THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

FINANCIAL STATEMENTS 2024

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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 74, which comprise the statement of financial position as at December 31, 2024, 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, 2024, 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 in the manner required by 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.

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.

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):

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

KPMG

Chartered Accountants
Kingston, Jamaica

April 30, 2025

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2024

	Notes	2024 $'000	2023 $'000
ASSETS			
Cash and cash equivalents	6	684,907	704,368
Investments in securities	7	4,416,964	4,007,475
Accrued investment income		34,221	35,329
Reinsurance contract assets	8(b)	2,228,258	2,019,032
Other accounts receivables and prepayments	9	90,069	61,239
Taxation recoverable		76,530	123,491
Receivables from group companies	10(a)	398,062	392,750
Investment in subsidiaries	11	352,819	324,216
Investment properties	12	91,000	82,000
Right-of-use assets	13	276,812	132,468
Deferred taxation	22	90,827	77,111
Property, plant and equipment	14	475,708	430,389
Total assets		9,216,177	8,389,868
LIABILITIES AND SHAREHOLDER'S EQUITY			
Insurance contract liabilities	8(a)	5,301,009	5,036,265
Other payables and accrued charges	15	540,577	493,859
Due to group companies	10(a)	136,370	29,590
Lease liabilities	13	296,393	144,462
Employee benefit obligation	16	204,952	156,778
Total liabilities		6,479,301	5,860,954
Share capital	17(a)	260,237	260,237
Share premium	17(b)	66,763	66,763
Capital reserve	17(c)	2,662	2,662
Investment revaluation reserve	17(d)	(1,727)	(4,123)
Retained earnings		2,408,941	2,203,375
Total equity		2,736,876	2,528,914
Total liabilities and equity		9,216,177	8,389,868

The financial statements on pages 4 to 74 were approved by the Board of Directors on April 30, 2025 and signed on its behalf by:

Diane M. Bean Chairman
Diane Bean

Caryl A. Fenton Director
Caryl A. Fenton

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, 2024

	Notes	2024 $'000	2023 $'000
Insurance revenue	8(a)	7,654,960	6,788,409
Insurance service expenses	8(a),21	(5,134,849)	(4,582,889)
Insurance service result before reinsurance contracts held		2,520,111	2,205,520
Net income or expense from reinsurance contracts held	8(b)	(1,366,493)	(1,302,167)
Insurance service result		1,153,618	903,353
Income from financial instruments	18	244,260	205,393
Net gain from foreign exchange		1,266	22,631
Net impairment loss on financial assets	26(a)(iii)	(2,238)	(26)
Other investment revenue	19	15,911	12,843
Net investment income		259,199	240,841
Insurance finance income/(expense) from insurance contracts issued	8(a)	39,547	(80,320)
Finance (expense)/income from reinsurance contracts held	8(b)	(11,078)	23,902
Net insurance finance income or expenses		28,469	(56,418)
Net insurance and investment result		1,441,286	1,087,776
Other income	20	23,711	36,828
Other operating expenses	21	(1,122,251)	(985,203)
Profit before tax		342,746	139,401
Income tax (expense)/credit	23	(111,049)	2,995
Profit for the year		231,697	142,396
Other comprehensive loss:			
Items that will not be reclassified to profit or loss			
Net change in fair value of equity investments		2,396	(7,606)
Remeasurement loss on employee benefit obligation	16(a)(i)	(39,196)	(36,598)
Deferred tax on remeasurement	22	13,065	(12,199)
		(26,131)	(48,797)
Other comprehensive loss		(23,735)	(56,403)
Total comprehensive income		207,962	85,993

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, 2024

	Share Capital [Note 17(a)] $'000	Share premium [Note 17(b)] $'000	Capital Reserve [Note 17(c)] $'000	Fair value Reserve [Note 17(d)] $'000	Retained earnings $'000	Total equity $'000
Balance as at December 31, 2022	260,237	66,763	2,662	3,483	2,109,776	2,442,921
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	-	-	-	(7,606)	93,599	85,993
Balance as at December 31, 2023	260,237	66,763	2,662	(4,123)	2,203,375	2,528,914
Comprehensive income for the year						
Profit for the year	-	-	-	-	231,697	231,697
Other comprehensive loss for the year	-	-	-	2,396	(26,131)	(23,735)
Total comprehensive income for the year	-	-	-	2,396	205,566	207,962
Balance as at December 31, 2024	260,237	66,763	2,662	(1,727)	2,408,941	2,736,876

