterparty, by reference to information available in the market place relating to the financial standing of the counterparty. The Company has a policy of investing only in high quality corporate bonds and government issued debts.

The Company operates a policy to manage its reinsurance counterparty exposures. The Company assesses the credit worthiness of all reinsurers by reviewing public rating information and from internal investigations. The impact of reinsurer default is measured regularly and managed accordingly.

Cash and Cash equivalents is managed in line with the Company's policy. Cash and Cash equivalents are subject to the impairment requirements of IFRS 9, however these are assessed to have little or no impairment loss due to the reputable financial institutions in which they are held. Excess funds are invested for short periods of time, depending on the Company's cash flow requirements. These surplus funds are placed with approved financial institutions with no concentration of funds being at any specific counterparty and thereby mitigating potential financial loss.

All related party transactions are pre-authorised and approved by management during the budgeting process and subsequently in the normal course of business.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**27. Financial risk management (continued)**

(a) Credit risk (continued)

Management of credit risk (continued)

The credit risk in respect of customer balances incurred on non-payment of premiums will only persist during the grace period specified in the policy document. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of default.

(i) Exposure to credit risk:

The table below provides information regarding the credit risk exposure of the Company. The amounts represent the maximum amount exposure to credit risk. The credit risk analysis below is presented in line with how the Company manages the risk. The Company manages its credit exposure based on the carrying value of the financial instruments and insurance and reinsurance contract assets.

	<u>2023</u>	<u>2022</u>
	\$'000	\$'000
Cash and cash equivalents	704,368	763,933
Debt instruments at amortised cost	3,903,620	3,554,358
Other accounts receivables and prepayments	61,239	71,766
Receivables from group companies	392,750	432,823
Reinsurance contract assets	<u>2,019,032</u>	<u>2,178,926</u>
Total credit risk exposure	<u>7,081,009</u>	<u>7,001,806</u>

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties:

	2023					<u>Total</u>
	<u>AA</u>	<u>B1</u>	<u>Ba2</u>	<u>Caa1</u>	<u>Not rated</u>	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	-	-	-	-	704,368	704,368
Debt instruments at amortised cost	-	3,411,790	34,320	457,510	-	3,903,620
Other account receivables and prepayments	-	-	-	-	61,239	61,239
Receivables from group companies	-	-	-	-	392,750	392,750
Reinsurance contract assets	<u>2,019,032</u>	-	-	-	-	<u>2,019,032</u>
	<u>2,019,032</u>	<u>3,411,790</u>	<u>34,320</u>	<u>457,510</u>	<u>1,158,357</u>	<u>7,081,009</u>

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**27. Financial risk management (continued)**

(a) Credit risk (continued):

Management of credit risk (continued):

(i) Exposure to credit risk (continued):

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties (continued):

	2022					
	<u>AA</u> \$'000	<u>Ba2</u> \$'000	<u>Ba3</u> \$'000	<u>B2</u> \$'000	<u>Not rated</u> \$'000	<u>Total</u> \$'000
Cash and cash equivalents	-	-	-	-	763,933	763,933
Debt instruments at amortised cost	-	257,723	1,041,110	2,255,525	-	3,554,358
Other account receivables and prepayments	-	-	-	-	71,766	71,766
Receivables from Group companies	-	-	-	-	432,823	432,823
Reinsurance contract assets	<u>2,178,926</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,178,926</u>
	<u>2,178,926</u>	<u>257,723</u>	<u>1,041,110</u>	<u>2,255,525</u>	<u>1,268,522</u>	<u>7,001,806</u>

The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

The Company has no financial assets or reinsurance assets that would have been past due or impaired, whose terms have been renegotiated.

The Company does not hold any collateral as security or any credit enhancements, credit derivatives and netting arrangements that do not qualify for offset.

The Company's ECL assessment and measurement method is set out below.

(ii) Impairment assessment

Significant increase in credit risk, default and cure

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL (12mECL) or Lifetime ECL (LTECL). The Company assesses whether there has been a significant increase in credit risk since initial recognition.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**27. Financial risk management (continued)**

(a) Credit risk (continued):

Management of credit risk (continued):

(ii) Impairment assessment (continued)

Significant increase in credit risk, default and cure (continued)

The Company considers that there has been a significant increase in credit risk when any contractual payments are more than 90 days past due. In addition, the Company also considers a variety of instances that may indicate unlikeliness to pay by assessing whether there has been a significant increase in credit risk.

