

**BF&M General Insurance Company Limited**  
(Incorporated in Bermuda)

Consolidated financial statements

31 December 2023



## Independent auditor's report

To the Board of Directors and Shareholder of BF&M General Insurance Company Limited

### Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of BF&M General Insurance Company Limited (the Company) and its subsidiaries (together 'the Group') as at 31 December 2023, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

### *What we have audited*

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated 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 consolidated 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 Group 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) and the ethical requirements of the Chartered Professional Accountants of Bermuda Rules of Professional Conduct (CPA Bermuda Rules) that are relevant to our audit of the consolidated financial statements in Bermuda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the CPA Bermuda Rules.

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### Responsibilities of management for the consolidated financial statements

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



In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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.

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*PricewaterhouseCoopers Ltd.*

**Chartered Professional Accountants**

**Hamilton, Bermuda**

**25 April 2024**

**BF&M GENERAL INSURANCE COMPANY LIMITED**

## Consolidated Statement of Financial Position

As at 31 December 2023

*(in thousands of Bermuda dollars)*

	Notes	2023 \$	2022 Restated * \$	2021 Restated * \$
<b>Assets</b>				
Cash and cash equivalents	7	42,553	43,655	55,417
Regulatory assets	8	21,272	19,961	20,139
Investments	9	96,685	88,483	100,171
Other assets	10	6,480	10,925	10,724
Due from affiliates	24	20,865	18,834	11,484
Reinsurance contract held assets	19	65,769	68,286	58,882
Investment properties	13	15,650	21,832	21,578
Tax recoverable	15	1,194	1,194	1,196
Deferred tax asset	15	376	376	376
Property and equipment	14	7,916	12,278	12,460
Intangible assets	16	7,144	8,744	16,248
Assets held for sale	5	11,760	-	-
<b>Total assets</b>		<b>297,664</b>	<b>294,568</b>	<b>308,675</b>
<b>Liabilities</b>				
Other liabilities	17	8,368	7,532	6,576
Due to affiliates	24	15,372	17,378	24,617
Tax payable	15	463	375	60
Retirement benefit obligations	18	664	690	855
Insurance contract liabilities	19	90,874	103,769	97,378
Liabilities held for sale		911	-	-
<b>Total liabilities</b>		<b>116,652</b>	<b>129,744</b>	<b>129,486</b>
<b>Equity</b>				
Share capital	20	10,000	10,000	10,000
Contributed surplus		64,000	63,675	63,211
Accumulated other comprehensive loss	23	(295)	(338)	(532)
Retained earnings		100,287	84,902	99,418
<b>Total shareholder's equity</b>		<b>173,992</b>	<b>158,239</b>	<b>172,097</b>
Non-controlling interests		7,020	6,585	7,092
<b>Total equity</b>		<b>181,012</b>	<b>164,824</b>	<b>179,189</b>
<b>Total liabilities and equity</b>		<b>297,664</b>	<b>294,568</b>	<b>308,675</b>

\*Restated, see Note 3(A) and (B)

The accompanying notes are an integral part of these consolidated financial statements.

**Approved by the Board of Directors**


Abigail Clifford, B.A., M.Sc.  
Group President and Chief Executive Officer



Bruce Walker, B.A., CPA  
Group Chief Financial Officer

The accompanying notes are an integral part of these consolidated financial statements.

**BF&M GENERAL INSURANCE COMPANY LIMITED**

Consolidated Statement of Income  
For the year ended 31 December 2023  
(in thousands of Bermuda dollars)

	Notes	2023 \$	Restated * 2022 \$
Insurance revenue	11	249,076	236,806
Insurance service expenses		(60,285)	(76,235)
Net expenses from reinsurance contracts held		(160,834)	(141,448)
Insurance service result		27,957	19,123
Investment result	12	9,905	(8,612)
Net investment income / (loss)		9,905	(8,612)
Net finance (expenses) income from insurance contracts issued	12	(1,842)	135
Net finance income (expense) from reinsurance contracts held	12	1,141	(30)
Net insurance finance result		(701)	105
Other income	21	4,194	3,290
Other operating expenses	22	(22,080)	(19,275)
Amortisation expense		(2,976)	(8,675)
Interest expense		(14)	(15)
Net income / (loss) before income taxes		16,285	(14,059)
Income taxes expense	15	(467)	(373)
<b>Net income / (loss) for the year</b>		<b>15,818</b>	<b>(14,432)</b>
<b>Net income attributable to the Shareholder</b>			
Non-controlling interests in subsidiaries		(433)	(84)
<b>Net income / (loss) for the year</b>		<b>15,385</b>	<b>(14,516)</b>

\* Restated, see Note 3(A) and (B)

The accompanying notes are an integral part of these consolidated financial statements.

**BF&M GENERAL INSURANCE COMPANY LIMITED**

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

*(in thousands of Bermuda dollars)*

	2023	Restated *
	\$	2022
		\$
<b>Net income / (loss) for the year</b>	15,818	(14,432)
<b>Other comprehensive income:</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Re-measurement of retirement benefit obligations	45	203
<b>Total other comprehensive income for the year after income taxes</b>	<b>45</b>	<b>203</b>
<b>Total other comprehensive income/(loss)attributable to:</b>		
Shareholders	43	194
Non-controlling interests in subsidiaries	2	9
<b>Total other comprehensive income for the year after income taxes</b>	<b>45</b>	<b>203</b>
<b>Comprehensive income / (loss)</b>	<b>15,863</b>	<b>(14,229)</b>
<b>Comprehensive income / (loss) attributable to:</b>		
Shareholders	15,428	(14,322)
Non-controlling interests in subsidiaries	435	93
<b>Comprehensive income / (loss)</b>	<b>15,863</b>	<b>(14,229)</b>

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in Note 15.

\* Restated, see Note 3(A) and (B).

The accompanying notes are an integral part of these consolidated financial statements.

**BF&M GENERAL INSURANCE COMPANY LIMITED**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

*(in thousands of Bermuda dollars)*

	2023 \$	Restated * 2022 \$
<b>Share capital – beginning and end of year</b>	<b>10,000</b>	<b>10,000</b>
<b>Contributed surplus</b>		
Balance – beginning of year	63,675	63,211
Share grants issued under equity incentive plan	325	464
<b>Contributed surplus – end of year</b>	<b>64,000</b>	<b>63,675</b>
<b>Accumulated other comprehensive loss</b>		
Balance – beginning of year	(338)	(532)
Other comprehensive income for the year	43	194
<b>Balance - end of year</b>	<b>(295)</b>	<b>(338)</b>
<b>Retained earnings</b>		
Balance - beginning of year	84,902	100,631
Impact of initial application of IFRS 17	-	(1,213)
Restated balance - beginning of year	84,902	99,418
Net income / (loss) for the year	15,385	(14,516)
Acquisition of non-controlling interests net of purchase price	-	-
<b>Balance – end of year</b>	<b>100,287</b>	<b>84,902</b>
<b>Total equity attributable to shareholder of the Company</b>	<b>173,992</b>	<b>158,239</b>
<b>Attributable to non-controlling interests</b>		
Balance - beginning of year	6,585	7,092
Net income for the year	433	84
Other comprehensive income for the year	2	9
Acquisition of non-controlling interest	-	-
Cash dividends	-	(600)
<b>Balance – end of year</b>	<b>7,020</b>	<b>6,585</b>
<b>Total equity</b>	<b>181,012</b>	<b>164,824</b>

\* Restated, see Note 3(A) and (B).

The accompanying notes are an integral part of these consolidated financial statements.



**BF&M GENERAL INSURANCE COMPANY LIMITED**

## Consolidated Statement of Cash Flows

For the year ended 31 December 2023

*(in thousands of Bermuda dollars)*

	2023	Restated *
	\$	2022
		\$
<b>Cash flows from operating activities</b>		
<b>Income / (loss) before income taxes</b>	16,285	(14,059)
<b>Adjustments for:</b>		
Investment income	(2,512)	(1,666)
Net realised (gain)/loss on investments	(759)	687
Change in fair value of investments	(5,979)	9,036
Amortisation of property and equipment	628	665
Amortisation of investment properties	1,024	988
Amortisation of intangible assets	2,121	2,572
Impairment of intangible assets	207	5,428
Profit / (loss) on sale of property and equipment	(13)	1
Compensation expense related to shares and options	325	464
<b>Changes in assets and liabilities:</b>		
Regulatory assets	(1,311)	178
Other assets	4,121	(198)
Due to/from affiliates	(4,248)	(14,591)
Reinsurance contract held assets	2,517	(9,405)
Insurance contract liabilities	(12,895)	6,391
Other liabilities	1,001	956
Retirement benefit obligations	19	38
<b>Cash generated (used in) / from operations</b>	<b>531</b>	<b>(12,515)</b>
Income taxes (paid)/received	(379)	(84)
Interest received	1,860	1,366
Dividends received	668	558
<b>Net cash from / (used in) operating activities</b>	<b>2,680</b>	<b>(10,675)</b>
<b>Cash flows from investing activities</b>		
Purchase of investments	(59,622)	(15,368)
Proceeds from sales of investments	58,142	17,103
Acquisition of property and equipment	(969)	(484)
Acquisition of investment properties	(387)	(1,242)
Acquisition of intangible assets	(728)	(496)
<b>Net cash (used in) / from investing activities</b>	<b>(3,564)</b>	<b>(487)</b>
<b>Cash flows from financing activities</b>		
Cash dividends paid to non-controlling interest	-	(600)
<b>Net cash (used in) / from financing activities</b>	<b>-</b>	<b>(600)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(884)</b>	<b>(11,762)</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>43,655</b>	<b>55,417</b>
<b>Cash and cash equivalents - end of year</b>	<b>42,771</b>	<b>43,655</b>
<b>Cash and cash equivalents include:</b>		
Cash and cash equivalents within assets held for sale	218	-
Cash and cash equivalents	42,553	43,655
	<b>42,771</b>	<b>43,655</b>

\* Restated, see Note 3(A) and (B).

## BF&M GENERAL INSURANCE COMPANY LIMITED

Notes to Consolidated Financial Statements

For the year ended 31 December 2023

(in thousands of Bermuda dollars)

### 1. NATURE OF THE GROUP AND ITS BUSINESS

BF&M General Insurance Company Limited (the “Group” or “BF&M General” or the “Company”) is a wholly-owned subsidiary of BF&M Limited (“BF&M” or “BF&M Group”), a publicly traded Bermuda domiciled company. The Company is registered as a Class 3B insurer under The Insurance Act, 1978, related Regulations and amendments thereto (“The Act”). The address of its registered office is: 112 Pitts Bay Road, Pembroke HM08, Bermuda.

The Group’s principal business is insurance. It determines and charges a premium to policyholders which, taken as a pool with all other policyholders, is expected to cover underwriting costs and claims which may take a number of years to settle. The business risks of insurance reside in determining the premium, settlement of claims, and estimation of claim costs and management of investment funds.

The Group is involved in property, casualty, motor, and marine insurance, as well as insurance brokerage services and the rental of office space in buildings owned by the Group.

The Group has the following subsidiaries:

	% owned	Principal country of operation and incorporation
BF&M Properties Limited (“BF&M Properties”)	100	Bermuda
BF&M Brokers Limited (“BF&M Brokers”)	100	Bermuda
Barr’s Bay Properties Limited (“Barr’s Bay”)	100	Bermuda
Scarborough Property Holdings Limited (“Scarborough”)	60	Bermuda
Island Heritage Insurance Company, Ltd (“IHIC”)	100	Cayman Islands
Island Heritage Insurance Company, Ltd. NV.	100	Netherlands Antilles
Lawrence Boulevard Holdings Limited	100	Cayman Islands

All subsidiary undertakings are included in the consolidated financial statements with any portion not owned by the Group reflected in non-controlling interest; in addition, all subsidiaries have a 31 December year-end.

On 21 March, 2024 the Board of Directors approved the consolidated financial statements and authorised them for issue. The Board of Directors has the power to amend the consolidated financial statements after issue.

## **BF&M GENERAL INSURANCE COMPANY LIMITED**

Notes to Consolidated Financial Statements

For the year ended 31 December 2023

*(in thousands of Bermuda dollars)*

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### **2. MATERIAL ACCOUNTING POLICY INFORMATION**

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

#### **A. STATEMENT OF COMPLIANCE**

The consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards' ("IFRS") as issued and adopted by the International Accounting Standards Board ("IASB").

