CUNA Caribbean Insurance Jamaica Limited

Financial Statements

31 December 2024

(Expressed in Jamaican Dollars unless otherwise indicated)

Contents

OPINION OF THE APPOINTED ACTUARY

I certify that:

(a) I am a member in good standing with my governing actuarial body, the Caribbean Actuarial Association and comply with its Codes of Conduct;
(b) I meet the qualification standards of Financial Services Commission to value the actuarial reserves and other policy liabilities of CUNA Caribbean Insurance Jamaica Limited; and
(c) The valuation of actuarial reserves and other policy liabilities was conducted in accordance with the Insurance Act, 2001 and its regulations, International Financial Reporting Standards, generally accepted actuarial practice in Jamaica and guidelines issued by the Financial Services Commission.

In my opinion, the amount of the actuarial reserves and other policy liabilities of CUNA Caribbean Insurance Jamaica Limited reported in its annual financial statements prepared in accordance with International Financial Reporting Standards for the year ended December 31, 2024 is appropriate for this purpose and the annual financial statements presents fairly the results of the valuation.

Kyle Rudden Fellow of the Institute and Faculty of Actuaries		March 28, 2025
Name of Appointed Actuary	Signature of Appointed Actuary	Date

Independent auditor's report

To the Members CUNA Caribbean Insurance Jamaica Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of CUNA Caribbean Insurance Jamaica Limited (the Company) as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards and with the requirements of the Jamaican Companies Act.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2024;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

PricewaterhouseCoopers
Chartered Accountants
Kingston, Jamaica
28 March 2025

CUNA Caribbean Insurance Jamaica Limited

Statement of Financial Position
Year ended 31 December 2024

(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	As at 31 December 2024 $	2023 $
Assets			
Property, plant and equipment	10(a)	18,414,496	29,515,636
Intangible assets	10(b)	240,335,693	262,703,314
Right-of-use assets	10(c)	16,039,129	26,727,373
Pension plan assets	11	29,732,000	37,694,000
Deferred tax asset	24(c)	72,784,757	62,622,330
Financial assets	12	2,187,438,399	1,831,959,303
Other assets	13	21,927,691	97,755,566
Taxation recoverable	24(d)	13,904,911	--
Due from related parties	14(b)	464,668	1,725,025
Cash and cash equivalents	15	1,959,840,678	1,591,852,336
Total assets		4,560,882,422	3,942,554,883
Equity and liabilities			
Equity			
Stated capital	16	167,294,598	167,294,598
Contributed capital	16	494,442,850	494,442,850
Reserves	17	14,995,392	22,903,392
Retained earnings		3,053,013,498	2,445,763,757
Total equity		3,729,746,338	3,130,404,597
Liabilities			
Insurance contract liabilities	18	577,947,424	496,411,082
Reinsurance contract liabilities	18	22,892,266	21,144,273
Lease liabilities	19	18,344,988	28,977,595
Accounts payable	20	194,375,193	149,097,211
Due to ultimate parent company	14(b)	13,853,956	23,125,939
Due to related parties	14(b)	3,722,257	42,238,555
Taxation payable	24(e)	--	51,155,631
Total liabilities		831,136,084	812,150,286
Total equity and liabilities		4,560,882,422	3,942,554,883

The notes on pages 9 to 70 are an integral part of these financial statements.

Approved for issue on behalf of the Board of Directors on 21 March 2025 and signed on its behalf by:

Director — STEPHEN FASULO

Director — COLIN MAXWELL

CUNA Caribbean Insurance Jamaica Limited

Statement of Comprehensive Income
Year ended 31 December 2024
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	Year ended 31 December 2024 $	2023 $
Insurance revenue	21	4,462,879,612	4,056,069,211
Insurance service expenses	22	(3,600,507,263)	(3,185,461,499)
Net expenses from reinsurance contracts held	18(c)	(89,257,592)	(81,121,384)
Insurance service result		773,114,757	789,486,328
Interest revenue from financial assets	6(i)(a)	266,333,189	193,657,359
Expected credit losses	6(i)(a)	1,064,232	(2,654,666)
Net investment income	6(i)(a)	267,397,421	191,002,693
Insurance and investment income		1,040,512,178	980,489,021
Other income		7,492,807	5,506,974
Other operating expenses	23	(333,623,093)	(304,478,758)
Profit before taxation		714,381,892	681,517,237
Taxation	24	(107,132,151)	(180,667,826)
Net profit for the year		607,249,741	500,849,411
Other comprehensive income			
Items that will not be classified to profit or loss			
Remeasurement of post-employment benefit obligations, net of taxes	17	(7,908,000)	16,883,250
Total comprehensive income		599,341,741	517,732,661

The notes on pages 9 to 70 are an integral part of these financial statements.

CUNA Caribbean Insurance Jamaica Limited

Statement of Changes in Equity
Year ended 31 December 2024
(Expressed in Jamaican dollars unless otherwise indicated)

	Stated capital $	Contributed capital $	Reserves $	Retained earnings $	Total $
Restated balance at 31 December 2022	167,294,598	494,442,850	6,020,142	1,947,968,882	2,615,726,472
Impact of Initial application of IFRS 9 (Note 3)	--	--	--	(3,054,536)	(3,054,536)
As at 1 January 2023	167,294,598	494,442,850	6,020,142	1,944,914,346	2,612,671,936
Net profit for the year	--	--	--	500,849,411	500,849,411
Other comprehensive income for the year	--	--	16,883,250	--	16,883,250
Balance as at 31 December 2023	167,294,598	494,442,850	22,903,392	2,445,763,757	3,130,404,597
Year ended 31 December 2024					
Balance as at 1 January 2024	167,294,598	494,442,850	22,903,392	2,445,763,757	3,130,404,597
Net profit for the year	--	--	--	607,249,741	607,249,741
Other comprehensive income for the year	--	--	(7,908,000)	--	(7,908,000)
Balance as at 31 December 2024	167,294,598	494,442,850	14,995,392	3,053,013,498	3,729,746,338

The notes on pages 9 to 70 are an integral part of these financial statements.

CUNA Caribbean Insurance Jamaica Limited

Statement of Cash Flows
Year ended 31 December 2024
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	Year ended 31 December 2024 $	2023 $
Cash flows from operating activities			
Profit before taxation		714,381,892	681,517,237
Adjustments to reconcile profit before taxation to net cash from operating activities:			
Depreciation on property, plant & equipment	10(a)	12,317,294	11,824,178
Amortisation on intangible asset	10(b)	45,952,977	43,723,765
Depreciation on right-of-use asset	10(c)	8,351,011	10,423,514
ECL impairment of investments		(1,064,232)	5,709,202
Net retirement benefit adjustment		(2,582,000)	(2,536,000)
Foreign exchange gain on investments		(3,412,431)	(7,099,803)
Net investment income		(266,333,189)	(191,002,693)
Loss on disposal of property, plant & equipment		71,095	--
Changes in operating assets and liabilities:			
Change in insurance contracts		81,536,342	(45,272,347)
Change in accounts payable		45,277,982	33,515,900
Change in other assets		102,672,438	18,441,642
Change in due to ultimate parent company		(9,271,983)	(37,242,139)
Change in due to other related parties		(38,516,298)	10,979,918
Change in due from other related parties		1,260,357	4,881,126
Change in lease liability		(2,717,029)	5,860,535
Change in reinsurance contracts		1,747,993	2,214,607
Change in tax recoverable		--	34,340,747
Cash generated from operating activities		689,672,219	580,279,389
Tax withheld at source		(58,705,358)	(38,801,774)
Tax paid		(121,013,762)	(22,457,358)
Net cash generated from operating activities		509,953,099	519,020,257

(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	Year ended 31 December 2024 $	2023 $
Cash flows from investing activities			
Purchase of property, plant and equipment	10(a)	(1,287,249)	(12,269,497)
Purchase of intangible assets	10(b)	(23,585,356)	(26,334,094)
Additions to right-of-use assets	10(c)	--	(19,433,643)
Change in short term deposits		--	542,003,432
Purchase of bonds		(355,479,096)	(301,123,996)
Gross investment income received		249,019,551	145,880,903
Redemption of bonds		--	205,150,300
Net cash (used in)/generated from investing activities		(131,332,150)	533,873,405
Cashflows from financing activities			
Lease payments		(10,632,607)	(13,472,692)
Net cash used in financing activities		(10,632,607)	(13,472,692)
Net increase in cash and cash equivalents for the year		367,988,342	1,039,420,970
Cash and cash equivalents, beginning of year		1,591,852,336	552,431,366
Cash and cash equivalents, end of year		1,959,840,678	1,591,852,336
Cash and cash equivalents represented by:			
Cash in hand and at bank	15	213,403,162	162,064,580
Fixed deposits classified as cash and cash equivalent		1,746,437,516	1,429,787,756
		1,959,840,678	1,591,852,336

The notes on pages 9 to 70 are an integral part of these financial statements.

1 Incorporation and principal activities

CUNA Caribbean Insurance Jamaica Limited (the Company) was incorporated in Jamaica on June 11, 2013 and is a wholly-owned subsidiary of CUNA Caribbean Holdings St. Lucia Limited, which is incorporated in St. Lucia, under the International Business Corporation Act of 1999. The ultimate parent company is CUNA Mutual Holding Company which is incorporated in the United States of America. The Company is domiciled in Jamaica and its registered office is located at 2A Manhattan Road, Kingston 5.

The Company is licenced by the Financial Services Commission (FSC) to conduct ordinary life insurance business.

2 Statement of compliance and basis of preparation

a. *Statement of compliance*

The financial statements as at and for the year ended 31 December 2024 (the reporting date) are prepared in accordance with International Financial Reporting Standards (IFRS Accounting Standards) and their interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Standards Interpretations Committee (IFRIC) and comply with the provisions of the Jamaican Companies Act.

b. *Basis of preparation*

The financial statements are prepared on the historical cost basis, except as modified for insurance contract liabilities and retirement benefit plan obligations, where carrying values are determined by actuarial methods as per note 5b, and retirement benefit plan assets measured at fair value.

c. *Functional and presentation currency*

The financial statements are presented in Jamaican dollars, which is the Company's functional currency.

d. *Use of estimates and judgement*

The preparation of the financial statements in conformity with IFRS Accounting Standards requires management to make estimates, assumptions and judgements that affect the application of accounting policies and the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts could differ from those estimates. Management is also required to make critical judgements in applying accounting policies.

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.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed in Note 9.

3 Changes in accounting policies and disclosures

a. *New, revised and amended standards and interpretations that became effective in 2024 and have been adopted by the Company in the accounting period*

Certain new standards, amendments and interpretations to existing standards have been published that became effective during the current financial year. Management has reviewed these new standards, amendments and interpretations to existing standards and has determined that these amendments do not have a significant impact on these financial statements and therefore require no new disclosures.

Amendments to IAS 1- *Classification of Liabilities as Current or Non-Current Liabilities (Effective 1 January 2024)*

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the Statement of Financial Position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (General Requirements standard)
- IFRS S2 Climate-related Disclosures (Climate standard)

b. *New, revised and amended standards and interpretations not yet effective and have not been early adopted by the Company*

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which were not effective at the reporting date, and which the Company has not early adopted. Management, has assessed the relevance of all such new standards, interpretations and amendments and has determined that these pronouncements are either not relevant to the Company's operations or contain inconsequential clarifications that will have no material impact when they come into effect.

4 Material accounting policies

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

a. *Foreign currency*

Transactions denominated in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date.

Foreign exchange differences resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

b. *Financial instruments*

Financial instruments carried on the statement of financial position include cash and cash equivalents, investments, lease liabilities, other receivables and payables, and balances with group companies.

