Financial Statements of

BARBADOS BRANCH OF

BRITISH CARIBBEAN INSURANCE COMPANY LIMITED

December 31, 2024

Barbados Branch of British Caribbean Insurance Company Limited

Table of Contents

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of British Caribbean Insurance Company Limited

Opinion

We have audited the financial statements of Barbados Branch of British Caribbean Insurance Company Limited- Barbados Branch Operation ("the Branch"), which comprise the statement of financial position as at December 31, 2024, the statements of profit or loss and other comprehensive income, changes in head office account 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 present fairly, in all material respects, the financial position of the Branch as at December 31, 2024, and 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).

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 Branch in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Barbados, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT (Continued)

To the Board of Directors of British Caribbean Insurance Company Limited

Other Matter

We draw attention to the fact that we have not audited the accompanying statements of profit or loss and other comprehensive income, changes in head office account and cash flows for the year December 31, 2023, or any of the related notes and accordingly, we do not express an opinion on them.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, 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 Branch'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 Branch or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Branch'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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.

INDEPENDENT AUDITORS' REPORT (Continued)

To the Board of Directors of British Caribbean Insurance Company Limited

Auditors' Responsibilities for the Audit of the Financial Statements(continued)

- 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 Branch'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 Branch 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.

KPMG

Chartered Accountants
Bridgetown, Barbados
February 27, 2026

BRITISH CARIBBEAN INSURANCE COMPANY LIMITED - BARBADOS BRANCH OPERATION

Statement of Financial Position
December 31, 2024

	Notes	December 31 2024	December 31 2023
		$	$
ASSETS			
Property, plant and equipment	6	254,835	139,717
Right-of-use asset	7	130,720	235,295
Reinsurance contract assets	8	15,268,157	13,652,729
Receivables and prepayments		429,249	374,999
Due from related companies	9	-	41,868
Short-term investments	10	250,000	250,000
Cash and cash equivalents	11	16,269,338	17,511,842
		32,602,299	32,206,450
LIABILITIES AND SHAREHOLDERS' EQUITY			
Payables	12	1,187,546	1,580,327
Lease liability	7(b)	138,742	231,654
Insurance contract liabilities	8	14,548,140	13,457,664
Taxation		-	2,248
Due to related companies	9	18,267,210	18,410,860
		34,141,638	33,682,753
Head Office Account		(1,539,339)	(1,476,303)
		(1,539,339)	(1,476,303)
		32,602,299	32,206,450

The financial statements, on pages 4 to 69 were approved for issue by the Board of Directors on February 27, 2026, and signed on their behalf by:

______________________ Director
Vikram Dhiman

______________________ Director
Peter Levy

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

Statement of Profit or Loss and Other Comprehensive Income
Year ended December 31, 2024

	Notes	2024 $	2023 $ (Unaudited)
Insurance revenue	8	18,593,884	13,476,890
Insurance service expenses	8	(14,658,647)	(14,278,844)
Net (expense)/ income from reinsurance contracts	8	(3,019,732)	1,342,505
Insurance service result		**915,505**	**540,551**
Finance income/(expense) from insurance contracts issued	8	58,303	(111,106)
Finance income from reinsurance contracts held	8	333,578	324,963
Investment return		391,881	213,857
Net insurance results		1,307,386	754,408
Other operating expenses	13	(1,370,422)	(633,565)
(Loss)/profit before tax		(63,036)	120,843
Income tax expense	14	-	(2,248)
Net (loss)/profit, being total comprehensive (loss)/income		**(63,036)**	**118,595**

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

Statement of Changes in Head Office Account
Year ended December 31, 2024

	Head Office Account $	Total $
Balance at December 31, 2022 as restated - Unaudited	(1,594,898)	(1,594,898)
Profit for the year 2023- Unaudited	118,595	118,595
Balance at December 31, 2023	(1,476,303)	(1,476,303)
Loss for the year 2024	(63,036)	(63,036)
Balance at December 31, 2024	(1,539,339)	(1,539,339)

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

Statement of Cash Flows
Year ended December 31, 2024

	Notes	2024	2023 Unaudited*
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit for the year		(63,036)	118,595
Adjustments for:			
Depreciation		59,062	41,707
Amortization of right of use assets		104,575	120,609
Lease interest expense		13,644	14,798
Taxation		-	2,248
		114,245	297,957
Changes in:			
Reinsurance contract assets		(1,615,428)	(5,113,890)
Insurance contract liabilities		1,090,476	3,715,559
Receivables and prepayments		(54,250)	20,056
Payables		(392,781)	597,516
Due from related companies		41,868	(41,868)
Due to related companies		(143,650)	5,094,674
Net cash provided by operating activities		(959,520)	4,570,004
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(174,180)	(37,157)
Net cash used in investing activities		(174,180)	(37,157)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities		(108,804)	(140,728)
Net cash used in financing activities		(108,804)	(140,728)
Net (decrease)/increase in cash and cash equivalents		(1,242,504)	4,392,119
Cash and cash equivalents at beginning of the year		17,511,842	13,119,723
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		16,269,338	17,511,842
Comprised of:			
Cash and bank balances		16,269,338	17,511,842
		16,269,338	17,511,842

1. Corporate structure and nature of business

The Company British Caribbean Insurance Company Limited (BCIC) is incorporated and domiciled in Jamaica. The company has a Branch operation in Barbados for which these financial statements are reporting.

The principal activity of the Branch is the underwriting of general insurance business in Barbados under a license from the Financial Services Commission. The registered office of the Branch is situated at Building #2 Manor Lodge, Green Hill, Barbados .
BCIC obtained approval from the Financial Services Commission of Barbados on August 23, 2016 and commenced operation of the branch effective July 10, 2017.

2. Insurance licence

The Company is registered under the Jamaican Insurance Act 2001 (the Act). The Branch is also Class 2 licensed insurer under the Insurance Act, Cap. 310 in Barbados.

3. Roles of the actuary and auditors

The actuary is appointed by the Board of Directors pursuant to the Insurance Act. With respect to preparation of financial statements, the actuary carries out an actuarial valuation of management's estimates of the Branch's insurance contract assets and liabilities and reports thereon to the policyholders and shareholders.

Actuarially determined insurance contract assets or liabilities and insurance contract assets or liabilities consist of the provisions for, and reinsurance recovery of, unpaid claims and adjustment expenses on insurance policies in force.

The valuation is made in accordance with accepted actuarial practice, as well as any other matter specified in any directive that may be made by regulatory authorities. The actuary's report outlines the scope of his work and opinion. An actuarial valuation is prepared annually.

The external auditors are appointed by the shareholders, pursuant to the Barbados Companies Act to conduct an independent and objective audit of the financial statements of the Branch 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 Branch'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 financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS Accounting Standards), and their interpretations issued by the International Accounting Standards Board, and comply with the provisions of the Barbados Insurance Act, Cap. 310.

Details of the Branch's and Branch's material accounting policies are included in note 5.

New and amended standards that became effective during the year:

- Amendments to IAS 1 *Presentation of Financial Statements* apply retrospectively for annual reporting periods beginning on or after January1, 2024. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current. The amendments require new disclosures for non-current liabilities that are subject to future covenants. The Branch has assessed the impact that the amendment will have on its financial statements and determined that it is not significant.

New and amended standards issued but not yet effective:

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

- IFRS 18 *Presentation and Disclosure in Financial Statements*, is effective for annual reporting periods beginning on or after January 1, 2027. Under current IFRS Accounting Standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. IFRS 18 promotes a more structured income statement. In particular, it introduces a newly defined 'operating profit' subtotal and a requirement for all income and expenses to be allocated between three new distinct categories (Operating, Investing and Financing) based on a Branch's main business activities.

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

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

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

(a) Statement of compliance (continued):

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

- IFRS 18 *Presentation and Disclosure in Financial Statements* (continued)

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

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

The Branch is assessing the impact that this standard will have on its future financial statements.