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, 2024

	Notes	2024 $'000	2023 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		231,697	142,396
Adjustments for:			
Depreciation on property, plant and equipment	14	50,166	50,607
Depreciation on right-of-use assets	13(i)(a)	107,245	93,106
(Gain)/loss on disposals of property, plant and equipment	14	(13)	178
Impairment loss on financial assets	26(a)(iii)	(2,238)	26
Increase in fair value of investment properties	12,19	(8,810)	(6,178)
Employee benefit obligation	16	19,427	16,155
Income from financial instruments	18	(244,260)	(205,393)
Foreign exchange gain		(1,266)	(22,631)
Interest expense on lease liabilities	13(i)(c)	33,696	15,021
Taxation	23	111,049	(2,995)
		212,169	80,292
Changes in:			
Reinsurance contract assets		(212,605)	(163,585)
Insurance contract liabilities		266,965	719,136
Other accounts receivables and prepayments		(28,830)	2,993
Receivables from/due to group companies		73,042	124,285
Other payables and accrued charges		44,693	124,285
		444,434	887,229
Tax paid		(60,697)	15,323
Benefits paid	16(a)(i)	(10,449)	(9,375)
Withholding tax		(4,042)	(63,236)
Net cash provided by operating activities		369,246	829,941
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	14	(95,683)	(31,163)
Proceeds from sale of property, plant and equipment		211	7,475
Additions to investment property	12	(190)	(2,322)
Interest and dividend income received		245,368	194,466
Proceeds from the sale of investment securities		1,008,455	1,176,242
Investment securities purchased		(1,409,248)	(1,758,170)
Transfer of cash to ICWI TT		-	(360,998)
Net cash flows used in investing activities		(251,087)	(774,470)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities being, net cash flow used in financing activities	13(i)(d)	(133,354)	(111,327)
DECREASE IN CASH AND CASH EQUIVALENTS		(15,195)	(55,856)
Effect of movement in exchange rates on cash held		(4,266)	(3,709)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		704,368	763,933
CASH AND CASH EQUIVALENTS AT END OF YEAR		684,907	704,368

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

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 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).

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 consist of the provisions for, and reinsurance recovery of, unpaid claims, discounting of expected future cash flows, risk adjustment for non-financial risk and adjustment expenses on insurance policies in force.

3. Roles of the actuary and auditors (continued)

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").

(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 came into effect during the current financial year:

Certain new and amended standards and interpretations came into effect during the current financial year, none of which had any significant impact on these financial statements.

4. Statement of compliance and basis of preparation (continued)

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

- Amendments to IAS 21 *Lack of Exchangeability* for periods beginning on or after January 1, 2025. The amendments provide clarification for situations where market participants are unable to buy and sell currency to meet their needs at the official exchange rate and turn instead to unofficial, parallel markets. The amendments contain no specific requirements for estimating a spot rate.

The company is assessing the impact that the standard and amendment will have on its future financial statements.

(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 judgements

Information about assumptions and estimation uncertainties at December 31, 2024 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. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios.

4. Statement of compliance and basis of preparation (continued)

(f) Use of estimates and judgements (continued)

Information about assumptions and estimation uncertainties at December 31, 2024 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 (continued):

(i) Insurance and reinsurance contracts (continued)

Liability for incurred claims (continued)

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.

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 a 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.

4. Statement of compliance and basis of preparation (continued)

(f) Use of estimates and judgements (continued)

Information about assumptions and estimation uncertainties at December 31, 2024 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 (continued):

(i) Insurance and reinsurance contracts (continued)

Liability for incurred claims (continued)

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.

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4. Statement of compliance and basis of preparation (continued)

(f) Use of estimates and judgements (continued)

(i) Insurance and reinsurance contracts (continued)

Discount rates

The bottom-up approach was used to derive the discount rates. Under this approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium'). The risk-free was derived using Government of Jamaica (GOJ) bond yield curve available in the market denominated in the same currency as the product being measured. Management uses judgement to assess liquidity characteristics of the liability cash flows. Insurance contracts are considered less liquid than the financial assets used to derive the risk-free yield.

For these contracts, the illiquidity premium was estimated based on market observable liquidity premiums in financial assets, adjusted to reflect the illiquidity characteristics of the liability cash flows.

The settlement of the Company's current outstanding claims are all expected to occur within the period for which observable market information is available to determine the IFRS 17 discount rates.

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

	1 year		5 years		10 years	
	2024	2023	2024	2023	2024	2023
Insurance contracts issued and reinsurance held	5.74%	7.66%	7.12%	5.61%	8.28%	6.07%

(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.

4. **Statement of compliance and basis of preparation (continued)**

(f) Use of estimates and judgements (continued)

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

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. **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(c)].

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.

5. **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 ‘other investment revenue’ 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.

(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.

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.

5. Material accounting policies (continued)

(c) Financial assets (continued)

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)

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 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.

5. 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 (continued):

- 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.

Solely payments of principal and interest (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.

Equity instruments designated as at fair value through other comprehensive income

Equity instruments have contractual cash flows that do not meet the SPPI criterion. Accordingly, all such financial assets are measured at FVPL unless the FVOCI option is elected. The company has elected to measure equity investments at FVOCI because it intends to hold them for the long term for strategic purposes.

5. Material accounting policies (continued)

(c) Financial assets (continued)

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. Expected credit losses (ECLs) are recognised in the statement of profit or loss when the investments are impaired.

Equity instruments at fair value through other comprehensive income

The company made an irrecoverable election to present changes in fair value of certain investments in equity that are not held for trading in OCI. Dividends are recognised in profit or loss.

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.

Impairment of financial assets

The Company recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. No impairment loss is recognised on equity investments. 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.

5. **Material accounting policies (continued)**

(c) Financial assets (continued)

Impairment of financial assets (continued)

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.

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.

Loss allowances for ECL are presented in the statement of financial position on financial assets at amortised cost as a deduction of the gross carrying amount of the assets.

Impairment of 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.

5. **Material accounting policies (continued)**

(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.

(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.

5. **Material accounting policies (continued)**

(f) Related parties

(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.

(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.

5. Material accounting policies (continued)

(f) Related parties (continued):

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.

(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:

5. **Material accounting policies (continued)**

(j) Employee benefits (continued):

(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.

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.

5. Material accounting policies (continued)

(j) Employee benefits: (continued)

(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.