4 **Material accounting policies (continued)**

b. *Financial instruments (continued)*

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

(i) *Recognition and initial measurement*

A financial asset or financial liability is measured and recognized at fair value plus transaction costs that are directly attributable to its acquisition or issue, except for financial assets classified as hold to collect and sell where transaction costs are expensed as incurred.

All financial assets and liabilities are initially recognised on the settlement date at which the Company becomes a party to the contractual provisions of the instrument.

(ii) *Classification*

Amortised costs financial assets

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing instruments. The measurement category into which the Company classifies its financial instruments is amortised cost. A financial asset is measured at amortised cost if it meets both of the following conditions;

- Assets within the business model are held for collection of contractual cash flows where the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- The assets with fixed or determinable payments and fixed maturity that the Company's management has the positive intent and ability to hold to maturity. These include certain debt investments.

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company's business model currently is to hold financial instruments to maturity so as to back short-term insurance liabilities as required by the Regulators and, as such, has opted to record financial assets at amortised cost.

Solely Payments of Principal and Interest (SPPI) Assessment

Financial assets which are held for collection of contractual cash flows, and for selling the financial assets comprise SPPI. Contractual cash flows generally meet SPPI criteria if such cash flows reflect compensation for basic credit risk and customary returns from a debt instrument which also includes time value for money. Where the contractual terms introduce exposure to risk or variability of cash flows that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

4 **Material accounting policies (continued)**

b. *Financial instruments (continued)*

(iii) *Subsequent measurement*

Subsequent to the initial recognition, the Company's financial instruments are carried at amortised cost using the effective interest method, less impairment.

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition, and fees or costs that are an integral part of the effective interest rate. Interest income from these financial assets, calculated using the effective interest method, is recognised in the Statement of Comprehensive Income (SOCI) as part of net investment income. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the SOCI. When a financial asset is purchased at a premium or discount, the Company reduces or increases the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the premium or discount as interest costs or interest income.

Classification	Financial instrument	Description	Initial and subsequent measurement
Amortised costs – financial assets	Cash, and cash equivalents	Cash and highly liquid investments held to meet short-term requirements, that are readily convertible into a known amount of cash, are subject to an insignificant risk of changes in value and have an original maturity of three months or less.	Initially measured at fair value using transaction prices at the transaction/trade date. Subsequently measured at amortised cost using the effective interest method.
	Restricted deposits	Cash balance maintained to meet regulatory requirement	
	Investment securities (TBills, CDs, bonds, fixed deposits)	Investments intended to be held for an indefinite period and which may be sold in response to liquidity needs or changes in market conditions.	
	Receivables (group, other)	Operating financial assets with fixed or determinable payments.	

4 **Material accounting policies (continued)**

b. *Financial instruments (continued)*

(iii) *Subsequent measurement (continued)*

Classification	Financial instrument	Description	Initial and subsequent measurement
Amortised costs – financial liabilities	Debt (lease liabilities)	Financial liabilities with fixed or determinable payments and maturity date.	Initially measured at fair value at the issuance date, net of transaction costs. Subsequently measured at amortised cost using the effective interest method.
	Payables (group, other)	Operating financial liabilities with fixed or determinable payments.	Initially measured at fair value at the amount owing. Subsequently measured at amortized cost using the effective interest method.

(iv) *Derecognition*

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

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 transferred), and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in the Statement of Comprehensive Income.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as an asset or liability in the Statement of Financial Position.

Financial liabilities

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

(v) *Impairment of financial assets*

The Company assesses, on a forward-looking basis, the expected credit losses (ECL) associated with its financial assets classified at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk or an actual default.

4 **Material accounting policies (continued)**

b. *Financial instruments (continued)*

(v) *Impairment of financial assets (continued)*

Application of the ECL General Model

The Company has applied the 'general model', as required under IFRS 9, for financial assets other than receivables (see *Application of the Simplified Approach* below). Under this model, the Company is required to assess, on a forward-looking basis, the ECL associated with its debt investments carried at amortised cost. The ECL is recognised in profit or loss before a loss event has occurred. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes and considers the time value of money in relation to these outcomes. The probability-weighted outcome considers multiple scenarios based on reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. When measuring ECL, the Company considers the maximum contractual period over which the company is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment options.

The impairment model uses a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – 12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk since origination and are not credit impaired. The ECL is computed using a 12-month Probability of Default (PD) that represents the probability of default occurring over the next 12 months.
- Stage 2 – When a financial asset experiences a significant increase in credit risk subsequent to origination, but is not credit impaired, it is considered to be in Stage 2. This requires the computation of ECL based on lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset.
- Stage 3 – Financial assets that have objective evidence of impairment will be included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime ECL.

The Company considers a financial asset to be credit impaired when it meets one or more of the following quantitative or qualitative criteria:

- The contractual payments are 90 days past due.
- The issuer meets unlikeness to pay criteria (e.g. bankruptcy).
- Internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts.

The calculation of ECLs

The Company calculates ECLs based on scenarios to measure expected cash shortfalls, discounted at an appropriate effective interest rate (EIR). A cash shortfall is the difference between the cash flows that are due to the Company in accordance with the contract and the cash flows that the entity expects to receive.

4 **Material accounting policies (continued)**

b. *Financial instruments (continued)*

(v) *Impairment of financial assets (continued)*

Forward looking information

In its ECL models, management has considered a broad range of macroeconomic economic inputs such as, Inflation and Debt to GDP Ratio, in its future scenarios. Probability weighted future scenarios were considered to incorporate forward-looking information.

Application of the Simplified Approach

For receivables (group, other), the Company applies the simplified approach permitted by IFRS 9, which requires that the impairment provision is measured at initial recognition, and throughout the life of the receivables, using a lifetime ECL. As a practical expedient, a provision matrix is utilised in determining the lifetime ECL for these receivables.

The lifetime ECL is determined by taking into consideration historical rates of default for each segment of aged receivables, as well as the estimated impact of forward-looking information.

(vi) *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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, or other reliable, independent source, and those prices represent actual and regularly occurring market transactions on an arm's length basis. However, market prices are not available for a significant number of financial assets and liabilities held and insured by the Company. Therefore, for financial instruments where no market price is available, fair values are estimated using present values or other estimation and valuation techniques based on market conditions at the reporting date.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates.

The following methods and assumptions have been used:

(i) Fair values of debt securities carried at amortised cost are measured at fair value based upon projected cash flows discounted at current market rates which have been determined through the use of quotations and yields obtained from investment brokers.

(ii) The fair value of liquid assets and other financial assets maturing within three months is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities.

The Company has no financial asset, and no financial liability carried at fair value.

4 **Material accounting policies (continued)**

b. *Financial instruments (continued)*

(vii) *Offsetting*

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Company has a legal right to set off the recognised amounts and it intends either to settle 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, or for gains and losses arising from a group of similar transactions.

c. *Intangible assets*

Costs associated with developing or maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use;
- Management intends to complete the software and use or sell it;
- There is an ability to use or sell the software;
- It can be demonstrated how the software will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available: and
- The expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use, at rates of 10% - 33 1/3%.

d. *Property, plant and equipment*

(i) *Owned assets*

Items of property, plant and equipment are stated at cost less accumulated depreciation (Note 4(d)(iv)) and impairment losses (Note 4(e)(i)).

(ii) *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the Statement of Comprehensive Income.

(iii) *Disposal*

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with their carrying amounts and are recognised in the Statement of Comprehensive Income.

4 **Material accounting policies (continued)**

d. *Property, plant and equipment (continued)*

(iv) *Depreciation*

Depreciation is calculated on the depreciable amount, which is the cost of an asset less its residual value. Depreciation is charged to the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of items of property, plant and equipment.

The rates of depreciation for the current period are as follows:

Office furniture and equipment	10% - 16 2/3%
Computer equipment	20% - 33 1/3%
Leasehold improvements	Over the period of the lease
Right-of-use assets	Over the period of the lease

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if appropriate.

e. *Impairment of non-financial assets*

(i) *Impairment of other non-financial assets*

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(ii) *Reversals of impairment*

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 an 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.

f. *Leases*

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

4 Material accounting policies (continued)

f. *Leases (continued)*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the Statement of Financial Position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

4 **Material accounting policies (continued)**

f. *Leases (continued)*

The right-of-use assets are presented separately in the Statement of Financial Position. The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

g. *Receivables and payables related to insurance contracts*

Insurance receivables are carried at cost less impairment losses (Note 4(e)). Bad debts are written-off when identified.

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

h. *Cash and cash equivalents*

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash balances, and short-term highly liquid investments with original maturities of three months or less from the acquisition date.

i. *Insurance and reinsurance contracts*

Definitions and classification

Insurance contracts are contracts under which the Company 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 Company uses judgment to assess whether a contract transfers insurance risk and whether the accepted insurance risk is significant.

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders and cedes insurance risk to a reinsurer. As a general guideline, the Company determines whether it has significant insurance risk by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

The primary insurance risks associated with the insurance and reinsurance contracts issued and held by the Company are as follows:

Contract type	Primary insurance risks
Group Life	Mortality and Morbidity
Reinsurance ceded	Mortality
Individual Life (discontinued/closed block)	Mortality

Measurement model

The Company has elected to apply the Premium Allocation Approach ("PAA") for its Group Life insurance products and ceded reinsurance as these have been assessed as meeting the eligibility requirements for applying the PAA by virtue of their associated coverage periods being one year or less.

4 Material accounting policies (continued)

i. *Insurance and reinsurance contracts (continued)*

Separating components from insurance and reinsurance contracts

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

Level of aggregation

The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together and, for determining the level of aggregation, the Company identifies a contract as the smallest unit. However, the Company makes an evaluation of whether a series of contracts ought to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). Portfolio groups do not contain contracts issued more than one year apart, as such groups would be further subdivided into annual cohorts.

Portfolios are further divided by year of issue and profitability for recognition and measurement purposes. Hence, within each year of issue, portfolios of contracts issued are divided into a minimum of:

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

The expected profitability of these portfolios at inception is determined based on the existing actuarial valuation models which take into consideration existing and new business. In determining groups of contracts, the Company has elected to include in the same group of contracts where its ability to set prices or levels of benefits for policyholders with different characteristics is constrained by regulation.

For PAA contracts, the Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

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

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

4 **Material accounting policies (continued)**

i. *Insurance and reinsurance contracts (continued)*

Recognition

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

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

The Company recognizes a group of reinsurance contracts held from the earlier of the following:

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

Groups of contracts are established on initial recognition. The Company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

Contract boundary

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

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

Or both of the following criteria are satisfied:

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

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

For contracts with renewal periods, the Company assesses whether premiums and related cash flows that arise from the renewed contract are within the contract boundary. The Company reassesses contract boundary of each group at the end of each reporting period.

4 **Material accounting policies (continued)**

i. *Insurance and reinsurance contracts (continued)*

Measurement -- Initial recognition

For PAA contracts that are not onerous at initial recognition, the Company measures the liability for remaining coverage (LRC) as the premiums, if any, received at initial recognition.

The Company has elected to expense acquisition cashflows relating to Group Life insurance contracts as incurred. Hence, there are no other assets or liabilities previously recognised for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts is recognised.

The liability for remaining coverage (LRC) is not adjusted for financial risk and the time value of money as Group Life premium and ceded reinsurance premium are received/paid within one year of the coverage period.

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

Measurement – subsequent measurement

The Company measures the carrying amount of a group of insurance contracts at the end of each reporting period as the sum of:

- The liability for remaining coverage, and
- The liability for incurred claims (LIC).

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

- Plus premiums received in the period
- Minus the amount recognised as insurance revenue for the services provided in the period
- Minus any investment component paid or transferred to the liability for incurred claims

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

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

4 Material accounting policies (continued)

i. *Insurance and reinsurance contracts (continued)*

Onerous contracts

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

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

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

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

Modification and derecognition

The Company derecognizes insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired)

Or

- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognizes the initial contract and recognizes the modified contract as a new contract.