All other amendments are not relevant to the Branch.

(b) Basis of preparation:

The financial statements are prepared under the historical cost convention, modified for the inclusion of financial instruments measured at fair value .

(c) Functional and presentation currency

These financial statements are presented in Barbados dollars ($), which is the functional currency of the Branch.

(d) Use of estimates and judgements:

The preparation of the financial statements to conform to IFRS Accounting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, contingent assets and contingent liabilities at the reporting date, and the income and expense for the year then ended. Actual amounts could differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

(d) Use of estimates and judgements (continued):

Judgements made by management in the application of IFRS Accounting Standards that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year relates to the following:

Areas of potential judgement	**Applicable to the Branch**
For insurance contracts issued measured under the Premium Allocation Approach (PAA), management judgement might be required to assess whether facts and circumstances indicate that a group of contracts has become onerous. Further, judgement is required to assess whether facts and circumstances indicate that any changes in the onerous group's profitability and whether any loss component remeasurement is required.	This area of judgement is potentially applicable to the BCIC. BCIC sets premiums considering recent experience. There are no recent circumstances where there have been onerous contracts. In 2023 and 2024, BCIC reviewed gross combined ratios which indicated that contracts are expected to be profitable. All contracts measured by BCIC in 2023 and 2024 under the PAA were determined to be non-onerous on initial recognition.
An entity can use judgement to determine which cash flows within the boundary of insurance contracts are those that relate directly to the fulfilment of the contracts.	The Branch performs regular expense studies and uses judgement to determine the extent to which fixed and variable overheads are directly attributable to fulfilling insurance contracts.

5. Material accounting policies

The Branch has consistently applied the following accounting policies to all periods presented in these financial statements, except as otherwise mentioned:

(a) Short-term investments:

Short-term investments comprise fixed deposits with banks, money market securities, and loans and receivables maturing within one year. They are acquired for their earnings potential and for balancing the Branch's risks on its investment portfolio. Their nature, liquidity and risk are similar to those of cash and cash equivalents and are classified at amortised cost.

(b) Receivables:

Other receivables are measured and classified at amortised cost.

(c) Payables:

Other payables are measured and classified at amortised cost.

5. Material accounting policies (continued)

(d) Provisions:

A provision is recognised when the Branch 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.

(e) Related parties:

A related party is a person or company that is related to the entity which is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to the 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 established 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 reporting entity or is a member of the key management personnel of the reporting entity (or of a parent of the entity).

5. Material accounting policies (continued)

(e) Related parties:

(b) An entity is related to the reporting entity if any of the following conditions applies (continued):

(viii) The entity, or any member of a group of 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 involves transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

The Branch has a related party relationship with its directors, parent company, and jointly controlled entities, companies with common directors and group post-employment benefit plans, as well as with their directors, trustees and key management personnel. "Key management personnel" represents certain senior officers of the company.

(f) Property, plant and equipment:

(i) Property, plant and equipment except for freehold land and building are measured at cost, less accumulated depreciation and impairment losses.

Freehold land and buildings that had been revalued to fair value prior to January 1, 2003, the date of transition to IFRS Accounting Standards, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Any revaluation increase arising on the revaluation of freehold land and buildings is credited to other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in capital reserve relating to a previous revaluation of that asset.

Leasehold improvements, furniture, fixtures and equipment and motor vehicles are measured at cost less accumulated depreciation and any impairment losses.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Branch and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss.

5. Material accounting policies (continued)

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

(ii) Depreciation:

Property, plant and equipment, except for freehold land are depreciated using the straight-line method at annual rates estimated to write down the fixed assets to their estimated residual values at the end of their expected useful lives.

No depreciation is charged on freehold land. The depreciation rates for other assets are as follows:

Furniture, fixture and equipment	10%
Motor vehicles	33⅓%
Computer equipment	33⅓%
Leasehold improvements	10%
Right of use asset	Over lease term

Depreciation methods, useful lives and residual values are reassessed annually.

(g) Intangible assets and amortisation:

Computer software

This includes computer software acquired by the Branch or acquired through business combination. These are measured at cost less accumulated amortisation and impairment losses.

Computer software is amortised from the date the software is available for use. The estimated useful life of computer software is 3 years.

(h) Foreign currencies:

Foreign currency balances at the reporting date are translated at the rates of exchange ruling on that date. Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Gains and losses arising from fluctuations in exchange rates are recognised in profit or loss.

5. Material accounting policies (continued)

(i) Impairment of financial assets:

The Branch measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Branch considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Branch does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2' financial instruments.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Branch expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

5. Material accounting policies (continued)

(i) Impairment of financial assets (continued):

Credit-impaired financial assets

At each reporting date, the Branch assesses whether financial assets carried at amortised costs are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred:

- significant financial difficulty of the borrower or issuer; or
- the disappearance of an active market for a security because of financial difficulties.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Branch considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

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

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering the full amount or a portion of financial asset. This is generally the case when the Branch determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are offset in the finance expense .

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Branch's procedures for recovery of amounts due.

5. Material accounting policies (continued)

(i) Impairment of financial assets (continued):

Write-off (continued)

(i) Calculation of recoverable amount:

The recoverable amount of the Branch's investment assets are classified as loans and receivables and other receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment:

An impairment loss in respect of a receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

5. Material accounting policies (continued)

(j) Insurance contracts:

i. Classification

Insurance contracts are contracts under which the Branch accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Branch uses judgement to assess whether a contract transfers insurance risk and whether the accepted insurance risk is significant.

All of the Branch's insurance contracts transfer significant insurance risk. The Branch 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 Branch 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 Branch measures insurance contracts issued and reinsurance contracts held applying the Premium Allocation Approach ("PAA"). All insurance contracts written in 2022 and 2023 has policy period of one year or under.

ii. Aggregation and recognition of insurance and reinsurance contracts

Insurance contracts

The Branch manages insurance contracts issued by product lines, where each product line includes contracts that are subject to similar risks and are managed together. All insurance contracts within a product line represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are:

(i) contracts that are onerous at initial recognition;

(ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or

(iii) a group of remaining contracts.

These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

5. Material accounting policies (continued)

(j) Insurance contracts (continued):

ii. Aggregation and recognition of insurance and reinsurance contracts (continued)

For each portfolio of contracts, the Branch determines the appropriate level at which reasonable and supportable information is available, to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts. The Branch uses judgement to determine at what level of granularity the Branch has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

The Branch assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. For non-onerous contracts, the Branch assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous.

Groups of insurance contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or received, if there is no due date; and
- when the Branch determines that a group of contracts becomes onerous

Reinsurance contracts

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Branch aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of:

(a) contracts for which there is a net gain at initial recognition;

(b) contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and

(c) remaining contracts in the annual cohort.

5. Material accounting policies (continued)

(k) Insurance contracts (continued):

ii. Aggregation and recognition of insurance and reinsurance contracts (continued)

Reinsurance contracts (continued)

Reinsurance contracts held are assessed for aggregation requirements at the line of business level. The Branch tracks internal management information reflecting historical experiences of such contracts' performance. The Branch expects reinsurance contracts held to be in a net cost position without a significant possibility of a net gain arising subsequently.

Reinsurance contracts held are recognised as follows:

- a group of reinsurance contracts held that provide proportionate coverage (quota share reinsurance) is recognised at the later of:
  (i) the beginning of the coverage period of the group; and
  (ii) the initial recognition of any underlying insurance contract;
- all other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the group of reinsurance contracts held;

Unless the Branch enters the reinsurance contract held at or before the date when an onerous group of underlying contracts is recognised prior to the beginning of the coverage period of the group of reinsurance contracts held, in which case the reinsurance contract held is recognised at the same time as the group of underlying insurance contracts is recognised.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts restriction. Composition of the groups is not reassessed in subsequent periods.