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.

5. Material accounting policies (continued)

(k) Taxation (continued):

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 5(n).

(ii) Income from financial instruments

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

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

(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.

5. Material accounting policies (continued)

(m) Insurance and reinsurance contracts classification (continued)

All of the Company's insurance contracts transfer significant insurance risk. The Company does not issue insurance contracts with direct or indirect participating features, nor any features that should be accounted for separately in accordance with IFRS 17 requirements. Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, that are issued together with the main insurance contracts form part of a single insurance contract with all of the cash flows within its boundary.

In the normal course of business, the Company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

The Company measures insurance contracts issued and reinsurance contracts held applying the Premium Allocation Approach ("PAA").

(n) Insurance and reinsurance contracts accounting treatment

Separating components from insurance and reinsurance contracts

The Company assesses its insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. 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.

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.

5. Material accounting policies (continued)

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

Level of aggregation (continued)

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 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 circumstances.

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.

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; and
- 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

5. Material accounting policies (continued)

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

Recognition (continued)

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

- 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

- 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; and
  - 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.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Company that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or in which the Company has a substantive right to receive insurance contract services from the reinsurer.

5. Material accounting policies (continued)

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

Contract boundary (continued)

A substantive right to receive services from the reinsurer ends when the reinsurer:

- has practical ability to reassess the risks transferred and can reprice contracts or benefits that fully reflects those reassessed risks; or
- has substantive right to terminate the contract.

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 (LRC)	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.
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.

5. **Material accounting policies (continued)**

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

Initial measurement - premium allocation approach (continued)

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.

5. 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; and
- 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.

5. 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.

5. 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.

5. 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.

5. **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.

5. 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.

5. 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 'other investment revenue'.

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.

6. Cash and cash equivalents

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

	2024 $'000	2023 $'000
United States dollars	850	896
Cayman Islands dollars	5	5
Bahamas dollars	1,732	2,130
Great Britain Pound sterling	13	13
Eastern Caribbean dollars	2,462	1,730

7. Investment in securities

	2024 $'000	2023 $'000
Debt instruments at amortised cost:		
Issued by		
Government of Jamaica	29,891	29,891
Government of Dominica	57,580	57,189
Corporate Bonds	196,480	198,592
Certificate of deposits and reverse repurchase agreements	4,026,457	3,617,948
	4,310,408	3,903,620
Equity instruments at FVOCI		
Unquoted investments	599	599
Quoted investments	105,957	103,256
	106,556	103,855
	4,416,964	4,007,475

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

	2024 $'000	2023 $'000
Government of Jamaica bonds:		
From 1 year to 5 years	19,928	19,928
Over 5 years	9,963	9,963
	29,891	29,891
Government of Dominica T-Bills:		
From 3 months to 1 year	57,580	57,189
Corporate Bonds:		
From 3 months to 1 year	196,480	198,592
Certificates of deposit and reverse repurchase agreements:		
Within 3 months	2,851,330	2,375,082
From 3 months to 1 year	1,175,127	1,242,866
	4,026,457	3,617,948
Unquoted investments:		
No specific maturity	599	599
Quoted investments:		
No specific maturity	105,957	103,256
	4,416,964	4,007,475

7. Investment in securities (continued)

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

	2024 $'000	2023 $'000
Jamaica (J$) (i)	45,000	45,000
Bahamas (BAH$)	5,186	4,161
Dominica (EC$)	4,500	4,500

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

8. 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:

	Liability for remaining coverage		Liability for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
Year ended 2024	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Insurance contract liabilities, beginning of the year	2,255,892	-	2,692,387	87,986	5,036,265
Changes in the statement of comprehensive income					
Insurance revenue	(7,654,960)	-	-	-	(7,654,960)
Insurance service expense:					
Incurred claims and the other insurance service expenses	-	-	4,252,153	-	4,252,153
Insurance acquisition cash flows amortisation	693,217	-	-	-	693,217
Adjustments to liabilities for incurred claims	-	-	(38,826)	228,305	189,479
Insurance service expenses	693,217	-	4,213,327	228,305	5,134,849
Insurance service result	(6,961,743)	-	4,213,327	228,305	(2,520,111)
Net finance expense from insurance contracts	-	-	(39,547)	-	(39,547)
Total changes in statement of comprehensive income	(6,961,743)	-	4,173,780	228,305	(2,559,658)

8. 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:

	Liability for remaining coverage		Liability for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
Year ended 2024 (continued)	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash flows					
Premiums received	7,834,896	-	-	-	7,834,896
Claims and other insurance service expenses paid	-	-	(4,296,292)	-	(4,296,292)
Insurance acquisition cash flows amortisation	(714,202)	-	-	-	(714,202)
Total cash flows	7,120,694	-	(4,296,292)	-	2,824,402
Net closing balance as at December 31, 2024	2,414,843	-	2,569,875	316,291	5,301,009

