

**GUARDIAN RE (SAC) LTD.**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2023**

**Expressed in United States dollars**

**GUARDIAN RE (SAC) LTD.**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

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## GUARDIAN RE (SAC) LTD.

### STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of Guardian Re (SAC) Ltd. ("the Company") which comprise the statement of financial position as at 31 December 2023, the statements of income, changes in equity and cash flows for the year then ended, comprising material accounting policy information and other explanatory information;
- Ensuring that the Company keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the company's assets, detection/prevention of fraud, and the achievement of the Company's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including The Insurance Act, 1978 (Bermuda) and Related Regulations as amended;
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised the IFRS Accounting Standards, as issued by the International Accounting Standards Board. Where IFRS Accounting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Company will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.



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DEAN ROMANY  
PRESIDENT  
25 April 2024



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NALINI GOPIECHANSINGH-MAHATO  
VICE PRESIDENT - FINANCE  
25 April 2024



## Independent auditor's report

To the shareholder of Guardian Re (SAC) Ltd.

### Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Guardian Re (SAC) Limited (the Company) as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

### *What we have audited*

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2023;
- 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.

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### 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.

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

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

In preparing the financial statements, management is responsible for assessing the 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.

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## **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.

The logo for PricewaterhouseCoopers, featuring the company name in a stylized, cursive blue font.

Port of Spain  
Trinidad, West Indies  
30 April 2024


**GUARDIAN RE (SAC) LTD.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2023**

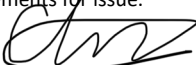
Expressed in United States dollars

		31 December	Restated 31 December	Restated 1 January
		2023	2022	2022
	Notes	\$'000	\$'000	\$'000
<b>Assets</b>				
Investment securities	5	10,160	9,473	3,500
Loans and receivables	6	2	–	16
Due from affiliated companies	7	5,079	20,048	25,040
Reinsurance contract assets	8	16,388	25,979	28,854
Insurance contract assets	8	9,031	136	51
Cash and cash equivalents	9	35,663	24,006	28,986
<b>Total assets</b>		<u>76,323</u>	<u>79,642</u>	<u>86,447</u>
<b>Equity and liabilities</b>				
Share capital	10	26,338	26,338	26,338
Contributed Surplus	11	3,382	3,382	3,382
Retained earnings		<u>21,595</u>	<u>18,941</u>	<u>8,419</u>
<b>Total equity</b>		<u>51,315</u>	<u>48,661</u>	<u>38,139</u>
<b>Liabilities</b>				
Insurance contract liabilities	8	24,658	30,677	48,151
Due to parent and affiliated companies	12	131	–	6
Other liabilities	13	<u>219</u>	<u>304</u>	<u>151</u>
<b>Total liabilities</b>		<u>25,008</u>	<u>30,981</u>	<u>48,308</u>
<b>Total equity and liabilities</b>		<u>76,323</u>	<u>79,642</u>	<u>86,447</u>

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

On 25 April 2024, the Board of Directors of Guardian Re (SAC) Ltd authorised these financial statements for issue.

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director

**GUARDIAN RE (SAC) LTD.**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

		<b>Restated</b>
		<b>2023</b>
		<b>2022</b>
	<b>Notes</b>	<b>\$'000</b>
		<b>\$'000</b>
Insurance revenue	<b>8</b>	46,212
Insurance service expenses	<b>8</b>	(1,375)
Net expenses from reinsurance contracts held	<b>8</b>	<u>(30,906)</u>
<b>Insurance service result</b>		<u>13,931</u>
<b>Investing activities</b>		
Investment income from financial assets measured at fair value through other comprehensive income	<b>14</b>	922
Investment income from financial assets measured at fair value through profit or loss	<b>14</b>	(34)
Other (loss)/income	<b>15</b>	(11)
Net impairment gain on financial assets	<b>16</b>	<u>47</u>
<b>Net income from investing activities</b>		<u>924</u>
Finance expenses from insurance contracts issued	<b>8</b>	(1,410)
Finance income from reinsurance contracts held	<b>8</b>	<u>678</u>
<b>Net insurance finance expenses</b>		<u>(732)</u>
<b>Net insurance and investment result</b>		<u>14,123</u>
<b>Net income from all activities</b>		<u>14,123</u>
Other operating expenses	<b>17</b>	<u>(31)</u>
<b>Total comprehensive income for the period</b>		<u>14,092</u>

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

**GUARDIAN RE (SAC) LTD.****STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

	Share capital (Note 10) \$'000	Contributed Surplus (Note 11) \$'000	Retained earnings \$'000	Total equity \$'000
<b>Balance at 1 January 2023 - as restated</b>	26,338	3,382	18,941	<b>48,661</b>
Total comprehensive income	–	–	14,092	<b>14,092</b>
Dividends (Note 18)	–	–	(11,438)	<b>(11,438)</b>
<b>Balance at 31 December 2023</b>	<u>26,338</u>	<u>3,382</u>	<u>21,595</u>	<u><b>51,315</b></u>
<b>Balance at 1 January 2022 - as previously stated</b>	26,338	3,382	11,840	<b>41,560</b>
Restatement under IFRS 17 (note 2.1(a))	–	–	(3,421)	<b>(3,421)</b>
<b>Balance at 1 January 2022 - as restated</b>	<u>26,338</u>	<u>3,382</u>	<u>8,419</u>	<u><b>38,139</b></u>
Total comprehensive income	–	–	10,522	<b>10,522</b>
<b>Balance at 31 December 2022 - as restated</b>	<u>26,338</u>	<u>3,382</u>	<u>18,941</u>	<u><b>48,661</b></u>

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



**GUARDIAN RE (SAC) LTD.****STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

	Notes	2023 \$'000	Restated 2022 \$'000
<b>Cash flows from operating activities</b>			
Profit before taxation from continuing operations		14,092	10,522
Adjustment for non-cash items	19	(105)	(84)
<b>Operating profit before changes in operating assets/liabilities</b>		13,987	10,438
Net decrease in insurance contract assets/liabilities		(14,914)	(17,559)
Net decrease in reinsurance contract assets/liabilities		9,591	2,875
Purchase of investment securities		(12,680)	(9,394)
Proceeds from sale of investment securities		12,050	3,500
Net decrease in loans and receivables		(2)	–
Net decrease in other operating assets/liabilities		<u>15,064</u>	<u>5,150</u>
<b>Cash provided by/(used in) operating activities</b>		<u>23,096</u>	<u>(4,990)</u>
<b>Net cash provided by/(used in) operating activities</b>		<u>23,096</u>	<u>(4,990)</u>
<b>Cash flows from financing activities</b>			
Dividends paid to equity holders of the company	18	<u>(11,438)</u>	–
<b>Net cash used in financing activities</b>		<u>(11,438)</u>	–
<b>Net increase/(decrease) in cash and cash equivalents</b>	9	<u>11,658</u>	<u>(4,990)</u>
<b>Summary of net cash and cash equivalents</b>			
Cash at bank and in hand		35,706	24,048
Loss allowance		<u>(43)</u>	<u>(42)</u>
At end of year		<u>35,663</u>	<u>24,006</u>

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

## **GUARDIAN RE (SAC) LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

#### **1. Incorporation and principal activities of the Company**

Guardian Re (SAC) Ltd. ("the Company") was incorporated under the laws of Bermuda on 6 November 1992. The Company is a wholly owned subsidiary of Guardian International Inc. ("GII"). GII is a company incorporated in Barbados on 5 October 2005 and is a licensed International Business Company which is wholly owned by Guardian Holdings Limited ("GHL"), which is incorporated in Trinidad and Tobago. The Company's registered office is Swan building, 26 Victoria Street, Hamilton, Bermuda. With effect from 1 April 2023 the Principal Office Address of the Company changed to Point House, 6 Front Street, Hamilton HM11, Bermuda.

On 13 May 2019, NCB Financial Group Limited ('NCBFG'), through its 100% owned subsidiary NCB Global Holdings Limited ('NCBGH' and the 'Parent'), acquired 74,230,750 ordinary shares in GHL, increasing its shareholding from 29.974% (acquired in 2016) to 61.77% (2022). NCBGH is a limited liability holding company, which was incorporated in Trinidad and Tobago in December 2017.

NCBFG was incorporated in Jamaica in April 2016 and is the financial holding company for the NCB Group. NCBFG is 49.58% (2022: 52.72%) owned by AIC (Barbados) Limited and the ultimate parent company is Portland Holdings Inc., incorporated in Canada.

The Company is licensed as a Class 3A insurer under The Insurance Act, 1978 (Bermuda), related Regulations and amendments thereto. The Company is registered under the Segregated Accounts Companies Act 2000 of Bermuda. The Company may establish segregated accounts where directed by the related insurance policy or reinsurance agreements. Creditors of segregated accounts established have no claim upon the assets of other segregated accounts or upon the Company's general assets. The Company does not have any segregated account as of 31 December 2023.

The Company provides reinsurance coverage to both affiliated insurance companies and non-related commercial insurance companies.

The affiliated insurance companies business comprise of catastrophe aggregate excess of loss, catastrophe excess of loss reinstatement premium protection, and risk excess of loss in respect of underlying business written in the Caribbean.

The non-affiliated reinsurance is principally:

(1) Quota share participation on various geographically defined catastrophe aggregate excess of loss treaties in respect of business written by SiriusPoint Ltd. The Company did not renew the reinsurance arrangements upon its expiration at 31 December 2020.

(2) 50% quota share treaty of the General Insurance Account of Markerstudy Insurance Services Ltd. comprised principally of automobile and property insurance. The reinsurance arrangement with Markerstudy Insurance Services Ltd. is in run-off from 1 January 2010.

## **GUARDIAN RE (SAC) LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

(Continued)

## **2. Material accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **2.1 Basis of preparation**

These financial statements have been prepared in accordance with IFRS Accounting Standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

#### **(a) New standards and amendments/revisions to published standards and interpretations effective in 2023**

The following amendment to published standards took effect for the Company's accounting periods beginning on or after 1 January 2023:

##### **IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors - Amendments - Definition of Accounting Estimates**

These amendments introduced a definition of accounting estimates and included other amendments to help entities distinguish changes in accounting estimates from changes in accounting policies.

##### **IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2 - Amendments - Disclosure of accounting policies**

These amendments now require entities to disclose material accounting policies and not significant accounting policies, and explain that accounting policies may be material because of their nature even if the related amounts are immaterial. While immaterial accounting policy information can be disclosed, they should not obscure material accounting policy information. The amendments further clarify that accounting policies are material if they are needed to understand other material information in the financial statements. The amendments also explain how material accounting policy information can be identified, inclusive of examples.

These amendments clarify that the classification of a financial liability as current or non-current depends on whether the debt-holder has the right, at the end of the reporting period, to defer settlement for at least 12 months after the end of that reporting period. Classification is therefore dependent on those rights only and are unaffected by the expectations of whether the entity will exercise those rights.

##### **IAS 1 Presentation of Financial Statements - Amendments - Classification of liabilities as current or non-current**

##### **IFRS 17 Insurance Contracts - New Standard**

Effective 1 January 2023, the Company retrospectively adopted IFRS 17, in accordance with the transition provisions laid out by the standard. As stated in the IASB's Project Summary, IFRS 17 is the first comprehensive IFRS to establish the accounting for insurance contracts. IFRS 4 was always meant to be an interim standard, as it did not require insurers to account for insurance contracts in any one specific way and its disclosure requirements were relatively limited. The introduction of IFRS 17 was therefore meant to significantly increase the transparency and consistency of the measurement and reporting of insurance balances and transactions across the industry and reporting territories. In achieving this, the standard's impact was not limited to changes in financial reporting, but also triggered the reconfiguration of other business areas such as product design, budgeting and forecasting, and the collection and storage of data. The fundamental shift in how the finance, actuarial, and information technology teams collaborate cannot be overstated.

## GUARDIAN RE (SAC) LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Expressed in United States dollars

(Continued)

## 2. Material accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### (a) New standards and amendments/revisions to published standards and interpretations effective in 2023 (continued)

##### IFRS 17 Insurance Contracts - New Standard (continued)

IFRS 17 has introduced many new concepts, the three most significant of which are arguably level of aggregation, measurement models, and the contractual service margin ("CSM"). The level of aggregation requirements define how entities can aggregate insurance contracts for measurement and disclosure purposes. This has significant implications for revealing the profitability or onerosity of groups of contracts, with consequential impact to the income statement. The 3 main measurement models allowed by IFRS 17 are the general measurement model ("GMM"), the variable fee approach ("VFA"), and the premium allocation approach ("PAA"). Each model has different implications for the level of data granularity required, data tracking, and degree of financial disclosure.

Beyond the introduction of new concepts and their impacts, there is the dramatic increase in disclosure requirements under IFRS 17. There is now a high degree of transparency in how the insurance contract liability changes from year to year, visible by line of business. These disclosures are expected to provide new insights into the health and structure of insurers' business.

In transitioning to IFRS 17, the full retrospective approach was applied to all short-term insurance and reinsurance contracts in force from inception, and to all long-term insurance and reinsurance contracts issued on 1 January 2022 and after.