5. Material accounting policies (continued)

(k) Insurance contracts (continued):

iii. Measurement

The Branch uses the PAA for measuring contracts with a coverage period of one year or less. For contracts with longer periods, the PAA simplification would produce a measurement of the liability for remaining coverage (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.

For insurance contracts issued, insurance acquisition cash flows allocated to a group are deferred and recognised over the coverage period of contracts in a group. For reinsurance contracts held, broker fees are recognised over the coverage period of contracts in a group.

For insurance contracts issued, on initial recognition, the Branch measures the LRC at the amount of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the insurance acquisition cash flows asset and the derecognition of any other relevant pre-recognition cash flows. The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

a. the LRC; and
b. the Liability for Incurred Claims ("LIC"), comprising the FCF(explained below) related to past service allocated to the group at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

a. increased for premiums received in the period, excluding amounts that relate to premium receivables included in the LIC;
b. decreased for insurance acquisition cash flows paid in the period;
c. increased for interest from insurance premium financing recognised as insurance finance income;
d. decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period; and
e. increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses.

For reinsurance contracts held, on initial recognition, the Branch measures the remaining coverage at the amount of ceding premiums paid, plus broker fees paid to a party other than the reinsurer and any amounts arising from the derecognition of any other relevant pre-recognised cash flows. The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

a. the assets for remaining coverage; and
b. the assets for incurred claims, comprising the FCF (explained below) related to past service allocated to the group of contracts at the reporting date.

5. Material accounting policies (continued)

(k) Insurance contracts (continued):

iii. Measurement (continued)

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

a. increased for ceding premiums paid in the period;
b. increased for broker fees paid in the period; and
c. decreased for the expected amounts of ceding premiums and broker fees recognised as reinsurance expenses for the services received in the period.

The Branch does not adjust the LRC for insurance contracts issued and the asset for remaining coverage for reinsurance contracts held for the effect of the time value of money.

For liability for incurred claims (LIC), the estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation. An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. It reflects the compensation that the Branch requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Branch fulfils insurance contracts.

Unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the LIC. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Branch to the reinsurer.

The Branch adjusts the assets for reinsurance contracts held for the effect of the risk of reinsurer's non- performance. In the measurement of reinsurance contracts held, the probability-weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer.

If facts and circumstances indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or becomes onerous subsequently, the Branch increases the carrying amount of the LRC to the amounts of the FCF (explained below) with the amount of such an increase recognised in insurance service expenses, and a loss component is established for the amount of the loss recognised. Subsequently, the loss component is remeasured at each reporting date as the difference between the amounts of the FCF (explained below) relating to the future service and the carrying amount of the LRC without the loss component. Where applicable, resulting changes in the loss component are recognised as insurance service expenses.

5. Material accounting policies (continued)

(k) Insurance contracts (continued):

iii. Measurement (continued)

When a loss is recognised on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group, the carrying amount of the asset for remaining coverage for reinsurance contracts held is increased by the amount of income recognised in profit or loss and a loss-recovery component is established or adjusted for the amount of income recognised. The referred income is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Branch expects to recover from the reinsurance contract held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

When underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the Branch applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

Where applicable, changes in the loss-recovery component are recognised as net income from reinsurance contracts held.

Fulfilment cash flows ("FCF") within contract boundary

The FCF are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Branch expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows:

a. are based on a probability-weighted mean of the full range of possible outcomes;
b. are determined from the perspective of the Branch, provided that the estimates are consistent with observable market prices for market variables; and
c. reflect conditions existing at the measurement date.

The Branch estimates certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts. The Branch uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

5. Material accounting policies (continued)

(k) Insurance contracts (continued):

iii. Measurement (continued)

Fulfilment cash flows (FCF) within contract boundary **(continued)**

An explicit risk adjustment for non-financial risk is estimated separately from other estimates. Since the Branch's contracts are measured under the PAA, unless contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the liability for incurred claims.

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation.

Risk of the Branch's non-performance is not included in the measurement of groups of insurance contracts issued. In the measurement of reinsurance contracts held, the probability-weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer.

iv. Contract boundary

The Branch uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums, or the Branch has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation ends when:

a. the Branch has the practical ability to reprice the risks of the policyholder or change the level of benefits so that the price fully reflects those risks; or
b. both of the following criteria are satisfied:
    i. the Branch has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
    ii. the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

In assessing the practical ability to reprice, risks transferred from the policyholder to the Branch, such as insurance risk and financial risk, are considered; other risks, such as lapse or surrender and expense risk, are not included. Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

5. Material accounting policies (continued)

(k) Insurance contracts (continued):

iv. Contract boundary (continued)

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

v. Insurance acquisition cash flows

The Branch defines acquisition cash flows as cash flows that arise from costs of selling, underwriting and starting a group of insurance contracts and that are directly attributable to the portfolio of insurance contracts to which the group belongs. Insurance acquisition cash flows are allocated to groups of insurance contracts on a systematic and rational basis. Insurance acquisition cash flows that are directly attributable to a group of insurance contracts are allocated:

a. to that group; and
b. to groups that will include insurance contracts that are expected to arise from renewals of the insurance contracts in that group.

Insurance acquisition cash flows not directly attributable to a group of contracts but directly attributable to a portfolio of contracts are allocated to groups of contracts in the portfolio or expected to be in the portfolio.

Before a group of insurance contracts is recognised, the Branch could pay for directly attributable acquisition costs to originate them. Such balances are recognised as insurance acquisition cash flows assets within the carrying amount of insurance contracts issued and are subsequently derecognised when respective groups of insurance contracts are recognised, and the insurance acquisition cash flows are included in the group’s measurement. The amounts allocated to groups of insurance contracts yet to be recognised are revised at each reporting date, to reflect any changes in assumptions that determine the inputs to the method of allocation used.

Insurance acquisition cash flows assets not yet allocated to a group are assessed for recoverability if facts and circumstances indicate that the assets might be impaired. Impairment losses reduce the carrying amount of these assets and are recognised in insurance service expenses.

5. Material accounting policies (continued)

(k) Insurance contracts (continued):

vi. Other pre-recognition cash flows within the contract boundary

Before a group of insurance contracts is recognised, the Branch could recognise assets or liabilities for cash flows related to a group of insurance contracts other than insurance acquisition cash flows, either because of the occurrence of the cash flows or because of the requirements of another IFRS Accounting Standard. Cash flows are related to the group of insurance contracts if they would have been included in the FCF at initial recognition of the group if they had been paid or received after that date. Such assets or liabilities (referred to as 'other pre-recognition cash flows') are included in the carrying amount of the related portfolios of insurance contracts issued or in the carrying amount of the portfolios of reinsurance contracts held. Cash flows that are not directly attributable to a portfolio of insurance contracts are recognised in other operating expenses as incurred.

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and it reflects the compensation that the Branch requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Branch fulfils insurance contracts.

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Branch to the reinsurer.

Methods and assumptions used to determine the risk adjustment for non-financial risk are discussed in note 14.

vii. Derecognition and contract modification

An insurance contract is derecognised when it is:

- extinguished, which is when the obligation specified in the contract is discharged
- cancelled or expires.

The contract is modified and additional criteria discussed below are met.

When an insurance contract is modified by the Branch as a result of an agreement with the counterparties or due to a change in regulations, the Branch treats changes in cash flows caused by the modification as changes in estimates of the Fulfilment Cash Flows ("FCF"), unless the conditions for the derecognition of the original contract are met. The Branch derecognises the original contract and recognises the modified contract as a new contract if any of the following conditions are present:

5. Material accounting policies (continued)

(k) Insurance contracts (continued):

vii. Derecognition and contract modification (continued)

a. If the modified terms had been included at contract inception and the Branch would have concluded that the modified contract:

   i. is not within the scope of IFRS 17;

   ii. results in different separable components;

   iii. results in a different contract boundary; or

   iv. belongs to a different group of contracts;

b. The original contract was accounted for under the PAA, but the modification means that the contract no longer meets the eligibility criteria for that approach.