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

4 **Material accounting policies (continued)**

i. *Insurance and reinsurance contracts (continued)*

Insurance contracts -- Insurance acquisition cashflows

The Company uses a systematic and rational method to allocate

(a) Insurance acquisition cash flows that are directly attributable to a group of insurance contracts:

(i) to that group; and

(ii) to a group that include insurance contracts that are expected to arise from the renewals of the insurance contracts in that group.

Insurance acquisition cash flows directly attributable to a portfolio of insurance contracts that are not directly attributable to a group of contracts, to groups in the portfolio.

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

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

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

(b) After any re-allocation, the Company assesses the recoverability of the asset for insurance acquisition cash flows, if facts and circumstances indicate the asset may be impaired. When assessing the recoverability, the Company applies:

- An impairment test at the level of an existing or future group of insurance contracts; and
- An additional impairment test specifically covering the insurance acquisition cash flows allocated to expected future contract renewals.

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

Insurance contracts -- Insurance acquisition cashflows (continued)

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

Insurance service result

The insurance service result represents the Company's profit or loss recognised on insurance contracts and reinsurance contracts in the period, excluding the impact of the time value of money and financial risks related to such contracts. The insurance service result contains three components:

4 **Material accounting policies (continued)**

i. *Insurance and reinsurance contracts (continued)*

Insurance service result (continued)

(a) *Insurance revenue*

The insurance revenue recognised for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services based on either the passage of time or if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made based on the expected timing of incurred insurance service expenses.

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

(b) *Insurance service expenses*

Insurance service expenses include the following:

- Incurred claims and benefits, reduced by loss component allocations;
- Other incurred directly attributable expenses, including amounts of any other pre-recognition cash flows assets (other than insurance acquisition cash flows) derecognised at the date of initial recognition;
- Insurance acquisition cash flows;
- Changes that relate to past service – changes in the FCF relating to the LIC; and
- Changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses

The Company has elected to expense acquisition cashflows relating to Group Life insurance contracts as incurred.

Other expenses not meeting the above categories are included in other operating expenses in the Statement of Comprehensive Income.

(c) *Net expense from reinsurance contracts*

The Company 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:

- Reinsurance expenses;
- Incurred claims recovery, reduced by loss-recovery component allocations;
- Other incurred directly attributable expenses;
- Changes that relate to past service – changes in the FCF relating to incurred claims recovery;
- Effect of changes in the risk of reinsurers' non-performance; and
- Amounts relating to accounting for onerous groups of underlying insurance contracts issued.

4 **Material accounting policies (continued)**

i. *Insurance and reinsurance contracts (continued)*

Insurance service result (continued)

(c) *Net expense from reinsurance contracts (continued)*

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 company expects to pay in exchange for those services.

Broker fees are included within reinsurance expenses.

The Company 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.

Finance income or expense from insurance and reinsurance contracts

The Company does not adjust future cash flows for the time value of money and the effect of financial risk as all insurance and reinsurance cash flows are receivable or payable within one year of being incurred.

Presentation

The Company has presented separately, in the Statement of Financial Position, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

The Company disaggregates the total amount recognised in the Statement of Other Comprehensive Income into an insurance service result, comprising insurance revenue and insurance service expense.

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

j. *Other income and other operating expenses*

Other income includes non-insurance and non-investment related gains that is recognised in the profit or loss when become due to the Company.

Other operating expenses include expenses that are not directly attributable to insurance contracts, the amortization of acquired intangible assets, and administration expenses.

4 Material accounting policies (continued)

k. *Insurance reserves*

Under the Insurance Regulations, 2001, the Company is required to actuarially value its insurance reserves annually. Consequently, claims incurred but not reported (IBNR) as well as the unexpired period of risk reserve have been independently actuarially determined for the current year. The remaining reserves are also reviewed by the appointed actuary in determining the overall adequacy of the provision for the Company's insurance liabilities.

l. *Accounts payable and accrued liabilities*

Liabilities for accounts payable and accrued liabilities are carried at amortised cost.

m. *Revenue recognition*

Insurance revenue

Insurance revenue is recognised in the period in which the insured risk is covered.

Interest income

Interest income is accounted for on the accruals basis that takes into account the effective yield of the asset, and is shown net of direct investment expenses incurred in relation thereto.

n. *Retirement benefit plans*

The Company maintains both a defined benefit and a contribution retirement benefit plan for its employees.

Prior to 1 January 2016, the defined benefit plan operated under CMFG Life Insurance Company Limited and, upon transfer of the insurance business effective 1 January 2016, the employees of CMFG Life Insurance Company Limited became employees of the new Company. Effective 31 December 2016, the defined benefit plan was closed to new members.

The plans are governed by trust/fund deeds and rules and are administered in accordance with the laws of Jamaica. Responsibility for the governance of the plans, including investment strategies, lies with the Board of Trustees.

A defined benefit plan is a retirement benefit plan that defines an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a retirement benefit plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods.

The asset or liability recognised in the Statement of Financial Position in respect of defined benefit retirement benefit plans is the present value of the defined benefit obligation at the Statement of Financial Position date less the fair value of plan assets. Plan assets exclude any insurance contracts issued by the Company.

4 **Material accounting policies (continued)**

n. *Retirement benefit plans (continued)*

For defined benefit plans, the retirement benefit accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing retirement benefits is charged to the Statement of Comprehensive Income so as to spread the regular cost over the service lives of employees in accordance with the advice of a qualified actuary, who carries out full valuations of the plans every year. The retirement benefit obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability.

Re-measurements of the net defined benefit liability, which comprises actuarial gains and losses and the return on plan assets (excluding interest), are recognised immediately through other comprehensive income in the Statement of Comprehensive Income and are included in reserves in the statement of changes in equity and in the Statement of Financial Position.

The defined benefit plan mainly exposes the Company to actuarial risks such as investment risk, interest rate risk and longevity risk.

The Company also participates in a defined contribution plan. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits due.

o. *Taxation*

Tax charges recognised for the period include current tax and deferred tax. Tax is recognised in the profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In those cases, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

Irrecoverable general consumption tax and asset tax are included as part of management and operating expenses.

Income tax for the Company is charged annually at 25% on chargeable income.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the financial statements.

p. *Dividend distribution*

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

q. *Comparative information*

Where necessary, comparative data have been adjusted to conform to the presentation in the current year.

5 **Management of insurance risk**

The Company issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Company manages them.

a. *Insurance risk*

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Some insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwritings strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

b. *Short-term insurance contracts*

(i) *Frequency and severity of claims*

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or widespread changes in lifestyle, such as eating, smoking and exercise habits resulting in earlier or more claims than expected. The historical claims experience and corresponding reserves for Group Life products have been disclosed in note 5(b)(iii).

The Company manages these risks through its underwriting and reinsurance arrangement. The Company uses an excess over loss reinsurance arrangement for its products.

(ii) *Sources of uncertainty in the estimation of future benefit payments and premium receipts*

Uncertainty in the estimation of future benefit payments and premium receipts for insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behavior.

In calculating the estimated cost of unpaid claims (both reported and IBNR), the Company's estimation techniques are a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a particular financial year in relation to such claims) and an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes.

5 **Management of insurance risk (continued)**

b. *Short-term insurance contracts (continued)*

(iii) *Process used to decide on assumptions*

For short term insurance contracts with fixed and guaranteed terms, estimates are made in two stages. At inception of the contract, the Company determines assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses.

These assumptions are used to calculate the liabilities during the life of the contract. A margin for risk and uncertainty is added to these assumptions. These assumptions are 'locked in' for the duration of the contract.

Estimates are developed at each reporting date to determine whether the liabilities are adequate in the light of the latest current estimates. The initial assumptions are not altered if the liabilities are considered adequate. If the liabilities are not considered adequate, the assumptions are 'unlocked' to reflect the current estimates. The sensitivity of the liabilities to changes in key assumptions are included in note 5(b)(iv).

Group Life products include Family Indemnity Plan (FIP), Loan Protection and Life Savings (LPLS), Golden Harvest (GH) and Group Term Life/Directors and Employees (GTL D&E). Group Life reserves were estimated using the following approaches, involving a claim runout triangle. The same methodology was used in the prior year valuation.

- Completion Factor Method
- Claim Cost Method
- Historical Runout Method
- Number of Months Method

IBNR Reserving Methods

Data for the LPLS products were aggregated to enhance data credibility. In all four methods, monthly in-force coverage was used as an exposure base to take growth into account in the calculations.

The Completion Factor Method is the traditional approach to setting IBNR reserves. Paid claims were arranged into a lag triangle by month incurred and month of payment. The completion factors were then calculated using standard link ratio methods. These factors were applied to recent claims to estimate the ultimate amount of claims expected to be paid. The difference between the expected ultimate claims and the actual amount paid to date is the Claims Reserve. Actual data was considered when determining ultimate claim levels to help reduce the volatility which naturally occurs when using "early duration" completion factors.

The Claims Reserves estimate for more recent incurred "early duration" months is also partly based on an expectation approach (Claim Cost Method). An assumed average claim cost (expected claims per $1,000 of coverage in force) was applied to the coverage for each month to determine the ultimate estimate for that period. This expectation approach provides an ultimate claim estimate that is independent of historic claim developments. If the portfolio's risk characteristics are stable but settlement patterns are volatile, the expectation approach provides more reliable estimates than completion factors.

5 Management of insurance risk (continued)

b. *Short-term insurance contracts (continued)*

(iii) *Process used to decide on assumptions (continued)*

The Historical Runout Method is based on the same claims data from the Completion Factor Method. For each evaluation date, the Company calculated the amount of claims incurred prior to that date and paid after that date was calculated. This was added to the outstanding Claims Reserves at each evaluation date. The historical runout amounts were used to estimate the runout expected for the current valuation period.

The Number of Months Method uses the same completion factors from the Completion Factor Method to estimate the number of months of average claims which are outstanding at a given time. For example, if 1% of claims incurred in a month are paid in that same month, then that implies that 99% of that month's claims are paid in later months. Similarly, if after two months, 5% of the ultimate claims have been paid, that indicates that 95% of that month's claims are still outstanding. The number of months of claims outstanding at a given time, multiplied by the average monthly claim amount, provides the fourth estimate of the Claims Reserve.

The final Claims Reserves is the weighted average of Claims Reserves estimates from the four methods. Possible reasons for adjusting these weightings would be anomalies in the data, changes in payment patterns due to operations, or other events which might otherwise skew the results.

The Company applied weightings to the different Claims Reserves estimates for individual months incurred for FIP, LP and LS. This approach was unchanged from 2023.

For LPLS, more weighting was given to the expectation approach for claims occurring in the most recent 6 months incurred (2023: 6 months). Otherwise, the approach was unchanged this year. For older month, more emphasis was placed on the other methods.

For FIP, the expectation approach was used for the most recent quarter only. This ensured that the resulting Claims Reserves estimate made sufficient provision for the expected level of claims arising from the most open quarter. This approach was unchanged from 2023.

The 2024 FIP reserves include a margin of safety of 15% (2023: 15%). The equivalent LPLS margin is 20% (2023: 20%). These margins allowed for the additional uncertainty over the risks faced and claim reporting patterns.

The reserve for Group life product other than LPLS and FIP is also calculated using the Premium and Loss ratio method. The 2024 reserves for GH, GTL D&E, FIP CI Rider, FCIP and APP had insignificant or no change over the prior year.

It has been assumed that current tax legislation and rates continue unaltered.

Management reviews the assumptions and changes in assumptions outlined above on an annual basis.