The Company has used the full retrospective approach to identify, recognise and measure insurance acquisition cash flows assets as at transition date, except that the retrospective impairment test has not been performed prior to the transition date. No insurance acquisition cash flows assets were created upon transition relating to other insurance contracts issued or expected to be issued for any line of business.

The Company has determined that it would be impracticable to apply the full retrospective approach where any of the following conditions existed:

- a. The effects of the full retrospective application were not determinable, for example:
  - i. Some reasonable and supportable information about actual historical cash flows might have been available from the Company's systems, but in many cases such information was only available at higher levels or different levels of aggregation compared to the groups required by IFRS 17. This lack of information makes it impracticable to accurately calculate the Fulfillment cash flows (FCF) on a retrospective basis and to segregate groups based on profitability.
- b. The full retrospective application required assumptions that would have been made in an earlier period, for example:
  - i. Difficulties in retrieving relevant reliable information existed where assumptions developed at the date of initial recognition were not on an IFRS 17 basis (such as discount rates, risk adjustment for non-financial risk or expenses).
  - ii. Changes in assumptions have not been historically documented on an ongoing basis.
- c. The full retrospective application required significant estimates of amounts, and it was impossible to distinguish objectively between information about those estimates that provided evidence of circumstances that (i) existed on the date at which those amounts were to be recognised, measured or disclosed; and (ii) would have been available when the financial statements for that prior period were authorised for issue, and other information, for example:
  - i. The Company had limited or no information required for the allocation of acquisition cash flows to respective groups of insurance contracts issued or expected to be issued and other overhead expenses to respective groups under IFRS 17. Systems have not been tracking or allocating acquisition costs, because previous accounting policies did not require this.
  - ii. The Company has not historically been accumulating information about the changes in estimates that would have been recognised in profit or loss for each accounting period, because they did not relate to future service, and the extent to which changes in the FCF would have been allocated to the loss component.

The Company did not recognise any insurance acquisition cash flow assets at the transition date.

##### Full Retrospective Approach

The Company has determined that reasonable and supportable information was available for all contracts in force from 1 January 2022. In addition, for insurance contracts originated by the Company that are eligible for the PAA, the Company has concluded that only current and prospective information was required to reflect circumstances at the transition date, which made the full retrospective application practicable and, hence, the only available option for property and casualty contracts issued by the Company.

## GUARDIAN RE (SAC) LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Expressed in United States dollars

(Continued)

## 2. Material accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### (a) New standards and amendments/revisions to published standards and interpretations effective in 2023 (continued)

##### IFRS 17 Insurance Contracts - New Standard (continued)

##### Full Retrospective Approach (continued)

Accordingly, the Company has: identified, recognised and measured each group of insurance contracts and each insurance acquisition cash flows asset in this category as if IFRS 17 had always applied (except that a retrospective impairment test has not been performed); derecognised any existing balances that would not exist if IFRS 17 had always applied; and recognised any resulting net difference in equity.

##### Restatement under IFRS 17

The initial application of IFRS 17 resulted in a reduction of total equity of \$3.4 million as at 1 January 2022. The opening IFRS 17 statement of financial position and related adjustments are presented below:

	<b>As previously reported 31 Dec 2021 \$'000</b>	<b>IFRS 17 Initial application adjustments 1 Jan 2022 \$'000</b>	<b>Restated 1 Jan 2022 \$'000</b>
<b>Assets</b>			
Loans and receivables	12,513	(12,497)	16
Reinsurance contract assets	26,614	2,240	28,854
Insurance contract assets	–	51	51
Deferred acquisition costs	341	(341)	–
Other assets	57,526	–	57,526
<b>Total assets</b>	<b>96,994</b>	<b>(10,547)</b>	<b>86,447</b>
<b>Equity and liabilities</b>			
Share capital	26,338	–	26,338
Reserves	3,382	–	3,382
Retained earnings	11,840	(3,421)	8,419
<b>Total equity</b>	<b>41,560</b>	<b>(3,421)</b>	<b>38,139</b>
Insurance contract liabilities	51,682	(3,531)	48,151
Other liabilities	3,752	(3,595)	157
<b>Total liabilities</b>	<b>55,434</b>	<b>(7,126)</b>	<b>48,308</b>
<b>Total equity and liabilities</b>	<b>96,994</b>	<b>(10,547)</b>	<b>86,447</b>

The initial application adjustments arise principally from:

- ▶ Grouping of contracts/aggregation of contracts for measurement purposes and how contract boundaries are defined. Refer to Note 2.9 (d) and 2.9 (f).
- ▶ Discounting of liabilities and determination of Discount Rates under IFRS 17. Refer to Note 3 (b).
- ▶ The measurement and inclusion of a Risk Adjustment. Refer to Note 2.9 (f).
- ▶ Presentation changes, resulting in several assets and liabilities being reclassified from other areas of the financial statements, and now included within insurance contract liabilities or reinsurance contract assets.

## **GUARDIAN RE (SAC) LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

(Continued)

## **2. Material accounting policies (continued)**

### **2.1 Basis of preparation (continued)**

#### **(b) New standards, interpretations and revised or amended standards that are not yet effective and have not been early adopted by the Company**

The following is a list of new IFRS standards, interpretations and amendments issued that are not yet effective as at 31 December 2023 and have not been early adopted by the Company. The Company expects to implement these standards when they become effective.

##### **Effective 1 January 2024:**

- ▶ IAS 7, 'Statement of Cash Flows' and IFRS 7, 'Financial Instruments: Disclosures' - Amendments - Supplier finance arrangements.
- ▶ IAS 1, 'Presentation of Financial Statements' - Amendments - Non-current liabilities with covenants.
- ▶ IFRS 16, 'Leases' - Amendments - Lease liability in a sale and lease back.

##### **Effective 1 January 2025:**

- ▶ IFRS 1, 'First-time Adoption of International Financial Reporting Standards' and IAS 21, 'The Effects of Changes in Foreign Exchange Rates' - Amendments - Lack of exchangeability.

The Company is currently evaluating the impact of these amendments, however they are not expected to have a material impact on the Company's financial statements.

## **2.2 Foreign currency translation**

### **(a) Translation of transactions in foreign currencies**

The financial results of Company are prepared in the currency in which they conduct their ordinary course of business, which is referred to as functional currency.

Transactions occurring in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses 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) Translation to the presentation currency**

In preparing the financial statements, the results and financial position of the Company are translated from their respective functional currencies to Trinidad and Tobago dollars, the presentation currency, as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- (ii) Income and expenses for each statement of comprehensive income are translated at average exchange rates; and
- (iii) All resulting exchange differences are recognised as a separate component of equity.

## **2. Material accounting policies (continued)**

### **2.3 Financial assets**

#### **(a) Initial recognition and measurement**

Financial assets are recognised when Company entities become a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, the date on which the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

At initial recognition, the Company measures financial assets at its fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of income.

The Company's financial assets include cash and short-term deposits, investment in debt securities, interest receivable, receivables arising from insurance contracts and reinsurance contracts and other loans and receivables.

#### **(b) Classification and subsequent measurement**

##### **Debt instruments**

Subsequent to initial recognition, the Company's debt instruments are measured in accordance with the business models determined by the Company's respective business units for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Company classified its debt instruments:

► **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The carrying amounts of these assets are adjusted by any expected credit loss allowance recognised. The Company's loans and receivables are carried at amortised cost.

► **Fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. The Company's debt securities are carried at fair value through other comprehensive income.

The Company reclassifies debt instruments when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be infrequent.

##### *Business model assessment*

The Company's business units determine their business models at the level that best reflects how it manages groups of financial assets to achieve its business objective. Factors considered by the business units in determining the business model for a group of assets include:

- the stated policies and objectives for the group of assets and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets with the duration of any related liabilities or expected cash outflows or realising cash flows through sale of the assets;
- how performance of the group of assets is evaluated and reported to management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

If cash flows after initial recognition are realised in a way that is different from original expectations, the business units do not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets.

## **GUARDIAN RE (SAC) LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

(Continued)

## **2. Material accounting policies (continued)**

### **2.3 Financial assets (continued)**

#### **(b) Classification and subsequent measurement (continued)**

##### **Debt instruments (continued)**

##### *The solely payment of principal and interest (SPPI) test*

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and other basic lending risks and costs, as well as a profit margin.

Where the business model is to hold assets and collect contractual cash flows or to collect contractual cash flows and sell, the Company's business units assesses whether the financial assets' cash flows represent solely payments of principal and interest. In making this assessment, the business units considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. the definition of interest. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

#### **(c) Derecognition of financial assets**

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

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

When the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received is recognised in the statement of income. In addition, on derecognition of an investment in a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to the statement of income.

#### **(d) Modifications of financial assets**

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different from that of the original asset. If the terms are substantially different, the Company derecognises the original financial asset and recognises a new financial asset at fair value. The date of modification is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a material increase in credit risk has occurred. The Company also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the modification was driven by the debtor being unable to make the originally agreed payments.

If the cash flows of the modified asset are not substantially different, the modification does not result in derecognition of the financial asset. The Company recalculates the gross carrying amount of the financial asset based on revised cash flows, discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets), and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of comprehensive income.



## **GUARDIAN RE (SAC) LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

(Continued)

## **2. Material accounting policies (continued)**

### **2.4 Impairment of assets**

#### **(a) Financial assets**

At each reporting date, the Company assesses, on a forward-looking basis, the expected credit losses (ECL) associated with its financial assets measured at amortised cost and fair value through other comprehensive income (excluding equity instruments).

The Company measures loss allowances on its debt instruments at an amount equal to lifetime ECL, except in the following cases, for which the amount recognised is 12-month ECL:

- ▶ Debt securities that are determined to have low credit risk at the reporting date; and
- ▶ Other financial instruments for which credit risk has not increased materially since initial recognition.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial asset, whereas 12-month ECL are the portion of ECL that results from default events that are possible within the 12 months after the reporting date.

For receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Loss allowances for ECL are presented in the financial statements as follows:

- ▶ Financial assets measured at amortised cost: the loss allowance is deducted from the gross carrying amount of the assets in the statement of financial position. Movement in ECL is recognised in the statement of income.
- ▶ Debt instruments measured at fair value through other comprehensive income: the loss allowance is recognised in the statement of income with the corresponding entry recognised in other comprehensive income.

#### *Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring as at the reporting date with the risk of default occurring as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

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

- ▶ the remaining lifetime probability of default as at the reporting date; with
- ▶ the remaining lifetime probability of default for this point in time that was estimated at the time of initial recognition of the exposure.

The qualitative assessment to identify whether credit risk has increased significantly since initial recognition takes into account the following:

- ▶ Actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- ▶ Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- ▶ Actual or expected significant changes in the operating results of the debtor;
- ▶ Significant increases in credit risk on other financial instruments of the debtor;
- ▶ Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor;
- ▶ Actual or expected material adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant change in the debtor's ability to meet its debt obligation.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased materially since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrated otherwise.

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if the financial instrument has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations. The Company considers a debt instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

## **GUARDIAN RE (SAC) LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

(Continued)

## **2. Material accounting policies (continued)**

### **2.4 Impairment of assets (continued)**

#### **(a) Financial assets (continued)**

##### *Credit-impaired financial assets*

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt instruments carried at fair value through comprehensive income are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- ▶ Material financial difficulty of the debtor or issuer;
- ▶ A breach of contract, such as a default or past due event;
- ▶ The disappearance of an active market for a financial asset because of financial difficulties;
- ▶ It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- ▶ Rating agencies' assessments of creditworthiness.

##### *Definition of default*

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

- ▶ the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- ▶ the debtor is past due more than 90 days unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

In assessing whether a debtor is in default, the Company considers indicators that are qualitative, quantitative and based on data developed internally and obtained from external sources.

##### *Write-off*

The Company writes off financial assets, either partially or in full, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity and where the Company's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount.

## **GUARDIAN RE (SAC) LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

(Continued)

## **2. Material accounting policies (continued)**

### **2.4 Impairment of assets (continued)**

#### **(a) Financial assets (continued)**

##### *Measurement of expected credit losses*

The measurement of expected credit losses is a function of:

- (i) Probability of default (PD) - an estimate of the likelihood of default over a given time horizon;
- (ii) Loss given default (LGD) - an estimate of the loss arising in the case where a default occurs at a given time; and
- (iii) Exposure at default (EAD) - an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Forward-looking information considered by the Company includes economic data and forecasts published by governmental bodies and monetary authorities, supranational organisations such as the Organization for Economic Cooperation and Development and the International Monetary Fund, and selected private-sector and academic forecasters.