When an insurance contract accounted for under the PAA is derecognised, adjustments to remove related rights and obligations to account for the effect of the derecognition result in the following amounts being charged immediately to profit or loss if the :

- contract is extinguished, any net difference between the derecognised part of the liability for remaining coverage ("LRC") of the original contract and any other cash flows arising from extinguishment;

- contract is transferred to the third party, any net difference between the derecognised part of the LRC of the original contract and the premium charged by the third party; or

- original contract is modified resulting in its derecognition, any net difference between the derecognised part of the LRC and the hypothetical premium that the entity would have charged if it had entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

5. Material accounting policies (continued)

(k) Insurance contracts (continued):

viii. Insurance service result from insurance contracts issued

Insurance revenue

As the Branch provides insurance contract services under the group of insurance contracts, it reduces the LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the Branch expects to be entitled to in exchange for those services.

The Branch recognises insurance revenue based on the passage of time over the coverage period of a group of contracts. The amount of insurance revenue for the period is the amount of expected premium receipts (excluding any investment component and adjusted to reflect the effect of financial risk) allocated to the period.

Insurance service expenses

Insurance service expenses include the following:

a. incurred claims and benefits, reduced by loss component allocations;
b. other incurred directly attributable/service expenses, including amounts of any other pre-recognition cash flows assets (other than insurance acquisition cash flows) derecognised at the date of initial recognition;
c. insurance acquisition cash flows amortisation;
d. changes that relate to past service – changes in the FCF relating to the LIC; and
e. changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses; and
f. insurance acquisition cash flows assets impairment.

Amortisation of insurance acquisition cash flows is based on the passage of time. Other expenses not meeting the above categories are included in other operating expenses in the consolidated statement of profit or loss.

5. Material accounting policies (continued)

(k) Insurance contracts (continued):

ix. Insurance service result from reinsurance contracts held

The Branch presents financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held, comprising the following amounts:

a. reinsurance expenses;
b. for groups of reinsurance contracts measured under the PAA, broker fees are included within reinsurance expenses
c. incurred claims recovery, reduced by loss-recovery component allocations;
d. other incurred directly attributable expenses;
e. changes that relate to past service – changes in the FCF relating to incurred claims recovery;
f. effect of changes in the risk of reinsurers' non-performance; and
g. amounts relating to accounting for onerous groups of underlying insurance contracts issued.

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the Branch expects to pay in exchange for those services.

The Branch recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses. Ceding commissions that are contingent on claims of the underlying contracts issued reduce incurred claims recovery.

5. Material accounting policies (continued)

(k) Insurance contracts (continued):

x. Insurance finance income or expenses

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

a. the effect of the time value of money and changes in the time value of money; and
b. the effect of financial risk and changes in financial risk. The main amounts within insurance finance income or expenses are:

(i) interest from insurance premium financing recognized as part of the LRC;

(ii) interest accreted on the LIC; and

(iii) the effect of changes in interest rates and other financial assumptions.

The Branch does not apply the OCI option to disaggregate insurance finance income or expenses between profit or loss and OCI. The effect of changes in the time value of money on the LIC for insurance contracts issued and reinsurance contracts held are reflected in profit or loss. The Branch does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses.

(l) Taxation:

Taxation of the 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.

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

A deferred tax liability is recognised for taxable temporary differences, except to the extent that the Branch 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.

5. Material accounting policies (continued)

(m) Leases

At inception or on reassessment of a contract that contains a lease component, the Branch allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Branch has elected not to separate non-lease components on account for the lease and non-lease components as a single lease component.

As a lessee

The Branch recognises a right-of-use asset and a lease liability at the 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 direct initial direct costs incurred and an estimate of costs to dismantle and remove 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 earlier of the end of the useful life of right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Branch's incremental borrowing rate.

Generally, the entity uses its incremental borrowing rate as the discount rate.

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 entity is reasonably certain to exercise, lease payments in an optional renewal period if the entity is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the entity is reasonably certain not to terminate early.

5. Material accounting policies (continued)

(m) Leases (continued)

As a lessee (continued)

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 Branch's estimate of the amount expected to be payable under a residual value guarantee or if the Branch changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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 the profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

Short-term leases and leases of low-value assets

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

(n) Financial instruments:

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. In these financial statements, financial assets comprise cash and cash equivalents, short-term investments, reinsurance contract assets, receivables excluding prepayments and due from related companies. Financial liabilities include payables, insurance contract liabilities and due to related companies.

(i) Recognition and initial measurement

Debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Branch becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL).

5. Material accounting policies (continued)

(n) Financial instruments (continued):

(ii) Classification and subsequent measurement (continued)

Financial assets are not reclassified subsequent to their initial recognition unless the Branch changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

On initial recognition of an equity investment that is not held for trading, the Branch may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by- investment basis.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieve by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Branch may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Branch makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

5. Material accounting policies (continued)

(n) Financial instruments (continued):

(ii) Classification and subsequent measurement (continued)

Financial assets – Business model assessment (continued)

The Branch makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes (continued):

- how the performance of the portfolio is evaluated and reported to the Branch's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. However, the information about sales activity is not considered in isolation, but as part of an overall assessment of how the Branch's stated objective for managing the financial assets is achieved and how cash flows are realised.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

The Branch's objective is achieved by both collecting contractual cash flows and selling financial assets.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Branch considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Branch considers the following:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- terms that limit the Branch's claim to cash flows from specified assets (e.g. non-recourse features).

5. Material accounting policies (continued)

(n) Financial instruments (continued):

(ii) Classification and subsequent measurement (continued)

Financial assets – Business model assessment (continued)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

- Financial assets at FVTPL-These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
- Financial assets at amortised cost-These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Reclassification

- Debt investments at FVOCI-These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
- Unquoted equity investments at FVOCI-These assets are subsequently measured at fair value. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Branch changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first reporting period following the change in business model.

(iii) Derecognition:

The Branch derecognises a financial asset when the contractual rights to the cash flows from the financial 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 in which the Branch neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

5. Material accounting policies (continued)

(n) Financial instruments (continued):

(iii) Derecognition (continued):

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

The Branch enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. An example of such transactions are sale-and-repurchase transactions.

In transactions in which the Branch neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Branch continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Branch derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

(iv) Offsetting:

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

Income and expenses are presented on a net basis only when permitted under IFRS Accounting Standards.

(o) 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.

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6. Property, plant and equipment

	Leasehold improvements	Furniture, fixtures and equipment	Motor Vehicle	Total
	$	$	$	$
Cost or valuation:				
December 31, 2023	160,935	267,492	-	428,427
Additions	-	31,479	142,701	174,180
December 31, 2024	160,935	298,971	142,701	602,607
Accumulated depreciation:				
December 31, 2023	104,208	184,502		288,710
Charge for the year	16,093	32,356	10,613	59,062
December 31, 2024	104,208	184,502	10,613	347,772
Net book values				
December 31, 2024	40,634	82,113	132,088	254,835
December 31, 2023	56,727	82,990	-	139,717

7 Leases

The Branch leases property for its branch. The annual discount rate being applied is 7% for leases.