	Liability for remaining coverage		Liability for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
	$'000	**$'000**	**$'000**	**$'000**	**'000**
Year ended 2023					
Insurance contract liabilities, beginning of the year	1,998,416	-	2,907,816	88,146	4,994,378
Transfer to ICWI TT	(207,192)	-	(454,983)	(10,239)	(672,454)
Changes in the statement of comprehensive income					
Insurance revenue	(6,788,409)	-	-	-	(6,788,409)
Insurance service expense:					
Incurred claims and the other insurance service expenses	-	-	3,964,220	-	3,964,220
Insurance acquisition cash flows amortisation	622,202	-	-	-	622,202
Adjustments to liabilities for incurred claims	-	-	(13,652)	10,119	(3,533)
Insurance service expenses	622,202	-	3,950,568	10,119	4,582,889
Insurance service result	(6,166,207)	-	3,950,568	10,119	(2,205,520)
Net finance income from insurance contracts	-	-	80,320	-	80,320
Total changes in statement of comprehensive income	(6,166,207)	-	4,030,888	10,119	(2,125,200)

THE INSURANCE COMPANY OF THE WEST INDIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2024

8. 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		
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
	$'000	$'000	$'000	$'000	'000
Year ended 2023 (continued)					
Cash flows					
Premiums received	7,306,163	-	-	-	7,306,163
Claims and other insurance service expenses paid	-	-	(3,791,334)	-	(3,791,334)
Insurance acquisition cash flows amortisation	(675,288)	-	-	-	(675,288)
Total cash flows	6,630,875	-	(3,791,334)	-	2,839,541
Net closing balance as at December 31, 2023	2,255,892	-	2,692,387	87,986	5,036,265

(b) Reinsurance contract assets

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

	Asset for remaining coverage		Asset for incurred claims		
	Excluding loss Recovery component	Loss recovery component	Estimate of the present value of future cash flow	Risk adjustment for non financial asset	Total
	$'000	$'000	$'000	$'000	$'000
Year ended 2024					
Reinsurance contract assets, beginning of the year	416,301	-	1,557,867	44,864	2,019,032
Reinsurance expense	(4,533,734)	-	-	-	(4,533,734)
Net income from reinsurance contracts	1,354,737	-	-	-	1,354,737
Recoveries on incurred claims and other incurred reinsurance service expense	-	-	1,691,797	120,707	1,812,504
Net expenses from reinsurance contracts	(3,178,997)	-	1,691,797	120,707	(1,366,493)
Net finance expense from reinsurance contracts	-	-	(11,078)	-	(11,078)
Total changes in the statement of comprehensive income	(3,178,997)	-	1,680,719	120,707	(1,377,571)
Cash flows					
Premiums paid	3,233,816	-	-	-	3,233,816
Amounts received from reinsurers relating to incurred claims	-	-	(1,647,019)	-	(1,647,019)
	3,233,,816	-	(1,647,019)	-	1,586,797
Net closing balance as at December 31, 2024	471,120	-	1,591,567	165,571	2,228,258

8. Insurance and reinsurance contracts (continued)

(b) Reinsurance contract assets

The below table represents the reconciliation of changes in reinsurance contracts by remaining coverage and incurred claims (continued):

	Asset for remaining coverage		Asset for incurred claims		
	Excluding loss Recovery component	Loss recovery component	Estimate of the present value of future cash flow	Risk adjustment for non financial asset	Total
	$'000	$'000	$'000	$'000	$'000
Year ended 2023					
Reinsurance contract assets, beginning of the year	233,293	-	1,899,770	45,863	2,178,926
Transfer to ICWI TT	(75,687)	-	(235,497)	(5,144)	(316,328)
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	-	-	1,436,751	4,145	1,440,896
Net expenses from reinsurance contracts	(2,743,063)	-	1,436,751	4,145	(1,302,167)
Net finance income from reinsurance contracts	-	-	23,902	-	23,902
Total changes in the statement of comprehensive income	(2,743,063)	-	1,460,653	4,145	(1,278,265)
Cash flows					
Premiums paid	3,001,758	-	-	-	3,001,758
Amounts received from reinsurers relating to incurred claims	-	-	(1,567,059)	-	(1,567,059)
	3,001,758	-	(1,567,059)	-	1,434,699
Net closing balance as at December 31, 2023	416,301	-	1,557,867	44,864	2,019,032

9. Other accounts receivable and prepayments

	2024	2023
	$'000	$'000
Prepayments	29,982	22,605
Staff loans	24,551	24,575
Other	35,536	14,059
	90,069	61,239

10. Related party balances/transactions

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

	2024 $'000	2023 $'000
Receivables from group companies		
(i) Due from immediate parent Company:		
ICWI Group Limited	323,095	303,515
(ii) Due from fellow subsidiaries:		
The Insurance Company of the West Indies (Trinidad) Limited	34,661	40,660
Turks & Caicos First Insurance Company Limited	-	3,520
The Insurance Company of the West Indies (Bahamas) Limited.	316	-
The Insurance Company of the West Indies (Sint Maarten) B.V.	-	7,760
GPI Limited	1,579	1,590
(iii) Due from related Company:		
REACT Limited – common director	38,411	35,705
	398,062	392,750
Due to group companies		
(iv) Due to fellow subsidiaries:		
The Insurance Company of the West Indies (Cayman) Limited	32,719	29,559
The Insurance Company of the West Indies (Sint Maarten) B.V.	27,429	-
Turks & Caicos First Insurance Company Limited	76,222	-
The Insurance Company of the West Indies (Bahamas) Limited	-	31
	136,370	29,590

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

10. 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.