5 **Management of insurance risk (continued)**

b. *Short-term insurance contracts (continued)*

(iii) *Process used to decide on assumptions (continued)*

Claims experience

The following table illustrates the historical claims experience of the Group Life products.

Product	Year	Premiums (JM$ '000s)	Claims (JM$ '000s)	Loss Ratio	YE Claims Reserve (JM$ '000s)	YE Res / 3yr avg mthly claims
FIP	2022	3,150,032	2,158,820	68.5%	306,434	1.68
	2023	3,429,277	2,282,665	66.6%	287,108	1.47
	2024	3,783,447	2,466,885	65.2%	365,902	1.91
LPLS	2022	464,308	297,101	64.0%	240,606	10.34
	2023	506,495	272,495	53.8%	205,607	8.46
	2024	536,090	266,131	49.6%	223,612	9.63
GH	2022	31,023	2,804	9.0%	3,500	10.01
	2023	37,498	8,608	23.0%	3,500	7.81
	2024	38,392	2,787	7.3%	3500	8.87
GTL D&E	2022	31,808	7,428	23.4%	750	1.17
	2023	34,475	17,237	50.0%	750	0.79
	2024	37,274	32,005	85.9%	8,619	5.48
FIP CI Rider	2022	19,837	2,000	10.1%	5,939	25.15
	2023	30,349	2,000	6.6%	7,651	39.35
	2024	44,392	3,000	6.8%	6,458	33.21
FCIP	2022	11,947	--	0.0%	5,878	N/A
	2023	13,396	--	0.0%	6,416	N/A
	2024	15,824	7,000	44.2%	1,231	6.33
APP	2022	2,033	--	0.0%	1,321	N/A
	2023	4,589	512	11.2%	2,471	173.59
	2024	7,461	205	2.7%	4,645	233.24

(Expressed in Jamaican dollars unless otherwise indicated)

5 **Management of insurance risk (continued)**

b. *Short-term insurance contracts (continued)*

(iv) *Sensitivity analysis*

For liabilities under short-term insurance contracts with fixed and guaranteed terms, changes in assumptions will not cause a change to the amount of the liability, unless the change is severe enough to trigger a liability adequacy test adjustment. In practice, this is unlikely to occur.

GROUP LIFE

Group Life reserves as at December 31, for each year shown:

Reserves	**2024**	**2023**
LIC	614,484,670	514,043,508
LRC excluding loss component	16,642,991	14,915,986
LRC loss component	--	--
Total	**631,127,661**	**528,959,494**

The Company's Group Life reserves are insensitive to changes in interest rates and expenses. A change in mortality rates of 10% or more, however, would be considered severe enough to trigger adjustment.

A 10% increase/decrease in mortality rates would result in a $61,448,467 (2023: $51,404,351) decrease/increase, respectively, to both the insurance service result and equity. These amounts would be reflected in the Company's LIC and would have no impact on LRC.

There were no changes made from the previous period in the methods and assumptions used in preparing the sensitivity analysis.

5 **Management of insurance risk (continued)**

b. *Short-term insurance contracts (continued)*

(v) *Gross claims development*

Actual claims payments are compared with previous estimates of the undiscounted amounts of the claims in the below claims development disclosure, on a gross of insurance basis as at 31 December 2024.

The disclosure in the table below shows the Group Life ultimate claims estimates by accident year, evaluated at historic financial year ends, and summary of best estimate liability and risk adjustment. The Company does not adjust future cash flows for the time value of money and the effect of financial risk as all insurance and reinsurance cash flows are receivable or payable within one year of being incurred. The Company does not expect any reinsurance recovery claims to be paid in the next few years under the current reinsurance treaties and therefore net and gross are expected to be the same.

	Accident Year ($'000)						
	2019*	2020	2021	2022	2023	2024	**Total ($'000)**
Estimate of ultimate claim costs (gross of reinsurance, undiscounted)							
at end of accident year	1,986,026	2,061,088	2,975,234	2,481,496	2,576,603	2,785,759	
1 year later	2,006,495	2,139,317	2,981,397	2,427,246	2,664,481	--	
2 years later	2,009,491	2,142,433	2,980,397	2,420,770	--	--	
3 years later	2,012,989	2,144,945	2,978,404	--	--	--	
4 years later	2,017,082	2,147,943	--	--	--	--	
5 years later	2,019,635	--	--	--	--	--	
Cumulative gross claims and other directly attributable expenses paid	2,019,418	2,147,726	2,977,970	2,416,400	2,621,010	2,308,245	
Gross cumulative claims liabilities	217	217	434	4,370	43,471	477,514	526,223
Effect of the risk adjustment margin for non-financial risk	--	--	--	--	--	--	88,262
Gross LIC for the contracts originated	--	--	--	--	--	--	**614,485**

* Accident year 2019 and before

(Expressed in Jamaican dollars unless otherwise indicated)

5 **Management of insurance risk (continued)**

b. *Short-term insurance contracts (continued)*

(vi) *Movement on Group Life LIC reserve*

The tables below show the reserve movement.

	2024			
	FIP $	LPLS $	Other $	Total $
Opening reserve (31Dec2023)	287,108,384	205,607,271	21,327,853	514,043,508
Add: Change in Ult Est for AY 2023 and prior	57,578,803	(28,201,531)	14,865,124	44,242,396
Add: Ult Est for AY 2024	2,530,560,050	322,153,748	33,773,783	2,886,487,581
Less: Payments made in 2024	(2,465,485,000)	(270,047,541)	(44,996,204)	(2,780,528,745)
Data adjustments	(43,860,000)	(5,900,070)	--	(49,760,070)
Closing reserve (31 Dec 2024)	**365,902,237**	**223,611,877**	**24,970,556**	**614,484,670**
Net increase in liability	**78,793,853**	**18,004,606**	**3,642,703**	**100,441,162**

	2023			
	FIP $	LPLS $	Other $	Total $
Opening reserve (31Dec2022)	306,433,645	240,605,864	17,955,488	564,994,997
Add: Change in Ult Est for AY 2022 and prior	(46,482,831)	(79,767,194)	(3,790,538)	(130,040,563)
Add: Ult Est for AY 2023	2,314,552,210	317,290,724	35,519,785	2,667,362,719
Less: Payments made in 2023	(2,287,394,640)	(272,522,123)	(28,356,882)	(2,588,273,645)
Closing reserve (31 Dec 2023)	**287,108,384**	**205,607,271**	**21,327,853**	**514,043,508**
Net increase in liability	**(19,325,261)**	**(34,998,592)**	**3,372,365**	**(50,951,488)**

6 Financial risk management

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and reinsurance liabilities.

Introduction and overview

The Company has adopted risk management policies and has set appropriate limits and controls to manage and mitigate against financial risk. The Company has exposure to the following risks arising from its use of financial instruments and from foreign currency transactions:

- Market risk (note 6(i))
- Credit risk (note 6(ii))
- Liquidity risk (note 6(iii))
- Operational risk (note 6(iv))

(i) *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The Company invests in financial instruments in the ordinary course of business. The Company's objective is to manage and control these exposures within acceptable parameters.

The Company has approximately 80% (2023: 76%) of its investments denominated in Jamaican dollars thus hedging against significant exchange rate fluctuations. The Company has only invested in fixed rate bonds and short-term deposits, which allows it to mitigate the negative effects of interest rate fluctuations.

(a) *Interest rate risk*

Exposure to interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of changes in market interest rates.

	2024 $	2023 $
Financial income and expenses recognised in profit or loss		
Interest income on unimpaired amortised cost investments	248,288,868	186,542,428
Interest income on bank deposits	23,659,017	11,446,631
Financial income	271,947,885	197,989,059
Financial expenses	(5,614,696)	(4,331,700)
Net interest income from financial assets	266,333,189	193,657,359
Expected credit losses	1,064,232	(2,654,666)
Net investment income	267,397,421	191,002,693

(Expressed in Jamaican dollars unless otherwise indicated)

6 **Financial risk management (continued)**

Introduction and overview (continued)

(i) *Market risk (continued)*

(a) *Interest rate risk (continued)*

Exposure to interest rate risk (continued)

The following table summarises carrying amounts of the Statement of Financial Position assets and liabilities in order to arrive at the Company's interest rate exposure:

	Up to one year $	One to five years $	Over five years $	Non-interest bearing $	Total $
As at 31 December 2024					
Assets					
Investments	683,385,332	966,478,834	537,574,233	--	2,187,438,399
Other assets	--	--	--	21,927,691	21,927,691
Due from other related parties	--	--	--	464,668	464,668
Cash and cash equivalents	1,959,840,678	--	--	--	1,959,840,678
Total assets exposed to interest rate risk	2,643,226,010	966,478,834	537,574,233	22,392,359	4,169,671,436
Liabilities					
Insurance contracts	--	--	--	577,947,424	577,947,424
Reinsurance payable	--	--	--	22,892,266	22,892,266
Lease liabilities	9,657,975	8,687,013	--	--	18,344,988
Accounts payable	--	--	--	194,375,193	194,375,193
Due to ultimate parent company	--	--	--	13,853,956	13,853,956
Due to other related parties	--	--	--	3,722,257	3,722,257
Total liabilities exposed to interest rate risk	9,657,975	8,687,013	--	812,791,096	831,136,084
Interest rate gap	**2,633,568,035**	**957,791,821**	**537,574,233**	**(790,398,737)**	**3,338,535,352**

(Expressed in Jamaican dollars unless otherwise indicated)

6 **Financial risk management (continued)**

Introduction and overview (continued)

(i) *Market risk (continued)*

(a) *Interest rate risk (continued)*

Exposure to interest rate risk (continued)

	Up to one year $	One to five years $	Over five years $	Non-interest bearing $	Total $
As at 31 December 2023					
Assets					
Investments	423,862,337	896,314,464	511,782,502	--	1,831,959,303
Other assets	--	--	--	97,755,566	97,755,566
Due from other related parties	--	--	--	1,725,025	1,725,025
Cash and cash equivalents	1,591,852,336	--	--	--	1,591,852,336
Total assets exposed to interest rate risk	2,015,714,673	896,314,464	511,782,502	99,480,591	3,523,292,230
Liabilities					
Insurance contracts	--	--	--	496,411,082	496,411,082
Reinsurance payable	--	--	--	21,144,273	21,144,273
Lease liabilities	13,188,030	15,789,565	--	--	28,977,595
Accounts payable	--	--	--	149,097,211	149,097,211
Due to ultimate parent company	--	--	--	23,125,939	23,125,939
Due to other related parties	--	--	--	42,238,555	42,238,555
Total liabilities exposed to interest rate risk	13,188,030	15,789,565	--	732,017,060	760,994,655
Interest rate gap	**2,002,526,643**	**880,524,899**	**511,782,502**	**(632,536,469)**	**2,762,297,575**

Sensitivity analysis

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. For financial instruments and insurance contracts described in this note, the sensitivity is solely associated with the former, as the carrying amounts of the latter are not directly affected by changes in market risks.

There is no exposure to interest rate movement as the Company did not hold any variable rate instruments as at the reporting date. In addition, the Company's assets are at carried amortised cost therefore there is no fair value risk.

(Expressed in Jamaican dollars unless otherwise indicated)

6 **Financial risk management (continued)**

Introduction and overview (continued)

(i) *Market risk (continued)*

(b) *Currency risk*

Foreign currency risk is the risk that the market value of, or cash flows from, financial instruments will fluctuate because of changes in foreign exchange rates.