Expected credit losses are measured as the present value of all cash shortfalls i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The mechanics of the expected credit losses method are summarised below:

- ▶ A financial instrument that is not credit-impaired on initial recognition, a 12-month ECL allowance is calculated. The Company calculates the 12-month ECL allowance based on the expectation of a default occurring in the twelve months following the reporting date. The expected 12-month default probability is applied to a forecast exposure at default and multiplied by the expected loss given default, and discounted by the original effective interest rate.
- ▶ When a financial instrument has shown a material increase in credit risk since initial recognition, the Company records an allowance for life-time ECL. The mechanics are similar to 12-month ECL calculation on a financial instrument that is not credit-impaired on initial recognition, but default probability and loss given default are estimated over the life of the instrument.
- ▶ A financial instrument that is credit-impaired, but is not a purchased or originated credit-impaired financial instrument, the Company records an allowance for lifetime ECL calculated similar to lifetime ECL on a financial instrument that has shown a material increase in credit risk since initial recognition.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of material increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the basis of shared risk characteristics that include: instrument type; credit risk ratings; nature, size and industry of debtors; collateral type; and geographic location of the debtor.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

#### **(b) Non-financial assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. The recoverable amount is determined on an individual asset basis, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

## **GUARDIAN RE (SAC) LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

(Continued)

## **2. Material accounting policies (continued)**

### **2.4 Impairment of assets (continued)**

#### **(b) Non-financial assets (continued)**

The Company bases its impairment calculations on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of three years. For longer periods, a long-term growth rate is applied to project future cash flows after the third year.

Impairment losses of continuing operations are recognised in the statement of income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the Company makes an estimate of the recoverable amount. A previous impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of income unless the asset is carried at the revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill and intangible assets are tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

### **2.5 Fair value measurement**

The Company measures financial instruments and non-financial assets at fair value at each statement of financial position date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ▶ In the principal market for the asset or liability, or
- ▶ In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in either its highest and best use, or by selling it to another market participant that would use the asset in its highest and best use.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market. If there is no quoted price in an active market, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis making maximum use of market inputs and relying as little as possible on entity-specific inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as

- ▶ Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- ▶ Level 2 — Valuation techniques for which the lowest level input that is material to the fair value measurement is directly or indirectly observable.
- ▶ Level 3 — Valuation techniques for which the lowest level input that is material to the fair value measurement is unobservable. Assets and liabilities, with the exception of freehold and investment properties, included in level 3 are held at cost, being the fair value of the consideration paid on acquisition and are regularly assessed for impairment. Freehold and investment properties included in level 3 are held at fair value which is currently the replacement value.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is material to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of certain assets such as investment properties, freehold and leasehold properties and properties for development and sale. Involvement of external valuers is decided annually and selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

## GUARDIAN RE (SAC) LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Expressed in United States dollars

(Continued)

## 2. Material accounting policies (continued)

### 2.6 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liabilities simultaneously.

### 2.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, money market placements that are readily convertible to known amounts of cash and which are subject to an immaterial risk of changes in value, and bank overdrafts and other short-term highly liquid investments with original maturities of three months or less.

### 2.8 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

### 2.9 Insurance contracts

#### (a) Summary of measurement approaches

The Company uses the Premium Allocation Approach measurement method for the following insurance contracts:

Contracts issued	Product Classification	Measurement model
<u>Property and Casualty</u>		
Property; motor and marine	Insurance contracts	Premium Allocation Approach
<u>Short term reinsurance contracts - Property &amp; Casualty</u>		
Property and motor	Reinsurance contracts held	Premium Allocation Approach

In the case where the company has multi-year reinsurance contract, refer to Note 3(a) for PAA eligibility test .

#### (b) Definition and classification

Insurance contracts are contracts under which the Company accepts material 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 judgement to assess whether a contract transfers insurance risk (i.e. if there is a scenario with commercial substance in which the Company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is material. The Company defines as material insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more, on a present value basis, than the benefits payable if the insured event did not occur.

## **GUARDIAN RE (SAC) LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

(Continued)

## **2. Material accounting policies (continued)**

### **2.9 Insurance contracts (continued)**

#### **(b) Definition and classification (continued)**

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

All references to insurance contracts in these financial statements apply to insurance contracts issued or acquired, reinsurance contracts held or issued and insurance contracts with or without direct participation features, unless specifically stated otherwise.

#### **(c) Aggregation bases for disclosure purposes**

Insurance contracts are classified as follows:

##### **(i) Property and casualty insurance contracts**

These contracts are principally property, motor, casualty (employers' liability, public liability), and marine contracts.

Property insurance contracts indemnify the Company's customers in the event of a loss from a specified insured peril such as fire, windstorm or earthquake up to the insured amount and within the terms of the policy conditions. These contracts are issued for both private and commercial risks.

Motor insurance contracts indemnify the Company's customers for their legal requirement under the respective country's road traffic legislation. These contracts may be extended for additional coverage such as physical damage, theft, personal accident and third party liability.

Marine insurance contracts indemnify the Company's customers for loss or damage to their insured cargo, commercial hull and pleasure craft vessels. Third party coverage is also provided.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders. They arise from events that have occurred up to the statement of financial position date, even if they have not yet been reported to the Company. Liabilities for unpaid claims are estimated using techniques such as the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported ('IBNR'), and to estimate the expected ultimate cost of more complex claims that may be affected by external factors such as court decisions. Estimates are continually revised as more information becomes available and for the effects of anticipated inflation. Adjustments arising on these revisions are recognised within claims expense in the current year.

## **GUARDIAN RE (SAC) LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

(Continued)

## **2. Material accounting policies (continued)**

### **2.9 Insurance contracts (continued)**

#### **(d) Unit of account**

The Company manages insurance contracts issued by product lines and certain sub-categories, where each sub-category includes contracts that are subject to similar risks. All insurance contracts within a specified sub-category represent a portfolio of contracts. All PAA portfolios are disaggregated into annual cohorts regardless of their issue date. All portfolios are further disaggregated as follows:

- (i) Contracts that are onerous at initial recognition;
- (ii) Contracts that at initial recognition have no material possibility of becoming onerous subsequently; or
- (iii) A group of remaining contracts.

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

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

For the property and casualty contracts measured using the PAA, the Company assumes that no such contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. For non-onerous contracts, the Company assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a material possibility of becoming onerous. This assessment is performed at a portfolio level.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Company aggregates reinsurance contracts into quarterly and annual cohorts in line with how this was defined for insurance contracts. These portfolios then were further disaggregated as follows:

- (i) Contracts for which there is a net gain at initial recognition, if any;
- (ii) Contracts for which at initial recognition there is no material possibility of a net gain arising subsequently; and
- (iii) Remaining contracts in the portfolio, if any.

Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis. The Company tracks internal management information reflecting historical experiences of such contracts' performance, by treaty and sub-divided by line of business. This information is used as a basis for price negotiations with reinsurers as well as setting retention amounts. The Company's assessment of the performance of the treaties have concluded that some reinsurance contracts held are in a net cost position without a material possibility of a net gain arising subsequently while other reinsurance contracts have a net gain at initial recognition.

Transition approaches that were applied by the Company on adoption of IFRS 17 with respect to contracts aggregation requirements are included in Note 2.1(a).

## **GUARDIAN RE (SAC) LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

(Continued)

## **2. Material accounting policies (continued)**

### **2.9 Insurance contracts (continued)**

#### **(d) Unit of account (continued)**

The Company does not have any products with components that require separation. The Company therefore applies IFRS 17 to all components of the contract. In assessing whether the contract should be further separated, the following considerations are made:

- (i) Whether there is interdependency between the different risks covered;
- (ii) Whether components lapse together; and
- (iii) Whether components can be priced and sold separately.

The Company does not have any contracts that require further separation of insurance contracts.

#### **(e) Recognition and Derecognition**

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

- ▶ The beginning of the coverage period;
- ▶ The date when the first payment from the policyholder is due or actually received, if there is no due date; and
- ▶ When the Company determines that a group of contracts become onerous.

Insurance contracts acquired in a business combination or a portfolio transfer are accounted for as if they were entered into at the date of acquisition on transfer.

A group of reinsurance contracts held that covers the losses of separate insurance contracts on a proportionate basis (proportionate or quota share reinsurance) is recognised from the earlier of:

- ▶ The beginning of the coverage period of the group; and
- ▶ The date the Company recognised an onerous group of underlying insurance contracts, if the Company entered into the related reinsurance contract held in the group at or before that date.

The Company does not recognise a group of quota share reinsurance contracts held until it has recognised at least one insurance contract in a group of the underlying insurance contracts, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held. A gap between the start of the coverage period for a quota share contract and that of the underlying contracts rarely occurs in practice.

A group of reinsurance contracts held that covers aggregate losses from underlying contracts in excess of a specified amount (non-proportionate reinsurance contracts, such as excess of loss reinsurance) is recognised at the beginning of the coverage period of that group.

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

#### Accounting for contract modification and derecognition

An insurance contract is derecognised when it is:

- ▶ Extinguished (i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- ▶ The contract is modified and certain additional criteria are met.



## **GUARDIAN RE (SAC) LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

(Continued)

## **2. Material accounting policies (continued)**

### **2.9 Insurance contracts (continued)**

#### **(e) Recognition and Derecognition (continued)**

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

- (a) If the modified terms had been included at contract inception and the Company would have concluded that the modified contract:
  - (i) Is not in scope of IFRS 17;
  - (ii) Results in different separable components;
  - (iii) Results in a different contract boundary; or
  - (iv) Belongs to a different group of contracts.
- (b) The original contract represents an insurance contract with direct participation features, but the modified contract no longer meets that definition, or vice versa; or

When an insurance contract not accounted for under the PAA is derecognised from within a group of insurance contracts, the Company:

- (a) Adjusts the FCF to eliminate the present value of future cash flows and risk adjustment for non-financial risk relating to the rights and obligations removed from the group.

#### Accounting for contract modification and derecognition

- (a) Extinguished (i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- (b) The contract is modified and certain additional criteria are met.

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

- (a) If the contract is extinguished, any net difference between the derecognised part of the LRC of the original contract and any other cash flows arising from extinguishment;
- (b) If the contract is transferred to the third party, any net difference between the derecognised part of the LRC of the original contract and the premium charged by the third party; or
- (c) If the original contract is modified resulting in its derecognition, any net difference between the derecognised part of the LRC and the hypothetical premium that the entity would have charged if it had entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

#### **(f) Measurement**

##### Fulfilment cash flows

###### *Fulfilment cash flows within contract boundary*

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

**GUARDIAN RE (SAC) LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**  
Expressed in United States dollars  
(Continued)

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

**2.9 Insurance contracts (continued)**

**(f) Measurement (continued)**

Fulfilment cash flows (continued)

*Fulfilment cash flows within contract boundary (continued)*

The estimates of future cash flows:

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

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. For contracts measured under the PAA, unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the LIC.

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires **material** judgement and estimation. Refer to Note 3 (b).

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

The Company estimates certain FCF at a policy level, which is then aggregated into the relevant profitability groups, cohorts, and portfolios.

The Company uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

*Contract boundary*

The Company uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. This assessment is reviewed every reporting period.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation ends when:

- (a) The Company has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or
- (b) Both of the following criteria are satisfied:
  - (i) The Company has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
  - (ii) the pricing of 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

In assessing the practical ability to reprice, risks transferred from the policyholder to the Company, such as insurance risk and financial risk, are considered; other risks, such as lapse, are not included.

## **GUARDIAN RE (SAC) LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

(Continued)

## **2. Material accounting policies (continued)**

### **2.9 Insurance contracts (continued)**

#### **(f) Measurement (continued)**

Fulfilment cash flows (continued)

*Contract boundary* (continued)

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

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

Cash flows that are not directly attributable to a portfolio of insurance contracts, such as some product development and training costs, are recognised in other operating expenses as incurred.

#### *Insurance acquisition costs*

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

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

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

The Company does not pay (or recognise a liability, applying a standard other than IFRS 17) directly attributable acquisition costs to originate a group of insurance contracts before they are recognised. The Company therefore does not recognise insurance acquisition cash flows assets.

#### *Risk adjustment for non-financial risk*

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

**GUARDIAN RE (SAC) LTD.**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

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(Continued)

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

**2.9 Insurance contracts (continued)**

**(f) Measurement (continued)**

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

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

Methods and assumptions used to determine the risk adjustment for non-financial risk are discussed in Note 3 (e).

**Initial and subsequent measurement - Groups of contracts measured under the PAA**

The Company uses the PAA for measuring contracts with a coverage period of one year or less. The PAA eligibility test was applied to risk-attaching reinsurance contracts, and it was concluded that the PAA can also be used for such contracts.

For insurance contracts issued, insurance acquisition cash flows are deferred and recognised over the coverage period of contracts in a group.

For insurance contracts issued, on initial recognition, the Company measures the LRC at the amounts of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the prepaid acquisition cash flows asset and the derecognition of any other relevant pre-recognition cash flows.

For reinsurance contracts held, on initial recognition, the Company measures the remaining coverage at the amount of ceding premiums paid.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

- (a) The LRC; and
- (b) The LIC, comprising the FCF related to past service allocated to the group at the reporting date.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

- (a) The remaining coverage; and
- (b) The incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

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

- (a) Increased for premiums received in the period, excluding amounts that relate to premium receivables included in the LIC;
- (b) Decreased for insurance acquisition cash flows paid in the period;
- (c) Decreased for the amounts of expected premiums received recognised as insurance revenue for the services provided in the period; and
- (d) Increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses.