		2024 $'000	2023 $'000
Corporate office expenses	- immediate parent company [note 21]	37,977	36,000
Other charges	- related company (common director)	41,082	40,618
Lease expense	- related company (common director)	26,640	7,625
Gross premiums written	- related company (common director)	1,814	2,736
	- related parties (directors and common director)	18,041	17,428
Claims expenses	- related parties (directors and common director)	1,185	3,869
Commission expense	- fellow subsidiary	1,339	1,505

(c) Key management personnel compensation is as follows:

	2024 $'000	2023 $'000
Short term employment benefits:		
Salary and related costs (excluding directors' fees)	130,518	109,018
Pension contributions [see note 5(j)]	2,568	2,130
	133,086	111,148

11. Investment in subsidiaries

	2024 $'000	2023 $'000
Shares, at cost	352,819	324,216

	% of equity capital held	
	2024	2023
Insurance Company of Jamaica Limited (i)	100	100
The Insurance Company of West Indies (Trinidad) Limited (ii)	100	100

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

12. Investment properties

	2024 $'000	2023 $'000
Balance at January 1	82,000	73,500
Additions during the year	190	2,322
Change in fair value recognised in profit or loss	8,810	6,178
Balance at December 31	91,000	82,000

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 13(ii).

Investment properties were valued in March 2025 (2023: April 2023) by D.C. Tavares & Finson Realty Ltd. The significant underlying assumptions considered are 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 $2,777,000 (2023: $2,370,000). Direct operating expenses, arising from the investment property that generated rental income during the year, amounted to $271,000 (2023: $290,000).

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

The fair value measurement for investment properties of $91,000,000 (2023: $82,000,000) 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.

12. Investment properties (continued)

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Market based approach: 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. The approach requires comparison of the subject property with others of similar design and utility, inter alia, which were sold in the recent past. However as no two properties are exactly alike, adjustment is made for the difference between the property subject to valuation and comparable properties.	• Details of the sales of comparable properties. • Conditions influencing the sale of the comparable properties. • Comparability adjustment.	The estimated fair value would increase/(decrease) if: • Sale value of comparable properties were higher/(lower). • Comparability adjustment were higher/(lower).

13. 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.

13. 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

	2024 $'000	2023 $'000
Balance at January 1	458,929	457,675
Additions to right-of-use assets	253,772	80,098
De-recognition of right-of-use assets	(261,633)	(39,409)
Transfer to ICWI TT	-	(39,435)
Balance at December 31	451,068	458,929
Depreciation at January 1	326,461	288,409
Depreciation charge for the year	107,245	93,106
Eliminated on de-recognition	(259,450)	(27,669)
Transfer to ICWI TT	-	(27,385)
Balance at December 31	174,256	326,461
Carrying amount of right-of-use assets	276,812	132,468

(b) Lease liabilities

Maturity analysis – contractual undiscounted cash flows:

	2024 $'000	2023 $'000
Less than one year	124,745	63,569
One to five years	234,206	114,243
Total undiscounted lease liabilities at December 31	358,951	177,812
Less: future interest expense	(62,558)	(33,350)
Carrying amount of lease liabilities	296,393	144,462
Current	96,032	50,025
Non-current	200,361	94,437
	296,393	144,462

Included in the above is a lease with a related party amounting to $32,432,000 (2023: $47,023,000).

13. Leases (continued)

i. Leases as lessee (continued)

(c) Amount recognised in profit or loss

	2024 $'000	2023 $'000
Interest on lease liabilities	33,696	15,021
Expenses relating to lease of low-value assets [note 22]	2,428	4,199

(d) Amounts recognised in the statement of cash flows

	2024 $'000	2023 $'000
Total cash outflow for leases	133,354	111,327

(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.

	2024 $'000	2023 $'000
Less than one year	2,777	2,370
One to two years	2,777	2,370
Two to three years	2,777	2,370
Three to four years	2,777	2,370
Four to five years	2,777	2,370
Total	13,885	11,850

14. **Property, plant and equipment**

	Land, buildings and leasehold improvement $'000	Furniture, fixtures, equipment and computers $'000	Motor vehicles $'000	Work-in-progress $'000	Total $'000
At cost or deemed cost:					
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	-	(11,940)	(7,577)	-	(19,517)
December 31, 2023	503,030	403,210	52,184	7,764	966,188
Additions	5,157	19,629	50,589	20,308	95,683
Transfers	-	148	-	(148)	-
Disposals	-	(475)	(21,463)	-	(21,938)
December 31, 2024	508,187	422,512	81,310	27,924	1,039,933
Depreciation:					
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	-	(7,023)	(4,841)	-	(11,864)
December 31, 2023	169,559	324,933	41,307	-	535,799
Charge for the year	12,592	29,035	8,539	-	50,166
Eliminated on disposals	-	(340)	(21,400)	-	(21,740)
December 31, 2024	182,151	353,628	28,446	-	564,225
Net book values:					
December 31, 2024	326,036	68,884	52,864	27,924	475,708
December 31, 2023	333,471	78,277	10,877	7,764	430,389

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 (2023: $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 17(c)].

15. Other payables and accrued charges

	2024 $'000	2023 $'000
Accrued charges	132,691	140,198
Payroll and sales tax payables	101,396	95,712
Other payables*	306,489	257,949
	540,576	493,859

*Included in other payables is an amount of $158,552,000 (2023: $113,699,000) which represents amounts that have not been applied and overpayment on client accounts to be refunded.