The Company is exposed to foreign currency risk on transactions that are denominated in currencies other than the Jamaica dollar. The currency giving rise to this risk is primarily the United States dollar. However, there are other transactions denominated in Trinidad and Tobago and Eastern Caribbean dollars. At the reporting date, the foreign currency balances were as follows:

	2024				
	JMD $	TTD $	XCD $	USD $	Total $
Assets:					
Cash and cash equivalents	1,959,840,678	--	--	--	1,959,840,678
Other assets	7,959,871	--	--	13,967,820	21,927,691
Investments at amortised cost	1,726,432,644	--	--	461,005,755	2,187,438,399
Due from related parties	--	--	464,668	--	464,668
Liabilities:					
Insurance contracts	(577,947,424)	--	--	--	(577,947,424)
Accounts payable	(194,375,193)	--	--	--	(194,375,193)
Reinsurance payable	--	--	--	(22,892,266)	(22,892,266)
Lease liability	(11,072,865)	--	--	(7,272,123)	(18,344,988)
Due to ultimate parent company	--	--	--	(13,853,956)	(13,853,956)
Due to related party	--	(3,722,257)	--	--	(3,722,257)
Net assets/(liabilities)	2,910,837,711	(3,722,257)	464,668	430,955,230	3,338,535,352

	2023				
	JMD $	TTD $	XCD $	USD $	Total $
Assets:					
Cash and cash equivalents	1,591,852,336	--	--	--	1,591,852,336
Other assets	97,755,566	--	--	--	97,755,566
Investments at amortised cost	1,400,029,731	--	--	431,929,572	1,831,959,303
Due from related parties	--	--	1,725,025	--	1,725,025
Liabilities:					
Insurance contracts	(496,411,082)	--	--	--	(496,411,082)
Accounts payable	(149,097,211)	--	--	--	(149,097,211)
Due to ultimate parent Company	--	--		(44,270,212)	(44,270,212)
Due to related party	--	(42,238,555)	--	--	(42,238,555)
Net assets/(liabilities)	2,444,129,340	(42,238,555)	1,725,025	387,659,360	2,791,275,170

(Expressed in Jamaican dollars unless otherwise indicated)

6 Financial risk management (continued)

Introduction and overview (continued)

(i) *Market risk (continued)*

(b) *Currency risk (continued)*

The exchange rates for the Jamaica dollar, in terms of the US$, EC$ and TT$, as at 31 December were:

	31 December 2024 $	31 December 2023 $
United States dollar (US$1)	154.79	153.59
Eastern Caribbean dollar (XCD$1)	57.81	56.47
Trinidad and Tobago dollar (TT$1)	22.99	22.50

Sensitivity analysis

The analysis below is performed for reasonable possible movements in foreign currency exchange rates with all other variables, in particular interest rates, remain constant, showing the impact on the statement of comprehensive income at the reporting date.

Change in variables – Devaluation

	TTD	XCD	USD
2024	+4%	+4%	+4%
2023	+5%	+5%	+5%

	2024				
	TTD $	XCD $	USD $	Profit or loss $	Equity
Assets:					
Other assets	--	--	558,713	558,713	558,713
Investments at amortised cost	--	--	18,440,230	18,440,230	18,440,230
Due from related parties	--	18,587	--	18,587	18,587
Liabilities:					
Reinsurance payable	--	--	(915,691)	(915,691)	(915,691)
Lease liability	--	--	(290,885)	(290,885)	(290,885)
Due to ultimate parent company	--	--	(554,158)	(554,158)	(554,158)
Due to related party	(148,890)	--	--	(148,890)	(148,890)
Net (liabilities)/assets	(148,890)	18,587	17,238,209	17,107,906	17,107,906

(Expressed in Jamaican dollars unless otherwise indicated)

6 Financial risk management (continued)

Introduction and overview (continued)

(i) *Market risk (continued)*

(b) *Currency risk (continued)*

Sensitivity analysis (continued)

			2023		
	TTD	XCD	USD	Profit or loss	Equity
	$	$	$	$	$
Assets:					
Investments at amortised cost	--	--	21,596,479	21,596,479	21,596,479
Due from related parties	--	86,251	--	86,251	86,251
Liabilities:					
Due to ultimate parent company	--	--	(2,213,511)	(2,213,511)	(2,213,511)
Due to related party	(2,111,928)	--	--	(2,111,928)	(2,111,928)
Net (liabilities)/ Assets	(2,111,928)	86,251	19,382,968	17,357,291	17,357,291

Change in variables – Revaluation

	TTD	XCD	USD
2024	-1%	-1%	-1%
2023	-1%	-1%	-1%

			2024		
	TTD	XCD	USD	Profit or loss	Equity
	$	$	$	$	
Assets:					
Other assets	--	--	(139,678)	(139,678)	(139,678)
Investments at amortised cost	--	--	(4,610,058)	(4,610,058)	(4,610,058)
Due from related parties	--	(4,647)	--	(4,647)	(4,647)
Liabilities:					
Reinsurance payable	--	--	228,923	228,923	228,923
Lease liability	--	--	138,540	138,540	138,540
Due to ultimate parent company	--	--	72,721	72,721	72,721
Due to related party	37,223	--	--	37,223	37,223
Net (liabilities)/assets	37,223	(4,647)	(4,309,552)	(4,276,976)	(4,276,976)

(Expressed in Jamaican dollars unless otherwise indicated)

6 **Financial risk management (continued)**

Introduction and overview (continued)

(i) *Market risk (continued)*

(b) *Currency risk (continued)*

Sensitivity analysis (continued)

Change in variables – Revaluation (continued)

	2023				
	TTD	**XCD**	**USD**	**Profit or loss**	**Equity**
	$	**$**	**$**	**$**	**$**
Assets:					
Investments at amortised cost	--	--	(4,319,296)	(4,319,296)	(4,319,296)
Due from related parties	--	(17,250)	--	(17,250)	(17,250)
Liabilities:					
Due to ultimate parent company	--	--	442,702	442,702	442,702
Due to related party	422,386	--	--	422,386	422,386
Net (liabilities)/ assets	422,386	(17,250)	(3,876,594)	(3,471,458)	(3,471,458)

(ii) *Credit risk*

The Company is exposed to credit risk, which is the risk that a customer or counterparty will not be able to meet its obligations.

Key areas where the Company is exposed to credit risk are:

- Reinsurance contract assets
- Amounts due from debt securities and cash positions.

Concentration of credit risk

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry, has less of an influence on credit risk.

Management has a credit policy in place, and exposure to credit risk is monitored on an ongoing basis. The Company does not require collateral in respect of any of its financial assets.

At the reporting date, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of the financial asset in the Statement of Financial Position.

(Expressed in Jamaican dollars unless otherwise indicated)

6 **Financial risk management (continued)**

Introduction and overview (continued)

(ii) *Credit risk (continued)*

Debt securities, and cash positions

Debt securities, mutual funds and cash positions are placed with financial institutions having sound credit rating.

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

	31 December 2024 $	31 December 2023 $
Debt securities at amortised cost		
Listed securities	461,005,755	431,929,572
Unlisted securities	1,485,303,926	1,244,455,033
Term deposits	241,128,718	155,574,698
Other assets	21,927,691	97,755,566
Due from related parties	464,668	1,725,025
Cash and cash equivalents	1,959,840,678	1,591,852,336
Total assets bearing credit risk	4,169,671,436	3,523,292,230

The above table represents a worst-case scenario of credit risk exposure to the Company as at 31 December 2024 and 2023, without taking account of any credit enhancements.

The table below provides information regarding the credit risk exposure of the Company by classifying financial assets according to the Standard & Poor's issued credit rating.

	B+	NR $	Total $
As at 31 December 2024			
Term deposits	--	241,128,718	241,128,718
Government bonds	1,946,309,681	--	1,946,309,681
	1,946,309,681	241,128,718	2,187,438,399
As at 31 December 2023			
Term deposits	--	155,574,698	155,574,698
Government bonds	1,676,384,605	--	1,676,384,605
	1,676,384,605	155,574,698	1,831,959,303

(Expressed in Jamaican dollars unless otherwise indicated)

6 Financial risk management (continued)

Introduction and overview (continued)

(iii) *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations for its financial liabilities. The Company manages its liquidity via prudent cash flow management, to allow it to meet all its financial obligations when they fall due. The Company maintains one portfolio and there are no amounts payable on demand.

The table below presents the cash flows payable by the Company for managing liquidity risk by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contracted undiscounted cash flows.

The table also provides an aggregation of the liquidity analysis on a Company level. The maturity analysis is illustrated in Note 5(i) above. All liabilities are presented on a contractual cash flow basis except for the insurance liabilities, which are presented with their expected cash flows.

		Payments due by period as at 31 December 2024			
	Carrying Amount $	Total Undiscounted Amount $	0-1 Year $	2-5 Years $	Over 5 Years $
Group Life Business					
Insurance liabilities	561,304,617	561,304,617	403,855,148	155,084,833	2,364,636
Other liabilities and payables	16,642,807	16,642,807	16,642,807	--	--
	577,947,424	577,947,424	420,497,955	155,084,833	2,364,636
Other Contractual obligations					
Other liabilities and payables	253,188,660	253,188,660	244,501,647	8,687,013	--
Total contractual obligations	831,136,084	831,136,084	664,999,602	163,771,846	2,364,636

		Payments due by period as at 31 December 2023			
	Carrying Amount $	Total Undiscounted Amount $	0-1 Year $	2-5 Years $	Over 5 Years $
Group Life Business					
Insurance liabilities	481,495,265	481,495,265	340,330,132	138,938,282	2,226,851
Other liabilities and payables	14,915,817	14,915,817	14,915,817	--	--
	496,411,082	496,411,082	355,245,949	138,938,282	2,226,851
Other Contractual obligations					
Other liabilities and payables	264,583,573	264,583,573	248,794,008	15,789,565	--
Total contractual obligations	760,994,655	760,994,655	604,039,957	154,727,847	2,226,851

6 Financial risk management (continued)

Introduction and overview (continued)

(iv) *Operational risk*

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations. The objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is effective.

7 Capital management

The Company's objectives when managing capital are:

(i) To comply with capital requirements set by the regulators of the insurance industry within which the Company operates;

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

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

The Company's main regulator is the Financial Services Commission (FSC) which monitors the capital requirements for the Company. The Company is in compliance with externally imposed capital requirements. These requirements are monitored by the Finance function.

Life Insurance Capital Adequacy Test (LICAT)

Per the Financial Services Commission (FSC) the Life Insurance Capital Adequacy Test (LICAT) percentage, required, to be held by insurance companies is 100%. At the end of the reporting period, the LICAT percentage held by the Company was 387% (2023: 317%).

(Expressed in Jamaican dollars unless otherwise indicated)

8 Fair value of financial instruments

The fair value of financial assets and liabilities that are traded in active markets are based on quoted market prices or dealer quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

(i) *Valuation models*

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

There were no transfers of financial instruments between levels during the year, neither were there any changes in the categorization from the prior year.

(ii) *Financial instruments measured at fair value – fair value hierarchy*

At year end, there were no financial instruments measured at fair value.

(iii) *Financial instruments not measured at fair value*

All of the Company's financial assets and liabilities are classified in Level 2 of the fair value hierarchy, and have carrying values that approximate their fair values, except for held to maturity securities, as follows:

	Level 1 $	Level 2 $	Level 3 $	Fair value $	Total carrying amount $
As at 31 December 2024					
Assets					
Investments at amortised cost	488,644,028	1,384,522,145	379,787,631	2,252,953,804	2,187,438,399
As at 31 December 2023					
Assets					
Investments at amortised cost	482,484,743	1,116,345,300	255,837,563	1,854,667,606	1,831,787,756

8 **Fair value of financial instruments (continued)**

(iii) *Financial instruments not measured at fair value (continued)*

The fair value in the table above was determined using current market rates available as at year end. Cash, other assets, accounts payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

9 **Significant estimates and judgments**

Management discusses with the Audit Committee the development, selection and disclosure of the Company's critical accounting policies and their application, and assumptions made relating to major estimation uncertainties.

a. *Key sources of estimation uncertainties*

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

Insurance and reinsurance contracts

(i) *The methods used to measure insurance contracts*

The determination of the liabilities under short-term insurance contracts is dependent on estimates made by the Company. Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk. The Company bases these estimates on standard mortality tables adjusted where appropriate to reflect the Company's own experience or expectations (See note 5b(iii)).