Such events include:

- Internal rating of the counterparty indicating default or near-default.
- The counterparty having past due liabilities to public creditors or employees.
- The counterparty (or any legal entity within the debtor's group) filing for bankruptcy application/protection.
- Counterparty's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties.

The Company considers a financial instrument defaulted and, therefore, credit-impaired for ECL calculations in all cases when the counterparty becomes 90 days past due on its contractual payments. The Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. In such cases, the Company recognises a lifetime ECL.

There has been no significant increase in credit risk or default for financial assets during the year.

Expected credit loss

The Company assesses the possible default events within 12 months for the calculation of the 12mECL. Given the investment policy, the probability of default for new instruments acquired is generally determined to be minimal and the expected loss given default ratio assumed to be 100%. In rare cases where a lifetime ECL is required to be calculated, the probability of default is estimated based on economic scenarios.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**27. Financial risk management (continued)**

(a) Credit risk (continued):

Management of credit risk (continued):

(iii) Impairment losses on financial investments subject to impairment assessment

Debt instruments measured at amortised cost

The table below shows the fair value of the Company's debt instruments measured at FVOCI.

	2023	2022
	\$'000	\$'000
As at January 1	1,491	1,488
Recognised in profit or loss during the year	<u>26</u>	<u>3</u>
At December 31	<u>1,517</u>	<u>1,491</u>

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial and insurance liabilities. The Company is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts. Liquidity risk may arise from a number of potential areas, such as a duration mismatch between assets and liabilities and unexpectedly high levels of claims. The nature of the Company's exposure to liquidity risk and its objectives, policies and processes for managing liquidity risk have not changed significantly from the prior year.

Management of liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. Consequently, the Company invests in marketable securities that can be readily realised as its obligations under insurance contracts fall due and in the event of reasonably foreseeable abnormal circumstances. The Company also manages this risk by keeping a substantial portion of its financial assets in liquid form, in accordance with regulatory guidelines. The Company is subject to a liquidity limit imposed by the regulator. The key measurement used for assessing liquidity risk is the ratio of liquid assets (as defined) to total liabilities.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**27. Financial risk management (continued)**

(b) Liquidity risk (continued)

Management of liquidity risk (continued)

Maturity profiles

The following table summarises the maturity profile of financial liabilities of the Company:

	2023							Total \$'000
	Up to 1 year \$'000	1-2 years \$'000	2-5 years \$'000	3-4 years \$'000	4-5 years \$'000	>5 years \$'000	No maturity \$'000	
	Financial liabilities							
Insurance contract liabilities	3,633,326	979,016	224,489	119,087	60,203	20,144	-	5,036,265
Other payables and accrued charges	493,859	-	-	-	-	-	-	493,859
Due to group companies	-	-	-	-	-	-	29,590	29,590
Lease liabilities	<u>63,569</u>	<u>42,609</u>	<u>41,296</u>	<u>23,137</u>	<u>7,201</u>	-	-	<u>177,812</u>
Total financial liabilities	<u>4,190,754</u>	<u>1,021,625</u>	<u>265,785</u>	<u>142,224</u>	<u>67,404</u>	<u>20,144</u>	<u>29,590</u>	<u>5,737,526</u>
	2022							
	Up to 1 year \$'000	1-2 years \$'000	2-5 years \$'000	3-4 years \$'000	4-5 years \$'000	>5 years \$'000	No maturity \$'000	Total \$'000
Financial liabilities								
Insurance contract liabilities	3,428,104	1,046,122	299,337	119,476	62,745	38,594	-	4,994,378
Other payables and accrued charges	396,540	-	-	-	-	-	-	396,540
Lease liabilities	<u>126,415</u>	<u>41,325</u>	<u>20,415</u>	<u>18,000</u>	-	-	-	<u>206,155</u>
Total financial liabilities	<u>3,951,059</u>	<u>1,087,447</u>	<u>319,752</u>	<u>137,476</u>	<u>62,745</u>	<u>38,594</u>	-	<u>5,597,073</u>

(c) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the value of the Company's assets, the amount of its liabilities and/or the Company's income. Market risk arises in the Company due to fluctuations in the value of liabilities and the value of investments held. The Company is exposed to market risk on all of its financial assets.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The nature of the Company's exposures to market risk and its objectives, policies and processes for managing market risk have not changed significantly from the prior year.