16. 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:

	2024 $'000	2023 $'000
Balance at January 1	156,778	113,400
Included in profit or loss:		
Current service costs	2,483	1,790
Interest costs	16,944	14,365
	19,427	16,155
Included in other comprehensive income:		
Actuarial gains:		
Experience losses	5,819	6,698
Remeasurement losses	33,377	29,900
	39,196	36,598
Benefits paid	(10,449)	(9,375)
Balance at December 31	204,952	156,778

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

	2024 %	2023 %
Discount rate	9.5	11.0
Long term inflation rate	5.0	6.0
Health claims growth	6.0	6.0

16. 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, 2024, the weighted average duration of employee benefit obligation was 13 years (2023: 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.

	One percentage point increase		One percentage point decrease	
	2024	2023	2024	2023
	$'000	$'000	$'000	$'000
Effect on the employee benefit obligation	17,392	12,241	(14,511)	(10,309)

(iii) The Company is expected to contribute $10,682,100 towards the health and life benefit plan in the subsequent reporting period (2023: $9,774,600).

(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, 2024, aggregated $42,349,000 (2023: $38,020,000) [see note 21].

17. Capital and reserves

(a) Share capital

	2024		2023	
	$'000	Number of shares	$'000	Number of shares
Stated capital:				
In issue at December 31 – fully paid ordinary shares of no par value	260,237	260,237,000	260,237	260,237,000

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

(b) Share premium

	2024 $'000	2023 $'000
Share premium	66,763	66,763

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 14).

(d) Investment revaluation reserve

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

18. Income from financial instruments

	2024 $'000	2023 $'000
Interest income	239,959	202,033
Dividend income	4,301	3,360
	244,260	205,393

19. Other investment revenue

	2024 $'000	2023 $'000
Rental income	7,101	6,665
Revaluation gains on investment property	8,810	6,178
	15,911	12,843

20. Other income

	2024 $'000	2023 $'000
Credit balances and other deposits written off	16,885	26,261
Gain/(loss) on disposals of property, plant and equipment	13	(178)
Other	6,813	10,745
	23,711	36,828

21. Operating expenses

	2024 $'000	2023 $'000
Claims and benefits	3,449,417	3,062,666
Fees and commissions	693,217	622,202
Audit fees	77,951	37,590
Advertising and promotion	93,680	89,206
Bad debt	2,555	3,312
Bank interest and related charges	56,492	48,443
Corporate office expenses [note 10(b)]	37,977	36,000
Data maintenance	38,757	37,075
Depreciation - Property, plant and equipment (note 14)	50,166	50,607
- Right-of-use assets (note 13)	107,245	93,106
Donations	5,129	8,883
Insurance	13,479	12,267
Legal and professional fees*	45,834	39,760
Office rental [note 13(c)]	2,428	4,199
Other administrative expenses	25,584	23,995
Other staff related costs	366,377	334,931
Premium Tax	33,961	30,401
Registration fee	25,289	25,907
Pension contributions [note 16(b)]	42,348	38,020
Property maintenance	75,311	65,540
Post-employment health and life insurance benefits [note 16(a)(i)]	19,427	16,155
Printing and stationary	12,637	12,762
Repairs and maintenance	67,946	81,902
Salaries and wages	872,339	769,876
Travelling and entertainment	7,858	8,266
Lease expense on lease liabilities [note 13(c)]	33,696	15,021
	6,257,100	5,568,092
Represented by:		
Insurance service expenses	5,134,849	4,582,889
Other operating expenses	1,122,251	985,203
	6,257,100	5,568,092

*Included in legal and professional fees is $1,365,000 (2023:$1,350,000) relating to non audit services.

22. Deferred taxation

Deferred tax asset is attributable to the following:

	2022	Recognised in income	Recognised in other comprehensive income	2023	Recognised in income	Recognised in other comprehensive income	2024
	$'000	$'000 [note 23(a)]	$'000	$'000	$'000 [note 23(a)]	$'000	$'000
Property, plant and equipment	27,230	4,072	-	31,302	(5,599)	-	25,703
Investment properties	327	(874)	-	(547)	(161)	-	(708)
Other accounts receivables and prepayments	(7,348)	(5,180)	-	(10,568)	503	-	(10,065)
Other payables and accruals	201	-	-	201	-	-	201
Net lease liabilities	4,752	(899)	-	3,853	2,527	-	6,380
Employee benefit obligation	37,800	26,658	(12,199)	52,259	2,993	13,065	68,317
Unrealised exchange difference	10,012	(9,401)	-	611	388	-	999
	72,974	14,376	(12,199)	77,111	651	13,065	90,827

23. Taxation

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

	2024	2023
	$'000	$'000
Current tax expense:		
Income tax – current year	111,700	11,381
Deferred tax expense:		
Origination and reversal of temporary differences (note 22)	(651)	(14,376)
Total taxation expense/(credit)	111,049	(2,995)

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

The statutory tax rate of 33⅓% for Jamaica, 25% Dominica and nil for Bahamas.

23. 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:

	2024 $'000	2023 $'000
Profit before taxation	342,746	139,401
Computed "expected" tax (credit)/expense @ 33⅓%/25%	112,366	44,800
Difference between profit for financial statements and tax reporting purposes on		
Depreciation charge and capital allowances	38,117	24,195
Expense not allowed for tax purposes	(39,434)	(88,843)
Business levy	-	410
IFRS 17 Transition adjustment	-	16,443
	111,049	(2,995)

24. Reinsurance ceded

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

	Jamaica	**Bahamas**	**Dominica**
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$75,000	US$75,000	US$75,000
Motor	US$100,000	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.

25. 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 26.