The main source of uncertainty is that epidemics and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in mortality being significantly worse than in the past for the age groups in which the Company has significant exposure to mortality risk. See note 5 b(v) for the sensitivity of the value of insurance liabilities to changes in assumptions used to value these liabilities.

The current valuation for LPLS was carried out incorporating historic claims paid during 2024 to determine estimates. The expected loss ratios based on historic experience was adjusted down by 10% (2023: 10% down). For the current year, an explicit margin of safety of 10% was included in the aggregate reserve estimate based on the expected claims method and it was assumed that the Risk adjustment (RA) is equal to the amount of this margin (i.e. RA = 10% of Best Estimate Liability).

9 **Significant estimates and judgments (continued)**

a. *Key sources of estimation uncertainties (continued)*

(i) *The methods used to measure insurance contracts (continued)*

The reserve for FIP is based on average monthly paid claims over the prior 36-month period. A reserving factor was applied to this 3-year average monthly claim amount to estimate the claims reserves.

(ii) *Expenses*

Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base.

The cash flows within the contract boundary include an allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts. Such overheads are allocated to groups of contracts using methods that are systematic and rational, and are consistently applied to all costs that have similar characteristics.

(iii) *Discount rates*

The Company has elected not to adjust expected cash flows for the time value of money for PAA Liability for Incurred Claims where settlement is expected to occur within one year.

(iv) *Risk adjustment for non-financial risk*

The risk adjustment for non-financial risk represents the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts and covers insurance risk, lapse risk and expense risk. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the best estimate amount.

The risk adjustments for this year-end are estimated based on the margins previously held for statutory purposes. See note 5(b)(v). The calculated risk adjustment at future durations is discounted to the reporting date at the risk-free rate, to be held as a part of the total life insurance contract liability.

Further work is required to fully assess the equivalent confidence levels to which these correspond.

This assessment is subject to the credibility of the results of such analysis, given the relatively small size of these blocks.

For the Group Life estimates of Liabilities for Incurred Claims, this includes investigations into the application of approaches typically used for non-life insurance reserving.

(v) *Allowances for credit losses*

The allowances for impairment are based upon management's best estimate of the cash flows expected to be received. In these estimates, judgments are made about the value of the counterparty's financial situation of any collateral.

9 Significant estimates and judgments (continued)

b. *Critical judgements in applying accounting policies*

(i) *Determining fair values*

Fair value reflects the present value of future cash flows associated with a financial asset or liability where an active market exists. Under normal circumstances, observable market prices or rates are used to determine fair value. For financial instruments with no active market or a lack of price transparency, fair values are estimated as the purchase cost; where there are no indicators that the financial asset is impaired. The assumptions and judgments applied here affect the derived fair value of the instruments. See note 8.

(ii) *Impairment of non-financial assets*

Judgment is required to determine whether there are indicators of impairment. If impairment is indicated then the amount is determined using the techniques described in accounting policy 4(e).

(iii) *Impairment losses on financial assets*

The measurement of ECL allowance for financial assets measured at amortised cost requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 4(b)(vi)-(ix).

(iv) *Retirement benefit plan*

Estimates and judgements are used in determining the value of the Company's defined benefit plan assets and obligations. Assumptions used are disclosed in Note 11.

(v) *Income taxes*

Judgements are required in determining the provision for income taxes as the tax liability or asset arising from certain transactions or events may be uncertain. In cases of such uncertainty, the Company recognises liabilities for possible additional taxes based on its judgement. Where, on the basis of a subsequent determination, the final tax outcome in relation to such matters is different from the amount that was initially recognised, the difference will impact the current and deferred income tax provisions in the period in which such determination is made.

(vi) *Depreciation methods, useful lives and residual values*

Depreciation methods, useful lives and residual values rely on judgement and estimates by management, one of which is that the relevant assets will continue to be used for their current purpose. In addition, useful lives and residual values vary between individual assets and are dependent upon continuation of the current level of maintenance. Should there be a change in the present use or level of maintenance this could change the charge for depreciation and net book value of property, plant and equipment within the next financial year.

(Expressed in Jamaican dollars unless otherwise indicated)

10 Non-financial assets and liabilities

a. *Property, plant and equipment (PPE)*

	Office furniture and equipment $	Computer equipment $	Leasehold improvements $	Total $
Year ended 31 December 2024				
Opening net book value	7,880,497	12,287,421	9,347,718	29,515,636
Additions	1,287,249	--	--	1,287,249
Disposals	(188,689)	--	--	(188,689)
Accumulated depreciation on disposals	117,594	--	--	117,594
Depreciation charge	(1,208,493)	(4,982,991)	(6,125,810)	(12,317,294)
Closing net book value	7,888,158	7,304,430	3,221,908	18,414,496
At 31 December 2024				
Cost	25,758,802	58,921,101	46,299,239	130,979,142
Accumulated depreciation	(17,870,644)	(51,616,671)	(43,077,331)	(112,564,646)
Net book value	7,888,158	7,304,430	3,221,908	18,414,496
Year ended 31 December 2023				
Opening net book value	2,650,400	10,946,389	15,473,528	29,070,317
Additions	5,838,445	6,431,052	--	12,269,497
Depreciation charge	(608,348)	(5,090,020)	(6,125,810)	(11,824,178)
Closing net book value	7,880,497	12,287,421	9,347,718	29,515,636
At 31 December 2023				
Cost	24,660,241	58,921,101	46,299,239	129,880,581
Accumulated depreciation	(16,779,744)	(46,633,680)	(36,951,521)	(100,364,945)
Net book value	7,880,497	12,287,421	9,347,718	29,515,636

b. *Intangible assets*

	2024 $	2023 $
Year ended 31 December		
Opening net book value	262,703,314	280,092,985
Additions	23,585,356	26,334,094
Amortisation charge	(45,952,977)	(43,723,765)
Closing net book value	240,335,693	262,703,314
At 31 December		
Cost	499,952,052	476,366,696
Accumulated amortisation	(259,616,359)	(213,663,382)
Net book value	240,335,693	262,703,314

(Expressed in Jamaican dollars unless otherwise indicated)

10 Non-financial assets and liabilities (continued)

c. *Right of use assets*

(i) *Amounts recognised in the Statement of Financial Position*

	Buildings $	Motor Vehicles $	Total $
Year ended 31 December 2024			
Balance at January 1	46,741,756	25,423,643	72,165,399
Disposals	(19,267,334)	--	(19,267,334)
Balance at December 31	27,474,422	25,423,643	52,898,065
At 31 December 2024			
Accumulated depreciation at January 1	(36,048,031)	(9,389,995)	(45,438,026)
Accumulated depreciation on disposals	16,930,101	--	16,930,101
Depreciation charge for the year	(4,464,283)	(3,886,728)	(8,351,011)
Balance at December 31	(23,582,213)	(13,276,723)	(36,858,936)
Carrying amount of right-of-use asset	3,892,209	12,146,920	16,039,129
Year ended 31 December 2023			
Balance at January 1	46,741,756	5,990,000	52,731,756
Additions	--	19,433,643	19,433,643
Balance at December 31	46,741,756	25,423,643	72,165,399
At 31 December 2023			
Accumulated depreciation at January 1	(29,024,512)	(5,990,000)	(35,014,512)
Depreciation charge for the year	(7,023,519)	(3,399,995)	(10,423,514)
Balance at December 31	(36,048,031)	(9,389,995)	(45,438,026)
Carrying amount of right-of-use asset	10,693,725	16,033,648	26,727,373

(Expressed in Jamaican dollars unless otherwise indicated)

10 Non-financial assets and liabilities (continued)

c. *Right of use assets (continued)*

(ii) *Amounts recognised in the Statement of Comprehensive Income*

	Notes	2024 $	2023 $
Depreciation charge on right-of-use assets			
Buildings		4,464,283	7,023,519
Motor vehicles		3,886,728	3,399,995
	10(c)	8,351,011	10,423,514
Interest expense (included in management and operating expenses)	23	984,877	1,384,008
Maintenance costs related to leased buildings (included in management and operating expenses)	23	7,591,894	6,552,171
		8,576,771	7,936,179

11 Retirement benefit plans

Defined benefit plan – Pension plan assets

The following information explains the quantification of the assets and liabilities recognised in the Statement of Financial Position and the net income for the year in accordance with the provisions.

	2024 $	2023 $
Funded status reconciliation at end of period		
Present value of the obligation	(141,309,000)	(109,652,000)
Fair value of plan assets	171,041,000	152,718,000
Over-funded obligation	29,732,000	43,066,000
Effect of asset ceiling	--	(5,372,000)
Asset recognised in Statement of Financial Position	29,732,000	37,694,000
Movements in net asset		
Opening net asset	37,694,000	12,647,000
Retirement benefit expense	(897,000)	(572,000)
Total remeasurements included in OCI	(10,544,000)	22,511,000
Employer's contributions	3,479,000	3,108,000
Closing net asset	29,732,000	37,694,000

(Expressed in Jamaican dollars unless otherwise indicated)

11 Retirement benefit plans (continued)

Defined benefit plan – Pension plan assets (continued)

The amount in the Statement of Comprehensive Income is made up as follows: -

	2024 $	2023 $
Expense recognised in profit or loss (P&L)		
Employer's current service cost	(4,544,000)	(1,936,000)
Interest cost on obligation	(11,959,000)	(8,010,000)
Interest income on plan assets	17,081,000	18,363,000
Interest on effect of asset ceiling	(591,000)	(8,305,000)
Administrative expenses	(884,000)	(684,000)
Components of defined benefit cost recognised in the P&L	(897,000)	(572,000)
Components of OCI (Remeasurements)		
Actuarial loss on obligation	(13,503,000)	(36,906,000)
Actuarial loss on plan assets	(3,004,000)	(7,405,000)
Change in effect of asset ceiling	5,963,000	66,822,000
Components of defined benefit (cost)/surplus recorded in OCI	(10,544,000)	22,511,000
Defined benefit (cost)/surplus	(11,441,000)	21,939,000

The movement in the fair value of retirement benefit plan assets of the year is as follows:

	2024 $	2023 $
Fair value of plan assets at beginning of period	152,718,000	140,069,000
Employees' contributions	3,511,000	3,105,000
Employer's contributions	3,479,000	3,108,000
Interest income	17,081,000	18,363,000
Benefits paid	(1,860,000)	(3,838,000)
Administrative expenses	(884,000)	(684,000)
Actuarial loss on plan assets	(3,004,000)	(7,405,000)
Fair value of plan assets at end of period	171,041,000	152,718,000

The movement in the obligation to plan members over the year is as follows:

	2024 $	2023 $
Changes in the present value of the obligation		
Present value of obligation at beginning of period	109,652,000	63,533,000
Employer's current service cost	4,544,000	1,936,000
Employees' contributions	3,511,000	3,105,000
Interest cost	11,959,000	8,010,000
Benefits paid	(1,860,000)	(3,838,000)
Actuarial gain - experience adjustments	2,703,000	6,792,000
Actuarial gain - changes in financial assumptions	10,800,000	30,114,000
Present value of obligation at end of period	141,309,000	109,652,000

(Expressed in Jamaican dollars unless otherwise indicated)

11 **Retirement benefit plans (continued)**

Defined benefit plan – Pension plan assets (continued)

The principal actuarial assumptions used for accounting purposes were:

The economic assumptions adopted for the current and prior Measurement Dates are shown below.		
Measurement Date:	**2024**	**2023**
(1) Discount Rate (% p.a.)	9.50	11.00
(2) Salary Increases (% p.a.)	7.00	8.00
(3) Retirement Benefit Increases (% p.a.)	5.00	6.00
(4) Price inflation (% p.a.)	5.00	6.50

The following demographic assumptions are applicable for the valuation as at 31 December 2024.