Information about leases for which the Branch is a lessee is presented below:

(a) Right-of-use asset

	2024 $	2023 $
Cost:		
Balance at January 1	374,527	374,527
Additions	-	-
Balance as at December 31	374,527	374,527
Depreciation:		
Balance at January 1	(139,232)	(207,936)
Disposal	-	189,313
Depreciation charge for the year	(104,575)	(120,609)
Accumulated depreciation	(243,807)	(139,232)
Balance as at December 31	130,720	235,295

Lease liability

	2024 $	2023 $
Maturity analysis – contractual undiscounted cash flows:		
Less than one year	116,243	116,243
One to five years	29,061	145,305
Total undiscounted lease liability at December 31	145,304	261,548
Less future interest changes	(6,562)	(29,894)
Lease liability included in the statement of financial position at December 31	138,742	231,654
Current	110,017	102,599
Non-current	28,725	129,055
	138,742	231,654

(c) Amount recognised in profit or loss

	2024 $	2023 $
Amortization	104,575	120,609
Interest on lease liability	13,644	14,798

(d) Amount recognised in the statement of cash flows

	2024 $	2023 $
Total cash outflow for lease	108,804	140,728

7. Leases (continued)

Extension options

The lease value determined above includes a lease with an option to renew. This option is exercisable by the Branch up to six months before the end of the non-cancellable contract period. The Branch assesses at the lease commencement date, whether it is reasonably certain to exercise the extension options. The Branch reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

BRITISH CARIBBEAN INSURANCE COMPANY LIMITED - BARBADOS BRANCH OPERATION

Notes to the Financial Statements (Continued)
Year ended December 31, 2024

8. Insurance and reinsurance contracts

The following reconciliations show how the net carrying amounts of insurance and reinsurance contracts changed during the year as a result of cash flows and amounts recognised in the statement of profit or loss and OCI.

(a) **Reinsurance assets**

	2024			
	Remaining coverage	Incurred claims		
	Excluding loss recovery component $	Present value of future cashflows $	Risk adjustment for non financial risk $	Total $
Opening assets as at January 1	**6,633,514**	**6,683,197**	**336,018**	**13,652,729**
Reinsurance expenses	(13,852,336)	-	-	(13,852,336)
Acquisition cash flow amortised	-	(12,022)	-	(12,022)
Incurred claims recovery	-	10,043,427	801,199	10,844,626
Net income/(expenses) from reinsurance contracts held	**(13,852,336)**	**10,031,405**	**801,199**	**(3,019,732)**
Finance income from reinsurance contracts held recognised in profit or loss		-	333,578	- 333,578
Cash flows:				
Premiums paid net of ceding commissions and other	13,984,959	-	-	13,984,959
Recoveries from reinsurance	-	(9,683,377)	-	(9,683,377)
Total cash flows	13,984,959	**(9,683,377)**	-	4,301,582
	6,766,137	**7,364,803**	**1,137,217**	**15,268,157**

BRITISH CARIBBEAN INSURANCE COMPANY LIMITED - BARBADOS BRANCH OPERATION

Notes to the Financial Statements (Continued)
Year ended December 31, 2024

(b) **Reinsurance assets (continued)**

	2023			
	Remaining coverage	Incurred claims		
	Excluding loss recovery component	Present value of future cashflows	Risk adjustment for non financial risk	Total
	$	$	$	$
Opening assets as at January 1	3,182,265	5,127,066	229,508	8,538,839
Reinsurance expenses	(9,805,314)	-	-	(9,805,314)
Acquisition cash flow amortised	-	(17,344)	-	(17,344)
Incurred claims recovery	-	11,058,653	106,510	11,165,163
Net income/(expenses) from reinsurance contracts held	**(9,805,314)**	**11,041,309**	**106,510**	**1,342,505**
Finance income from reinsurance contracts held recognised in profit or loss	- -	324,963	-	324,963
Cash flows:				
Premiums paid net of ceding commissions and other	13,256,563	-	-	13,256,563
Recoveries from reinsurance	-	(9,810,141)	-	(9,810,141)
Total cash flows	13,256,563	**(9,810,141)**	-	3,446,422
	6,633,514	**6,683,197**	**336,018**	**13,652,729**

BRITISH CARIBBEAN INSURANCE COMPANY LIMITED - BARBADOS BRANCH OPERATION

Notes to the Financial Statements (Continued)
Year ended December 31, 2024

8. Insurance and reinsurance contracts (continued)

(c) **Insurance contract liabilities**

	2024			
	Liabilities for remaining coverage	Liabilities for incurred claims contracts under the PAA		
	Excluding loss component	Present value of future cashflows	Risk adjustment for non financial risk	Total
	$	$	$	$
Opening liabilities	**(3,855,229)**	**(9,231,832)**	**(370,603)**	**(13,457,664)**
Insurance revenue	18,593,884	-	-	18,593,884
Insurance service expenses:				
Incurred claims and other service expenses	-	(12,013,029)	(894,856)	(12,907,885)
Adjustments to liabilities for incurred claims				
Insurance acquisition cash flows amortisation	(1,750,762)	-	-	(1,750,762)
Total insurance service expenses	**(1,750,762)**	**(12,013,029)**	**(894,856)**	**(14,658,647)**
Insurance service result	**16,843,122**	**(12,013,029)**	**(894,856)**	**3,935,237**
Finance income/(expenses) from insurance contracts issued recognised in profit or loss*	428,425	(370,122)	-	58,303
Total amounts recognised in income comprehensive	**17,271,547**	**(12,383,151)**	**(894,856)**	**3,993,540**
Cash flows:				
Premiums received	(19,228,480)	-	-	(19,228,480)
Claims and other directly attributable expenses paid	-	12,579,201	-	12,579,201
Insurance acquisition cash flows	1,565,263	-	-	1,565,263
Total cash flows	**(17,663,217)**	**12,579,201**	**-**	**(5,084,016)**
Closing liabilities	**(4,246,899)**	**(9,035,782)**	**(1,265,459)**	**(14,548,140)**

*Interest from Insurance Premium Financing (IPF)

8. Insurance and reinsurance contracts (continued)

(c) **Insurance contract liabilities (continued)**

	2023			
	Liabilities for remaining coverage	Liabilities for incurred claims contracts under the PAA		
	Excluding loss component	Present value of future cashflows	Risk adjustment for non financial risk	Total
	$	$	$	$
Opening liabilities	**(3,706,540)**	**(5,781,804)**	**(253,761)**	**(9,742,105)**
Insurance revenue	13,476,890	-	-	13,476,890
Insurance service expenses:				
Incurred claims and other service expenses	-	(12,725,623)	(116,842)	(12,842,465)
Adjustments to liabilities for incurred claims				
Insurance acquisition cash flows amortisation	(1,436,379)	-	-	(1,436,379)
Total insurance service expenses	**(1,436,379)**	**(12,725,623)**	**(116,842)**	**(14,278,844)**
Insurance service result	**12,040,511**	**(12,725,623)**	**(116,842)**	**(801,954)**
Finance income/(expenses) from insurance contracts issued recognised in profit or loss*	238,499	(349,605)	-	(111,106)
Total amounts recognised in comprehensive income	**12,279,010**	**(13,075,228)**	**(116,842)**	**(913,060)**
Cash flows:				
Premiums received	(14,185,577)	-	-	(14,185,577)
Claims and other directly attributable expenses paid	-	9,625,200	-	9,625,200
Insurance acquisition cash flows	1,757,878	-	-	1,757,878
Total cash flows	**(12,427,699)**	**9,625,200**	**-**	**(2,802,499)**
Closing liabilities	**(3,855,229)**	**(9,231,832)**	**(370,603)**	**(13,457,664)**

*Includes Interest from Insurance Premium Financing (IPF)

9. Due from/to related companies

	2024	2023
	$	$
Due from related companies:		
Related by common directors:		
CGM (i)	-	41,868
	-	41,868
Due to related companies:		
Related by common directors:		
CGM (ii)	-	6,681
Head Office Support	18,267,210	18,404,179
	18,267,210	18,410,860

These balances were incurred in the normal course of business.

(i) This is premium receivable and occurred during the normal course of business.

(ii) This is commission payable and occurred during the normal course of business..