27. Financial risk management (continued)**(c) Market risk:**

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the value of the Company's assets, the amount of its liabilities and/or the Company's income. Market risk arises in the Company due to fluctuations in the value of liabilities and the value of investments held. The Company is exposed to market risk on all of its financial assets.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The nature of the Company's exposures to market risk and its objectives, policies and processes for managing market risk have not changed significantly from the prior year.

Management of market risk

The Investment Committee manages market risk in accordance with its asset/liability management framework. The Committee reports regularly to the Board of Directors on its activities. For each of the major components of market risk the Company has policies and procedures in place which detail how each risk should be managed and monitored. The management of each of these major components of major risk and the exposure of the Company at the reporting date to each major risk are addressed below.

(i) Interest rate risk:

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest rate risk.

The Company manages its interest rate risk by matching, where possible, the duration and profile of assets and liabilities to minimise the impact of mismatches between the value of assets and liabilities from interest rate movements.

Interest-bearing financial assets are primarily represented by relatively short term investments, which have been contracted at fixed and floating interest rates for the duration of the term.

The nature of the Company's exposures to interest rate risk and its objectives, policies and processes for managing interest rate risk have not changed significantly from the prior year.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**27. Financial risk management (continued)**

(c) Market risk: (continued)

Management of market risk (continued)

(i) Interest rate risk: (continued)

At the reporting date the interest profile of the Company's interest-bearing financial instruments was:

At the reporting date the interest profile of the Company's interest-bearing financial instruments was:

	<u>Carrying amount</u>	
	<u>2023</u>	<u>2022</u>
	\$'000	\$'000
Fixed rate instruments:		
Financial assets	<u>3,885,135</u>	<u>3,535,849</u>
Variable rate instruments:		
Financial assets	<u>40,000</u>	<u>38,800</u>

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	<u>Increase/(decrease) in</u>	
	<u>profit before taxation</u>	
	<u>2023</u>	<u>2022</u>
	\$'000	\$'000
0.25% (2022: 1%) increase	100	388
0.25% (2022: 0.5%) decrease	<u>(100)</u>	<u>(194)</u>

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**27. Financial risk management (continued)**

(c) Market risk (continued)

Management of market risk (continued)

(ii) Foreign currency risk:

The Company incurs foreign currency risk on transactions that are denominated in a currency other than the Jamaica dollar. The currency giving rise to this risk is primarily the United States dollar, however there are other transactions denominated in Netherlands Antilles guilder, Bahamas dollar, Great Britain pound sterling, Cayman Islands dollar, Trinidad and Tobago dollar and Eastern Caribbean dollar as follows:

	<u>2023</u>	<u>2022</u>
	\$'000	\$'000
United States dollars	3,512	3,782
Cayman Islands dollars	(153)	156
Bahamas dollars	7,149	6,035
Great Britain Pound sterling	92	97
Trinidad and Tobago dollars	6,586	28,735
Eastern Caribbean dollars	<u>11,117</u>	<u>8,864</u>

Sensitivity analysis

<u>Movement of J\$ against other currencies</u>	<u>Increase/(decrease) in profit before taxation</u>	
	<u>2023</u>	<u>2022</u>
	\$'000	\$'000
4% (2022: 4%) weakening	97,185	107,121
1% (2022: 1%) strengthening	<u>(24,296)</u>	<u>(26,780)</u>

Exchange rates at December 31:

	<u>2023</u>	<u>2022</u>
USD1 to JMD	154.41	151.70
BSD1 to JMD	154.41	151.70
XCD1 to JMD	57.19	56.19
KYD1 to JMD	188.30	185.00
TTD1 to JMD	22.88	22.42
GBP1 to JMD	194.90	181.92