#### **B. BASIS OF PREPARATION**

##### **i) Basis of measurement**

The consolidated financial statements have been compiled on the going concern basis.

The consolidated statement of financial position is presented in order of liquidity.

##### **ii) Critical Estimates, Judgements and Assumptions**

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions. It is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumptions made could require a material adjustment to the carrying amount of the asset or liability affected. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

Key sources of estimation uncertainty and areas where significant judgements have been made are listed below and discussed throughout the notes to these consolidated financial statements including:

- The estimate of the ultimate liability arising from claims under short-term insurance contracts. Refer to Note 23E and Note 4B.
- In the determination of the fair value of financial instruments, the Group's management exercises judgement in the determination of fair value inputs. Refer to Note 6.
- Management considers the synergies and future economic benefits to be realised in the initial recognition and measurement of goodwill and intangible assets as well as evaluating recoverable amounts. The assessment of the carrying value of goodwill and intangible assets relies upon the use of forecasts and future results. Refer to Note 2L and Note 16.
- The actuarial assumptions used in determining the liability and expense of the Group's retirement benefit obligations. Management reviews previous experience of its plan members and market conditions for the year. Refer to Note 18.
- Management uses independent qualified appraisal services to assist in determining the fair value of investment properties for purposes of evaluating possible impairment. This fair value assessment requires judgments and estimates on future cash flows and general market conditions. Refer to Note 6 and 13.

## **BF&M GENERAL INSURANCE COMPANY LIMITED**

Notes to Consolidated Financial Statements

For the year ended 31 December 2023

*(in thousands of Bermuda dollars)*

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- The Group operates within various tax jurisdictions where significant management judgments and estimates are required when interpreting the relevant tax laws, regulations and legislation in the determination of the Group's tax provision and the carrying amounts of its tax assets and liabilities. Refer to Note 15.

### **C. CONSOLIDATION**

#### **i) Subsidiaries**

Subsidiaries are all entities over which the Group has control. Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date control is transferred to the Group and deconsolidated on the date control ceases. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated on consolidation. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

#### **ii) Transactions with non-controlling interest**

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group.

### **D. DETERMINATION OF FAIR VALUE**

Fair value is determined based on 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. Fair value is measured using the assumptions that market participants would use when pricing an asset or liability.

When available, quoted market prices are used to determine fair value. If quoted market prices are not available, fair value is typically based on alternative valuation methods such as discounted cash flows and other techniques. When observable valuation inputs are not available, significant judgement is required to determine fair value by assessing the valuation methods and inputs. For bonds and fixed income securities, broker quotes are typically used when external public vendor prices are not available. Judgement is also applied in adjusting external observable data for items including liquidity and credit factors. A description of the fair value methodologies and assumptions by type of asset is included in Note 6.

### **E. FOREIGN CURRENCY TRANSLATION**

#### **i) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). All amounts in the consolidated financial statements, excluding per share data or where otherwise stated, are in thousands of Bermuda dollars, which is the Group's presentation currency (the "presentation currency").

#### **ii) Transactions and balances**

Monetary assets and liabilities, including insurance and reinsurance contract assets and liabilities, denominated in currencies other than the functional currency of the Company or its subsidiaries are translated into the functional currency using the rate of exchange prevailing at the consolidated statement of financial position date. Income and expenses are translated at rates of exchange in effect on the transaction dates.

## **BF&M GENERAL INSURANCE COMPANY LIMITED**

Notes to Consolidated Financial Statements

For the year ended 31 December 2023

*(in thousands of Bermuda dollars)*

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Foreign exchange gains and losses are expensed in the consolidated statement of income.

### **iii) Group companies**

The financial statements of foreign operations are translated from their respective functional currency to Bermuda dollars, the Group's presentation currency. Assets and liabilities are translated at rates of exchange for the period at the consolidated statement of financial position date, and income and expenses are translated using the average rates of exchange. The accumulated gains or losses arising from translation of functional currencies to the presentation currency are included in other comprehensive income on the consolidated statement of comprehensive income.

The Cayman Islands operation's functional currency is in United States dollars, which are on par with Bermuda dollars. As a result, there are no unrealised translation gains and losses to be reported.

### **F. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly liquid financial assets with original maturities of three months or less and are readily convertible to known amounts of cash and which are subject to an insignificant change in value, and bank overdrafts.

### **G. REGULATORY ASSETS**

Regulatory assets are held with Regulators as a legal requirement in order to provide services in the respective territories. Regulatory assets comprise deposits and fixed income securities. Refer to Note 2(H) (ii) (a) for the classification, recognition and subsequent measurement of fixed income securities held as regulatory assets.

### **H. FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

#### **i) Recognition and initial measurement**

Financial instruments are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for a financial asset or financial liability not measured at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue.

#### **ii) Classification and subsequent measurements**

As explained in Note 3B, IFRS 9 has been adopted by the Group in the reporting period. The Group has elected to apply the classification overlay to comparative information, including financial instruments that were derecognised prior to 1 January 2022.

##### *a) Financial assets*

#### **Classification**

On initial recognition, financial assets are classified as measured at amortised cost, fair value through profit and loss ("FVTPL"), or fair value through other comprehensive income ("FVOCI"). The classification assigned depends on the contractual cash flow characteristics of the assets, how the assets are managed (i.e., the applicable business model), and whether the Group has made an election in order to reduce an accounting mismatch which would otherwise arise.

Assets at amortised cost comprise financial assets with contractual terms that give rise solely to interest and principal ("SPPI") cash flows, and which are held in a business model whose objective is to hold the assets to

## **BF&M GENERAL INSURANCE COMPANY LIMITED**

Notes to Consolidated Financial Statements

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*(in thousands of Bermuda dollars)*

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collect their cash flows. They are measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in the consolidated statement of income. Any gain or loss on derecognition is also recognised in the consolidated statement of income.

All other financial assets are measured at FVTPL, either mandatorily (such as for equity instruments that are not plan assets) or by designation, where such designation eliminates or significantly reduces an accounting mismatch that would otherwise arise were it to be measured at FVOCI or amortised cost. Net gains and losses on assets measured at FVTPL, including any interest or dividend income and foreign exchange gains and losses, are recognised in the consolidated statement of income.

Financial assets at FVTPL by the Group comprise certain debt instruments that are held to support insurance contract liabilities, and regulatory assets.

Debt instruments supporting insurance contract liabilities are held at FVTPL. The objective of the Group's business model is to fund the associated liabilities by applying techniques such as cash flow and duration matching. Financial risk changes on such liabilities flow through the consolidated statement of income.

Regulatory assets are held to fulfil requirements imposed by regulators and since there is moderate turnover in this portfolio, and the performance of the portfolio is evaluated on a total return basis, as such these assets are classified at FVTPL.

### **Business model assessment**

The Group assesses the objective of the business model in which a financial asset is held for each portfolio of financial assets because this best reflects the way that the business is managed and how information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- how risks are assessed and managed;
- how investment managers are compensated; and
- the frequency, volume, and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

### **Assessment of whether contractual cash flows are SPPI**

Key to determining whether financial assets meet the criteria for classification at amortised cost is assessing whether the contractual cash flows are SPPI. In performing this assessment the Group considers whether the contractual cash flows are consistent with a basic lending arrangement. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows. Where the contractual terms deviate from a basic lending arrangement, the SPPI criterion would not be met, and such a financial asset would be measured at FVTPL.

### *b) Financial liabilities*

#### **Classification**

The Group classifies its financial liabilities as either FVTPL or amortised cost.

## **BF&M GENERAL INSURANCE COMPANY LIMITED**

Notes to Consolidated Financial Statements

For the year ended 31 December 2023

*(in thousands of Bermuda dollars)*

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### *c) Interest on financial instruments*

Interest income and expenses are recognised in the consolidated statement of income using the effective interest rate method for financial instruments measured at amortised cost. If a financial asset is not credit-impaired, the gross carrying amount is used to calculate interest income. When a financial asset becomes credit-impaired, interest income is calculated on the carrying amount net of the allowance for expected credit losses ("ECL").

If the financial instrument was derecognised before 1 January 2023, interest income was calculated using the effective interest method for financial assets and financial liabilities measured at amortised cost and available-for-sale financial assets.

### **iii) Impairment**

#### *a) Financial assets not derecognised before 1 January 2023*

*As disclosed in Note 3B, the Group adopted IFRS 9's ECL requirements on 1 January 2023. See Note 2(H)(iii)(b) below for the impairment policy applied to the reporting period ended 31 December 2022.*

The Group recognises allowances for ECL on financial assets measured at amortised cost and the carrying amount of such assets in the statements of financial position are net of the allowances for ECL.

The Group measures loss allowances at an amount equal to the lifetime ECL allowance, except in the following cases, for which the amount recognised is the 12-month allowance for 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 significantly since initial recognition.

Financial instruments for which the 12-month ECL are recognised are referred to as 'Stage 1 financial instruments'. The 12-month ECL is estimated based on default events on financial instrument that are possible within the 12 months after the reporting date.

Financial instruments for which lifetime ECL are recognised because of a significant increase in credit risk since initial recognition but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Lifetime ECL are estimated based on all possible default events over the expected life of the financial instrument.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as "Stage 3 financial instruments".

In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

#### **Measurement of ECL**

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). The Group's ECL model is detailed in Note 4B.

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

At each reporting date, the Group assesses whether financial assets measured at amortised cost 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.

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

- significant financial difficulty of the debtor;
- a breach of contract such as a default or past-due event; or
- the debtor entering bankruptcy or other financial reorganisation becoming probable.

A financial asset that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

### **Write-off**

The gross carrying amount of a financial asset, and the related allowance for ECL, is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

#### *b) Impairment policy applicable for the year-ended 31 December 2022*

*For financial assets to which the impairment provisions of IFRS 9 are applicable, the Group elected, as permitted by IFRS 9 and 17, to continue measuring the loss allowance under IAS 39 in the 2022 reporting period, and accordingly applied the following impairment policies:*

The Group reviewed the carrying value of its financial assets, except those classified as FVTPL, at 31 December 2022 for evidence of impairment and reversal of previously recognised impairment losses. These assets were considered impaired if there is objective evidence of impairment as a result of one or more loss events that had an impact that could be reliably estimated on the estimated future cash flows of the asset and the financial assets carrying value exceeds the present value of the estimated future cash flows. Objective factors that were considered when determining whether the financial asset or group of financial assets were impaired included, but were not limited to the following: (i) failure to make scheduled payments of capital and/or interest; (ii) adverse changes in the payment pattern of the borrower; (iii) renegotiation of terms or granting of concessions to the borrower; and (iv) significant deterioration in the fair value of the security underlying the financial asset.

For assets carried at amortised cost, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (including any net proceeds from the expected realisation of collateral), discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced through the use of an allowance account, and the loss was recognised within the investment result in the consolidated statement of income. When an event occurring after the impairment was recognised caused the amount of impairment loss to decrease, the decrease in impairment loss was reversed within the investment result in the consolidated statement of income.

### **iv) Derecognition**

#### *a) Financial assets*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.



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On derecognition of a financial asset, the difference between the carrying amount at the date of derecognition and the consideration received (including any new asset obtained less any new liability assumed) is recognised in the consolidated statement of income.

### *b) Financial liabilities*

The Group generally derecognises a financial liability when its contractual obligations expire or are discharged or cancelled.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the consolidated statement of income.

## **I. INVESTMENT PROPERTIES**

Investment properties are defined as properties with an insignificant portion that is owner occupied and are held for long-term rental yields or capital appreciation and comprise freehold land and buildings. Properties that do not meet these criteria are classified as property and equipment. Investment properties are initially recognised at cost in the consolidated statement of financial position. Subsequently, investment properties are carried at historical cost less depreciation. Depreciation on investment properties is calculated using the straight-line method over 50 years, excluding land and its residual value. Rental income from investment properties is recognised on a straight-line basis over the term of the lease in rental income in the consolidated statement of income. Expenditures relating to ongoing maintenance of investment properties are expensed. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The assets' residual values and useful lives are reviewed at the end of each reporting period and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

## **J. PROPERTY AND EQUIPMENT**

Owner occupied properties and all other assets classified as property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditures relating to ongoing maintenance of property and equipment are expensed as incurred in operating expenses in the consolidated statement of income.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives at the following rates:

Computer hardware	3 years – 5 years
Motor vehicles	5 years
Furniture and equipment	5 years – 10 years
Leasehold improvements	the shorter of the lease term or 5 years – 10 years
Buildings	50 years

The assets' residual values, useful lives and method of depreciation are reviewed at the end of each reporting period and adjusted if appropriate. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is considered impaired and it is written down immediately to its recoverable amount. In the event of improvement in the estimated recoverable amount, the related impairment may be reversed.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in commissions and other income in the consolidated statement of income.