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

- (a) Increased for ceding premiums paid in the period; and
- (b) Decreased for the amounts of ceding premiums recognised as reinsurance expenses for the services received in the period.

The Company does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money as insurance premiums are due within the coverage of contracts, which is one year or less.

There are no investment components within insurance contracts issued and reinsurance contracts held that are measured under the PAA.

**GUARDIAN RE (SAC) LTD.**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

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(Continued)

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

**2.9 Insurance contracts (continued)**

**(f) Measurement (continued)**

**Initial and subsequent measurement - Groups of contracts measured under the PAA (continued)**

For contracts measured under the PAA, the LIC is measured similarly to the LIC's measurement under the GMM. The health insurance contracts typically have a settlement period of one year and less, and therefore the future cash flows are not adjusted for the time value of money. For property and casualty and group life insurance contracts, future cash flows are adjusted for the time value of money since these insurance contracts sometimes have claims with a settlement period of over one year. Some of these insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim (salvage). The Company may also have the right to pursue third parties for payment of some or all costs (subrogation). The estimated cost of claims includes a deduction for the expected value of salvage and other recoveries.

If facts and circumstances indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or becomes onerous subsequently, the Company increases the carrying amount of the LRC to the amounts of the FCF determined under the GMM with the amount of such an increase recognised in insurance service expenses, and a loss component is established for the amount of the loss recognised. Subsequently, the loss component is remeasured at each reporting date as the difference between the amounts of the FCF determined under the GMM relating to the future service and the carrying amount of the LRC without the loss component. Where applicable, resulting changes in the loss component are disaggregated between insurance service expenses and insurance finance income or expenses for the effect of the time value of money, financial risk and effect of changes therein.

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

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

Where applicable, changes in the loss-recovery component are disaggregated between net income from reinsurance contracts held (refer to note 2.9 (g)) and insurance finance income or expenses for the effect of the time value of money, financial risk and effect of changes therein in proportion to the disaggregation applied to the changes in the underlying loss component.

The Company does not have any reinsurance contracts held measured under the PAA with underlying contracts measured under the GMM.

## **GUARDIAN RE (SAC) LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

(Continued)

## **2. Material accounting policies (continued)**

### **2.9 Insurance contracts (continued)**

#### **(g) Amounts recognised in comprehensive income**

##### Insurance service result from insurance contracts issued

###### *Insurance revenue*

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

For groups of insurance contracts measured under the PAA, the Company recognises insurance revenue based on the passage of time over the coverage period of a group of contracts.

###### *Insurance service expenses*

Insurance service expenses include the following:

- (a) Incurred claims and benefits excluding investment components reduced by loss component allocations;
- (b) Other incurred directly attributable insurance service expenses, including amounts of any other pre-recognition cash flows assets (other than insurance acquisition cash flows) derecognised at the date of initial recognition;
- (c) Amortisation of insurance acquisition cash flows;
- (d) Changes that relate to past service (i.e. changes in the FCF relating to the LIC);
- (e) and changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components); and
- (f) Insurance acquisition cash flows assets impairment.

For contracts measured under the PAA, amortisation of insurance acquisition cash flows is based on the passage of time.

Other expenses not meeting the above categories are included in other operating expenses in the statement of income.

##### Insurance service result from reinsurance contracts held

###### *Net income (expenses) from reinsurance contracts held*

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:

- (a) Reinsurance expenses;
- (b) Incurred claims recovery;
- (c) Other incurred directly attributable insurance service expenses;
- (d) Changes that relate to past service – changes in the FCF relating to incurred claims recovery;
- (e) Effect of changes in risk of reinsurer non-performance;
- (f) Amounts relating to accounting for onerous groups of underlying insurance contracts issued:
  - i. Income on initial recognition of onerous underlying contracts;
  - ii. Reinsurance contracts held under the GMM: reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held; and
  - iii. Reinsurance contracts held under the GMM: changes in the FCF of reinsurance contracts held from onerous underlying contracts.

## **GUARDIAN RE (SAC) LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

(Continued)

## **2. Material accounting policies (continued)**

### **2.9 Insurance contracts (continued)**

#### **(g) Amounts recognised in comprehensive income (continued)**

##### Insurance service result from reinsurance contracts held (continued)

##### *Net income (expenses) from reinsurance contracts held (continued)*

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

For groups of reinsurance contracts held measured under the PAA, 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.

##### Insurance finance income or expenses

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

- (a) The effect of the time value of money and changes in the time value of money; and
- (b) The effect of financial risk and changes in financial risk.

#### **(h) Reinsurance contracts held**

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inward reinsurance) are included with insurance contracts.

#### **(i) Receivables and payables other than those for contracts under IFRS 17**

Receivables and payables are recognised when due. These include amounts due to and from agents and brokers. If there is objective evidence that the receivable is impaired, the Company reduces the carrying amount of the receivable accordingly and recognises that impairment loss in the statement of income.

## **GUARDIAN RE (SAC) LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

(Continued)

## **2. Material accounting policies (continued)**

### **2.10 Provisions**

Provisions are made when the Company has a present legal or constructive obligation as a result of past events, for which it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations is small.

### **2.11 Revenue recognition**

Revenue comprises the fair value for services rendered after eliminating revenue within the Company. Revenue is recognised as follows:

#### **(a) Insurance revenue**

Insurance revenue is recognised in accordance with the requirements of IFRS 17 as laid out in Note 2.9(g).

#### **(b) Investment income**

Interest income is recognised using the effective interest method. Interest income is calculated by applying the effective interest rate method to the gross carrying amount of financial assets, except for:

- ▶ Purchased or originated credit-impaired financial assets, for which the credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
- ▶ Financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, for which interest revenue is calculated by applying the effective interest rate to their amortised cost i.e. net of the expected credit loss provision.

#### **(d) Realised and unrealised investment gains and losses**

Realised and unrealised gains and losses on investments measured at amortised cost or fair value through profit or loss are recognised in the statement of income in the period in which they arise.

Unrealised gains and losses on investment securities measured at fair value through other comprehensive income are recognised in other comprehensive income. On derecognition, debt securities gains and losses accumulated in other comprehensive income are reclassified to the statement of income.

#### **(e) Commission income**

Commissions are recognised on the accrual basis.

#### **(f) Fee income**

Fees are recognised in the period in which the services are rendered.

### **2.12 Comparative information**

Where necessary, comparative data has been adjusted to conform with changes in presentation in the current year. Refer to Note 2.1 (a).



## **GUARDIAN RE (SAC) LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

(Continued)

### **3. Critical accounting estimates and judgments in applying accounting policies**

The Company makes estimates and assumptions that may affect the reported amounts of assets and liabilities during the succeeding financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### **(a) Insurance contracts**

##### Definition and classification

Definition and classification determines whether contracts are in the scope of IFRS 17 and, for contracts determined to be in scope of IFRS 17, what measurement model is applicable.

Determining whether a contract issued accepts material insurance risk and, similarly, whether a reinsurance contract held transfers material insurance risk requires judgement.

The Company applies the PAA to some insurance contracts with a coverage period of more than one year. The eligibility assessment involved material judgement on whether the application of the PAA will produce a measurement of the liability for the LRC that would not differ materially from the one that would be produced applying the GMM.

##### Unit of account

Judgement is involved in combination of insurance contracts and separation of distinct components, however the Company neither separated components of its insurance contracts nor combined any insurance contracts.

Judgements involved in the identification of portfolios of contracts, as required by paragraph 14 of IFRS 17 (that is, having similar risks and being managed together) are not an area of material judgement for the Company. This is due to the Company historically managing its insurance and reinsurance portfolios in a way that, consistent with regulatory considerations, clearly distinguishes groups of products by their associated risks.

Judgement is required in aggregating insurance contracts issued on initial recognition into groups of onerous contracts, groups of contracts with no material possibility of becoming onerous and groups of other contracts. A similar accompanying assessment is required for reinsurance contracts held.

For contracts measured under the PAA, the assessment of the likelihood of adverse changes in applicable facts and circumstances is an area of judgement.

For insurance contracts issued measured under the PAA, management judgement is required to assess whether facts and circumstances indicate that a Company of contracts has become onerous. Further, judgement is required to assess whether facts and circumstances indicate any changes in the onerous Company's profitability and whether any loss component remeasurement is required. In 2022 and 2023, the Company did not identify any facts or circumstances that might have indicated that a Company of contracts measured under the PAA had become onerous. All contracts measured by the Company in 2022 and 2023 under the PAA were determined to be non-onerous on initial recognition.

##### Measurement - Fulfilment cash flows

The concept of a contract boundary is used to determine which future cash flows should be considered in the measurement of a contract in the scope of IFRS 17. Judgements is involved to determine when the Company is capable of repricing the entire contracts to reflect the reassessed risks, when policyholders are obliged to pay premiums and when premiums reflect risks beyond the coverage period. Only those liabilities or assets relating to expected premiums or claims driven by substantive rights and obligations are recognised within the boundary of the insurance contract.

The Company uses judgement to determine which cash flows within the boundary of insurance contracts are those that relate directly to fulfilment of the contract. The Company performs regular expense studies and uses judgement to determine the extent to which fixed and variable overheads are directly attributable to fulfilling insurance contracts. Refer to Note 3 (c).

#### **(b) Discount rates**

The discount rate for the cash flows of all relevant insurance contracts are prescribed by the Bermuda Monetary Authority and is determined as the sovereign yield curve for the relevant territory, which is adjusted for a credit risk premium and an illiquidity premium. The credit risk premium is quantified by finding the average spread between the government yield curve and that of the US dollar on the assumption that the US dollar yield curve is risk free. The illiquidity premium is determined by differences in liquidity characteristics between the financial assets used to derive the sovereign yield and the relevant liability cash flows, as illustrated by government bond bid-ask spreads.

## GUARDIAN RE (SAC) LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Expressed in United States dollars

(Continued)

### 3. Critical accounting estimates and judgments in applying accounting policies (continued)

#### (b) Discount rates (continued)

Observable market information was used from 2010 to capture the low interest environment that much of the world, including the Caribbean, has been in since the 2008 financial crisis. Going back further than this point was considered inappropriate as it is not reflective of the current economic environment.

The weighted average yield curves used to discount the estimates of future cash flows that do not vary based on the returns of the underlying items are as follows:

	Bermuda	
	2023	2022
1 year	5.5%	6.0%
5 years	4.6%	5.1%
10 years	4.8%	5.2%

#### (c) Estimates of future cash flows to fulfil insurance contracts

Included in the measurement of each Company of contracts in the scope of IFRS 17 are all the future cash flows within the boundary of each Company of contracts. The estimates of these future cash flows are based on probability weighted expected future cash flows. The Company estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Company uses information about past events, current conditions and forecasts of future conditions. The Company's estimate of future cash flows is based on a best estimate deterministic scenario that specifies the amount, timing and probability of cash flows.

Expenses related cash flows are determined at a cohort level and are allocated on a systematic basis similar to the activity based costing method. The Company has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature. Acquisition cash flows and expenses of an administrative policy maintenance nature are allocated to groups of contracts based on the number of contracts initiated for the period, and in force for the period, respectively. Claims settlement related expense are allocated based on the number of claims incurred.

Uncertainty of future claims and benefit payments arises primarily from the variability in policyholder behaviour.

For the short-term insurance contracts, uncertainty in the estimation of future claims and benefit payments arises primarily from the severity and frequency of claims and uncertainties regarding future inflation rates leading to claims and claims-handling expenses growth.

Assumptions used to develop estimates about future cash flows are reassessed at each reporting date and adjusted where required.

#### (d) Methods used to measure the risk adjustment for non-financial risk

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

The risk adjustment was calculated at a coverage level in accordance with the related risk profile, and then aggregated up to profitability groups, cohorts, and portfolios. To determine the variability of the the reserves for property and casualty contracts, the Company used the Overdispersed- Poisson (ODP) Bootstrap approach.

The ODP Bootstrap approach is widely used in the Property & Casualty industry for estimating loss reserve variability. The Group used this approach to replicate the paid and incurred chain-ladder methods. The various portfolios were analysed using aggregated loss triangles up to a particular accident year that combined the various territories for which valuations are carried out. The confidence level range was 70% to 75%.

The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed in 2023 and 2022.

## GUARDIAN RE (SAC) LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Expressed in United States dollars

(Continued)

### 3. Critical accounting estimates and judgments in applying accounting policies (continued)

#### (e) Taxation

The Government of Bermuda is introducing a Corporate Income Tax (CIT) to apply to Bermuda businesses that are part of Multinational Enterprise Groups (MNEs) with annual revenue of €750 million or more. The CIT takes effect on 1 January 2025. The Company is currently assessing the impact of this legislation.

#### (f) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. Factors considered by the Company's business units in determining the business model for a Company of assets are disclosed in Note 2.3(b).