BRITISH CARIBBEAN INSURANCE COMPANY LIMITED - BARBADOS BRANCH OPERATION

Notes to the Financial Statements (Continued)
Year ended December 31, 2024

10. Short-term investments

	2024	
	Amortised cost $	Total $
Certificate of deposits	250,000	250,000
	250,000	250,000

	2023	
	Amortised cost $	Total $
Certificate of deposits	250,000	250,000
	250,000	250,000

11. Cash and cash equivalents

This includes cash and bank balances.

12. Payables

	2024 $	2023 $
Value Added Tax payable	1,113,057	1,429,347
Other payables and accrued charges	74,489	150,980
	1,187,546	1,580,327

These balances are expected to be settled within 12 months.

13. Expense by nature

	Notes	2024 $	2023 $ (Unaudited)
Depreciation-Property, Plant & Equipment	6	59,062	41,707
Amortization-right of use asset	7	104,575	120,609
Staff Cost		775,536	821,929
Audit renumeration		(5,161)	(154,008)
Data processing charge and maintenance		25,981	19,852
Advertising and promotion		708,621	72,568
Professional fees		35,118	94,897
Motor vehicle expenses		66,094	52,735
Telephone		105,731	76,111
Stationery and office supplies		49,486	79,601
Bank interest and other charges		304,852	120,403
Other administrative expenses		50,124	80,495
Project development		23,254	101
Agents and other commission expense		1,510,493	1,128,820
Bad and doubtful debt		330,827	238,966
Total insurance service expense and other expense		4,144,593	2,794,786
Amount attributed to insurance acquisition cash flows incurred during the year		(2,774,171)	(2,161,221)
Amortisation of insurance acquisition cash flows		1,750,762	1,436,379
		3,121,184	2,069,944
Insurance Service expense		1,750,762	1,436,379
Other operating expenses		1,370,422	633,565
		3,121,184	2,069,944

14. Taxation

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

	2024 $	2023 $ (Unaudited)
Current tax expense:		
Income tax at 2%	-	2,417
Adjustment	-	(169)
Total taxation expense in profit or loss	-	2,248

15. Insurance risk management

Risk management objectives and policies for mitigating insurance risk:

(a) Overview:

The Branch's management of insurance risk is a critical aspect of the business. The primary insurance activity carried out by the Branch 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 Branch is exposed to uncertainty surrounding the timing, frequency and severity of claims under these policies.

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

Liability insurance
Property insurance
Motor insurance

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

15. Insurance risk management (continued)

Risk management objectives and policies for mitigating insurance risk (continued):

(a) Overview (continued):

Underwriting strategy:

The Branch 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 Branch 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 Branch 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 15(a).

(b) 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 Branch and the key factors upon which the timing and uncertainty of future cash flows of these contracts depend.

Type 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 and environmental injury.	The timing of claim reporting and settlement is a function of factors such as the nature of the coverage and the policy provisions. The majority of bodily injury claims have a relatively short tail and are settled in full within four years. In general, these contracts involve greater estimation uncertainty.

15. Insurance risk management (continued)

Risk management objectives and policies for mitigating insurance risk (continued):

(b) Terms and conditions of general insurance contracts (continued):

Type contract	**Terms and Conditions**	**Key factors affecting future cash flows**
Property	Property insurance indemnifies, subject to any limits or excesses, the policyholder 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. The cost of repairing, rebuilding or replacement of assets and/or contents and the time taken to restart or resume operations to original levels for business interruption are the key factors influencing the level of claims under these policies.
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 replacement value of the vehicle and a policy limit in respect of third party damage.	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.

15. Insurance risk management (continued)

Risk management objectives and policies for mitigating insurance risk (continued):

(b) Terms and conditions of general insurance 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 Branch’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.

The yield curves (spot rates) that were used to discount the estimates of future cash flows are as follows:

	2024					2023				
Product	**1 year**	**5 years**	**10 years**	**15 years**	**20 years**	**1 year**	**5 years**	**10 years**	**15 years**	**20 years**
General insurance (issued and reinsurance held)	4.99%	6.37%	7.53%	8.86%	9.03%	7.75%	6.45%	6.39%	6.61%	7.28%

15. Insurance risk management (continued)

Risk management objectives and policies for mitigating insurance risk (continued):

(b) Terms and conditions of general insurance contracts (continued):

Estimates of future cash flows to fulfil insurance contracts

Included in the measurement of each group of contracts within the scope of IFRS 17 are all of the future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability-weighted expected future cash flows. The Branch estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Branch uses information about past events, current conditions and forecasts of future conditions. The Branch's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cash flows. The probability-weighted average of the future cash flows is calculated using a deterministic scenario representing the probability-weighted mean of a range of scenarios.

Where estimates of expense-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis, such as the activity-based costing method. The Branch has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature.

Uncertainty in the estimation of future claims and benefit payments arises primarily from the severity and frequency of claims. Assumptions used to develop estimates about future cash flows are reassessed at each reporting date and adjusted where required.

The Branch projects estimates of future expenses relating to fulfilment of contracts using current expense levels adjusted for inflation. Expenses comprise expenses directly attributable to the groups of contracts, including an allocation of fixed and variable overheads. In addition, under certain methods used to assess claims incurred for the general insurance contracts, estimates of future claim payments are adjusted for inflation.

Methods used to measure insurance contracts

The Branch's Appointed Actuary performs an annual valuation of the Branch's insurance liabilities. The insurance liabilities consist of a provision for unpaid claims and adjustment expenses on expired portion of policies (liability for incurred claims), and a provision for future obligations on the unexpired portion of policies (liability for remaining coverage). The valuation is in accordance with generally accepted actuarial practice, including the selection of appropriate methods and assumptions. The Branch discounts its liability for incurred claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Branch. Statistical analysis is used to estimate claim incurred but not reported, as well as the expected ultimate cost of more complex claims that may be affected by external factors. Refer to Note 8.

15. Insurance risk management (continued)

Risk management objectives and policies for mitigating insurance risk (continued):

(b) Terms and conditions of general insurance contracts (continued):

Methods used to measure the risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Branch's degree of risk aversion. The Branch estimates an adjustment for non-financial risk separately from all other estimates. The Branch consider the effect of reinsurance in the risk adjustment for non-financial risk of the underlying insurance contracts.

The risk adjustment was calculated at the business line level and then allocated down to each group of contracts in accordance with their risk profiles. The quantile method was used to derive the risk adjustment for non-financial risk.

In the quantile approach, historical claims data for all accident years has been used to derive the loss distribution. The following risks have been considered in the quantification of the risk adjustment:

- Claims development: Uncertainty in the final amount of insurance claims that will be paid on known/reported claims
- Claims incidence: Uncertainty in the amount of claims that have been incurred but not yet reported (IBNR)
- Expense risk: Uncertainty in the expenses (inclusive of expense inflation) that will be required to settle incurred claims

The model has been applied separately for each portfolio. The net loss distribution, net of reinsurance recoveries, is used to reflect the compensation that the Branch requires, as pricing is determined based on net insurance benefits.

The resulting amount of the calculated risk adjustment corresponds to the confidence level of 72% (2023: 72%). The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed in 2024.

15. Insurance risk management (continued)

Risk management objectives and policies for mitigating insurance risk (continued):

(c) Risk exposure and concentrations of risk:

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 Branch 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 Branch makes assumptions that costs will increase in line with the latest available financial and actuarial forecasts.

Property contracts:

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

Motor contracts:

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

15. Insurance risk management (continued)

Risk management objectives and policies for mitigating insurance risk (continued):

(c) Risk exposure and concentrations of risk (continued):

The following table shows the Branch's exposure to general insurance risk (based on the carrying value of insurance contract liabilities at the reporting date) per major category of business.