(ii) Equity price risk

Equity price risk arises from equity securities held by the Company as part of its investment portfolio. Management monitors the mix of debt and equity securities in its investment portfolio based on market expectations. The primary goal of the Company's investment strategy is to maximise investment returns.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**27. Financial risk management (continued)**

(c) Market risk (continued)

Management of market risk (continued)

(iii) Equity price risk (continued)

A 6% (2022: 6%) increase in the market price at the reporting date would cause an increase in other comprehensive income of \$5,068,000 (2022: \$5,473,000). A 3% (2022: 6%) decrease would cause a decrease in other comprehensive income of \$2,534,000 (2022 \$5,473,000).

(d) Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to its 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 the Company's senior management team.

(e) Capital risk management

Capital risk is the risk that the Company fails to comply with mandated regulatory requirements, resulting in a breach of its minimum asset ratios and the possible suspension or loss of its financial institution licence (see note 2). The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the regulators
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for the shareholder and benefits for other stakeholders; and

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**27. Financial risk management (continued)**

(e) Capital risk management (continued)

Capital risk is the risk that the Company fails to comply with mandated regulatory requirements, resulting in a breach of its minimum asset ratios and the possible suspension or loss of its financial institution licence (see note 2). The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To maintain a strong capital base to support the development of its business.

General insurance companies must maintain a minimum level of assets, capital and surplus to meet the liabilities of the Company. The regulator requires that the total capital available to a general insurance Company is at least 150% (2022: 175%) of the capital required as calculated under the minimum capital test (MCT). At December 31, 2023 the Company's capital available was 210% (2022: 227%) of the capital required under the MCT.

28. Fair value of financial instruments

Fair value amounts represent estimates of the arm's length consideration that would currently be agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Where quoted market prices are not available, the fair values of these instruments have been determined using a generally accepted alternative method.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value.

<u>Financial instrument</u>	<u>Method</u>
Government of Jamaica Securities, Government of Dominica Securities and other corporate bonds.	Discounting future cash flows of these securities at the estimated reporting date using yields published by a broker. Where prices are not available fair value is assumed to approximate amortised cost.
Cash and cash equivalents, other receivables (excluding prepayments), other payables, reinsurance assets (excluding unearned premium reserves) and insurance contract provisions (excluding unearned premium reserves).	Assumed to approximate their carrying values, due to their relative short-term nature (in some instance due on demand), or bears market rates of interest applicable to similar investments and no discount is anticipated on settlement.
Quoted equities	Bid prices published by the Jamaica Stock Exchange and London Stock Exchange.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**28. Fair value of financial instruments (continued)**

The Company considers relevant and observable market prices in its valuations where possible.

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available.

The Company considers relevant and observable market prices in its valuations where possible. The table below analyses financial assets at fair value through OCI. All other financial assets and liabilities are classified as level 2.

	<u>2023</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000
Financial assets at fair value through OCI	<u>103,256</u>	<u>-</u>	<u>599</u>	<u>103,855</u>
	<u>2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000
Financial assets at fair value through OCI	<u>109,818</u>	<u>-</u>	<u>599</u>	<u>110,417</u>

There were no movements between levels during the year.

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**29. Adoption of IFRS 17- Insurance contracts and IFRS 9-Financial Instruments**

Effective January 1, 2023, the Company adopted IFRS 9 and IFRS 17 which replaced IAS 39 and IFRS 4 respectively. The following tables summarise the impact on the Company's financial statements:

Statement of financial position as at December 31, 2022

	As previously reported \$'000	Effect of IFRS 17 & 9 \$'000	As restated \$'000
ASSETS			
Property, plant and equipment	588,072	-	588,072
Right-of-use assets	169,266	-	169,266
Investment properties	73,500	-	73,500
Investment in subsidiary	4,013	-	4,013
Due from immediate parent Company	320,556		320,556
Due from fellow subsidiaries	77,525	-	77,525
Due from related Company	34,742	-	34,742
Deferred taxation	72,974	-	72,974
Investments	2,293,807	(2,293,807)	-
Securities purchased under resale agreements	1,372,459	(1,372,459)	-
Reinsurance assets	3,161,795	(3,161,795)	-
Reinsurance contract assets	-	2,178,926	2,178,926
Taxation recoverable	86,959	-	86,959
Insurance receivables	524,988	(524,988)	-
Deferred commission expense	337,599	(337,599)	-
Other accounts receivables and prepayments	71,766	-	71,766
Investment securities	-	3,664,775	3,664,775
Accrued investment income	25,255	-	25,255
Cash and cash equivalents	<u>763,933</u>	<u>-</u>	<u>763,933</u>
Total assets	<u>9,979,209</u>	<u>(1,846,947)</u>	<u>8,132,262</u>
LIABILITIES AND SHAREHOLDER'S EQUITY			
Other payables and accrued charges	428,970	(32,430)	396,540
Insurance payables	892,575	(892,575)	-
Insurance contract provisions	5,964,161	(5,964,161)	-
Insurance contract liabilities	-	4,994,378	4,994,378
Lease liabilities	185,023	-	185,023
Employee benefit obligation	<u>113,400</u>	<u>-</u>	<u>113,400</u>
	<u>7,584,129</u>	<u>(1,894,788)</u>	<u>5,689,341</u>
Share capital	260,237	-	260,237
Share premium	66,763	-	66,763
Capital reserve	2,662	-	2,662
Investment revaluation reserve	3,483	-	3,483
Retained earnings	<u>2,061,935</u>	<u>47,841</u>	<u>2,109,776</u>
	<u>2,395,080</u>	<u>47,841</u>	<u>2,442,921</u>
Total liabilities and equity	<u>9,979,209</u>	<u>(1,846,947)</u>	<u>8,132,262</u>

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2023**29. Adoption of IFRS 17- Insurance contracts and IFRS 9-Financial Instruments
(continued)**

Statement of financial position as at December 31, 2021

	As previously <u>reported</u> \$'000	Effect of IFRS <u>17 & 9</u> \$'000	<u>As restated</u> \$'000
ASSETS			
Property, plant and equipment	634,574	-	634,574
Right-of-use assets	191,505	-	191,505
Investment properties	66,752	-	66,752
Investment in subsidiary	4,013	-	4,013
Due from immediate parent Company	364,767	-	364,767
Due from fellow subsidiaries	60,988	-	60,988
Due from related Company	34,522	-	34,522
Deferred taxation	66,352	-	66,352
Investments	1,929,420	(1,929,420)	-
Securities purchased under resale agreements	1,399,179	(1,399,179)	-
Reinsurance assets	3,239,428	(3,239,428)	-
Reinsurance contract assets	-	2,406,703	2,406,703
Taxation recoverable	48,163	-	48,163
Insurance receivables	453,897	(453,897)	-
Deferred commission expense	315,509	(315,509)	-
Other accounts receivables and prepayments	71,838	-	71,838
Investment securities	-	3,327,111	3,327,111
Accrued investment income	19,644	-	19,644
Cash and cash equivalents	<u>1,044,584</u>	<u>-</u>	<u>1,044,584</u>
Total assets	<u>9,945,135</u>	<u>(1,603,619)</u>	<u>8,341,516</u>
LIABILITIES AND SHAREHOLDER'S EQUITY			
Other payables and accrued charges	441,597	(28,157)	413,440
Insurance payables	788,621	(788,621)	-
Insurance contract provisions	5,936,027	(5,936,027)	-
Insurance contract liabilities	-	5,292,460	5,292,460
Lease liabilities	206,250	-	206,250
Due to fellow subsidiaries	2,611	-	2,611
Employee benefit obligation	<u>157,788</u>	<u>-</u>	<u>157,788</u>
	<u>7,532,894</u>	<u>(1,460,345)</u>	<u>6,072,549</u>
Share capital	260,237	-	260,237
Share premium	66,763	-	66,763
Capital reserve	2,662	-	2,662
Investment revaluation reserve	12,156	-	12,156
Retained earnings	<u>2,070,423</u>	<u>(143,274)</u>	<u>1,927,149</u>
	<u>2,412,241</u>	<u>(143,274)</u>	<u>2,268,967</u>
Total liabilities and equity	<u>9,945,135</u>	<u>(1,603,619)</u>	<u>8,341,516</u>