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### **K. LEASES**

#### *i) The Group as a lessee*

The Group leases various buildings and equipment. Rental contracts are typically made for fixed periods (5 to 10 years for buildings and 3 to 6 years for equipment) but may have extension options described further below. These leases do not include residual value guarantees or purchase options.

Lease contracts that contain an identified asset for which the Group has the right to direct the use of the identified asset and obtain substantially all of the economic benefits through the period of use are recognised on the consolidated statement of financial position as a right-of-use asset within Property and equipment and a corresponding liability within Other liabilities at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments: fixed payments, less any lease incentives receivable; variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date; lease payments for reasonably certain renewal options; and payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the Group as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- because all third-party financing is to be arranged at the Group level, the use of the Group financing rates has been applied.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

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Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases with a lease term of 12 months or less and all leases of low-value assets are recognised as an expense in the consolidated statement of income.

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The probability of renewal (or termination) is assessed using several factors such as: suitability and location of the asset; comparison to market rates; historical lease durations; costs and business disruption to replace the lease assets; and any other relevant factors.

Most extension options in equipment leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

### *ii) The Group as a lessor*

Where the Group is the lessor under an operating lease for its investment properties, lease arrangements are fixed, and income is credited to the consolidated statement of income on a straight-line basis over the period of the lease. In addition, the tenant can renew their lease when their tenancy is nearing expiry. There are no contingent rentals included in the lease agreements.

## **L. INTANGIBLE ASSETS**

Intangible assets comprise finite life intangible assets which are amortised on a straight-line basis over varying periods of up to 10 years, being the estimated expected lives. The estimated life is re-evaluated when there is objective evidence of impairment (refer to Note 2(H)(iii)). For assets that are not yet in use, the impairment is assessed on an annual basis. Finite life intangible assets include the following:

### **Customer relationships and contracts**

These assets, which comprise customer lists, customer relationships and contracts acquired from the purchase of rights or as part of business combinations, were initially measured at fair value by estimating the net present value of future cash flows from the contracts in force at the date of acquisition. Subsequently, these assets are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line basis over either 3 or 10 years, being the expected life of the business assumed. These assets include assets acquired on the acquisition of IHIC and BF&M Brokers.

### **Distribution channels**

These assets, which comprise agent and bank relationships acquired as part of business combinations, were initially measured at fair value by estimating the net present value of future cash flows from these relationships based on certain historical ratios of gross written premium arising from these distribution channels on business in force at the date of acquisition. Subsequently, these assets are carried as cost less accumulated amortisation. Amortisation is calculated using the straight-line basis over 10 years, being the expected life of the business assumed and the business channel relationship. These assets include assets

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acquired on the acquisition of IHIC.

### **Software development costs**

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable software products controlled by the Group are recognised as internally generated intangible assets when:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it;
- there is an ability to use the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software development include employee costs and an appropriate portion of directly attributable overheads. Other development expenditures that do not meet these criteria are expensed when incurred. Capitalised software development costs for projects in use are amortised on a straight-line basis over their useful lives, which range from 3 to 10 years.

### **M. IMPAIRMENT OF NON-FINANCIAL ASSETS**

The Group's non-financial assets comprise investment properties, property and equipment and intangible assets. Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Non-financial assets that are subject to amortisation are reviewed for impairment whenever there is objective evidence of impairment. Objective evidence includes but is not limited to the following: (i) adverse economic, regulatory or environmental conditions that may restrict future cash flows and asset usage and/or recoverability; (ii) the likelihood of accelerated obsolescence arising from the development of new technologies and products; and (iii) the disintegration of the active market(s) to which the asset is related. If objective evidence of impairment exists, then the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount and is recognised as part of amortisation expense in the consolidated statement of income. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions of the time value of money and the risks specific to the asset. Assets which cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (cash-generating units), except where the value in use of an asset can be estimated as being close to its fair value less costs to sell where fair value can be reliably determined.

### **N. INSURANCE AND REINSURANCE CONTRACTS**

The Group issues contracts that transfer insurance risk or both insurance and financial risk.

Insurance contracts are those contracts where the Group (the insurer) has accepted significant insurance risk from another party, the policyholder or ceding company, by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. In addition, the Group considers the proportion of premiums received to the benefit payable if the insured event did occur. Contracts held by the Group under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance

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contracts held

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

General insurance contracts include property, casualty, motor, marine and other specialty insurance contracts. These contracts are all non-participating contracts.

General insurance contracts issued, and the related reinsurance contracts held, are measured using the PAA. Most contracts automatically qualify for this approach (given a one-year coverage duration), however certain contracts have longer durations and necessitated PAA eligibility testing. In performing this eligibility testing, various reasonably possible scenarios were tested, and it was concluded that the measurement of the liability for remaining coverage (“LRC”) under the PAA approach would not differ significantly from the measurement if the general measurement principles of IFRS 17 were applied instead.

### **i) Aggregation and recognition of insurance and reinsurance contracts**

#### *a) Insurance contracts issued*

Insurance contracts are aggregated into groups for IFRS 17 measurement purposes. Contracts are first assigned to portfolios by aggregating together those subject to similar risks that are also managed together. Portfolios are then subdivided into annual cohorts (i.e., by year of issue).

The Group has not identified any contracts that were onerous at initial recognition or at the date of transition to IFRS 17, however there is a risk that some groups of contracts included in a particular cohort may become onerous subsequently due to adverse experience. Hence, all contracts are included in a single “remaining” profitability group and loss component accounting is currently not applicable.

The Group has four General insurance portfolios namely, Property, Motor, Liability and Marine.

An insurance contract issued by the Group is recognised from the earliest of:

- The beginning of its coverage period; or
- When the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder.

#### *b) Reinsurance contracts held*

Reinsurance contracts held are allocated into portfolios based on the direct risks covered.

Groups of reinsurance contracts held initially recognised on the following date:

- Contracts providing proportionate coverage: The date on which any underlying insurance contract is initially recognised.
- Others: The beginning of the coverage period of the group of reinsurance contracts.

### **ii) Measurement of contracts under the PAA.**

The Group uses the PAA to simplify the measurement of General insurance contracts.

#### *a) Insurance contracts issued*

On initial recognition of each group of contracts, the carrying amount of the LRC is measured at the premiums received on initial recognition minus any insurance acquisition cash flows at that date. For certain life and health group insurance contracts, the Group expenses insurance acquisition cash flows as they are incurred.

Subsequently, the Group measures the carrying amount of the LRC at the end of each reporting period as: (a)

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the LRC balance at beginning of the period; plus (b) premiums received in the period; minus (c) directly attributable acquisition costs net of related amortization (unless expensed as incurred); minus (d) amount recognized as insurance revenue for the period; minus (e) investment component paid or transferred to the LIC.

Since the Group expects that the period between providing each part of the services and the related premium due dates will be less than a year, the Group has chosen not to adjust the PAA LRC to reflect the time value of money and the effect of financial risk.

Amounts receivable from brokers and agents are accounted for as part of the LRC.

The Group measures the LIC at the amount of fulfilment cash flows required to settle incurred claims, whether reported or not yet reported. The future cash flows are discounted (at current market rates) to reflect the time value of money and the effect of financial risk, unless they are expected to be paid in one year or less from the date the claims are incurred.

During the reporting period, no facts and circumstances were identified that would indicate that any groups of contracts are onerous.

### ***b) Reinsurance contracts held***

The Group applies the same accounting policies to measure groups of reinsurance contracts held that cover the risks of insurance contracts measured under the PAA, adapted where necessary to reflect features that differ from those of insurance contracts.

### **iii) Contract derecognition**

The Group derecognises a contract when it is extinguished - i.e., when the specified obligations in the contract expire or are discharged or cancelled.

### **iv) Presentation**

Portfolios of insurance contracts issued that are assets and those that are liabilities, and portfolios of reinsurance contracts held that are assets and those that are liabilities, are presented separately in the statement of financial position.

The Group disaggregates amounts recognised in the consolidated statement of income into (a) an insurance service results, comprising insurance revenue and insurance service expenses; and (b) net insurance finance income or expenses.

Income and expenses from reinsurance contracts held are presented separately from income and expenses from insurance contracts issued, and on a net basis as "net expenses from reinsurance contracts held" in the insurance service result and net reinsurance finance income or expenses in the consolidated statement of income.

The Group disaggregates changes in the risk adjustment for non-financial risk between the insurance service result and net insurance/ reinsurance finance income or expenses by applying a systematic allocation method.

Insurance revenue and insurance service expenses exclude any investment components and are recognised as follows:

#### ***a) Insurance revenue from contracts measured under the PAA***

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing services in the period. The Group allocates the expected premium receipts to each period on the passage of time bases.

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### *b) Insurance service expenses*

Insurance service expenses arising from insurance contracts issued are recognised in the consolidated statement of income generally as they are incurred. Insurance service expenses exclude repayments of investment components, and comprise the following items:

- Incurred claims and other costs associated with policy maintenance;
- Insurance acquisition cash flows incurred and amortised; and
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk, and changes thereon.

### *c) Net income/expenses from reinsurance contracts held*

Net income/ expenses from reinsurance contracts held comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers.

The Group recognises an allocation of reinsurance premiums paid in the consolidated statement of income as it receives services under the reinsurance contracts held.

The allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period.

### *d) Net insurance and reinsurance finance income and expenses*

Net insurance and reinsurance finance income and expenses comprises changes in the carrying amounts of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk and changes therein.

The Group presents net insurance finance income or expenses and net reinsurance finance income or expenses separately in the consolidated statement of income.

## **v) Transition**

At 1 January 2022, the Group applied the full retrospective approach to identify and measure groups of contracts on transition to IFRS 17.

The general approach to transition is explained in Note 3 (A) (ii).

## **O. CURRENT AND DEFERRED INCOME TAX**

The tax expense for the period on the Group's Cayman Islands operations, via its operations in various Caribbean Islands, comprises current and deferred tax. In December 2023, a 15 per cent corporate income tax ("CIT") was enacted in Bermuda. The Group is not presently in scope of the requirements since CIT is applicable only to multinational enterprise groups with annual revenues of €750 million or more.

Tax is recognised in the consolidated statement of income, except to the extent that it relates to items recognised in the consolidated statement of comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries operate and generate taxable income.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statement of financial position. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The tax effect of carry-forwards of unused

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tax losses are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised. When management's assessment indicates that it is more likely than not that deferred income tax assets will not be realised, a valuation allowance is recorded against the deferred tax assets.

### **P. EMPLOYEE BENEFITS**

BF&M Limited operates various post-employment benefit schemes, including defined benefit and defined contribution pension plans and post-employment medical plans.

#### **i) Pension obligations**

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. With respect to the Group's defined contribution plans, the Group pays contributions into the plan and has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

A defined benefit plan is a pension plan in which the Group is obligated to pay a specified benefit based on a predetermined formula. The net liability recognised in the consolidated statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the financial reporting period less the fair value of plan assets. When the calculation results in a surplus, the asset recognised is limited to the present value of the future economic benefit available in the form of future refunds from the plan or reductions in future contributions to the plan (the asset limit). The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market interest rates of high-quality debt instruments.

Re-measurement of the net defined benefit asset or liability consists of actuarial gains and losses, the change in effect from asset limits and the return on plan assets, excluding amounts included in net interest on the net defined benefit asset or liability, and are charged or credited to other comprehensive income in the period in which they arise. Current service costs, past services cost, any gains or losses from curtailments and interest on the net defined benefit liability (asset) are recognised immediately in the consolidated statement of income.