25. 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.

25. 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.	The timing of claim reporting and settlement is a function of factors such as the nature of the coverage and the policy provisions. 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.

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.

25. Insurance risk management (continued)

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

	2024			2023		
	Insurance contracts liabilities $'000	Reinsurance contract assets $'000	Net $'000	Insurance contracts liabilities $'000	Reinsurance contract asset $'000	Net $'000
Motor	(4,577,816)	1,641,692	(2,936,124)	(4,548,204)	1,825,486	(2,722,718)
Property	(652,716)	554,433	(98,283)	(410,715)	156,713	(254,002)
Liability	(61,309)	23,423	(37,886)	(56,144)	22,701	(33,443)
Other insurance issued	(9,168)	8,710	(458)	(21,202)	14,132	(7,070)
Total net insurance contracts	(5,301,009)	2,228,258	(3,072,751)	(5,036,265)	2,019,032	(3,017,233)

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:

	2024				
	Motor $'000	Property $'000	Liability $'000	Other Insurance $'000	Total $'000
Jamaica					
Insurance contracts issued	(3,712,818)	(440,097)	(51,503)	(417)	(4,204,835)
Reinsurance contracts held	1,320,915	471,833	22,718	6,942	1,822,408
Bahamas					
Insurance contracts issued	(595,091)	(90,080)	(1,447)	(6,701)	(693,319)
Reinsurance contracts held	319,699	36,978	705	3,044	360,426
Dominica					
Insurance contracts issued	(269,907)	(122,539)	(8,359)	(2,050)	(402,855)
Reinsurance contracts held	1,078	45,622	-	(1,276)	45,424
Total net insurance contracts	(2,936,124)	(98,283)	(37,886)	(458)	(3,072,751)

25. Insurance risk management (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):

	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)

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

	(Increase)/decrease in profit before taxation	
	2024 $'000	2023 $'000
Ultimate claims 10% (2023:10% increase)	(140,259)	(145,359)
Ultimate claims 10% (2023:10% decrease)	140,259	145,359

25. Insurance risk management (continued)

Claims development table

Claims development information is disclosed in order to illustrate the insurance risk inherent in the Company. The top part of the table shows how the estimates of total claims for each accident year develop over time. The estimates are increased or decreased as losses are paid and more information becomes known about the severity of unpaid claims. The lower part of the table provides a reconciliation of the total provision included in the statement of financial position and the estimate of cumulative claims.

Gross liabilities for incurred claims for 2024

	Accident year						
	2019 & prior $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000	2024 $'000	Total $'000
Estimate of cumulative claims at end of accident year	2,830,765	2,440,449	3,115,140	2,300,985	3,130,695	3,243,962	
-one year later	3,098,566	2,321,523	2,733,913	2,998,780	3,029,501	-	
-two years later	3,239,609	2,201,862	2,845,393	2,973,597	-	-	
-three years later	3,251,549	2,270,682	2,880,689	-	-	-	
-four years later	3,254,340	2,272,604	-	-	-	-	
-five years later	3,302,205	-	-	-	-	-	
Estimate of cumulative claims	3,302,205	2,272,604	2,880,689	2,973,597	3,029,501	3,243,962	17,702,558
Cumulative payments to date	2,963,121	2,158,581	2,736,608	2,743,173	2,586,777	1,630,828	14,819,088
Undiscounted gross claims liabilities	339,084	114,023	144,081	230,424	442,724	1,613,134	2,883,470
Risk adjustment							316,291
Effect of discounting							(313,595)
Gross liability for incurred claims							2,886,166

Net liabilities for incurred claims for 2024

	Accident year						
	2019 & prior $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000	2024 $'000	Total $'000
Estimate of cumulative claims at end of accident year	1,445,225	1,223,711	1,218,056	1,422,554	1,654,668	1,555,496	
-one year later	1,478,386	1,154,653	1,400,087	1,577,366	1,599,621	-	
-two years later	1,726,691	1,203,352	1,337,184	1,563,819	-	-	
-three years later	1,733,611	1,156,202	1,359,253	-	-	-	
-four years later	1,521,742	1,155,293	-	-	-	-	
-five years later	1,541,922	-	-	-	-	-	
Estimate of cumulative claims	1,541,922	1,155,293	1,359,253	1,563,819	1,599,621	1,555,496	8,775,404
Cumulative payments to date	1,364,402	1,097,585	1,288,133	1,446,614	1,374,891	796,993	7,368,618
Undiscounted net claims Liabilities	177,520	57,708	71,120	117,205	224,730	758,503	1,406,786
Risk adjustment							150,719
Effect of discounting							(154,915)
Net liability for incurred claims							1,402,590

25. Insurance risk management (continued)

Claims development table (continued)

Reconciliation of net liability for incurred claims in as follow:

Liability for incurred claims	2,886,166
Asset for incurred claims	(1,757,138)
Due from reinsurer for claims paid	273,562
Net liability for incurred claims	1,402,590

26. 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.

26. Financial risk management (continued)

(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 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.

26. Financial risk management (continued)

(a) 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 following table 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.