#### (g) Impairment losses on financial assets

The measurement of ECL allowance for financial assets measured at amortised cost and fair value through other comprehensive income 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 material increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's expected credit loss calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the expected credit loss models that are considered accounting judgements and estimates include:

- ▶ The Company's criteria for assessing if there has been a material increase in credit risk and so allowances for financial assets should be measured on a lifetime expected credit loss basis and the qualitative assessment
- ▶ The segmentation of financial assets when their ECL is assessed on a collective basis
- ▶ Development of ECL models, including the various formulas and the choice of inputs
- ▶ Use of macroeconomic data for internal credit ratings and outlooks, to derive associated probabilities of default as prescribed by external rating agencies such as Standard & Poor's and Moody's
- ▶ Development of forward-looking scenarios probability weighted based on macroeconomic trends and expectations
- ▶ Determination of associations between macroeconomic scenarios and, economic inputs and the effect on probabilities of default, exposure at default and loss given default

The Company regularly reviews its internal models in the context of actual loss experience and adjusts when necessary.

#### *Forward-looking macroeconomic variables*

The estimation and application of forward-looking information requires material judgment. PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. The estimation of ECL on 12-month ECL and Lifetime ECL is a discounted probability-weighted estimate that considers three future macroeconomic scenarios, with macroeconomic projections varying by territory. The base case scenario assumes that a stable economic environment where current conditions, based on available macroeconomic data, will largely continue. Upside and downside scenarios are set relative to the base case scenario based on reasonably possible alternative macroeconomic conditions, considering macroeconomic forecasts and trends.

Scenarios are reassessed on at least an annual basis and more frequently if conditions warrant. Scenarios are probability-weighted separately for each territory modelled according to the best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights are updated on an annual basis or more frequently as warranted.

The carrying amounts of expected credit loss allowance on financial assets are disclosed in Note 4.2.3(d).

## GUARDIAN RE (SAC) LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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(Continued)

#### 4. Management of Insurance and Financial 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.

##### 4.1 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. 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 underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

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

##### 4.1.1 Property and Casualty insurance risks

###### (a) Exposures to risks and how they arise

###### Property

For property insurance contracts, climatic changes give rise to more frequent and severe extreme weather events (for example, flooding and hurricanes) and their consequences (for example, subsidence claims). The cost of rebuilding properties, of replacement or indemnity for contents and the time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. The greatest likelihood of material losses on these contracts arises from storm or flood damage.

###### Casualty

There are several variables that affect the risk arising from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted. The compensation paid on these contracts is the monetary awards granted for bodily injury suffered by employees (for employer's liability cover) or members of the public (for public liability cover). Such awards are lump-sum payments that are calculated as the present value of the lost earnings and rehabilitation expenses that the injured party will incur as a result of the accident.

###### (b) Objectives, policies and processes for managing risks

###### Property

For certain contracts, the Company has also limited the number of claims that can be paid in any policy year or introduced a maximum amount payable for claims in any policy year. The Company also has the right to re-price the risk on renewal and the ability to impose deductibles and reject fraudulent claims. These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claims payment limits are always included to cap the amount payable on occurrence of the insured event. The Company analyses the property exposures using in-house and external modelling tools and purchases sufficient reinsurance protection to cover its perceived liabilities.

The Company's reinsurance arrangements include proportional quota share and surplus arrangements and non-proportional excess of loss placements on a per claimant and a per occurrence basis.

Property insurance risk concentration by product and geography is included in the tables below with reference to the carrying amount of the insurance contract liabilities arising from these contracts.

	As at 31 December 2023		
	Business \$'000	Residential \$'000	Total \$'000
Trinidad & Tobago	(2,401)	(2,535)	(4,936)
Other territories	606	260	866
	(1,795)	(2,275)	(4,070)

	As at 31 December 2022		
	Business \$'000	Residential \$'000	Total \$'000
Trinidad & Tobago	1,670	1,763	3,433
Other territories	1,580	677	2,257
	3,250	2,440	5,690

## GUARDIAN RE (SAC) LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Expressed in United States dollars

(Continued)

#### 4. Management of Insurance and Financial Risk (continued)

##### 4.1 Insurance risk (continued)

##### 4.1.1 Property and Casualty insurance risks (continued)

##### (b) Objectives, policies and processes for managing risks (continued)

###### Casualty

Risk exposures for casualty insurance can be affected by several factors. The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (subrogation).

The Company's reinsurance arrangements include non-proportional excess of loss placements on a per claimant and as per occurrence basis.

Casualty insurance risk concentration by product and geography is included in the tables below with reference to the carrying amount of the insurance contract liabilities arising from these contracts.

	As at 31 December 2023		
	Liability cover		
	Motor \$'000	Marine \$'000	Total \$'000
Europe & Asia	20,231	(46)	20,185

	As at 31 December 2022		
	Liability cover		
	Motor \$'000	Marine \$'000	Total \$'000
Europe & Asia	24,649	(116)	24,533

##### (c) Methods used to measure risks

###### Property

Property claims are analysed separately for subsidence and non-subsidence claims. The development of large losses/catastrophes is analysed separately. Non-subsidence claims can be estimated with greater reliability, and the Company's estimation processes reflect all the factors that influence the amount and timing of cash flows from these contracts. The shorter settlement period for these claims allows the Company to achieve a higher degree of certainty about the estimated cost of claims and relatively little claims are expected to have occurred without being reported at year end. The longer time needed to assess the emergence of a subsidence claim makes the estimation process more uncertain.

###### Casualty

The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and a large element of the claims provision relates to claims incurred but not reported.

The estimated cost of claims includes direct expenses to be incurred in settling claims. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a liability for incurred claims, consisting of probability weighted discounted cash flows and a risk adjustment, and a liability for remaining coverage, consisting of the unearned premiums received less acquisition costs.

In calculating the liability, 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.

The initial loss-ratio estimate is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as premium rate changes, anticipated market experience and historical claims inflation.

**GUARDIAN RE (SAC) LTD.****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

(Continued)

**4. Management of Insurance and Financial Risk (continued)****4.1 Insurance risk (continued)****4.1.1 Casualty insurance risks (continued)****(c) Methods used to measure risks (continued)**Casualty (continued)

In estimating the liability for incurred claims, the Company considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio. The portion of the liability for incurred claims that have not yet been reported is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where information about the claim event is available. These claims may not be apparent to the insurer until many years after the event that gave rise to the claims has happened.

Where possible, the Company adopts multiple techniques to estimate the required level of provisions. This provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Note 8.6 presents the development of the estimate of ultimate claim cost for claims notified in a given year. This gives an indication of the accuracy of the Company's estimation technique for claims payments.

**(d) Changes in assumptions**

The Company's assumptions in respect of property and casualty insurance contracts have not materially changed from the prior year.

**(e) Sensitivity analysis**

The following table presents information on how reasonably possible changes in assumptions made by the Company with regard to underwriting risk variables impact profit or loss and equity before and after risk mitigation by reinsurance contracts held. These contracts are measured under the PAA, and thus, only the LIC component of insurance liabilities is sensitive to possible changes in underwriting risk variables.

	<b>2023</b>			
	<b>Property</b>		<b>Casualty</b>	
	<b>Profit or loss</b>		<b>Equity impact</b>	
	<b>impact</b>	<b>Equity impact</b>	<b>Profit or loss impact</b>	<b>Equity impact</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<u>Worsening of unpaid claims and expenses - 5% increase</u>				
- Insurance contract liabilities	(928)	(928)	(928)	(928)
- Reinsurance contract assets	616	616	616	616
<u>Worsening of expenses - 5% increase</u>				
- Insurance contract liabilities	(136)	(136)	(136)	(136)
- Reinsurance contract assets	20	20	20	20
	<b>2022</b>			
	<b>Property</b>		<b>Casualty</b>	
	<b>Profit or loss</b>		<b>Equity impact</b>	
	<b>impact</b>	<b>Equity impact</b>	<b>Profit or loss impact</b>	<b>Equity impact</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<u>Worsening of unpaid claims and expenses - 5% increase</u>				
- Insurance contract liabilities	(1,119)	(1,119)	(1,119)	(1,119)
- Reinsurance contract assets	859	859	859	859
<u>Worsening of expenses - 5% increase</u>				
- Insurance contract liabilities	(11)	(11)	(11)	(11)
- Reinsurance contract assets	29	29	29	29

## GUARDIAN RE (SAC) LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Expressed in United States dollars

(Continued)

#### 4. Management of Insurance and Financial Risk (continued)

##### 4.2 Financial risk

The Company is exposed to financial risk through its financial assets, financial liabilities (investment contracts and borrowings), reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The components of this financial risk are interest rate risk, equity price risk, foreign currency risk, liquidity risk and credit risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market

Risk management is carried out by Executive Investment Committees and Actuarial departments of operating units under policies approved by the Company's Board of Directors. The Company identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides principles for overall risk management as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

##### 4.2.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk - currency risk, interest rate risk and other price risk, each of which is considered below.

##### (a) Currency risk

The Company takes on exposure to effects of fluctuations in the prevailing foreign currency rates on its financial position and cash flows. The main exposure to risks are in respect to the United States (US) dollar, Eastern Caribbean (EC) dollar and Barbados (BDS) dollar. The Company's strategy for dealing with foreign exchange risk is to offset as far as possible foreign currency liabilities with assets denominated in the same currency.

The Company has an Executive Investment Committee, which has oversight for the management of currency risk. Exposure to currency risk is also mitigated by the requirements of the Insurance Act 2018, which does not allow more than 30% of the assets supporting policyholder liabilities to be held in currencies other than the currency of the liability.

The tables below summarises the Company's exposure to foreign currency exchange rate risk as at 31 December. The Company's assets and liabilities at carrying amounts are included in the table categorised by currency positions expressed in US\$ equivalents.

	US \$'000	Euro \$'000	GBP \$'000	Total \$'000
<b>As at 31 December 2023</b>				
Total assets	52,300	4,171	19,852	76,323
Total liabilities	<u>2,480</u>	<u>2,298</u>	<u>20,231</u>	<u>25,009</u>
	<u>49,820</u>	<u>1,873</u>	<u>(379)</u>	<u>51,314</u>
<b>As at 31 December 2022</b>				
Total assets	54,711	137	24,794	79,642
Total liabilities	<u>9,142</u>	<u>1,734</u>	<u>20,106</u>	<u>30,982</u>
	<u>45,569</u>	<u>(1,597)</u>	<u>4,688</u>	<u>48,660</u>

The following table presents analysis of how a possible shift in market currency exchange rates might impact the insurance contract liability balances and the respective underlying assets, as well as the net impact on profit or loss and equity. Transactions or balances not within the scope of IFRS 17 are not subject to currency risk.

Change in variables	Euro	GBP
2023	-5.2%	-3.3%
2022	-4.7%	-5.2%

**GUARDIAN RE (SAC) LTD.****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

(Continued)

**4. Management of Insurance and Financial Risk (continued)****4.2 Financial risk****4.2.1 Market risk (continued)****(a) Currency risk (continued)**

	Euro \$'000	GBP \$'000	Total \$'000
<b>For the year 2023:</b>			
<b>Impact on profit or loss</b>			
- Insurance contract liability measured using PAA	(97)	13	(84)
<b>Impact on net equity</b>			
- Insurance contract liability measured using PAA	(97)	13	(84)
<b>For the year 2022:</b>			
<b>Impact on profit or loss</b>			
- Insurance contract liability measured using PAA	75	(244)	(169)
<b>Impact on net equity</b>			
- Insurance contract liability measured using PAA	75	(244)	(169)

The analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions might be correlated. No changes were made by the Company in the methods and assumptions used in preparing the above analysis.

**(b) Interest rate risk**

The Company is principally exposed to interest rate risk primarily through its investment in debt instruments, which are primarily fixed rate. Insurance contracts do not expose the Company to interest rate risk as these are undiscounted and contractually non-interest bearing. Exposure is managed largely by the use of natural hedges that arise by matching interest sensitive assets with liabilities of a similar nature. The Company also mitigates the effect of interest rate risk of the investment portfolio through the functioning of an Executive Investment Committee.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. For the sensitivity analysis, a 1% movement in interest rates was used for the United States market (2022: 1%). There is no effect in the statement of comprehensive income and equity in 2023 (2022: nil).



**GUARDIAN RE (SAC) LTD.****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

(Continued)

**4. Management of Insurance and Financial Risk (continued)****4.2 Financial risk (continued)****4.2.2 Liquidity risk**

Liquidity risk is the risk that cash may not be available to pay obligations when due, at a reasonable cost. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions.

Certain of the Company's contracts have features that allow them to be terminated at short notice creating a potential liquidity exposure. The Company monitors liquidity on a regular basis.

There are no individual contracts or policyholders who have the potential to influence the withdrawal of a material amount of liabilities.

The following tables analyse the insurance and financial liabilities of the Company into relevant maturity groupings based on the remaining period to the contractual or expected maturity date. Financial liabilities are at contractual undiscounted cash flows and investment contracts are at expected undiscounted cash flows. Insurance contract liabilities include both actual and expected contractual undiscounted cash flows as they relate to both the LRC and the LIC.