#### **ii) Other post-employment benefit obligations**

In addition to pension benefits, BF&M Limited provides post-retirement benefits for health care to qualified Bermuda retirees. The entitlement to these benefits was conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans.

As the plan is closed to new participants, only the interest on the obligation is recognised in the consolidated statement of income. Actuarial gains and losses are charged or credited to equity in other comprehensive income in the period in which they arise.

#### **iii) Share-based compensation**

BF&M has an Equity Incentive Plan under which subsidiaries of BF&M receive services from employees as consideration for equity instruments of BF&M (both equity, and equity based but cash settled, transactions). Share grants are issued to employees equal to the fair value of the shares on the grant date. The amount of the benefit of these share grants is amortised over the vesting period as operating expense in the consolidated statement of income. Where share grants are forfeited due to failure by the employee to satisfy the service conditions, any expense previously recognised in relation to such shares is reversed effective the date of forfeiture.



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If BF&M grants share options to employees that vest in the future if service conditions are met, then the fair value of the options will be calculated at the date the options are granted. This fair value will be charged to the consolidated statement of income equally over the vesting period with adjustments made at each accounting date to reflect the best estimate of the number of options that will eventually vest. Expenses previously recognised related to share options are not reversed on forfeit.

The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to share capital and share premium with a corresponding charge to operating expenses.

### **iv) Employee share purchase plan**

BF&M operates an employee share purchase plan that allows its employees and those of its subsidiary undertakings to purchase BF&M's common shares at below-market rates, subject to certain restrictions. Shares are offered at a discount to the shares' fair market value, as determined by the market share price on the date of purchase. Employees may purchase shares up to a maximum percentage of their gross salary. The discount is charged to compensation expense in the period in which the shares are purchased.

### **Q. DIVIDEND DISTRIBUTION**

Dividend distribution to the Group's shareholder is recognised as a liability in the consolidated statement of financial position in the period in which the dividends are approved by the Group's Board of Directors.

### **R. NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD-FOR-SALE**

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is satisfied when a sale is highly probable and the assets are available for immediate sale in their present condition, subject only to terms that are usual and customary for sales of non-current assets and disposal groups. For a sale to be highly probable management are committed to sell the non-current asset or disposal group within one year from the date of classification as held for sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell. Certain assets are specifically excluded from these measurement requirements. The assets in this category include financial assets, investment properties and insurance and reinsurance assets. These exempt assets are measured in accordance with the relevant accounting policies described within the Notes to these consolidated financial statements. The disposal group as a whole is then measured to the lower of its carrying amount and fair value less cost to sell. Any impairment loss for the disposal group is recognised as a reduction to the carrying amount of the non-current assets in the disposal group that are in scope of the measurement requirements.

Assets and liabilities in a disposal group classified as held for sale are presented separately in the consolidated statements of financial position.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- Represents a separate major line of business or geographic area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

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When an operation is classified as a discontinued operation the comparative consolidated statement of income and consolidated statement of comprehensive income is represented as if the operation had been discontinued from the start of the comparative year.

### **3. NEW AND REVISED ACCOUNTING STANDARDS**

The Group has initially applied IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments*, including any consequential amendments to other standards, from 1 January 2023. These standards have brought significant changes to the accounting for insurance and reinsurance contracts and financial instruments. As a result, the Group has restated certain comparative amounts related to insurance and reinsurance contracts, and presented a third statement of financial position as at 1 January 2022.

Except for the changes below, the Group has consistently applied the accounting policies as set out in Note 2 to all periods presented in these consolidated financial statements.

The nature and effects of the key changes in the Group's accounting policies resulting from its adoption of IFRS 17 and IFRS 9 are summarised below.

#### **A. IFRS 17 INSURANCE CONTRACTS**

IFRS 17 became effective for the Group beginning on 1 January 2023, and is to be applied retrospectively, unless impracticable. The standard replaced IFRS 4 *Insurance Contracts* and changes to the measurement principles for short-duration contracts (measured under the PAA) were minimal. For contracts measured under the PAA, the differences between the two standards arise mainly due to application of discounting and risk adjustment methodologies.

##### **i) Recognition, measurement, and presentation of insurance contracts**

There are significant changes to how insurance and reinsurance contracts are presented and disclosed in the consolidated financial statements. The following outlines some of the key presentation and disclosure changes:

- Consolidated statement of financial position: Portfolios of insurance and reinsurance contracts issued are presented separately from portfolios of reinsurance contracts held, and portfolios in an asset position are further presented separately from portfolios in a liability position.
- Consolidated statement of income: The Group separately presents insurance revenue, insurance service expense, net insurance finance income or expenses, income or expenses from reinsurance contracts held and net reinsurance finance income or expenses. Insurance revenue is recorded as performance obligations are fulfilled, hence gross premiums written are not presented. Under IFRS 17, investment components of insurance contracts, which are viewed as refundable deposits, are excluded from insurance revenue and insurance service expenses

The Group's full accounting policy for insurance and reinsurance contracts is detailed in Note 2 (N).

##### **ii) Transition**

###### **a) Insurance service expenses**

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied using a full retrospective approach. Under the full retrospective approach, on 1 January 2022, the Group:

- identified recognised, and measured each group of insurance and reinsurance contracts as if IFRS 17 had always been applied;
- derecognised previously reported balances that would not have existed if IFRS 17 had always been

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applied. These included deferred acquisition costs for insurance contracts, policyholder loans, insurance receivables and insurance payables. Under IFRS 17, they are included in the measurement of the insurance contracts; and

- recognised any resulting net difference within retained earnings in equity.

The effects of adopting IFRS 17 on the consolidated financial statements on 1 January 2022 are presented in the statement of changes in equity. Additional information regarding the quantitative effects of the measurement and presentation changes are shown in (iii) below:

#### iii) Effect of adoption of IFRS 17

Caption under IFRS 4	Caption under IFRS 17	As of 31 December 2021 \$	Measurement adjustments \$	Presentation adjustments \$	Transition CSM and adjustments to participating policyholders' accounts \$	As of 1 January 2022 \$
Insurance receivables and other assets	Other assets	66,505	–	(55,778)	–	10,727
Investments	Investments	100,171	–	–	–	100,171
Deferred acquisition costs	Other assets	11,577	–	(11,577)	–	–
Reinsurance assets	Reinsurance contract held assets	98,450	2,331	(41,900)	–	58,881
Other liabilities	Other liabilities	67,600	–	(61,024)	–	6,576
Insurance contract liabilities	Insurance contract liabilities	142,065	3,543	(48,230)	–	97,378
Retained earnings	Retained earnings	100,631	(1,213)	–	–	99,418

#### B. IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018. However, the Group elected to apply the temporary exemption from IFRS 9 which was available for insurance companies, and thus the initial application date of IFRS 9 was deferred until IFRS 17 was adopted.

As allowed under IFRS 17, the Group has elected to present comparative information on financial instruments as if the requirements of IFRS 9 (excluding the revised impairment requirements) were applicable from 1 January 2022 (the “classification overlay”). The classification of financial assets as of 1 January 2022 was based on the Group’s expected business model as at that date.

For financial assets to which the impairment provisions of IFRS 9 are applicable, the Group has elected, as permitted by IFRS 9 and 17, to continue measuring the loss allowance under IAS 39 in 2022, however applied the expected credit loss allowance measurement model in IFRS 9 from 1 January 2023.

#### i) Classification of financial assets and financial liabilities

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

For an explanation of how the Group classifies and measures financial assets and accounts for related gains

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and losses under IFRS 9, see Note 2.H (iii).

IFRS 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

### ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' model. The new impairment model applies to financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

### iii) Classification of financial assets and financial liabilities

Applying the classification overlay explained above resulted in no valuation differences as of January 1, 2022. As of 1 January 2023, following the adoption the IFRS 9 impairment requirements, no adjustments were made to the measurement of financial assets and liabilities.

### iv) Effect of initial application: Classification of financial assets and financial liabilities

The first table below (and the accompanying notes) depicts the effect of applying the classification overlay on 1 January 2022. The second table reconciles the effect of the adoption of the new loss allowance measurement principles which were applied on 1 January 2023.

	Previous classification under IAS 39	New classification under IFRS 9	IAS 39 carrying amount at 31 December 2021	Presentation adjustments	Carrying amount 1 January 2022 applying the classification overlay
			\$	\$	\$
<b>Financial assets</b>					
Cash and cash equivalents	Loans and receivables	Amortised cost	55,417	–	55,417
Regulatory assets	FVTPL	FVTPL	20,139	–	20,139
Fixed income securities (held-to-collect)	Held-to-maturity	Amortised cost	1,000	–	1,000
Fixed income securities (other)	FVTPL	FVTPL	38,477	–	38,477
Equity investments	FVTPL	FVTPL	60,694	–	60,694

	Previous classification under IAS 39	New classification under IFRS 9	Carrying amount at 31 December 2022, as restated after applying the classification overlay	Effect of changes to loss allowance determination	Carrying amount at 1 January 2023 under IFRS 9
			\$	\$	\$
<b>Financial assets</b>					
Cash and cash equivalent	Loans and receivables	Amortised cost	43,655	–	43,655
Regulatory assets	FVTPL	FVTPL	19,961	–	19,961
Fixed income securities (held-to-collect)	Held-to-maturity	Amortised cost	1,000	–	1,000
Fixed income securities (other)	FVTPL	FVTPL	35,055	–	35,055
Equity investments	FVTPL	FVTPL	52,428	–	52,428

The Group's accounting policies related to the classification of financial instruments under IFRS 9 are set out

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in Note 2H (ii) The application of these policies resulted in the reclassifications set out in the first table shown above and explained below.

- a) On transition to IFRS 9, the Group has classified its held-to-maturity investments as amortised cost. These instruments meet the SPPI criterion, were not actively traded and were held with the intention to collect cash flows and without the intention to sell.
- b) Fixed income and regulatory assets instruments previously held at FVTPL under IAS 39 continue to be held at FVTPL under IFRS 9 (see Note 2(I)(ii)).
- c) Under IFRS 9, all equity instruments, except equity and fund instruments within plan assets, are measured mandatorily at FVTPL. Previously, these instruments were designated at FVTPL in order to reduce the accounting mismatch between these assets and the insurance contract liabilities these assets are held to fund.

### **C. OTHER NEW AND REVISED ACCOUNTING STANDARDS EFFECTIVE 1 JANUARY 2023**

In addition to IFRS 17 and IFRS 9, the Group has also applied the following relevant amendments for the first time for its annual reporting period commencing 1 January 2023:

- i) Amendments to IAS 1 – *Presentation of Financial Statements* and IFRS Practice Statement 2 – *Making Materiality Judgments* were issued in February 2021 and became effective prospectively from 1 January 2023. The amendments address the process of selecting accounting policy disclosures which should be based on an assessment of the materiality of the policy to the Group’s consolidated financial statements. Adoption of these amendments did not have a significant impact on the Group’s consolidated financial statements.
- ii) Amendments to IAS 8 – *Accounting Policies, Changes to Accounting Estimates and Errors* were issued in February 2021 and became effective prospectively from 1 January 2023. The amendments include new refinements of the definition of “accounting estimate” and “change in accounting estimate”. Adoption of these amendments did not have a significant impact on the Group’s consolidated financial statements.

### **D. NEW AND REVISED ACCOUNTING STANDARDS NOT YET EFFECTIVE**

- i) Amendments to IAS 12 – *Income Taxes* related to the OECD’s International Pillar Two Tax Reform were issued in May 2023. The OECD aims to establish a global minimum tax (“GMT”) for large international companies. In response to the OECD’s reforms, in December 2023, a 15 per cent corporate income tax (“CIT”) was enacted in Bermuda. The Group is not presently in scope of the requirements since CIT is applicable only to multinational enterprise groups with annual revenues of €750 million or more. Other jurisdictions in which the Group operates, including the Cayman Islands and the Bahamas, have not yet announced or enacted final local rules. Accordingly, the IAS 12 amendments related to the GMT are not currently applicable to the Group.

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## 4. MANAGEMENT OF FINANCIAL AND INSURANCE RISK

### Risk management and objectives

The Group's primary objective in undertaking risk management activity is to manage risk exposures in line with risk appetite, minimising its exposure to unexpected financial loss and limiting the potential for deviation from anticipated outcomes. In this respect, a framework of limits and qualitative statements, aligned with the Group's risk appetite, is in place for material exposures. Key management recognises the critical importance of having efficient and effective risk management systems in place.