	2024 $'000	2023 $'000
Cash and cash equivalents	684,907	704,368
Debt instruments at amortised cost	4,310,408	3,903,620
Other accounts receivables and prepayments	90,069	61,239
Receivables from group companies	398,062	392,750
Reinsurance contract assets	2,228,258	2,019,032
Total credit risk exposure	7,711,704	7,081,009

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:

	2024					
	AA $'000	B1 $'000	Ba2 $'000	Caa1 $'000	Not rated $'000	Total $'000
Cash and cash equivalent	-	-	-	-	684,907	684,907
Debt instruments at amortised cost	-	3,785,642	35,339	489,427	-	4,310,408
Other account receivables and prepayments	-	-	-	-	90,069	90,069
Receivables from group companies	-	-	-	-	398,062	398,062
Reinsurance contract assets	2,228,258	-	-	-	-	2,228,258
	2,228,258	3,785,642	35,339	489,427	1,173,038	7,711,704

26. Financial risk management (continued)

(a) Credit risk (continued)

(i) Exposure to credit risk (continued):

Credit exposure by credit rating (continued)

	2023					
	AA $'000	Ba2 $'000	Ba3 $'000	B2 $'000	Not rated $'000	Total $'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	2,019,032	-	-	-	-	2,019,032
	2,019,032	3,411,790	34,320	457,510	1,158,357	7,081,009

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 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.

26. Financial risk management (continued)

(a) Credit risk (continued):

(ii) Impairment assessment (continued)

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

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 12m ECL. 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.

(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.

	2024	**2023**
	$'000	**$'000**
As at January 1	1,517	1,491
Recognised in profit or loss during the year	2,238	26
At December 31	3,755	1,517

26. Financial risk management (continued)

(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.

Maturity profiles

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

	2024								
	Carrying amount	Up to 1 year	1-2 years	2-5 years	3-4 years	4-5 years	>5 years	No maturity	Total cash outflow
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities									
Insurance contract liabilities	5,301,009	3,811,433	1,050,301	245,367	119,167	43,868	30,873	-	5,301,009
Other payables and accrued charges	540,577	540,577	-	-	-	-	-	-	540,577
Due to group companies	136,370	-	-	-	-	-	-	136,370	136,370
Lease liabilities	296,393	124,745	122,585	81,186	29,402	1,033	-	-	358,951
Total financial liabilities	6,274,349	4,476,755	1,172,886	326,553	148,569	44,901	30,873	136,370	6,336,907

26. Financial risk management (continued)

(b) Liquidity risk (continued)

Management of liquidity risk (continued)

Maturity profiles (continued)

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

	2023								
	Carrying amount $'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	Total cash outflow $'000
Financial liabilities									
Insurance contract liabilities	5,036,265	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	-	-	-	-	-	-	493,859
Due to group companies	29,590	-	-	-	-	-	-	29,590	29,590
Lease liabilities	144,462	63,569	42,609	41,296	23,137	7,201	-	-	177,812
Total financial liabilities	5,704,176	4,190,754	1,021,625	265,785	142,224	67,404	20,144	29,590	5,737,526

(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.

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26. Financial risk management (continued)

(c) Market risk (continued):

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.

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

	Carrying amount	
	2024	2023
	$'000	$'000
Fixed rate instruments:		
Financial assets	4,294,027	3,885,135
Variable rate instruments:		
Financial assets	40,000	40,000

26. Financial risk management (continued)

(c) Market risk: (continued)

Management of market risk (continued)

(i) Interest rate risk: (continued)

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.

	Increase/(decrease) in profit before taxation	
	2024	2023
	$'000	$'000
0.25% (2023: 0.25%) increase	100	100
0.50% (2023: 0.25%) decrease	(200)	(100)

(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 Bahamas dollar, Great Britain pound sterling, Cayman Islands dollar, Trinidad and Tobago dollar and Eastern Caribbean dollar as follows:

	2024	2023
	$'000	$'000
United States dollars	3,088	3,512
Cayman Islands dollars	(168)	(153)
Bahamas dollars	8,054	7,149
Great Britain Pound sterling	91	92
Trinidad and Tobago dollars	2,328	6,586
Eastern Caribbean dollars	12,209	11,117

26. Financial risk management (continued)

(c) Market risk (continued)

Management of market risk (continued)

(ii) Foreign currency risk (continued)

Sensitivity analysis

Movement of J$ against other currencies	Increase/(decrease) in profit before taxation	
	2024	2023
	$'000	$'000
4% (2023: 4%) weakening	97,913	97,185
1% (2023: 1%) strengthening	(24,478)	(24,296)

Exchange rates at December 31:

	2024	2023
USD1 to JMD	155.46	154.41
BSD1 to JMD	155.46	154.41
XCD1 to JMD	57.58	57.19
KYD1 to JMD	189.59	188.30
TTD1 to JMD	23.21	22.88
GBP1 to JMD	196.11	194.90

(iii) 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.

A 6% (2023: 6%) increase in the market price at the reporting date would cause an increase in other comprehensive income of $5,212,000 (2023: $5,068,000). A 2% (2023: 3%) decrease would cause a decrease in other comprehensive income of $1,737,000 (2023 $2,534,000).

(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.

26. Financial risk management (continued)

(d) Operational risk (continued)

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
- 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% (2023: 150%) of the capital required as calculated under the minimum capital test (MCT). At December 31, 2024 the Company's capital available was 183% (2023: 210%) of the capital required under the MCT.

27. 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.

Financial instrument	Method
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 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.

27. Fair value of financial instruments (continued)

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.

	2024			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Financial assets at fair value through OCI	105,957	-	599	106,556

	2023			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Financial assets at fair value through OCI	103,256	-	599	103,855

There were no movements between level 3 during the year.