As at 31 December 2023	Carrying amount \$'000	Total \$'000	Contractual/Expected Undiscounted Cash Flows					
			1 years \$'000	2 years \$'000	3 years \$'000	4 years \$'000	5 years \$'000	Over 5 years \$'000
Insurance contract liabilities	24,658	45,058	31,911	7,795	4,720	527	105	-
Due from affiliated companies	131	131	131	-	-	-	-	-
Other liabilities	220	220	220	-	-	-	-	-
	<b>25,009</b>	<b>45,409</b>	<b>32,262</b>	<b>7,795</b>	<b>4,720</b>	<b>527</b>	<b>105</b>	<b>-</b>

As at 31 December 2022	Carrying amount \$'000	Total \$'000	Contractual/Expected Undiscounted Cash Flows					
			1 years \$'000	2 years \$'000	3 years \$'000	4 years \$'000	5 years \$'000	Over 5 years \$'000
Insurance contract liabilities	30,677	27,403	17,715	5,483	4,205	-	-	-
Other liabilities	305	305	305	-	-	-	-	-
	<b>30,982</b>	<b>27,708</b>	<b>18,020</b>	<b>5,483</b>	<b>4,205</b>	<b>-</b>	<b>-</b>	<b>-</b>

There were zero amounts payable on demand for 2023 and 2022.

## GUARDIAN RE (SAC) LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Expressed in United States dollars

(Continued)

#### 4. Management of Insurance and Financial Risk (continued)

##### 4.2 Financial risk (continued)

##### 4.2.3 Credit risk

Credit risk is defined as the potential for loss that can occur as a result of an individual, counterparty or issuer being unable or unwilling to honour its contractual obligations to the Company. Each subsidiary in the various jurisdictions has an Executive Investment Committee (EIC) that sets credit limits and monitors exposure by constraining the magnitude and tenor of the exposure to counterparties and issuers. Some of the credit risk mitigation techniques include, where appropriate, the right to require initial collateral or margin, the right to terminate transactions, and the right to obtain collateral (including guarantees) should unfavourable events occur.

Collateral held as security for mortgage loans and other loans includes physical or tangible residential and commercial edifices as well as legal rights to insurance portfolio and other assets of the respective borrowers. The EIC initiates regular portfolio reviews, monitors counterparty creditworthiness and evaluates potential transaction risks with a view towards early problem identification and protection against unacceptable credit-related losses.

##### (a) Credit risk management and exposures for insurance and reinsurance assets

The Company has material credit risk arising from reinsurance contracts held. Credit risk associated with future premium inflows from insurance contracts issued is mitigated by the Company's ability to terminate insurance contract services when policyholders fail to meet their premium payment obligations.

The Company structures the levels of credit risk arising from ceded reinsurance by incorporating limits into its reinsurance treaties on the maximum size of policy and maximum amount of benefits that can be provided per insured life. The Company does not seek to manage its credit risk via other characteristics such as limiting exposure to a single counterparty or groups of counterparties, given the relative size of the Company to its reinsurers.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder.

The Company actively monitors the financial status of its reinsurers both by reference to publicly available information and the Financial Strength Ratings of A.M. Best. All of the Company's reinsurers are rated superior by A.M. Best. A rating of superior is assigned to reinsurance companies that have, in the opinion of A.M. Best, a superior ability to meet their ongoing obligations to the primary insurer.

##### (b) Assets bearing credit risk

Below is an analysis of assets bearing credit risk.

	Gross exposure		Net carrying amount	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Investment securities measured at fair value through other comprehensive income	10,160	9,473	10,160	9,473
Loans and receivables	2	–	2	–
Due from affiliated companies	5,095	20,048	5,095	20,048
Cash and cash equivalents	35,706	24,048	35,663	24,006
Reinsurance contract assets	16,388	25,979	16,388	25,979
	<u>67,351</u>	<u>79,548</u>	<u>67,308</u>	<u>79,506</u>

##### (c) Credit quality of reinsurance and financial assets

The credit quality of financial assets can be assessed by reference to external credit ratings, if available, or to a rating assigned by the investment manager using an approach consistent with that used by Standard and Poor's.

##### AAA

An obligation rated 'AAA' has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

##### AA

An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment is very strong.

##### A

An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

**GUARDIAN RE (SAC) LTD.****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

(Continued)

**4. Management of Insurance and Financial Risk (continued)****4.2 Financial risk (continued)****4.2.3 Credit risk (continued)****(c) Credit quality of reinsurance and financial assets (continued)****BBB**

An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

**Below BBB**

Obligations rated 'Below BBB' are regarded as having material speculative characteristics. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

**Not Rated**

This indicates that there is insufficient information on which to base a rating. These balances are current and are monitored regularly for impairment. This classification mainly includes obligations due from individuals and short-term securities.

	12-month ECL \$'000	Lifetime ECL		Purchased credit impaired \$'000	Total \$'000
		Not credit impaired \$'000	Credit impaired \$'000		
<b>Investment securities measured at fair value through other comprehensive income</b>					
<b>As at 31 December 2023</b>					
AA	6,394	–	–	–	6,394
BBB	3,766	–	–	–	3,766
Gross carrying amount	10,160	–	–	–	10,160
Loss allowance	–	–	–	–	–
Net carrying amount	10,160	–	–	–	10,160
<b>As at 31 December 2022</b>					
AA	2,829	–	–	–	2,829
Below BBB	6,644	–	–	–	6,644
Gross carrying amount	9,473	–	–	–	9,473
Loss allowance	–	–	–	–	–
Net carrying amount	9,473	–	–	–	9,473

**GUARDIAN RE (SAC) LTD.****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

(Continued)

**4. Management of Insurance and Financial Risk (continued)****4.2 Financial risk (continued)****4.2.3 Credit risk (continued)****(c) Credit quality of reinsurance and financial assets (continued)**

	12-month ECL \$'000	Lifetime ECL		Total \$'000
		Not credit impaired \$'000	Credit impaired \$'000	
<b>Cash and cash equivalents</b>				
<b>As at 31 December 2023</b>				
A	10,056	–	–	10,056
BBB	18,810	–	–	18,810
Below BBB	6,840	–	–	6,840
Gross carrying amount	35,706	–	–	35,706
Loss allowance	(43)	–	–	(43)
Net carrying amount	35,663	–	–	35,663
<b>As at 31 December 2022</b>				
A	5,686	–	–	5,686
BBB	11,616	–	–	11,616
Below BBB	6,746	–	–	6,746
Gross carrying amount	24,048	–	–	24,048
Loss allowance	(42)	–	–	(42)
Net carrying amount	24,006	–	–	24,006

The following table sets out the credit quality analysis for due from related companies measured at amortised cost.

	<b>B+</b> <b>\$'000</b>
<b>As at 31 December 2023</b>	
Due from related companies	5,095
	<u>5,095</u>
	<b>B+</b> <b>\$'000</b>
<b>As at 31 December 2022</b>	
Due from related companies	20,112
	<u>20,112</u>

The following table sets out the credit quality analysis for reinsurance assets and financial assets (excluding equity instruments) measured at fair value through profit or loss.

	<b>A</b> <b>\$'000</b>
<b>As at 31 December 2023</b>	
Reinsurance assets	16,388
	<u>16,388</u>
	<b>A</b> <b>\$'000</b>
<b>As at 31 December 2022</b>	
Reinsurance assets	25,979
	<u>25,979</u>

## GUARDIAN RE (SAC) LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Expressed in United States dollars

(Continued)

#### 4. Management of Insurance and Financial Risk (continued)

##### 4.2 Financial risk (continued)

##### 4.2.3 Credit risk (continued)

##### (d) Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial asset. Reconciling items include the following:

- ▶ New assets originated or purchased, which reflect the allowance related to assets newly recognized during the period.
- ▶ Assets derecognised, which reflect the allowance related to assets derecognized during the period without a credit loss being incurred, including those assets that were derecognized following a modification of terms.
- ▶ Net transfer to/(from) 12-month ECL and lifetime ECL, which are presumed to occur before any corresponding remeasurement of the allowance.
- ▶ Remeasurements, which comprise the impact of changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions; changes in the measurement following a transfer between 12-month ECL and lifetime ECL; and unwinding of the time value discount due to the passage of time.

	12-month ECL \$'000	Lifetime ECL		Total \$'000
		Not credit impaired \$'000	Credit impaired \$'000	
<b>Due from related companies measured at amortised cost</b>				
<b>Year ended 31 December 2023</b>				
Balance at beginning of year	64	–	–	64
Remeasurements	(48)	–	–	(48)
Balance at end of year	16	–	–	16

	12-month ECL \$'000	Lifetime ECL		Total \$'000
		Not credit impaired \$'000	Credit impaired \$'000	
<b>Due from related companies measured at amortised cost</b>				
<b>Year ended 31 December 2022</b>				
Balance at beginning of year	75	–	–	75
Remeasurements	(11)	–	–	(11)
Balance at end of year	64	–	–	64

##### Cash and cash equivalents

Impairment on cash and cash equivalents measured at amortised cost has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Company uses a similar approach for the assessment of expected credit losses for cash and cash equivalents to those used for debt securities.

The impairment allowance on cash and cash equivalents as at 31 December 2023 is \$43,000 (2022: \$42,000). The Company recognised a net impairment expense of \$1,000 for the year ended 31 December 2023 (2022: gain of \$10,000).

##### Credit Risk - Sensitivity analysis

Set out below are the changes in ECL allowance at the reporting date that would result from a reasonably possible change in the PDs used by the Company.

	Actual PDs applied		Change in PD	Impact on ECL	
	2023	2022		2023 \$'000	2022 \$'000
Due from parent and affiliated companies	0.412% - 0.412%	0.414% - 0.414%	+/- 20%	3	13
Cash and cash equivalents	0.650% - 0.650%	0.101% - 0.659%	+/- 20%	8	7
				11	20

**GUARDIAN RE (SAC) LTD.****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

(Continued)

**4. Management of Insurance and Financial Risk (continued)****4.2 Financial risk (continued)****4.2.3 Credit risk (continued)****(e) Financial assets subject to ECL**

The following tables show an analysis of changes in the gross carrying amount of investment securities and loans subject to ECL.

	<b>12-month ECL \$'000</b>
<b>Investment securities measured at fair value through other comprehensive income</b>	
<b>Year ended 31 December 2023</b>	
Balance at beginning of year	9,473
New assets originated or purchased	550
Assets derecognised (excluding write-offs)	-
Transfer to 12-month ECL	-
Changes in interest accrual	137
Exchange rate adjustments	-
	<hr/>
Balance at end of year	<u>10,160</u>
<b>Year ended 31 December 2022</b>	
Balance at beginning of year	3,500
New assets originated or purchased	5,894
Assets derecognised (excluding write-offs)	-
Transfer to 12-month ECL	-
Transfer to lifetime ECL - not credit impaired	-
Changes in interest accrual	79
Exchange rate adjustments	-
	<hr/>
Balance at end of year	<u>9,473</u>

## GUARDIAN RE (SAC) LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Expressed in United States dollars

(Continued)

#### 4. Management of Insurance and Financial Risk (continued)

##### 4.2 Financial risk (continued)

##### 4.2.3 Credit risk (continued)

##### (f) Concentrations of risks of reinsurance and financial assets with credit risk exposure

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The following table breaks down the Company's main credit risk exposure as categorised by the industry sectors of its counterparties.

	2023 \$'000	2022 \$'000
Financial services	39,429	30,651
Public sector	6,394	2,829
Insurance and reinsurance	2	–
Other industries	5,079	20,048
	<u>50,904</u>	<u>53,528</u>

##### 4.2.4 Capital management

The Company's capital includes share capital, reserves and retained earnings.

- To comply with the capital requirements required by the regulators of the markets where the Company operates;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

In each country in which the Company operates, the local insurance regulator specifies the minimum amount and type of capital that must be held by each entity in addition to their insurance liabilities and the Company is subject to insurance solvency regulations in all the territories in which it issues insurance contracts.

The Company is subject to insurance solvency regulations in accordance to the statutory requirements of Section 6 of Insurance Act. Every class 3A insurer is required to maintain minimum margin of solvency which is the greater of (A) \$1,000,000; (B) \$1,200,000 plus 15% of net premiums written greater than \$6,000,000; (C) 15% of net loss reserves and (D) 25% of insurer's Enhanced Capital Requirement (ECR) where ECR is calculated based on Bermuda Solvency Capital Requirement (BSCR) model. The BSCR is a risk-based mathematical model employed by the BMA to determine the capital adequacy levels of insurers.

For 2023 and 2022, the Company has met the minimum solvency and capital requirements.

The table below summarises the minimum required capital for the Company and the regulatory capital held. These figures are an aggregate number, being the sum of the statutory capital and surplus for the Company in each country subject to local regulatory requirements, which may differ from jurisdiction to jurisdiction. The current year is, in general, an estimate that is updated once calculations prepared for the regulators are final.

The table below summarizes the regulatory capital held and the minimum regulatory capital requirement.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 2022.