A significant part of the Group's business involves the acceptance and management of risk. The Group is exposed to insurance, market, credit, liquidity and operational risks and operates a formal risk management framework to ensure that all significant risks are identified and managed.

The Group seeks to manage its exposures to risk through control techniques which ensure that the residual risk exposures are within acceptable tolerances agreed by the Board of Directors. The Group has established a risk management function with terms of reference from the Board of Directors, its committees and the associated executive management committees. This is supplemented with an organisational structure with documented delegated authorities and responsibilities from the Board of Directors to executive management committees and senior managers. The key control techniques for the major categories of risk exposure are summarised in the following sections.

Risks are usually grouped by risk type: financial, including credit, liquidity, market, and insurance risk. Risks falling within these types may affect a number of key metrics including those relating to the consolidated statement of financial position strength, liquidity and profit. The risk factors mentioned below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties.

### A. FINANCIAL RISK

#### i) Credit risk

Credit risk is the exposure that a counter-party to a reinsurance contract or financial instrument is unable to meet an obligation, thereby causing a financial loss to the Group. The Group faces credit risk on its financial assets and reinsurance contract held assets.

The following policies and procedures are in place to manage this risk:

- Holding a diversified investment portfolio that focuses on quality of investment. The portfolio is monitored and reviewed regularly by management's Investment Committee and by the Board of Director's Finance, Compensation, and Corporate Governance Committee;
- Investment guidelines are in place that require the purchase of only investment-grade assets and minimise undue concentration of assets in any single issuer, industry group, asset class or credit rating, unless required by local law or regulation;
- Transacting business with well-established reinsurance companies with strong credit ratings; and
- Transacting business with well-established financial institutions and diversification of holdings where possible.

#### **Maximum exposure to credit risk**

The following table summarises the Group's maximum exposure to credit risk related to financial assets. The maximum credit exposure is the carrying value of the asset net of any allowances for losses.

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	2023 \$	2022 \$
Cash and cash equivalents	42,553	43,655
Regulatory assets	21,272	19,961
Fixed income securities – at amortised cost	-	1,000
Fixed income securities – at FVTPL	37,803	35,055
Reinsurance contract held assets	65,769	68,285
Other assets	6,480	10,927
Assets held for sale	11,760	-
<b>Total</b>	<b>185,637</b>	<b>178,883</b>

### Concentration of credit risk

Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries.

The following table provides details of the carrying value of fixed income securities by industry sector and geographic distribution:

	2023 \$	2023 \$	2022 \$	2022 \$
Assets held in:	Investments	Regulatory Assets	Investments	Regulatory Assets
Fixed income securities issued or guaranteed by:				
Financials	10,683	2,167	12,157	3,187
Government	1,119	7,523	5,847	6,943
U.S. Treasury and other agencies	11,223	343	9,262	831
Utilities and energy	3,638	738	2,320	727
Consumer staples and discretionary	2,749	416	3,444	510
Telecom	-	-	1,712	-
Healthcare	738	-	-	-
Computer technology products and services	2,982	433	400	883
Industrials and materials	1,206	-	583	-
Asset & mortgage backed securities	3,465	-	330	-
<b>Total Fixed income securities</b>	<b>37,803</b>	<b>11,620</b>	<b>36,055</b>	<b>13,081</b>

  

	2023 \$	2023 \$	2022 \$	2022 \$
Assets held in:	Investments	Regulatory Assets	Investments	Regulatory Assets
United States	30,442	2,646	27,656	4,737
Canada	3,012	330	2,363	321
Northern Europe	268	533	905	514
Asia-Pacific	1,593	1,127	1,094	1,095
United Kingdom	1,373	448	1,337	434
Caribbean	531	6,536	2,126	5,980
Other	584	-	574	-
<b>Total Fixed income securities</b>	<b>37,803</b>	<b>11,620</b>	<b>36,055</b>	<b>13,081</b>

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### **Credit quality of financial assets**

The credit quality of financial assets is assessed quarterly by reference to external credit ratings if available or review of historical and current conditions that existed at the consolidated statement of financial position date.

As at 31 December 2023:

	AAA \$	AA \$	A \$	BBB \$	BB and lower \$	Not rated \$	Total \$
<b>Cash and cash equivalents</b>							
-Stage 1	5,183	5,263	22,407	8,725	-	975	42,553
<b>Regulatory assets</b>							
-Held at FVTPL and not subject to ECL requirements	3,799	586	4,203	1,923	7,144	3,617	21,272
<b>Fixed income securities</b>							
-Held at FVTPL and not subject to ECL requirements	697	17,652	11,736	7,442	276	-	37,803
<b>Other assets</b>							
-Stage 1	-	-	-	-	-	6,480	6,480
<b>Assets held for sale</b>							
-Stage 1	-	-	-	-	-	324	324
<b>Total</b>	<b>9,679</b>	<b>23,501</b>	<b>38,346</b>	<b>18,090</b>	<b>7,420</b>	<b>11,396</b>	<b>108,432</b>

For 2022, ECL allowances were not required hence financial assets are not categorised by stage in the table below.

As at 31 December 2022:

	AAA \$	AA \$	A \$	BBB \$	BB and lower \$	Not rated \$	Total \$
Cash and cash equivalents	2,738	15,903	9,725	13,939	-	1,350	43,655
Regulatory assets	1,829	453	4,695	2,628	6,701	3,655	19,961
Fixed income securities	615	16,690	11,975	6,578	197	-	36,055
Other assets						10,925	10,925
<b>Total</b>	<b>5,182</b>	<b>33,046</b>	<b>26,395</b>	<b>23,145</b>	<b>6,898</b>	<b>15,930</b>	<b>110,596</b>

The Group's reinsurance panel consists of 41 reinsurance companies, the majority of which are rated A- or better by A.M. Best. Any exceptions to this are approved by the Group Security Committee.

### **Amounts arising from ECL on financial assets**

The ECL allowance model is introduced in Note 2(H)(iii).

#### **Stage 1 financial assets**

Financial assets that have not had a significant increase in credit risk since initial recognition and fixed income securities that have low credit risk (i.e., with an external credit rating agency rating of "BBB" or better) at the reporting date are included in Stage 1.

#### **ECL measurement in Stage 1**

The loss allowance for Stage 1 financial assets is equal to the 12-month ECL. 12-month ECLs represent the portion of lifetime ECLs that result from default events possible within 12 months of the reporting date.

Financial assets in Stage 1 are low credit risk assets which are externally rated and the ECL allowance for these assets is measured using default rates published by a credit rating agency.

#### **Movement from Stage 1 to Stage 2**

Financial assets are moved from Stage 1 to Stage 2 when a significant increase in credit risk ("SICR") occurs.



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Financial assets with low credit risk at the reporting date are assumed to not have undergone a SICR. Additionally, trade/contract receivables follow a simplified model whereby the loss allowance is always based on lifetime ECLs and SICR assessments are not performed.

When determining whether a SICR has occurred, the Group considers reasonable and supportable qualitative and quantitative information that is relevant and available without undue cost or effort.

For financial assets other than trade/contract receivables, reports issued by rating agencies are reviewed for indications of deterioration such as rating downgrades and negative outlook reports.

Notwithstanding the above, the Group considers that a SICR occurs when an asset is more than 30 days past due.

### **ECL measurement for Stage 2 assets and trade/contract receivables**

For trade/ contract receivables, the loss allowance is based on lifetime ECLs. For these balances, the group makes use of provision matrices incorporating the ageing of receivables and historical credit loss rates to calculate the ECL allowance on a collective basis.

For other financial assets in Stage 2, the lifetime ECL allowance is measured using externally published default rates for individual exposures.

### **Movement from Stage 2 to Stage 3**

Financial assets are moved to Stage 3 when they become credit impaired or are considered to be in default, which is defined as when it is unlikely that full payment will be received. Factors considered in this determination are set out in Note 2(I)(iii). Notwithstanding the foregoing, it is presumed that financial assets that are more than 90 days past due are credit impaired.

### **ECL measurement for Stage 3 assets**

The loss allowance for Stage 3 financial assets is also based on lifetime ECLs.

### **ii) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations as they become due. The following policies and procedures are in place to manage this risk:

- Management maintains levels of cash and short-term deposits, which are sufficient to fulfill the Group's short-term obligations;
- Short-term cash flow needs are adequately met by operating cash flows;
- Investments are graded internally on a liquidity level (1 to 4) and the Group looks to maintain adequate levels in highly liquid (1 and 2) securities;
- The ability of the Group's subsidiaries in certain jurisdictions to pay dividends and transfer funds is regulated. The Group maintains appropriate dividend and capital policies to ensure movement of cash flow through the Group as needed;
- Arrangements with reinsurers are made to ensure that recoverables are received in a timely fashion in the event of a liquidity crisis.

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The maturity profile of financial assets at 31 December 2023 is as follows:

	Within 1 year	2 to 3 years	4 to 5 years	Over 5 years	Total	Effective interest rate ranges
	\$	\$	\$	\$	\$	
Fixed income securities – at FVTPL	9,582	10,088	5,664	12,469	37,803	0.43% - 9.01%
Regulatory assets	14,670	1,936	3,453	1,213	21,272	1.50% - 6.95%
<b>Total</b>	<b>24,252</b>	<b>12,024</b>	<b>9,117</b>	<b>13,682</b>	<b>59,075</b>	
<b>Percent of total</b>	<b>41.1%</b>	<b>20.4%</b>	<b>15.4%</b>	<b>23.2%</b>	<b>100.0%</b>	

The maturity profile of financial assets at 31 December 2022 was as follows:

	Within 1 year	2 to 3 years	4 to 5 years	Over 5 years	Total	Effective interest rate ranges
	\$	\$	\$	\$	\$	
Fixed income securities	6,465	8,561	6,361	14,668	36,055	0.21% - 7.17%
Regulatory assets	8,994	5,243	2,137	3,587	19,961	1.50% - 6.95%
<b>Total</b>	<b>15,459</b>	<b>13,804</b>	<b>8,498</b>	<b>18,255</b>	<b>56,016</b>	
<b>Percent of total</b>	<b>27.6%</b>	<b>24.6%</b>	<b>15.2%</b>	<b>32.6%</b>	<b>100.0%</b>	

The maturity profiles of the Group's significant insurance and financial liabilities are summarised in the following tables. Maturity profiles for financial liabilities are disclosed according to contractual maturity dates. Maturity profiles for net insurance liabilities are based on expectations.

The maturity profile of liabilities at 31 December 2023 is as follows:

	Within 1 year	1-5 years	Over 5 years	Total
	\$	\$	\$	\$
Other liabilities	8,368	-	-	8,368
Liabilities held for sale	165	-	-	165
<b>Total</b>	<b>8,533</b>	<b>-</b>	<b>-</b>	<b>8,533</b>

The maturity profile of liabilities at 31 December 2022 was as follows:

	Within 1 year	1-5 years	Over 5 years	Total
	\$	\$	\$	\$
Other liabilities	7,532	-	-	7,532
<b>Total</b>	<b>7,532</b>	<b>-</b>	<b>-</b>	<b>7,532</b>

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The following table provides a maturity analysis of the Group's insurance and reinsurance contract liabilities, which reflects the dates on which the cash flows are expected to occur.

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
	\$	\$	\$	\$	\$	\$	\$
Insurance contract liabilities	90,874	-	-	-	-	-	90,874
<b>Total</b>	<b>90,874</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>90,874</b>

The maturity profile of liabilities at 31 December 2022 was as follows:

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
	\$	\$	\$	\$	\$	\$	\$
Insurance contract liabilities	103,769	-	-	-	-	-	103,769
<b>Total</b>	<b>103,769</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>103,769</b>

### iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk), and market prices (price risk).

#### **Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has operations in several jurisdictions and revenue and expenses are denominated in several local currencies. The Group is not significantly exposed to foreign exchange risk because of the following:

- The majority of the Group's assets, liabilities, and earnings are denominated in Bermuda, Cayman, Bahamian or United States dollars;
- The Bermuda, Cayman and Bahamian dollars are pegged to the United States dollar; and
- The Bermuda dollar is at par with the United States dollar.