	2024					
	Liability	Property	Motor	Engineering/ CAR	Accident	Total
	$	$	$	$	$	$
Gross	317,268	3,202,468	10,641,902	107,673	278,829	14,548,140
Net of reinsurance	(4,010,398)	(10,369,902)	21,440,243	(7,770,114)	(9,846)	(720,017)

	2023					
	Liability	Property	Motor	Engineering/ CAR	Accident	Total
	$	$	$	$	$	$
Gross	395,412	2,592,939	10,022,134	120,552	326,627	13,457,664
Net of reinsurance	(84,806)	(231,349)	586,692	113,704	(189,177)	(195,065)

(d) Claims development:

Claims development information is disclosed gross and net in order to illustrate the insurance risk inherent in the Branch. 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.

BRITISH CARIBBEAN INSURANCE COMPANY LIMITED - BARBADOS BRANCH OPERATION

Notes to the Financial Statements (Continued)
Year ended December 31, 2024

15. Insurance risk management (continued)

Analysis of Gross Claims Development					**Accident Years**				
	2017	2018	2019	2020	2021	2022	2023	2024	Total
Estimates of Cumulative Claims									
At end of Accident Year	479,482	3,798,160	7,833,321	9,414,320	8,769,492	10,557,203	9,161,248	10,323,443	
- One Year Later	485,035	3,693,604	7,615,308	9,457,555	8,012,968	7,522,018	8,218,509	-	
- Two Years Later	490,653	3,591,926	7,403,362	8,550,890	5,259,436	6,279,968	-		
- Three Years Later	496,336	3,493,047	7,197,315	6,068,148	5,003,171	-			
- Four Year Later	502,084	3,396,890	5,098,794	6,391,695	-				
- Five Years Later	507,899	2,351,748	4,846,338	-					
- Six Years Later	425,921	2,386,057	-						
- Seven Years Later	415,921	-							
Estimate of Cumulative Claims	415,921	2,386,057	4,846,338	6,391,695	5,003,171	6,279,968	8,218,509	10,323,443	43,865,102
Cumulative Payments to Date	415,921	2,370,360	4,520,118	5,574,460	4,527,727	5,486,937	5,456,241	6,046,386	34,398,150
Undiscounted Outstanding Claims Liability									9,466,952
Discounting									(449,977)
Other expense balances									18,807
Risk Adjustment									1,265,459
Outstanding Claims Liability									10,301,241

BRITISH CARIBBEAN INSURANCE COMPANY LIMITED - BARBADOS BRANCH OPERATION

Notes to the Financial Statements (Continued)
Year ended December 31, 2024

15. Insurance risk management (continued)

	Accident Years								
Analysis of Net Claim Development	2017	2018	2019	2020	2021	2022	2023	2024	Total
Estimates of Cumulative Claims									
At end of Accident Year	55,523	242,096	368,833	1,339,846	1,494,188	2,083,120	919,896	1,043,464	
- One Year Later	54,012	245,853	534,206	1,274,806	2,282,820	751,920	821,830		
- Two Years Later	52,543	249,669	773,726	1,091,631	522,685	628,052			
- Three Years Later	51,113	253,544	1,120,639	606,754	497,531				
- Four Year Later	49,722	257,479	505,808	639,169					
- Five Years Later	48,369	234,982	480,709						
- Six Years Later	42,592	238,413							
- Seven Years Later	41,592								
Estimate of Cumulative Claims	41,592	238,413	480,709	639,169	497,531	628,052	821,830	1,043,464	4,390,760
Cumulative Payments to Date	41,592	236,843	448,087	557,446	449,987	548,694	545,604	603,908	3,432,161
Undiscounted Outstanding Claims Liability									958,599
Discounting									(45,600)
Other expense balances									42,872
Risk Adjustment									128,242
Other insurance payables									715,108
Outstanding Claim Liability									1,799,221

15 Insurance risk management (continued)

(e) Sensitivity analysis

The table below analyses how the, profit or loss and equity would have increased or decreased if changes in underwriting risk variables that were reasonably possible at the reporting date had occurred. This analysis presents the sensitivities both before and after risk mitigation by reinsurance and assumes that all other variables remain constant.

	2024			
	Profit or loss		Equity	
	Gross $	Net $	Gross $	Net $
Ultimate claims (5% increase)	(479,704)	(48,117)	(479,704)	(48,117)
Ultimate claims (5% decrease)	479,704	48,117	479,704	48,117

	2023			
	Profit or loss		Equity	
	Gross $	Net $	Gross $	Net $
Ultimate claims (5% increase)	(509,320)	(50,586)	(509,320)	(50,586)
Ultimate claims (5% decrease)	509,320	50,586	509,320	50,586

16. Financial risk management

The Branch 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 Branch's exposure to each of the above risks, the Branch's objectives, policies and processes for measuring and managing risk, and the Branch's management of capital.

16. Financial risk management (continued)

Risk management framework (continued):

The Board of Directors has overall responsibility for the establishment and oversight of the Branch's financial risk management framework. The Branch's risk management policies are established to identify and analyse the risks faced by the Branch, to set appropriate risk limits and controls, and to monitor risks and adherence to established limits. The Chief Financial Officer and Chief Legal and Enterprise Risk Officer are responsible for developing and monitoring the Branch's financial risk management policies. These persons report regularly to the Board on their activities.

The Audit, Actuarial and Risk Management Committee oversees how management monitors compliance with the Branch's management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Branch. The Committee assisted with these functions by Internal Audit, which undertakes periodic reviews of risk management controls and procedures, the results of which are reported to the Board. The focus of financial risk management for the Branch is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance contracts.

The goal of the investment management process is to optimise the risk-adjusted net of taxes, 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 Management team is responsible for the asset/liability management policy of the Branch. This policy details the framework for matching liabilities with appropriate assets, the approaches to be taken when liabilities cannot be matched and the required monitoring processes. The matching of assets and liabilities is also governed by the existing regulatory framework.

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

(a) Credit risk

Credit risk is the risk of financial loss to the Branch if a counterparty fails to meet its contractual obligations. The Branch's key areas of exposure to credit risk include:

- debt securities, cash and cash equivalents;
- amounts due from policyholders;
- amounts due from intermediaries;
- reinsurers' share of insurance liabilities; and
- amounts due from reinsurers in respect of payments already made to policyholders.

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

16. Financial risk management (continued)

Risk management framework (continued):

(a) Credit risk (continued)

(i) Management of credit risk

The Branch manages its credit risk in respect of debt securities by limiting its exposure to a single counterparty and by reference to the credit rating of the counterparty. The Branch has a policy of investing only in high quality corporate bonds and government issued debt securities.

Its exposure to individual policyholders and groups of policyholders is monitored as part of its credit control process. Financial analyses are conducted for significant exposures to individual policyholders or homogenous groups of policyholders.

All intermediaries must meet minimum requirements that are established and enforced by the Branch’s management. The credit ratings and payment histories of intermediaries are monitored on a regular basis.

The Branch also operates a policy to manage its reinsurance counterparty exposures. The Branch 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.

The carrying amounts of financial assets and cash and cash equivalents do not include any assets that are either past due or impaired.

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

The Branch does not hold any collateral as security or any credit enhancements, (such as guarantees, credit derivatives and netting arrangements that do not qualify for offset).

16. Financial risk management (continued)

Risk management framework (continued):

(a) Credit risk (continued)

(iii) Investments in debt securities:

The Branch limits its exposure to credit risk associated with investment securities by investing mainly in liquid securities with counterparties that have high credit quality and Government of Barbados securities.

Credit quality

The Branch identifies changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Branch supplements this by reviewing changes in bond yields together with available press and regulatory information on issuers.

12-month and lifetime probabilities of default are based on historical data supplied by each credit rating and are recalibrated based on current bond yields. Loss given default (LGD) parameters generally reflect an assumed recovery rate of percent except when the security is credit-impaired, in which case the estimate of loss based on the instrument's current market price and original effective interest rate.

(iv) Cash and cash equivalents

Cash and cash equivalents are held with banks and other financial institutions counterparties that are regulated.