(1) Mortality in Service and Retirement	RP-2014 Employee and Healthy Annuitant Mortality Rates projected to the Measurement Date, using the Society of Actuaries' Scale MP-2014. Specimen mortality rates (number of occurrences per 1,000 members) are given below:		
	Attained Age	**Males**	**Females**
	25	0.407	0.148
	30	0.387	0.195
	35	0.456	0.259
	40	0.534	0.347
	45	0.817	0.565
(2) Withdrawal	Withdrawal rates were adopted as follows:		
	Attained Age	**Males**	**Females**
	25	12.0%	8.0%
	30	8.0%	4.0%
	35	5.0%	2.5%
	40	5.0%	2.5%
	45	2.0%	1.0%
	50	2.0%	1.0%
	55	-	-
(3) Incapacity Retirement	Nil		
(4) Retirement Rates	100% for persons at the Normal Retirement Age.		
(5) Actuarial Value of the Fund	Statement of Financial Position Value of the Fund.		
(6) Income Tax	The Fund will continue to be tax exempt.		

11 **Retirement benefit plans (continued)**

Defined benefit plan – Pension plan assets (continued)

Retirement benefit plan assets are comprised as follows:

Distribution Of Assets By Type Of Security	2024		2023	
	Market Value of Assets	**Distribution of Assets**	**Market Value of Assets**	**Distribution of Assets**
	$'000	**% Total**	**$'000**	**% Total**
J$ Debentures	54,966	32%	55,421	36%
Investment Properties	39,603	23%	34,923	23%
Quoted Equities	38,632	23%	31,264	21%
US$ Debentures	7,461	4%	8,506	6%
Repurchase Agreements	11,669	7%	7,746	5%
J$ Certificates of Deposit	17,436	10%	4,680	3%
Unit Trusts	15,738	9%	9,499	6%
Real Estate Investment Trusts	2,381	1%	1,692	1%
Other Net Current Liabilities	(16,846)	(9%)	(1,013)	(1)%
Total	171,040	100%	152,718	100%

The expected Employer's Contribution for the 2025 Fiscal Year is $3.49 million (2024: $3.11 million), based on a contribution rate of 8% of pensionable salaries.

Shown below is the impact of the change in the Defined Benefit Obligation (DBO) of a one percent (1%) change in each of the key economic assumptions. In determining the impact of each assumption, the others are held constant.

Sensitivity Analysis of Key Economic Assumptions ($'000)				
Measurement date	**2024**		**2023**	
Assumption	**+1%**	**-1%**	**+1%**	**-1%**
Discount rate	(18,764)	23,821	(14,129)	17,816
Future salary increases	7,525	(6,564)	5,614	(4,912)
Future pension increases	14,074	(12,030)	10,581	(9,067)

Liability duration

The liability duration for each category of Member as at the current and prior measurement dates is shown below.

Category of participant	**Liability duration (Years)**	
	2024	**2023**
Active members	17.6	17.6
Deferred pensioners	17.8	18.5
Retirees	7.3	7.3
All participants	**16.3**	**16.0**

The effect on the Defined Benefit Obligation of an increase of one year in the life expectancy is about $1.4 million (2023: $2.87 million).

(Expressed in Jamaican dollars unless otherwise indicated)

11 Retirement benefit plans (continued)

Defined contribution scheme

The defined contribution pension scheme is open to employees hired on or after January 1, 2017. Employees contribute 5% of pensionable earnings with the option of contributing an additional voluntary contribution of up to 10%. Each member's total contribution (i.e. Compulsory, Voluntary, and Employer contributions) must not exceed 20% of their pensionable salary. Employer contributions are based on the employee's age at the date of entry to the plan and range from 5% to 8%. The rates are fixed for the individual member for their entire tenure in the Plan. The company's contribution for the year was $4,715,225 (2023: $4,537,999).

12 Financial assets

(a) *Fair value of investment securities by measurement category*

	Carrying Value 2024 $	Fair Value 2024 $	Carrying Value 2023 $	Fair Value 2023 $
Amortised cost	2,187,438,399	2,252,953,804	1,831,959,303	1,854,667,606

(b) *Restricted assets*

Section 8(1) (b) of the Insurance Regulations 2001 requires the Company to pledge to the Financial Services Commission, financial assets with a minimum face value of $90,000,000. The amount of $170,455,676 (2023 - $299,692,819) represents the fair value of these financial assets including interest receivable, pledged as at 31 December 2024.

(c) *Movement in financial assets*

	2024 $	2023 $
Investments at amortised cost		
Opening balance 1 January	3,261,747,059	2,267,623,757
Acquisitions	15,696,314,168	9,361,584,491
Maturities	(15,125,459,079)	(8,377,825,391)
Interest receivable	101,048,631	
Amortisation of premium/discount, net	(4,251,527)	8,973,601
Impairment loss (ECL)	1,064,232	(5,709,202)
Foreign exchange gain	3,412,431	7,099,803
Total investments at amortised cost	3,933,875,915	3,261,747,059
Amounts due within 90 days and classified as cash and cash equivalents (Note 15)	(1,746,437,516)	(1,429,787,756)
Closing balance 31 December	2,187,438,399	1,831,959,303

All of these investment securities are fixed rate instruments.

	2024 $	2023 $
Current	683,385,332	424,323,396
Non-Current	1,504,053,067	1,407,635,907
	2,187,438,399	1,831,959,303

(Expressed in Jamaican dollars unless otherwise indicated)

12 **Financial assets**

(c) *Movement in financial assets (continued)*

a. *Impairment of financial assets*

The Company's debt investments carried at amortised cost are subject to the expected credit loss model. These investments are considered to have low credit risk, and loss allowance recognised during the period was therefore limited to 12 months expected losses. Recent macroeconomic factors and credit ratings, and historical payment history of the investments were taken into consideration by management. The impairment loss/expected credit losses recognized in the Statement of Comprehensive Income for the current year was a reduction of $1,064,232 (2023: increase of $2,654,666).

The relevant scenarios identified by management were revised in 2024 to include macro-economic factors. The overall impact of this revision amounted to $1,036,760 which is immaterial to the financial statements.

13 **Other assets**

	2024 $	2023 $
Interest receivable	13,967,820	91,743,847
Prepayments	4,519,563	3,941,273
Other receivable	3,440,308	2,070,446
	21,927,691	97,755,566

14 **Related parties**

a. *Identity of related party*

The Company has a related party relationship with its parent, other group companies, directors and key management personnel.

A number of transactions have been entered into with related parties in the normal course of business.

b. *Related party transactions and balances*

	2024 $	2023 $
(i) *Transactions during the period*		
Management fees	124,063,158	97,176,792
Software development charges	48,546,795	51,386,059
Acquisition of intangible assets	23,585,356	22,899,213
Reinsurance premiums	89,257,592	81,121,384
Directors' fees	7,262,015	6,782,821
	292,714,916	259,366,269

(Expressed in Jamaican dollars unless otherwise indicated)

14 Related parties (continued)

b. *Related party transactions and balances (continued)*

(ii) *Amounts due from/to ultimate parent, and related parties*

	2024 $	2023 $
Due from:		
Other related parties	464,668	1,725,025
Due to:		
Ultimate parent company- Reinsurance (Note 18)	22,892,266	21,144,273
Software upgrade (a)	13,853,956	23,125,939
Other related parties	3,722,257	42,238,555
	40,468,479	86,508,767

The amounts payable to related parties are interest-free, unsecured and are repayable within three months.

(a) This balance comprises amounts due to CMFG Life Insurance Company for remaining payment relating to on-going software upgrade.

c. *Transactions with key management personnel*

There were five (2023: four) key management personnel employed with the Company during the year. The key management personnel compensation is as follows:

	2024 $	2023 $
Long-term employee benefits	3,154,947	2,639,673
Short-term employee benefits	60,772,450	46,428,532
	63,927,397	49,068,205

15 Cash and cash equivalents

	2024 $	2023 $
Cash in hand and at bank	213,403,162	162,064,580
Investments at amortised cost (maturing in less than three months)	1,746,437,516	1,429,787,756
	1,959,840,678	1,591,852,336

(Expressed in Jamaican dollars unless otherwise indicated)

16 Stated capital

	2024 $	2023 $
Authorised:		
The Company has no limit on the number of shares that it is authorised to issue.		
Issued and fully paid:		
10,000 ordinary shares at no par value		
In issue at 31 December	167,294,598	167,294,598

During 2016, the parent paid $494,442,850 into the Company, which was recorded as capital contribution. This has no fixed repayment terms and is expected to be capitalised as shares.

17 Reserves

	2024 $	2023 $
Opening balance	22,903,392	6,020,142
Defined Benefit pension plan	(7,908,000)	16,883,250
	14,995,392	22,903,392

These reserves comprise the actuarial remeasurement of the Defined Benefit pension plan and the resultant deferred tax on same.

18 Insurance contracts

The Company disaggregates information to provide disclosure in respect of major lines of business. This disaggregation has been determined based on how the Company is managed. The breakdown of portfolios of insurance, and reinsurance contracts held, that are in an asset position and those in a liability position is set out in the table below.

	31 December 2024		31 December 2023	
Insurance and reinsurance contracts issued	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Group Life - PAA				
Total insurance contracts issued	--	577,947,424	--	496,411,082
Total reinsurance contracts held	--	22,892,266	--	21,144,273

(Expressed in Jamaican dollars unless otherwise indicated)

18 **Insurance contracts (continued)**

a. *Roll-forward of net assets or liability for Group Life contracts issued showing the liability for remaining coverage and the liability for incurred claims:*

	31 December 2024				
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
Insurance contract liabilities as at 1 January 2024	(17,632,426)	--	439,534,300	74,509,208	496,411,082
Insurance revenue	(4,462,879,612)	--	--	--	(4,462,879,612)
Insurance service expenses:					
Incurred claims and other expenses	--	--	3,014,449,457	6,301,617	3,020,751,074
Insurance acquisition cashflows expensed	572,305,268	--	--	--	572,305,268
Changes in liabilities for incurred claims	--	--	--	7,450,921	7,450,921
	572,305,268	--	3,014,449,457	13,752,538	3,600,507,263
Insurance service result	(3,890,574,344)	--	3,014,449,457	13,752,538	(862,372,349)

(Expressed in Jamaican dollars unless otherwise indicated)

18 **Insurance contracts (continued)**

a. *Roll-forward of net assets or liability for Group Life contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)*

	31 December 2024				
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
Total changes in the statement of comprehensive income	(3,890,574,344)	--	3,014,449,457	13,752,538	(862,372,349)
Cash flows:					
Premium received	4,443,974,791	--	--	--	4,443,974,791
Claims and other expenses paid	--	--	(2,927,760,833)	--	(2,927,760,833)
Insurance acquisition cash flows	(572,305,267)	--	--	--	(572,305,267)
Total cash flows	3,871,669,524	--	(2,927,760,833)	--	943,908,691
Net insurance contract liabilities as at 31 December 2024	(36,537,246)	--	526,222,924	88,261,746	577,947,424

There are no long-term amounts in the net asset or liability for in these calculations. All amounts are due/payable within the next 12 months of the year ended 31 December.