The Group regularly monitors currency translation fluctuations. Generally, the Group looks to match the currency of its local assets to the currency of the local liabilities they support or to the United States dollar as the currency of the liabilities is generally pegged to the United States dollar. This achieves the objective of mitigating risk of loss arising from movements in currency. Policies written in currencies that are not pegged to the United States dollar are not material and the Group considers the currency risk minimal.

#### **Interest rate risk**

Interest rate risk is price volatility produced by changes in the overall level of interest rates. Change in market interest rates can impact the reinvestment of matured investments, as the returns available on the new investment may be significantly different from the returns previously achieved. The Group manages these risks through:

- Asset allocation and diversification of the investment portfolio;
- Investing in assets that are suitable for the products sold; and
- Quantifying and reviewing regularly the risk associated with the mismatch in portfolio duration and cash flow.

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The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

In relation to financial assets, management monitors the sensitivity of reported interest rate movements by assessing the expected changes in the different portfolios due to parallel movements of 100 basis points in all yield curves.

The impact of interest rate risk for the Group's actuarial liabilities and the assets supporting those liabilities is included in Note 4B - Insurance Risk. The Group also holds fixed income investments which support non-life insurance liabilities and surplus. If the base interest rates, as measured by the US Treasury yield curve, shifted parallel by 100 basis points higher/lower, the immediate impact to net income would have been \$1,487 and \$1,487 respectively (2022 - \$1,315 and \$1,316) higher/lower. The interest rate sensitivity impact was calculated using the modified duration method.

### **Price risk**

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting the market.

The Group's price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities.

The Group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector and market.

A 10% increase/decrease in the value of the Group's equity portfolio would increase/decrease the Group's comprehensive income by \$5,888 (2022 - \$5,243) and the Group's other components of equity by \$nil (2022 - \$nil). The price risk sensitivity impact was calculated by using the ending balances in equity and funds at a 10% increase/decrease.

## **B. INSURANCE RISK**

### **General insurance risk**

Insurance risk is any risk other than financial risk that is transferred from the holder of the contract to the issuer. 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. Insurance risk is implicit in the Group's insurance business and arises as a consequence of the type and volume of business written and the concentration of risk in particular policies or groups of policies subject to the same risks.

General insurance risk in the Group arises from:

- Fluctuations in the timing, frequency and severity of claims and claim settlements relative to expectations;
- Unexpected claims arising from a single source;
- Unexpected increases in reinsurance costs
- Inaccurate pricing of risks or inappropriate underwriting of risks when underwritten;
- Inadequate reinsurance protection or other risk transfer techniques; and
- Inadequate reserves.

The majority of the general insurance business underwritten by the Group is of a short-term nature such as property, motor and marine insurances. The Group's general insurance exposures are located in Bermuda and throughout the Caribbean, climate change may impact the frequency and severity of tropical cyclone activity in the regions in which Group writes general insurance, which in turn may impact the frequency and severity

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of claims. The Group's underwriting strategy and appetite is agreed by the Board of Directors and communicated via specific policy statements and guidelines.

### ***Management of general insurance risks***

The Group's insurance risk policy sets out the overall framework for the management of insurance risk. As part of the framework, a structure of delegated pricing and underwriting authorities is in place. Pricing is based on assumptions which consider past experience and trends. Insurance exposures are limited through the purchase of reinsurance. Overall, the Group seeks to be conservative in its acceptance of insurance risks by establishing strict underwriting criteria and limits. The underwriting policy is clearly documented, setting out risks which are unacceptable and the terms applicable for non-standard risks.

Significant insurance risks will be reported through the risk management framework. The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group 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 comprise a provision for claims incurred but not yet reported ("IBNR"), a provision for reported claims not yet paid and a provision for unexpired risks at the end of the reporting period.

Management under the direction of the Board of Directors monitors and develops the management of insurance risk in the general insurance business units and assesses the aggregate risk exposure. It is responsible for the development, implementation and review of the Group policies for underwriting, claims, reinsurance and reserving that operate within the risk management framework.

BF&M General and IHIC have developed mechanisms that identify, quantify and manage accumulated exposures to contain them within the limits of the appetite of the Group. Where appropriate such mechanisms are employed throughout the business units to promote the adoption of best practice as standard.

### ***Reinsurance strategy***

Reinsurance is used to reduce potential loss to the Group from individual large risks and catastrophic events. It may also be used to manage capital or to provide access to specialist underwriting expertise.

Significant reinsurance programmes are reviewed annually at both the business unit and Group level, to verify that the levels of protection being purchased reflect any developments in exposure and the risk appetite of the Group. The reinsurance arrangements include quota share, excess of loss catastrophe treaties and parametric coverages. In addition to the overall Group reinsurance programme, individual business units are permitted to purchase additional reinsurance protection.

Reinsurance purchases are in line with the strategy set out in the Group's Reinsurance policy. The basis of these purchases is underpinned by extensive financial and capital modeling and actuarial analysis to optimise the cost and capital efficiency benefits from the reinsurance programme.

The reinsurance is placed with providers who meet the Group's counterparty security requirements, and large reinsurance placements may also require approval from the Board of Directors.

Management evaluates the remaining reinsurance coverage available from the Group's Excess of Loss catastrophe treaties subsequent to claims activity related to catastrophic events and, in the current year, have concluded that the remaining available coverage will be sufficient to absorb potential adverse development on unsettled claims.

### ***Concentration risk***

Processes are in place to manage catastrophe risk in individual business units and at a Group level. The Group cedes much of its catastrophe risk to third-party reinsurers but retains a pooled element for its own account gaining diversification benefit.

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The concentration of insurance risk before and after reinsurance by territory in relation to the type of general insurance business risk accepted is summarised below, with reference to the carrying amount of the insurance reserve liabilities (gross and net of reinsurance) arising from general insurance contracts:

31 December 2023					
Territory		Property \$	Motor \$	All Other \$	Total \$
Bermuda	Gross	12,526	12,020	6,592	31,138
	Net	(4,844)	8,676	3,593	7,425
Cayman/Other Caribbean	Gross	36,977	12,113	10,646	59,736
	Net	119	10,680	6,881	17,680
<b>Total</b>	<b>Gross</b>	<b>49,503</b>	<b>24,133</b>	<b>17,238</b>	<b>90,874</b>
	<b>Net</b>	<b>(4,725)</b>	<b>19,356</b>	<b>10,474</b>	<b>25,105</b>

31 December 2022					
Territory		Property \$	Motor \$	All Other \$	Total \$
Bermuda	Gross	14,142	15,741	3,868	33,751
	Net	(4,132)	9,767	3,235	8,870
Cayman/Other Caribbean	Gross	49,337	12,582	8,098	70,017
	Net	9,755	10,494	6,364	26,613
<b>Total</b>	<b>Gross</b>	<b>63,479</b>	<b>28,323</b>	<b>11,966</b>	<b>103,768</b>
	<b>Net</b>	<b>5,623</b>	<b>20,261</b>	<b>9,599</b>	<b>35,483</b>

### General insurance business claims reserving

#### **Assumptions and methodology**

The valuation of liabilities was performed based on requirements in IFRS 17. The measurement of the LRC for General insurance is discussed in Note 2(M)(ii). For the general insurance LIC, Note 23 sets out a broad definition of future cash flows, the policy for discounting those cash flows and how those cash flows were adjusted for non-financial risk, however the underlying actuarial assumptions fundamental to the valuation (being ultimate claim and expense levels) are discussed below.

The ultimate cost of outstanding contract liabilities is estimated by using a range of standard actuarial claims projections techniques, such as the Incurred Development Methodology and the Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that the Group's past claims development experience can be used to project future claims development and hence ultimate claim costs. Historical claims development is analysed by accident period. Claims development is analysed for each geographical area as well as by line of business.

The subsidiaries within the Group have a documented reserving policy setting out the basis on which liabilities are to be determined using statistical analysis and actuarial experience. Policies for each subsidiary are in line with relevant local regulation and legislation.

Management monitors and conducts quarterly reviews of the Group's general insurance claims provisions, and their adequacy.

The Group has claims departments dealing with the mitigation of risks surrounding known exposures. These

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departments investigate and adjust a majority of the claims. The claims are reviewed individually on a quarterly basis and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

The adequacy of the Group's general insurance claims provisions is ultimately overseen by the Board of Directors.

The estimate of the ultimate liability arising from short term insurance contracts is a significant accounting estimate. These liabilities are divided into 2 categories, which are both reported in the LIC: the provision for IBNR and the provision for the cost of reported claims not yet paid. Also included in the LIC are provisions are also made for adverse development and unallocated loss adjustment expenses.

The estimation of the IBNR claims is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims. For casualty contracts, the IBNR liability will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities.

In estimating the liability for the cost of reported claims not yet paid, the Group 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 in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

Any estimate of future costs is subject to the inherent uncertainties in predicting the course of future events. Assumptions are made around costs such as repairs, jury decisions, court interpretations and legislative changes. Consequently, the amounts recorded in respect of unpaid claims may change significantly in the short term. Management engages independent actuaries to assist them in making such estimates based on the Group's own loss history and relevant industry data.

### **Claims development tables**

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The top half of each table illustrates how the Group's estimate of total claims outstanding for each accident year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the consolidated statement of financial position. Accident year basis is considered to be most appropriate for the business written by the Group.

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### All Locations Combined

#### Gross loss development:

Accident year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Estimate of ultimate claims cost:	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
At the end of accident year*	53,618	17,475	81,040	662,760	17,961	604,188	18,575	27,117	30,291	23,547	-
One year later	45,163	17,725	77,231	603,079	16,511	524,655	16,837	29,516	27,095	-	-
Two years later	44,157	16,716	78,486	595,127	15,413	531,747	16,687	29,170	-	-	-
Three years later	45,104	16,539	76,898	595,520	15,161	532,644	17,033	-	-	-	-
Four years later	45,488	16,661	76,354	594,679	14,539	527,858	-	-	-	-	-
Five years later	45,115	16,647	76,481	592,325	14,601	-	-	-	-	-	-
Six years later	45,011	16,591	75,247	590,880	-	-	-	-	-	-	-
Seven years later	45,013	16,762	74,963	-	-	-	-	-	-	-	-
Eight years later	45,078	16,675	-	-	-	-	-	-	-	-	-
Nine years later	45,059	-	-	-	-	-	-	-	-	-	-
Current estimates of cumulative claims	45,059	16,675	74,963	590,880	14,601	527,858	17,033	29,170	27,095	23,547	1,366,881
Cumulative payments to date	(44,973)	(16,263)	(74,616)	(586,285)	(14,101)	(523,886)	(14,950)	(23,643)	(18,185)	(10,303)	(1,327,205)
Gross Liability recognised in the consolidated statement of financial position	86	412	347	4,595	500	3,972	2,083	5,527	8,910	13,244	39,676
Reserve in respect of prior years	-	-	-	-	-	-	-	-	-	-	399
<b>Total reserve included in the consolidated statement of financial position</b>	<b>86</b>	<b>412</b>	<b>347</b>	<b>4,595</b>	<b>500</b>	<b>3,972</b>	<b>2,083</b>	<b>5,527</b>	<b>8,910</b>	<b>13,244</b>	<b>40,075</b>

#### Net loss development:

Accident year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Estimate of ultimate claims cost:	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
At the end of accident year*	16,469	11,651	20,733	25,680	13,858	20,671	12,724	15,652	16,117	15,870	-
One year later	16,207	11,672	19,129	25,334	12,720	19,580	11,729	16,154	15,385	-	-
Two years later	15,627	11,217	18,724	24,233	11,970	19,609	11,393	16,322	-	-	-
Three years later	15,607	11,231	18,565	23,914	11,727	19,643	11,223	-	-	-	-
Four years later	15,714	11,155	18,156	23,968	11,288	19,334	-	-	-	-	-
Five years later	15,676	11,138	18,221	23,851	11,336	-	-	-	-	-	-
Six years later	15,640	11,035	18,428	24,023	-	-	-	-	-	-	-
Seven years later	15,638	11,054	18,323	-	-	-	-	-	-	-	-
Eight years later	15,691	11,043	-	-	-	-	-	-	-	-	-
Nine years later	15,690	-	-	-	-	-	-	-	-	-	-
Current estimates of cumulative claims	15,690	11,043	18,323	24,023	11,336	19,334	11,223	16,322	15,385	15,870	158,549
Cumulative payments to date	(15,633)	(10,901)	(18,027)	(23,508)	(10,994)	(18,306)	(10,198)	(14,032)	(10,819)	(8,034)	(140,452)
Gross Liability recognised in the consolidated statement of financial position	57	142	296	515	342	1,028	1,025	2,290	4,566	7,836	18,097
Reserve in respect of prior years	-	-	-	-	-	-	-	-	-	-	367
<b>Total reserve included in the consolidated statement of financial position</b>	<b>57</b>	<b>142</b>	<b>296</b>	<b>515</b>	<b>342</b>	<b>1,028</b>	<b>1,025</b>	<b>2,290</b>	<b>4,566</b>	<b>7,836</b>	<b>18,464</b>

\*Estimates are presented on a completed accident year basis except for the current year which is on an uncompleted accident year basis.