	2023 \$'000	2022 \$'000
Regulatory capital held	51,315	49,857
Minimum regulatory capital	9,427	8,598

**GUARDIAN RE (SAC) LTD.****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

(Continued)

**5. Investment securities**

	Carrying value	
	FVOCI	
	2023	2022
	\$'000	\$'000
Debt securities:		
- Government securities	6,332	-
Deposits (more than 90 days)	3,692	6,333
Other	-	3,061
	<u>10,024</u>	<u>9,394</u>
Interest receivable	136	79
	<u>10,160</u>	<u>9,473</u>
Current	10,160	9,473
Non-current	-	-
	<u>10,160</u>	<u>9,473</u>

**6. Loans and receivables**

	2023	2022
	\$'000	\$'000
Other receivables	2	-
Current	2	-
Non-current	-	-
	<u>2</u>	<u>-</u>

The carrying amounts of loans and receivables are reasonable approximations of their fair values. There were no loans and receivables pledged as collateral for liabilities at year end (2022: nil).

**7. Due from affiliated companies**

	2023	2022
	\$'000	\$'000
Guardian International Inc.	5,079	20,046
Guardian General Insurance Limited	-	2
	<u>5,079</u>	<u>20,048</u>

The amounts due from affiliated companies are unsecured, non-interest bearing and have no fixed repayment terms.

The outstanding balance as at year end amounted to \$5,079,000 is broken down as follows:

	2023	2022
	\$'000	\$'000
As at 1 January	20,046	25,035
Less: Capital repayment	(3,577)	(5,000)
	<u>16,469</u>	<u>20,035</u>
Less In-specie dividends	(11,438)	-
	<u>5,031</u>	<u>20,035</u>
Net movement in loss allowance	48	11
As at 31 December	<u>5,079</u>	<u>20,046</u>



**GUARDIAN RE (SAC) LTD.****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

(Continued)

**8. Insurance contracts****8.1 Composition of the Statement of Financial Position**

	Property \$'000	Motor \$'000	Marine \$'000	Total \$'000	Current portion \$'000	Non-Current Portion \$'000
<b>As at 31 December 2023</b>						
<i>Net Insurance contract liabilities</i>						
- Insurance contract liabilities excluding insurance acquisition cash flows assets and other pre-recognition cash flows	(4,558)	20,231	(46)	15,627	8,969	6,658
Net Insurance contract liabilities	<u>(4,558)</u>	<u>20,231</u>	<u>(46)</u>	<u>15,627</u>	<u>8,969</u>	<u>6,658</u>
As represented by:						
- Insurance contract liability	4,338	20,231	89	24,658	18,000	6,658
- Insurance contract asset	(8,896)	-	(135)	(9,031)	(9,031)	-
	<u>(4,558)</u>	<u>20,231</u>	<u>(46)</u>	<u>15,627</u>	<u>8,969</u>	<u>6,658</u>
<i>Net Reinsurance contract assets</i>						
- Reinsurance contract assets excluding other pre-recognition cash flows	2,421	13,967	-	16,388	8,194	8,194
Net Reinsurance contract assets	<u>2,421</u>	<u>13,967</u>	<u>-</u>	<u>16,388</u>	<u>8,194</u>	<u>8,194</u>
As represented by:						
- Reinsurance contract liability	-	-	-	-	-	-
- Reinsurance contract asset	2,421	13,967	-	16,388	8,194	8,194
	<u>2,421</u>	<u>13,967</u>	<u>-</u>	<u>16,388</u>	<u>8,194</u>	<u>8,194</u>

**GUARDIAN RE (SAC) LTD.****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

(Continued)

**8. Insurance contracts (continued)****8.1 Composition of the Statement of Financial Position (continued)**

	Property \$'000	Motor \$'000	Marine \$'000	Total \$'000	Current portion \$'000	Non-Current Portion \$'000
<b>As at 31 December 2022</b>						
<i>Net Insurance contract liabilities</i>						
- Insurance contract liabilities excluding insurance acquisition cash flows assets and other pre-recognition cash flows	6,008	24,649	(116)	30,541	21,951	8,590
Net Insurance contract liabilities	6,008	24,649	(116)	30,541	21,951	8,590
As represented by:						
- Insurance contract liability	6,008	24,649	20	30,677	22,087	8,590
- Insurance contract asset	-	-	(136)	(136)	(136)	-
	6,008	24,649	(116)	30,541	21,951	8,590
<i>Net Reinsurance contract assets</i>						
- Reinsurance contract assets excluding other pre-recognition cash flows	6,734	19,245	-	25,979	14,288	11,691
Net Reinsurance contract assets	6,734	19,245	-	25,979	14,288	11,691
As represented by:						
- Reinsurance contract liability	-	-	-	-	-	-
- Reinsurance contract asset	6,734	19,245	-	25,979	14,288	11,691
	6,734	19,245	-	25,979	14,288	11,691

**GUARDIAN RE (SAC) LTD.****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

(Continued)

**8. Insurance contracts (continued)****8.2 Insurance revenue and expenses****8.2.1 Insurance revenue and insurance service result**

For the year ended 31 December 2023

	Property \$'000	Motor \$'000	Marine \$'000	Total \$'000
<b>Insurance revenue</b>				
Insurance revenue from contracts measured under the PAA	46,190	-	22	46,212
<b>Total insurance revenue</b>	<b>46,190</b>	<b>-</b>	<b>22</b>	<b>46,212</b>
<b>Insurance service expenses</b>				
Incurring claims and other directly attributable expenses	(101)	(38)	4	(135)
Changes that relate to past service – changes in the FCF relating to the LIC	629	(1,615)	(51)	(1,037)
Insurance acquisition cash flows amortisation	(197)	-	(6)	(203)
<b>Total insurance service expenses</b>	<b>331</b>	<b>(1,653)</b>	<b>(53)</b>	<b>(1,375)</b>
<b>Net income/(expenses) from reinsurance contracts held</b>				
Reinsurance expenses - contracts measured under the PAA	(29,914)	-	-	(29,914)
Other incurred directly attributable expenses	(3)	-	-	(3)
Incurring claims recovery	(21)	14	-	(7)
Changes that relate to past service – changes in the FCF relating to incurred claims recovery	(103)	(879)	-	(982)
<b>Total net expenses from reinsurance contracts held</b>	<b>(30,041)</b>	<b>(865)</b>	<b>-</b>	<b>(30,906)</b>
<b>Total insurance service result</b>	<b>16,480</b>	<b>(2,518)</b>	<b>(31)</b>	<b>13,931</b>

**GUARDIAN RE (SAC) LTD.****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

(Continued)

**8. Insurance contracts (continued)****8.2 Insurance revenue and expenses (continued)****8.2.1 Insurance revenue and insurance service result (continued)**

For the year ended 31 December 2022

	Property \$'000	Motor \$'000	Marine \$'000	Total \$'000
<b>Insurance revenue</b>				
Insurance revenue from contracts measured under the PAA	32,902	-	151	33,053
<b>Total insurance revenue</b>	<b>32,902</b>	<b>-</b>	<b>151</b>	<b>33,053</b>
<b>Insurance service expenses</b>				
Incurred claims and other directly attributable expenses	1,432	1,317	16	2,765
Changes that relate to past service – changes in the FCF relating to the LIC	(2,640)	479	(28)	(2,189)
Insurance acquisition cash flows amortisation	(920)	-	(43)	(963)
<b>Total insurance service expenses</b>	<b>(2,128)</b>	<b>1,796</b>	<b>(55)</b>	<b>(387)</b>
<b>Net income/(expenses) from reinsurance contracts held</b>				
Reinsurance expenses - contracts measured under the PAA	(20,793)	-	-	(20,793)
Other incurred directly attributable expenses	(5)	-	-	(5)
Incurred claims recovery	(264)	(1,090)	-	(1,354)
Changes that relate to past service – changes in the FCF relating to incurred claims recovery	(721)	(453)	-	(1,174)
<b>Total net expenses from reinsurance contracts held</b>	<b>(21,783)</b>	<b>(1,543)</b>	<b>-</b>	<b>(23,326)</b>
<b>Total insurance service result</b>	<b>8,991</b>	<b>253</b>	<b>96</b>	<b>9,340</b>

**GUARDIAN RE (SAC) LTD.**
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

(Continued)

**8. Insurance contracts (continued)**
**8.3 Property and casualty - Insurance contracts issued**
**8.3.1 Reconciliation of the liability for remaining coverage and the liability for incurred claims**

	2023			2022				
	LRC	LIC	Risk adjustment for non-financial risk	Total	LRC	LIC	Risk adjustment for non-financial risk	Total
	Excluding loss component	Present value of future cash flows	\$'000	\$'000	Excluding loss component	Present value of future cash flows	\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Net insurance contract liabilities as at 1 January</b>	3,366	22,582	4,593	30,541	1,317	39,680	7,103	48,100
Exchange rate adjustment	-	1,199	-	1,199	14	(1,826)	-	(1,812)
<b>Insurance revenue</b>	(46,212)	-	-	(46,212)	(33,053)	-	-	(33,053)
<b>Insurance service expenses</b>								
Incurred claims and other directly attributable expenses	-	135	-	135	-	(1,510)	(1,255)	(2,765)
Changes that relate to past service – changes in the FCF relating to the LIC	-	2,252	(1,215)	1,037	-	3,444	(1,255)	2,189
Losses on onerous contracts and reversal of those losses	-	-	-	-	-	-	-	-
Insurance acquisition cash flows amortisation	203	-	-	203	963	-	-	963
<b>Insurance service expenses</b>	203	2,387	(1,215)	1,375	963	1,934	(2,510)	387
Finance expenses from insurance contracts issued	-	1,410	-	1,410	-	536	-	536
<b>Total amounts recognised in comprehensive income</b>	(46,009)	3,797	(1,215)	(43,427)	(32,090)	2,470	(2,510)	(32,130)
<b>Cash flows</b>								
Premiums received	33,759	-	-	33,759	34,744	-	-	34,744
Claims and other directly attributable expenses paid	-	(6,298)	-	(6,298)	-	(17,742)	-	(17,742)
Insurance acquisition cash flows	(147)	-	-	(147)	(619)	-	-	(619)
<b>Total cash flows</b>	33,612	(6,298)	-	27,314	34,125	(17,742)	-	16,383
<b>Net balance as at 31 December</b>	(9,031)	21,280	3,378	15,627	3,366	22,582	4,593	30,541

**GUARDIAN RE (SAC) LTD.**
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

(Continued)

**8. Insurance contracts (continued)**
**8.4 Property and casualty - Reinsurance contracts held**
**8.4.1 Reconciliation of the remaining coverage and incurred claims**

	2023			2022				Total \$'000
	Remaining	Incurred claims		Remaining	Incurred claims		Risk	
	Excluding loss- recovery component \$'000	Present value of future cash flows \$'000	Risk adjustment for non- financial risk \$'000	Total \$'000	Excluding loss- recovery component \$'000	Present value of future cash flows \$'000	Risk adjustment for non- financial risk \$'000	
<b>Net reinsurance contract asset as at 1 January</b>	5,968	17,771	2,240	25,979	4,398	21,238	3,218	28,854
Exchange rate adjustment	-	1,167	-	1,167	-	(1,760)	-	(1,760)
<b>Net income (expenses) from reinsurance contracts held</b>								-
- Reinsurance expenses	(29,914)	-	-	(29,914)	(20,793)	-	-	(20,793)
- Other incurred directly attributable expenses	-	(3)	-	(3)	-	(5)	-	(5)
- Incurred claims recovery	-	(7)	-	(7)	-	(865)	(489)	(1,354)
- Changes that relate to past service – changes in the FCF relating to incurred claims recovery	-	(558)	(424)	(982)	-	(685)	(489)	(1,174)
<b>Net income (expenses) from reinsurance contracts held</b>	<b>(29,914)</b>	<b>(568)</b>	<b>(424)</b>	<b>(30,906)</b>	<b>(20,793)</b>	<b>(1,555)</b>	<b>(978)</b>	<b>(23,326)</b>
Finance income from reinsurance	-	678	-	678	-	324	-	324
<b>Total amounts recognised in comprehensive income</b>	<b>(29,914)</b>	<b>110</b>	<b>(424)</b>	<b>(30,228)</b>	<b>(20,793)</b>	<b>(1,231)</b>	<b>(978)</b>	<b>(23,002)</b>
<b>Cash flows</b>								-
Premiums paid net of ceding commissions and other directly attributable expenses paid	25,801	-	-	25,801	22,363	-	-	22,363
Recoveries from reinsurance	-	(6,331)	-	(6,331)	-	(476)	-	(476)
<b>Total cash flows</b>	<b>25,801</b>	<b>(6,331)</b>	<b>-</b>	<b>19,470</b>	<b>22,363</b>	<b>(476)</b>		<b>21,887</b>
<b>Net balance as at 31 December</b>	<b>1,855</b>	<b>12,717</b>	<b>1,816</b>	<b>16,388</b>	<b>5,968</b>	<b>17,771</b>	<b>2,240</b>	<b>25,979</b>

**GUARDIAN RE (SAC) LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**  
Expressed in United States dollars  
(Continued)