(Expressed in Jamaican dollars unless otherwise indicated)

18 **Insurance contracts (continued)**

a. *Roll-forward of net assets or liability for Group Life contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued):*

	31 December 2023				
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
Insurance contract liabilities as at 1 January 2023	(23,311,428)	--	482,570,759	82,424,098	541,683,429
Insurance revenue	(4,056,069,211)		--	--	(4,056,069,211)
Insurance service expenses: Incurred claims and other expenses	--	--	2,675,238,473	327,520	2,675,565,993
Insurance acquisition cashflows expensed	518,137,915	--	--	--	518,137,915
Changes in liabilities for incurred claims	--	--	--	(8,242,410)	(8,242,410)
	518,137,915	--	2,675,238,473	(7,914,890)	3,185,461,498
Insurance service result	(3,537,931,296)	--	2,675,238,473	(7,914,890)	(870,607,713)

(Expressed in Jamaican dollars unless otherwise indicated)

18 **Insurance contracts (continued)**

a. *Roll-forward of net assets or liability for Group Life contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued):*

	31 December 2023				
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
Total changes in the statement of comprehensive income	(3,537,931,296)	--	2,675,238,473	(7,914,890)	(870,607,713)
Cash flows:					
Premium received	4,061,748,213	--	--	--	4,061,748,213
Claims and other expenses paid	--	--	(2,718,274,932)		(2,718,274,932)
Insurance acquisition cash flows	(518,137,915)		--		(518,137,915)
Total cash flows	3,543,610,298	--	(2,718,274,932)	--	825,335,366
Net insurance contract liabilities as at December 31 2023	(17,632,426)	--	439,534,300	74,509,208	496,411,082

There are no long-term amounts in the net asset or liability for in these calculations. All amounts are due/payable within the next 12 months of the year ended 31 December.

b. *Roll-forward of net assets or liability for Individual life contracts showing the liability for remaining coverage and the liability for incurred claims*

The Company discontinued the Individual Life product in 2022. There are still some amounts due for payout to the policyholders and the remaining balances due are recorded in the accounts payable account (Note 20). The effect of this roll forward of net assets or liabilities for individual life for the years ended 31 December 2023 and 2024 is nil. The Company is in consultation with its legal advisors on the treatment of the payouts to be made to the policyholders who cannot be reached.

(Expressed in Jamaican dollars unless otherwise indicated)

18 **Insurance contracts (continued)**

c. *Roll-forward of net assets or liability for reinsurance contracts held showing the liability for remaining coverage and the liability for incurred claims*

	31 December 2024				
	Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Estimate of the present value of future cash flows	Risk adjustment	Total
Net reinsurance contract liabilities as at 1 January 2024	21,144,273	--	--	--	21,144,273
Net expense from reinsurance contracts held –					
Reinsurance premium	89,257,592	--	--	--	89,257,592
Total changes in the statement of comprehensive income	89,257,592	--	--	--	89,257,592
Cash flows:					
Total cash flows					
Premium paid	(87,509,598)	--	--		(87,509,598)
Net reinsurance contract liabilities as at: 31 December 2024	22,892,266	--	--		22,892,266

(Expressed in Jamaican dollars unless otherwise indicated)

18 **Insurance contracts (continued)**

c. *Roll-forward of net assets or liability for reinsurance contracts held showing the asset for remaining coverage and amounts recoverable on incurred claims (continued)*

	31 December 2023				
	Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Estimate of the present value of future cash flows	Risk adjustment	Total
Net reinsurance contract liabilities as at: 1 January 2023	18,929,666	--	--	--	18,929,666
Net expense from reinsurance contracts held –					
Reinsurance premium	81,121,385	--	--	--	81,121,385
Total changes in the statement of comprehensive income	81,121,385	--	--	--	81,121,385
Cash flows:					
Total cash flows					
Premium paid	(78,906,778)	--	--	--	(78,906,778)
Net reinsurance contract liabilities as at: 31 December 2023	21,144,273	--	--	--	21,144,273

19 **Lease liabilities**

The Company leases properties and motor vehicles for use in its operations. The term of the leases run for the period of three (3) to five (5) years. The leases on properties have an option to renew at the end of the term.

Lease liabilities – minimum lease payments

	2024 $	2023 $
Not later than one year - current	9,657,975	13,188,030
Later than one year and not later than five years	11,097,294	21,170,282
	20,755,269	34,358,312
Future interest charges on lease liabilities	(2,410,281)	(5,380,717)
Present value of lease liabilities	18,344,988	28,977,595

(Expressed in Jamaican dollars unless otherwise indicated)

19 Lease liabilities (continued)

The present value of lease liabilities may be analyzed as follows:

	2024 $	2023 $
Not later than one year - current	9,657,975	13,188,030
More than one year - non-current	8,687,013	15,789,565
	18,344,988	28,977,595

20 Accounts payable

	2024 $	2023 $
Accounts payable	108,262,482	74,651,125
Accrued expenses	86,112,711	74,446,086
	194,375,193	149,097,211

21 Insurance revenue

	2024 $	2023 $
Contracts measured under PAA		
Insurance Revenue	4,462,879,612	4,056,069,211

22 Insurance service expense

	2024 $	2023 $
Incurred claims and other expenses	2,782,931,904	2,583,516,686
Amortisation of insurance acquisition cash flows	567,385,917	519,484,494
Amortisation of main acquisition cash flows	149,748,281	133,411,807
Changes in liabilities for incurred claims - past service	100,441,161	(50,951,488)
	3,600,507,263	3,185,461,499

There were no reinsurance recoveries on claims incurred in 2024.

(Expressed in Jamaican dollars unless otherwise indicated)

23 Other operating expenses

	2024			
	Directly Attributable Acquisition Expenses $	Directly Attributable Maintenance Expenses $	Non-directly Attributable Expenses $	Total $
Depreciation expense - PPE	4,434,226	2,340,286	5,542,783	12,317,295
Depreciation expense – right-of-use asset	3,006,364	1,586,692	3,757,955	8,351,011
Amortisation expense	--	--	45,952,976	45,952,976
Maintenance expense for rental premises	6,861,417	3,621,303	8,576,771	19,059,491
Directors' fees	--	--	7,262,015	7,262,015
Employee-related expense (a)	84,962,698	44,670,506	101,179,035	230,812,239
Marketing and communication expense	19,200,040	7,705,687	18,919,041	45,824,768
Utilities expense	95,083	50,183	427,757	573,023
Audit fees	--	--	24,508,825	24,508,825
Professional services expense	5,302,505	7,489,470	21,587,583	34,379,558
Administrative fees	390,527,114	--	--	390,527,114
Management fees	44,662,737	23,572,000	55,828,421	124,063,158
Other operating expenses	8,333,733	58,712,154	40,079,931	107,125,818
	567,385,917	149,748,281	333,623,093	1,050,757,291

	2023			
	Directly Attributable Acquisition Expenses $	Directly Attributable Maintenance Expenses $	Non-directly Attributable Expenses $	Total $
Depreciation expense - PPE	4,256,704	2,246,594	5,320,880	11,824,178
Depreciation expense – right-of-use asset	3,752,465	1,980,468	4,690,581	10,423,514
Amortisation expense	--	--	43,723,765	43,723,765
Maintenance expense for rental premises	6,348,943	3,350,831	7,936,179	17,635,953
Directors' fees	--	--	6,782,821	6,782,821
Employee-related expense (a)	68,525,441	37,187,420	83,198,253	188,911,114
Marketing and communication expense	19,162,164	7,798,141	19,371,287	46,331,592
Utilities expense	106,069	55,981	653,808	815,858
Audit fees	--	--	19,813,933	19,813,933
Professional services expense	5,075,406	5,666,501	32,612,231	43,354,138
Administrative fees	372,601,133	--	--	372,601,133
Management fees	34,983,645	18,463,590	43,729,556	97,176,791
Other operating expenses	4,672,524	56,662,281	36,645,464	97,980,269
	519,484,494	133,411,807	304,478,758	957,375,059

(Expressed in Jamaican dollars unless otherwise indicated)

23 Other operating expenses (continued)

a. *Employee Related Expense*

	2024 $	2023 $
Salaries and wages	185,633,814	148,789,493
Post-retirement benefits	4,715,225	4,537,999
Insurance	7,728,241	6,741,122
Payroll taxes	18,930,714	15,614,511
Other employee benefits	13,804,245	13,227,989
	230,812,239	188,911,114
Less: Total included in insurance service expenses	(129,633,204)	(105,712,861)
	101,179,035	83,198,253

24 Taxation

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

	2024 $	2023 $
Current income tax expense	185,348,109	180,265,450
Decrease in deferred tax asset	(8,171,927)	(231,624)
Increase in deferred tax liability	645,500	634,000
Tax credit adjustment	(70,689,531)	--
	107,132,151	180,667,826

b. *Reconciliation of effective tax rate*

	2024 $	2023 $
Profit before taxation	714,381,892	681,517,237
Expected tax charge 25% (2023: 25%)	178,595,473	170,379,309
Adjusted for:		
Capital allowance less depreciation and amortisation	(1,422,704)	(2,533,048)
Capital portion of right-of-use assets	(4,204,521)	(3,912,808)
Movement on retirement benefits plan	2,636,000	(5,627,750)
Disallowed expenses and other capital adjustments	22,824,456	22,215,171
Tax credit adjustment	(70,689,531)	--
Net effect of other allowances	(20,607,022)	146,952
Actual taxation charge	107,132,151	180,667,826

(Expressed in Jamaican dollars unless otherwise indicated)

24 Taxation (continued)

c. *Deferred tax balances*

	Property Plant and equipment $	Intangible assets $	Right of-use-assets $	Defined Benefit Obligation $	Other $	Total $
As 1 January 2024	(2,370,954)	91,678,395	5,300,851	(9,050,000)	(22,935,962)	62,622,330
(Charged)/credited to profit or loss year to profit or loss	232,613	11,886,440	1,871,025	(645,500)	(5,818,151)	7,526,427
Credited to other comprehensive income	--	--	--	2,636,000	--	2,636,000
As 31 December 2024	(2,138,341)	103,564,835	7,171,876	(7,059,500)	(28,754,113)	72,784,757

	Property Plant and equipment $	Intangible assets $	Right of-use-assets $	Defined Benefit Obligation $	Other $	Total $
As 1 January 2022	(1,401,929)	81,726,585	5,704,049	(2,788,250)	(19,879,832)	63,360,623
(Charged)/credited to profit or loss	(969,025)	4,659,977	(403,198)	(634,000)	(3,056,130)	(402,376)
Adjustment to prior year to profit or loss	--	5,291,833	--	--	--	5,291,833
Credited to other comprehensive income	--	--	--	(5,627,750)	--	(5,627,750)
As 31 December 2023	(2,370,954)	91,678,395	5,300,851	(9,050,000)	(22,935,962)	62,622,330

Deferred tax assets of $110,736,711 (2023: $96,979,246) and deferred tax liabilities of $37,951,954 (2023: $34,356,916) arising from temporary differences relating to the Company's assets and liabilities, have been recognised by the Company, as management believes that the balances will be realised in the foreseeable future.

d. *Taxation recoverable*

	2024 $	2023 $
Tax withheld at source	58,705,358	--
Tax liability	(44,800,447)	--
	13,904,911	--

(Expressed in Jamaican dollars unless otherwise indicated)

24 Taxation (continued)

e. *Taxation payable*

	2024 $	2023 $
Tax withheld at source	--	(38,801,774)
Tax payable	--	89,957,405
	--	51,155,631

25 Subsequent events

There were no events subsequent to 31 December 2024 which resulted in required adjustments to the balances reported in these financial statements or a requirement for additional disclosures.

26 Contingent liabilities

The Company had no contingent liabilities as at 31 December 2024 (2023: Nil).