#### Sensitivity analysis

The following provides information about the impact of changes in the ultimate claims liability under reasonably possible scenarios.

	Change in assumption	Effect on liability		Effect on net income		Effect on equity	
		Gross \$	Net \$	Gross \$	Net \$	Gross \$	Net \$
<b>31 December 2023</b>							
Ultimate claims liability	+ 5%	2,004	923	2,004	923	2,004	923
	- 5%	(2,004)	(923)	(2,004)	(923)	(2,004)	(923)



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### **C. CAPITAL MANAGEMENT AND REGULATORY COMPLIANCE**

The Group's policy is to maintain a strong consolidated capital base. The Group manages its capital to ensure its continued ability to provide an adequate return to shareholders, exceed insurance regulatory capital requirements, provide flexibility to take advantage of growth opportunities, maintain a strong credit rating, and to support the risks associated with the business of the Group. The Group's capital base is defined as Shareholder's Equity as disclosed in the consolidated statement of financial position.

The Bermuda Monetary Authority ("BMA") is the regulator of the Group. Under the laws and regulations of Bermuda, the Group must maintain a minimum amount of statutory capital and surplus based on the enhanced capital requirement. As at 31 December 2023 and 2022 the Group exceeded the minimum requirement.

Management monitors the adequacy of the Group's capital from the perspective of the Bermuda insurance regulations and the Bermuda Companies Act (1981) as well as the regulatory requirements of the other jurisdictions in which it operates. The Group's practice is to maintain the capitalisation of its regulated operating subsidiaries at a level that will exceed the relevant minimum regulatory capital requirements within the various jurisdictions.

The Group's investment policies emphasise the preservation of capital and the maintenance of a diversified investment portfolio, which together serve to minimise the risk that investment activities pose to the Group's capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the shareholder or issue new shares.

The regulatory requirements for jurisdictions with significant activities are as follows:

#### **A. BERMUDA**

Under The Insurance Act 1978 (Bermuda) ("the Act"), amendments thereto and the Insurance Account Rules 2016 ("the Legislation"), the Group and the Group's Bermuda-based insurance subsidiary are required to annually prepare and file a statutory financial return, a capital and solvency return and audited financial statements prepared under Generally Accepted Accounting Principles. The Bermuda Solvency and Capital Requirement ("BSCR") is the prescribed form of capital and solvency return in Bermuda. The BSCR includes a standardized model for assessing the minimum capital required to be held by a company based on a measure of risk associated with an insurance company's assets, liabilities, premiums and catastrophe risk exposure. The BMA requires all Groups and insurers to maintain their minimum statutory capital and surplus at a level which is 120% of the amount calculated in accordance with the BSCR.

The Act also requires the Group's Bermuda based insurance subsidiary, to meet minimum liquidity ratios whereby defined relevant assets must exceed 75% of defined relevant liabilities.

The Act limits the maximum amount of annual dividends and distributions that may be paid by the Group's insurance subsidiary. This insurance subsidiary is prohibited from declaring or paying any dividend of more than 25% of its total statutory capital and surplus, as shown in the previous year statutory balance sheet, unless at least seven days before payment of the dividend it files with the BMA an affidavit that it will continue to meet its minimum capital requirement as described above. In addition, the Company must obtain the BMA's prior approval before reducing its total statutory capital, as shown in the previous financial year statutory balance sheet, by 15% or more.

In addition, The Bermuda Companies Act (1981) limits the Group's ability to pay dividends and distributions to its shareholder if there are reasonable grounds for believing that the Group would be unable to pay its liabilities as they become due or if the realisable value of its assets would be less than the aggregate of its liabilities, issued share capital and share premium accounts.

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### B. CAYMAN ISLANDS

The Cayman Islands Monetary Authority (“CIMA”) has statutory powers that enable it to use its discretion to require the Group to conduct its Cayman operations in accordance with general or specific conditions which may be imposed by CIMA or may be agreed between CIMA and IHIC. IHIC is required to maintain capital in excess of the greater of approximately \$300 for domestic insurers or \$1,000 for external insurers, and an amount determined as per a prescribed formula set out in legislation. The formula prescribes the minimum capital requirements for the IHIC’s assets and liabilities on a risk basis and also provides for a margin of catastrophe. IHIC holds both a domestic insurer license and an external insurer Class A license. Additionally, IHIC has regulated insurance operations in several other jurisdictions.

As at 31 December 2023, the Group was in compliance with regulatory requirements in the various jurisdictions in which it operates.

### 5. ASSETS AND LIABILITIES HELD FOR SALE AND DISPOSAL

In October 2023, BF&M Group committed to sell its headquarters and a wholly-owned-sub subsidiary company, Barr’s Bay (which owns the property adjoining BF&M Group’s headquarters), to a third party. BF&M Group simultaneously committed to lease a portion of the affected properties on a long-term basis. The subsidiary’s assets and liabilities (which comprise a disposal group) and the building are treated as held-for-sale at year-end because the sale is highly probable.

There was no gain or loss recognized upon recording the disposal group as held for sale as all the assets and liabilities of the disposal group were carried at the lower of carrying value or fair value less cost to sell, furthermore the business did not meet the criteria to be classified as a discontinued operation. The following table shows the assets and liabilities held for sale at 31 December:

	Notes	2023 \$	2022 \$
<b>Assets</b>			
Cash and cash equivalents	7	218	–
Other assets	10	324	–
Due from affiliates	24	957	–
Investment properties	13	5,545	–
Property and equipment	14	4,716	–
<b>Total assets held for sale</b>		<b>11,760</b>	<b>–</b>
<b>Liabilities</b>			
Other liabilities	17	165	–
Due to affiliates	24	746	–
<b>Total liabilities held for sale</b>		<b>911</b>	<b>–</b>

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## **6. FAIR VALUE MEASUREMENTS**

### **A. FAIR VALUE METHODOLOGIES AND ASSUMPTIONS**

Management has assessed that the carrying values of cash and cash equivalents, and regulatory assets approximate their fair values.

The fair value of fixed income securities is determined using quoted prices in active markets for identical or similar securities. When quoted prices in active markets are not available, fair value is determined using market standard valuation methodologies, which include discounted cash flow analysis, consensus pricing from various broker dealers that are typically the market makers, or other similar techniques. The assumptions and valuation inputs in applying these market standard valuation methodologies are determined primarily using observable market inputs, which include, but are not limited to, benchmark yields, reported trades of identical or similar instruments, broker-dealer quotes, issuer spreads, bid prices, and reference data including market research publications. In limited circumstances, non-binding broker quotes are used.

The fair value of equity and fund securities is determined using quoted prices in active markets for identical securities or similar securities. When quoted prices in active markets are not available, fair value is determined using equity valuation models, which include discounted cash flow analysis and other techniques that involve benchmark comparison. Valuation inputs primarily include projected future operating cash flows and earnings, dividends, market discount rates, and earnings multiples of comparable companies.

Fair values for investment properties are assessed annually and reviewed quarterly for material changes. The fair value is assessed using the most recently available reports from qualified external appraisal services. These properties are appraised externally at least once every three years. The Bermuda properties were externally valued as at 30 June 2023. Values are estimated using 1) the income approach to estimate the present value of discounted projected future cash flows using current rental values, assessed rental values or market rental values at a market discount rate; or

2) determined having regard to recent market transactions for similar properties in similar locations or where such information is not readily available, other valuation techniques such as the income capitalisation model are used. The methodologies and inputs used in these models are in accordance with real estate industry valuation standards. Valuation inputs include estimated rental value, rental growth rates, vacancy rates, discount rates, future operating expenses and terminal growth rates. Changes in valuation inputs can have a significant impact on fair value assessed.

### **B. FAIR VALUE HIERARCHY**

The Group categorises its fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs used by the Groups valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to fair value measurement in its entirety.

The three levels of the fair value hierarchy are defined as follows:

#### **i) Level 1**

Fair value is based on quoted market prices for identical assets and liabilities in an active market at the consolidated statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing services, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

#### **ii) Level 2**

Fair value for level 2 are inputs, other than quoted prices included within level 1, that are observable for the

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asset or liability either directly or indirectly. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. These inputs include the following:

- Quoted prices for similar assets and liabilities in an active market
- Quoted prices for identical or similar assets in a market that is not active, the prices are not current, or price quotations vary substantially over time or for which little information is released publicly.
- Inputs other than quoted prices that are observable for the asset or liability such as interest rates and yield curves.

### iii) Level 3

If one or more of the significant inputs is not based on observable market data, the financial assets are included in level 3. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models using market observable data where possible. A transfer from level 2 to level 3 would occur primarily due to decreased observability of inputs in the valuation methodology. Conversely, transfers out of level 3 would primarily occur due to increased observability of inputs.

## C. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

The following table presents the Group's assets and liabilities measured at fair value in the consolidated statement of financial position, categorised by level under the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
<b>31 December 2023</b>	\$	\$	\$	\$
<b>Assets</b>				
<b>At FVTPL:</b>				
Fixed income securities	10,631	27,172	-	37,803
Regulatory assets	10,137	11,135	-	21,272
<b>At FVTPL:</b>				
Equity and fund investments	26,428	32,454	-	58,882
<b>Total assets measured at fair value on a recurring basis</b>	<b>47,196</b>	<b>70,761</b>	<b>-</b>	<b>117,957</b>
	Level 1	Level 2	Level 3	Total
<b>31 December 2022 (restated)</b>	\$	\$	\$	\$
<b>Assets</b>				
<b>At FVTPL:</b>				
Fixed income securities	9,455	25,600	-	35,055
Regulatory assets	7,499	12,462	-	19,961
<b>At FVTPL:</b>				
Equity and fund investments	24,206	29,222	-	53,428
<b>Total assets measured at fair value</b>	<b>41,160</b>	<b>67,284</b>	<b>-</b>	<b>108,444</b>

During the current and prior year there were no transfers between Levels 1 and 2 and no assets or liabilities measured at fair value in Level 3.

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### D. ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE

For assets not measured, but disclosed, at fair value in the consolidated statement of financial position, the following table discloses fair value information categorised by level in the preceding hierarchy:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>31 December 2023</b>				
<b>Assets</b>				
<b>Financial assets classified as amortised cost:</b>				
Cash and cash equivalents	42,553	-	-	42,553
<b>Other non-financial assets:</b>				
Investment properties	-	-	27,850	27,850
<b>Total assets not measured at fair value</b>	<b>42,553</b>	<b>-</b>	<b>27,850</b>	<b>70,403</b>
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>31 December 2022 (restated)</b>				
<b>Assets</b>				
<b>Financial assets classified as amortised cost:</b>				
Cash and cash equivalents	43,655	-	-	43,655
Fixed income securities	-	966	-	966
<b>Other non-financial assets:</b>				
Investment properties	-	-	36,800	36,800
<b>Total assets not measured at fair value</b>	<b>43,655</b>	<b>966</b>	<b>36,800</b>	<b>81,421</b>

As at 31 December 2023 (and 2022) there are no liabilities disclosed (but not measured) at fair value.