16. Financial risk management (continued)

(a) Credit risk (continued)

(iv) Cash and cash equivalents (continued)

Impairment has been measured at 12-month expected loss basis and reflects the short maturities of the exposures. The Branch considered that cash resources have low credit risk as they are held with regulated institutions. No material impairment allowances were recognised on initial adoption of IFRS 9 and there was no change during the period.

Impairment

For a discussion of inputs, assumptions and techniques used for estimating impairments, see accounting policy at note 5.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Branch considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Branch's historical experience and third party policies including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Branch uses two criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD; and
- qualitative indicators.

Credit risk is deemed to increase significantly where the credit rating of a security decreased from grade 1 to grade 3 and the risk grade of loans have moved from grade 1 (standards) to grade 3 (sub-standard).

16. Financial risk management (continued)

(a) Credit risk (continued)

(iv) Cash and cash equivalents (continued)

Significant increase in credit risk (continued)

As a backstop, the Branch considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL.

Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Branch determines a probation period during which the financial asset is required to demonstrate good behavior to provide evidence that its credit risk has declined sufficiently.

When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Branch monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

16. Financial risk management (continued)

(b) Credit risk (continued)

(v) Cash and cash equivalents (continued)

Significant increase in credit risk (continued)

Definition of default:

The Branch considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Branch in full, without recourse by the Branch to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Branch.
-

In assessing whether a borrower is in default, the Branch considers indicators that are:

- qualitative: e.g. indicators of financial distress;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Branch; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The definition of default largely aligns with that applied by the Branch for regulatory capital purposes.

The Branch incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The economic scenarios used as at December 31, 2023 assumed no significant changes in key indicators within the next year.

16. Financial risk management (continued)

(a) Credit risk (continued)

Measurement of ECL

The key inputs into the measurement of ECL are of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD. They are calculated on a discounted cash flow basis using the effective interest rate.

LGD is the magnitude of the likely loss if there is a default. The Branch estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. They are based on published reports of the major rating agencies Moody's and Standard and Poor's.

EAD represents the expected exposure in the event of a default. The Branch derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default.

As described above, and subject to using a maximum of a 12 month PD for stage 1 financial assets, the Branch measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risks, even if, for credit note management purposes, the Branch considers a longer period.

Maximum exposure to credit risk before collateral held or other credit enhancements

Credit exposure

Credit risk exposure to the Branch at December 31, 2024 and December 31, 2023, without taking account of any credit enhancements, is as follows:

Insurance and other receivables

Credit exposures relating to insurance and other receivables see note 12 and 25(a).

16. Financial risk management (continued)

(a) Credit risk (continued)

Collateral and other credit enhancements held against financial assets

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines have been implemented regarding the acceptability of different types of collateral.

Collateral generally is not held over balances with banks or brokers/dealers, except when securities are held under resale agreements. Collateral is generally not held against investment securities, and no such collateral was held as at December 31, 2024 and December 31, 2023.

Management monitors the market value of collateral held during review of the adequacy of the provision for credit losses and requests additional collateral as necessary.

(b) Liquidity risk

Liquidity risk is the risk that the Branch will encounter difficulty in meeting obligations from its financial and insurance liabilities. The Branch 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 Branch's exposures 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 Branch manages liquidity and solvency risk in accordance with the requirements of the Insurance Act, Cap. 310 of the Laws of Barbados, and the supervisory expectations of the Financial Services Commission (FSC).
Under the Insurance Act, the Branch is required to maintain a statutory margin of solvency such that admissible assets exceed liabilities by at least the greater of BDS $500,000 or 25% of net premium income for the preceding financial year. This statutory surplus test is the primary measure used by the FSC in assessing an insurer's financial soundness and its ability to meet policyholder obligations as they fall due.
Liquidity risk is managed through the maintenance of a portfolio of liquid and marketable financial assets, ongoing monitoring of asset–liability maturity profiles, and regular assessment of cash flow requirements under both normal and adverse operating conditions. Management also considers the impact of claims volatility, premium volumes, and reinsurance recoverability when assessing liquidity adequacy.

16. Financial risk management (continued)

(b) Liquidity risk (continued)

Management of liquidity risk (continued)

As at the reporting date, the Branch's admissible assets amounted to $32.6 million, while total liabilities amounted to $34.1 million, resulting in a statutory deficit of BDS $1.5 million. The minimum solvency surplus required under the Insurance Act was BDS 0.5 million, based on the greater of the statutory minimum and 25% of prior-year net premiums. Accordingly, the Branch reported a solvency shortfall of $ 2.0 million at year end (2023: $ 2.0 million).

Notwithstanding the statutory deficit, management notes that the solvency position has improved relative to the prior year, reflecting strengthening of the Branch's capital position and ongoing remedial actions. Management continues to engage with the FSC regarding its capital management plans and is actively evaluating measures to restore compliance with statutory solvency requirements, including capital support, balance sheet restructuring, and operational initiatives

	2024					
	Contractual undiscounted cash flows					
	Carrying Amount	Total cash outflow	Less than 1 year	1-2 years	2-5 years	5-10 years
	$	$	$	$	$	$
Financial liabilities:						
Insurance contract liabilities	14,548,140	14,548,140	5,979,914	2,351,737	3,582,745	2,633,744
Due to related companies	18,267,210	18,267,210	18,267,210	-	-	-
Total financial Liabilities	32,815,350	32,815,350	24,247,124	2,351,737	3,582,745	2,633,744

	2023					
	Contractual undiscounted cash flows					
	Carrying Amount	Total cash outflow	Less than 1 year	1-2 years	2-5 years	5-10 years
	$	$	$	$	$	$
Financial liabilities:						
Insurance contract liabilities	13,457,664	13,457,664	10,967,780	1,066,803	627,876	795,205
Due to related companies	18,410,860	18,410,860	18,410,860	-	-	-
Total financial liabilities	31,868,524	31,868,524	29,378,640	1,066,803	627,0876	795,205

16. Financial risk management (continued)

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and equity prices will affect the value of the Branch's assets, the amount of its liabilities and/or the Branch's income. Market risk arises in the Branch due to fluctuations in the value of liabilities and the value of investments held. The Branch 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 Branch's exposures to market risks and its objectives, policies and processes for managing credit risk have not changed significantly from the prior period.
Management of market risk

The Investment Committee manages market risks 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 Branch 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 Branch at the reporting date to each major risk are addressed below.

(i) Interest rate risk

Interest rate risk arises primarily from the Branch's interest bearing investments. The Branch 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 long term investments, which have been contracted at fixed and floating interest rates.

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

At the reporting date the Branch is not exposed to any significant interest rate risk.

16. Financial risk management (continued)

(c) Market risk (continued)

(ii) Currency risk

Currency risk is the risk that the market value of, or cash flows from, financial instruments will vary because of exchange rate fluctuations.

The Branch incurs foreign currency risk primarily on insurance and reinsurance contracts and investments that are denominated in a currency other than the Barbados dollar. Such exposure comprises the monetary assets and liabilities of the Branch that are not denominated in that currency. The principal foreign currency risk of the Branch is denominated in United States dollars (US$) and Jamaican dollars (J$). The Branch is not exposed to any significant currency risk.

17. Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Branch's processes, personnel, technology and infrastructure, and from external factors other than financial risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The Branch'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 senior management within each department. The Audit Committee monitors each department to ensure compliance with the Branch's internal control procedures.

18. Capital risk management

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

(i) To comply with the capital requirements set by the regulators of the insurance industry.

(ii) To safeguard the Branch's ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits to other stakeholders; and

(iii) To maintain a strong capital base to support the development of its business.

18. Capital risk management (continued)

The Branch's solvency is managed by the Branch's management. It is calculated by management, certified by the Appointed Actuary and reviewed by executive management, the audit committee and the Board of Directors. In addition, the Branch seeks to maintain internal solvency ratios at levels higher than the regulatory requirements. To assist in evaluating the current business and strategic opportunities, the Branch currently uses the Solvency ratio as stipulated by the insurance regulations.