**8. Insurance contracts (continued)**

**8.5 Investment income and insurance finance expenses**

For the year ended:

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Net investment income - other investments</b>		
- Investment income	888	449
- Net impairment losses on financial assets	47	21
- Other income	<u>(11)</u>	<u>934</u>
<b>Net investment income - other investments</b>	<u>924</u>	<u>1,404</u>
<b>Total net investment income</b>	<u>924</u>	<u>1,404</u>
<b>Finance expenses from insurance contracts issued</b>		
- Interest accreted	(1,210)	(536)
- Effect of changes in interest rates and other financial assumptions	<u>(200)</u>	<u>-</u>
<b>Finance expenses from insurance contracts issued</b>	<u>(1,410)</u>	<u>(536)</u>
<b>Finance income from reinsurance contracts held</b>		
- Interest accreted	600	324
- Effect of changes in interest rates and other financial assumptions	<u>78</u>	<u>-</u>
<b>Finance income from reinsurance contracts held</b>	<u>678</u>	<u>324</u>
<b>Net insurance finance expenses</b>	<u>(732)</u>	<u>(212)</u>
<b>Summary of the amounts recognised in profit or loss</b>		
- Net investment income - other investments	935	469
- Net investment income (expenses) - other	(11)	934
- Finance expenses from insurance contracts issued	(1,410)	(536)
- Finance income from reinsurance contracts held	<u>678</u>	<u>324</u>
	<u>192</u>	<u>1,191</u>
<b>Summary of the amounts recognised</b>		
- Insurance service result	13,931	9,340
- Net investment income	924	1,404
- Finance expenses from insurance contracts issued	(1,410)	(536)
- Finance income from reinsurance contracts held	<u>678</u>	<u>324</u>
<b>Net insurance and investment result</b>	<u>14,123</u>	<u>10,532</u>

## GUARDIAN RE (SAC) LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Expressed in United States dollars

(Continued)

#### 8. Insurance contracts (continued)

##### 8.6 Claims development tables - short-term insurance contracts (non-life)

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. Claims development tables are disclosed on an accident year basis (where the reference is to the actual date of the event that caused the claim), with the exception of international property and casualty claims, which is disclosed by underwriting year account.

	<b>Total \$'000</b>
Insurance claims - gross	
- By accident year	1,497
- By underwriting year	<u>23,161</u>
Total liability	<u>24,658</u>
Insurance claims - net	
- By accident year	149
- By underwriting year	<u>9,976</u>
Total liability	<u>10,125</u>

The Company provides information on the gross and net claims development for the current reporting period and five years prior to it. The Company considers that there is no material uncertainty with regard to claims that were incurred more than six years before the reporting period.

The top half of each table below illustrates how the Company's estimate of total claims outstanding for each accident year/underwriting year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing on the consolidated statement of financial position as per summary below.

##### Insurance claims - gross

Accident year	2018 \$'000	2019 \$'000	2020 \$'000	2021 \$'000	2022 \$'000	2023 \$'000	Total \$'000
Estimate of ultimate claims costs:							
- at end of accident year	-	39,956	273	161	-	-	-
- one year later	-	27,993	887	109	-	-	-
- two years later	-	27,318	511	109	-	-	-
- three years later	-	27,288	511	-	-	-	-
- four years later	-	27,289	-	-	-	-	-
- five years later	-	-	-	-	-	-	-
Cumulative gross claims	-	27,289	511	109	-	-	27,909
Cumulative payments to date	-	<u>(27,043)</u>	<u>(266)</u>	<u>(21)</u>	-	-	<u>(27,330)</u>
2018 to 2023	-	246	245	88	-	-	579
Liability in respect of prior years						787	787
Effect of discounting						(63)	(63)
Effect of the risk adjustment margin for non-financial risk						194	<u>194</u>
Gross LIC for contracts originated							<u>1,497</u>



**GUARDIAN RE (SAC) LTD.****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

(Continued)

**8. Insurance contracts (continued)****8.6 Claims development tables - short-term insurance contracts (non-life) (continued)****Insurance claims - net**

<b>Accident year</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Estimate of ultimate claims costs:							
- at end of accident year	-	8,811	-	-	-	-	-
- one year later	-	9,277	-	-	-	-	-
- two years later	-	9,276	-	-	-	-	-
- three years later	-	9,276	-	-	-	-	-
- four years later	-	9,276	-	-	-	-	-
- five years later	-	-	-	-	-	-	-
Cumulative gross claims	-	9,276	-	-	-	-	9,276
Cumulative payments to date	-	(9,273)	-	-	-	-	(9,273)
Gross cumulative claims liabilities - 2018 to 2023	-	3	-	-	-	-	3
Liability in respect of prior years						130	130
Effect of discounting						(4)	(4)
Effect of the risk adjustment margin for non-financial risk						20	20
Net LIC for contracts originated							149

**GUARDIAN RE (SAC) LTD.****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

(Continued)

**8. Insurance contracts (continued)****8.6 Claims development tables - short-term insurance contracts (non-life) (continued)****Insurance claims - gross**

<b>Underwriting year</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Estimate of ultimate claims costs:							
- at end of underwriting year	2,671	1,418	2,946	16,098	–	–	23,133
- one year later	3,028	2,225	3,881	18,874	–	–	28,008
- two years later	2,841	2,061	3,924	18,908	–	–	27,734
- three years later	2,796	1,899	3,224	–	–	–	7,919
- four years later	2,787	1,767	–	–	–	–	4,554
- five years later	2,772	–	–	–	–	–	2,772
Cumulative gross claims	2,772	1,767	3,224	18,908	–	–	26,671
Cumulative payments to date	<u>(2,772)</u>	<u>(1,770)</u>	<u>(3,772)</u>	<u>(18,746)</u>	<u>–</u>	<u>–</u>	<u>(27,060)</u>
Gross cumulative claims liabilities - 2018 to 2023	–	(3)	(548)	162	–	–	(389)
Liability in respect of prior years						21,431	21,431
Effect of discounting						(1,065)	(1,065)
Effect of the risk adjustment margin for non-financial risk						3,184	<u>3,184</u>
Gross LIC for contracts originated							<u>23,161</u>

**Insurance claims - net**

<b>Underwriting year</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Estimate of ultimate claims costs:							
- at end of underwriting year	2,671	1,418	2,946	16,098	–	–	23,133
- one year later	3,028	2,225	3,881	18,874	–	–	28,008
- two years later	2,841	2,061	3,924	18,908	–	–	27,734
- three years later	2,796	1,899	3,224	–	–	–	7,919
- four years later	2,787	1,767	–	–	–	–	4,554
- five years later	2,772	–	–	–	–	–	2,772
Cumulative gross claims	2,772	1,767	3,224	18,908	–	–	26,671
Cumulative payments to date	<u>(2,772)</u>	<u>(1,770)</u>	<u>(3,772)</u>	<u>(18,746)</u>	<u>–</u>	<u>–</u>	<u>(27,060)</u>
Gross cumulative claims liabilities - 2018 to 2023	–	(3)	(548)	162	–	(389)	(389)
Liability in respect of prior years						9,276	9,276
Effect of discounting						(453)	(453)
Effect of the risk adjustment margin for non-financial risk						1,542	<u>1,542</u>
Net LIC for contracts originated							<u>9,976</u>

**GUARDIAN RE (SAC) LTD.****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

(Continued)

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>9 Cash and cash equivalents</b>		
Cash and cash equivalents	28,844	17,281
Cash and cash equivalents in mutual funds	<u>6,819</u>	<u>6,725</u>
	<u>35,663</u>	<u>24,006</u>
Cash at bank and in hand	<u>28,866</u>	<u>17,302</u>
Cash and cash equivalents	28,866	17,302
Cash and cash equivalents in mutual funds	6,840	6,746
Loss allowance	<u>(43)</u>	<u>(42)</u>
Net cash and cash equivalents	<u>35,663</u>	<u>24,006</u>
At beginning of year	24,006	28,986
Net impairment (loss)/gain	<u>(1)</u>	<u>10</u>
	24,005	28,996
At end of year	<u>35,663</u>	<u>24,006</u>
Net increase/(decrease) in cash used in cash flow	<u>11,658</u>	<u>(4,990)</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

No cash and cash equivalents are pledged as collateral for financial liabilities.

**10. Share capital**

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Authorised</i>		
100,000,000 ordinary shares of no par value		
<i>Issued and fully paid</i>		
26,388,140 ordinary shares of par value \$1.00 each issued and fully paid as at 31 December:	<u>26,338</u>	<u>26,338</u>

**11. Contributed surplus**

Contributed surplus represents cash contributed to the Company by its original shareholder in addition to its subscription to share capital.

**12. Due to parent and affiliated companies**

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Guardian General Insurance Limited	<u>131</u>	<u>—</u>
	<u>131</u>	<u>—</u>

The amounts due to affiliated companies are unsecured, non-interest bearing and have no fixed repayment terms.

**GUARDIAN RE (SAC) LTD.****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

(Continued)

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>13. Other liabilities</b>		
Accounts payable and accruals	<u>219</u>	<u>304</u>
	<u>219</u>	<u>304</u>
<b>14. Investment income</b>		
Interest income from:		
- Fair value through other comprehensive income investment securities	590	174
- Loans and receivables	12	13
- Cash and cash equivalents	<u>320</u>	<u>289</u>
	<u>922</u>	<u>476</u>
Investment management fees - related party balance (Note 21(b))	<u>(34)</u>	<u>(27)</u>
	<u>(34)</u>	<u>(27)</u>
Total investment income	<u>888</u>	<u>449</u>
<b>15. Other (loss)/income</b>		
Foreign exchange (losses)/gains	(11)	934
<b>16. Net impairment gains on financial assets</b>	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Related party balances - amortised cost	48	11
Cash and cash equivalents	<u>(1)</u>	<u>10</u>
	<u>47</u>	<u>21</u>
<b>17. Operating expenses</b>		
Other operating expenses	573	912
Amounts attributed to insurance acquisition cash flows incurred during the year	(158)	(272)
Amortisation of insurance acquisition cash flows	<u>(113)</u>	<u>(179)</u>
	<u>302</u>	<u>461</u>
<b>Represented by:</b>		
Insurance service expenses	271	451
Other operating expenses	<u>31</u>	<u>10</u>
	<u>302</u>	<u>461</u>

Expenses attributed to insurance acquisition cash flows and other directly attributable expenses comprise expenses incurred by the Company in the reporting period that relate directly to the fulfilment of contracts issued within IFRS 17's scope and reinsurance contracts held. These expenses are recognised in the statement of comprehensive income based on IFRS 17 measurement requirements. Refer to Note 2.9 (f) and Note 8.2.1.

**GUARDIAN RE (SAC) LTD.****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

Expressed in United States dollars

(Continued)

**18. Dividends**

	2023 \$'000	2022 \$'000
Final dividend for 2023 - \$0.43 per share (2022 - NIL)	11,438	—
	<u>11,438</u>	<u>—</u>

**19. Adjustment for non-cash items in operating profit**

	2023 \$'000	2022 \$'000
Impairment of financial assets	(47)	(21)
Other non-cash (income)/expense	(57)	(63)
	<u>(104)</u>	<u>(84)</u>

**20. Fair value measurement**

The following table provides the fair value measurement of the Group's assets and liabilities that are disclosed at fair value in the statement of financial position.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000
<b>At 31 December 2023</b>				
<b>Assets measured at fair value:</b>				
Investment securities at fair value through other comprehensive income:				
Government securities	6,332	—	—	6,332
Deposits (more than 90 days)	—	3,692	—	3,692
	<u>6,332</u>	<u>3,692</u>	<u>—</u>	<u>10,024</u>

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000
<b>At 31 December 2022</b>				
<b>Assets measured at fair value:</b>				
Investment securities at fair value through other comprehensive income:				
Deposits (more than 90 days)	2,798	3,535	—	6,333
Other	—	3,061	—	3,061
	<u>2,798</u>	<u>6,596</u>	<u>—</u>	<u>9,394</u>

## GUARDIAN RE (SAC) LTD.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Expressed in United States dollars

(Continued)

#### 21. Related party disclosures

Parties are considered to be related if one party has the ability to control the other party or exercise material influence over the other party in making financial or operational decisions. The following transactions were entered into with subsidiaries within the Guardian Holdings Group in the normal course of business.

The following transactions were carried out with related parties:

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
(a) Insurance service result with:		
- Fatum General	1,337	104
- Guardian General Insurance (OECS) Limited	315	104
- Guardian General Insurance Jamaica Limited	943	10
- Guardian General Insurance Limited	10,180	(11,311)
(b) Expenses:		
- Guardian Asset Management and Investment Services Limited		
- Investment management fees	34	27
(c) Dividend paid to parent company	11,438	-
(d) Key management personnel compensation:		
- Director's fees	49	48
(e) Receivables from/(payables to):		
- Guardian International Inc.	5,079	20,046
- Guardian General Insurance Limited	131	2

#### 22. Subsequent Events

The Company has assessed subsequent events through 25 April 2024, the date the financial statements were available to be issued and none were noted as of that date.