### 7. CASH AND CASH EQUIVALENTS

	2023	2022
	\$	\$
Cash at bank and in hand	41,759	42,098
Short-term bank deposits	1,012	1,557
Assets held for sale	42,771	43,655
	(218)	-
<b>Total</b>	<b>42,553</b>	<b>43,655</b>

### 8. REGULATORY ASSETS

	2023	2022
	\$	\$
Regulatory assets		
• Fixed income securities	11,620	13,081
• Cash	9,652	6,880
<b>Total</b>	<b>21,272</b>	<b>19,961</b>

Regulatory assets represent cash and fixed income securities, placed on deposit with banks and government bodies to satisfy licensing criteria in certain jurisdictions in which the Group operates. These assets cannot be removed, nor the accounts reduced without the prior written consent of the relevant regulator.

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### 9. INVESTMENTS

The carrying amounts of the Group's financial assets and financial liabilities are set out below:

	FVTPL -	Amortised	Total carrying
	\$	cost	amount
	\$	\$	\$
<b>31 December 2023</b>			
<b>Financial assets</b>			
Cash and cash equivalents	-	42,553	42,553
Regulatory assets	21,272	-	21,272
<i>Recognised within Investments:</i>			
Fixed income securities	37,803	-	37,803
Equity and fund investments	58,882	-	58,882
<b>Total</b>	<b>117,957</b>	<b>42,553</b>	<b>160,510</b>

	FVTPL -	Amortised	Total carrying
	\$	cost	amount
	\$	\$	\$
<b>31 December 2022</b>			
<b>Financial assets</b>			
Cash and cash equivalents	-	43,655	43,655
Regulatory assets	19,961	-	19,961
<i>Recognised within Investments:</i>			
Fixed income securities	35,055	1,000	36,055
Equity and fund investments	52,428	-	52,428
<b>Total</b>	<b>107,444</b>	<b>44,655</b>	<b>152,099</b>

### 10. OTHER ASSETS

	2023	2022
	\$	\$
Other receivables and prepayments	5,446	9,585
Accrued investment income	726	571
Tenant allowances	632	769
	6,804	10,925
Assets held for sale	(324)	-
<b>Total</b>	<b>6,480</b>	<b>10,925</b>

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### 11. INSURANCE REVENUE

The tables below analyses the Group's insurance revenue in the consolidated statement of income. The Group disaggregates information in Notes 11, 12 and 19 to provide disclosures in respect of the following major insurance product lines separately:

- Property and casualty under the PAA
- Cayman and other Caribbean operations under the PAA

These reporting levels were determined based on how the Group is managed.

	Property and casualty under the PAA	Cayman and other Caribbean operations under the PAA	Total
	2023	2023	2023
	\$	\$	\$
Revenue from contracts measured under the PAA	63,436	185,640	249,076
<b>Total insurance revenue</b>	<b>63,436</b>	<b>185,640</b>	<b>249,076</b>

	Property and casualty under the PAA	Cayman and other Caribbean operations under the PAA	Total
	Restated 2022	Restated 2022	Restated 2022
	\$	\$	\$
Revenue from contracts measured under the PAA	59,752	177,054	236,806
<b>Total insurance revenue</b>	<b>59,752</b>	<b>177,054</b>	<b>236,806</b>

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*(in thousands of Bermuda dollars)***12. NET INVESTMENT INCOME AND NET INSURANCE FINANCE RESULT**

	Property and casualty under the PAA	Cayman and other Caribbean operations under the PAA	Total
	2023	2023	2023
	\$	\$	\$
<b>Net investment return</b>			
Interest revenue on financial assets not measured at FVTPL (calculated using the effective interest rate method)	45	-	45
Net gains on FVTPL financial assets	6,088	3,104	9,192
Dividend income	487	181	668
	<b>6,620</b>	<b>3,285</b>	<b>9,905</b>
<b>Net finance expenses from insurance contracts issued</b>			
Interest accreted	(656)	(1,195)	(1,851)
Effect of changes in interest rates and other financial assumptions	3	6	9
<b>Total net finance expense from insurance contracts issued</b>	<b>(653)</b>	<b>(1,189)</b>	<b>(1,842)</b>
<b>Net finance income from reinsurance contracts held</b>			
Interest accreted	438	710	1,148
Effect of changes in interest rates and other financial assumptions	(1)	(6)	(7)
<b>Total net finance income from reinsurance contracts held</b>	<b>437</b>	<b>704</b>	<b>1,141</b>
Represented by:			
Amounts recognized in the consolidated statement of income:			
• Within net investment income	6,620	3,285	9,905
• Within net insurance finance result	(216)	(485)	(701)
<b>Total net investment income and net insurance finance result</b>	<b>6,404</b>	<b>2,800</b>	<b>9,204</b>



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	Property and casualty under the PAA	Cayman and other Caribbean operations under the PAA	Total
	2022	2022	2022
	\$	\$	\$
<b>Net investment return</b>			
Interest revenue on financial assets not measured at FVTPL (calculated using the effective interest rate method)	48	-	48
Net gains on FVTPL financial assets	(5,234)	(3,984)	(9,218)
Dividend income	378	180	558
<b>Total net investment return</b>	<b>(4,808)</b>	<b>(3,804)</b>	<b>(8,612)</b>
<b>Net finance expenses from insurance contracts issued</b>			
Interest accreted			
Effect of changes in interest rates and other financial assumptions	(61)	(200)	(261)
	(22)	418	396
<b>Total net finance expense from insurance contracts issued</b>	<b>(83)</b>	<b>218</b>	<b>135</b>
<b>Net finance income from reinsurance contracts held</b>			
Interest accreted	37	139	176
Effect of changes in interest rates and other financial assumptions	72	(278)	(206)
<b>Total net finance income from reinsurance contracts held</b>	<b>109</b>	<b>(139)</b>	<b>(30)</b>
Represented by:			
Amounts recognized in the consolidated statement of income:			
• Within net investment income	(4,808)	(3,804)	(8,612)
• Within net insurance finance result	26	79	105
<b>Total net investment income and net insurance finance result</b>	<b>(4,782)</b>	<b>(3,725)</b>	<b>(8,507)</b>

### 13. INVESTMENT PROPERTIES

	2023	2022
	\$	\$
Cost	37,809	37,422
Accumulated depreciation	(16,614)	(15,590)
	21,195	21,832
Assets held for sale	(5,545)	-
<b>Net book value</b>	<b>15,650</b>	<b>21,832</b>
<b>Year ended 31 December</b>		
At beginning of year	21,832	21,578
Net additions and capital improvements	387	1,242
Depreciation	(1,024)	(988)
Transfer to assets held for sale	(5,545)	
<b>Closing net book value</b>	<b>15,650</b>	<b>21,832</b>

Investment properties located in Bermuda consist of 30 Woodbourne, owned by Scarborough, a 60% owned subsidiary, and Exchange House, owned by Barr's Bay, a 100% owned subsidiary.

At 31 December 2023, investment properties with a net book value of \$15,650 (2022 – \$21,831) were estimated to be valued at \$27,850 (2022 – \$36,800) on the basis of their estimated open market value for existing use. During the years ended 31 December 2023 and 2022, there were no impairments of investment properties for continuing operations.

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Rental income generated from these investment properties during the year amounted to \$3,132 (2022 – \$2,172). Operating expenses incurred in support of generating rental income from investment properties were \$399 (2022 – \$277).

### 14. PROPERTY AND EQUIPMENT

#### A. Property and equipment comprises:

	Land and buildings \$	Furniture, Equipment and leasehold improvements \$	Computer Hardware \$	Motor Vehicles \$	Total \$
<b>At 31 December 2021</b>					
Cost	16,245	3,188	1,504	115	21,052
Accumulated amortisation	(4,348)	(2,729)	(1,405)	(110)	(8,592)
<b>Net book value</b>	<b>11,897</b>	<b>459</b>	<b>99</b>	<b>5</b>	<b>12,460</b>
<b>Year ended 31 December 2022</b>					
Additions	227	180	77	-	484
Disposals	(1)	(137)	(1,185)	-	(1,323)
Disposals – accumulated amortisation	-	137	1,185	-	1,322
Amortisation charge	(444)	(137)	(80)	(4)	(665)
<b>Closing net book value</b>	<b>11,679</b>	<b>502</b>	<b>96</b>	<b>1</b>	<b>12,278</b>
<b>At 31 December 2022</b>					
Cost	16,471	3,231	396	115	20,213
Accumulated amortisation	(4,792)	(2,729)	(300)	(114)	(7,935)
<b>Net book value</b>	<b>11,679</b>	<b>502</b>	<b>96</b>	<b>1</b>	<b>12,278</b>
<b>Year ended 31 December 2023</b>					
Additions	769	200	-	-	969
Disposals	(1)	-	(96)	-	(97)
Disposals – accumulated amortisation	-	-	110	-	110
Amortisation charge	(402)	(165)	(60)	(1)	(628)
<b>Closing net book value</b>	<b>12,045</b>	<b>537</b>	<b>50</b>	<b>-</b>	<b>12,632</b>
<b>At 31 December 2023</b>					
Cost	17,239	3,431	300	115	21,085
Accumulated amortisation	(5,194)	(2,894)	(250)	(115)	(8,453)
<b>Net book value</b>	<b>12,045</b>	<b>537</b>	<b>50</b>	<b>-</b>	<b>12,632</b>
Transfer to assets held for sale	(4,541)	(175)	-	-	(4,716)
<b>Total net book value</b>	<b>7,504</b>	<b>362</b>	<b>50</b>	<b>-</b>	<b>7,916</b>

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*(in thousands of Bermuda dollars)***B. Leases:**

This note provides information for leases where the Group is a lessee. For leases where the Group is a lessor, see note 13.

i) Amounts recognised in the consolidated statement of financial position:

	2023 \$	2022 \$
<b>Right-of-use assets</b>		
Land and buildings	225	270
Furniture, equipment and leasehold improvements	-	-
	<b>225</b>	<b>270</b>
<b>Lease liabilities</b>		
Other liabilities	255	298
	<b>255</b>	<b>298</b>

Additions to the right-of-use assets during the 2023 financial year were \$Nil.

ii) Amounts recognised in the consolidated statement of income:

	2023 \$	2022 \$
<b>Amortisation charge of right-of-use assets</b>		
Land and buildings	45	46
Furniture, equipment and leasehold improvements	-	-
	<b>45</b>	<b>46</b>
<b>Interest expense</b>	<b>14</b>	<b>16</b>
Expense relating to leases of low-value assets (included in operating expenses)	<b>67</b>	<b>72</b>

The total cash outflow for leases in 2023 was \$126.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

iii) The maturity profile of lease liabilities at 31 December 2023 is as follows:

	Within 1 year \$	1-5 years \$	Over 5 years \$	Total \$
Lease liabilities	46	209	-	255

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### 15. INCOME TAXES

Income tax is calculated and payable on the profits earned in jurisdictions with corporate tax requirements. The Group is subject to income tax in Antigua 25%, Barbados 2%, Dominica 25%, Grenada 28%, St. Kitts & Nevis 33%, St. Lucia 30%, St. Maarten 34.5%, St. Vincent 30% and US Virgin Islands 23.1%.

#### A. INCOME TAX

The income tax expense comprises:

	2023	2022
	\$	\$
Current tax expense	467	373
Deferred tax	-	-
<b>Total Income tax expense</b>	<b>467</b>	<b>373</b>

The taxation charge on taxable income differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2023	2022
	\$	\$
IHIC's (loss) / income before corporation tax	5,311	(3,371)
Tax calculated at an effective tax rate of 8.5%	453	412
Income not subject to tax	(2)	(32)
Tax under accrual	16	(7)
<b>Current tax expense</b>	<b>467</b>	<b>373</b>

#### B. DEFERRED TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The deferred tax asset and deferred tax liability relate to the following items:

	2023	2022
	\$	\$
<b>Deferred tax assets:</b>		
Insurance contract liabilities	174	174
Reinsurance contract held assets	407	407
Net operating loss carried forward	485	485
<b>Gross deferred tax asset</b>	<b>1,066</b>	<b>1,066</b>
<b>Deferred tax liabilities:</b>		
Insurance contract liabilities	(690)	(690)
<b>Net deferred tax asset</b>	<b>376</b>	<b>376</b>

#### C. TAX RECOVERABLE

	2023	2022
	\$	\$
Tax recoverable at beginning of the year	1,194	1,196
Tax over accrual	-	(2)
<b>Total tax recoverable at end of the year</b>	<b>1,194</b>	<b>1,194</b>

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	2023 \$	2022 \$
Tax payable at beginning of the year	(375)	(60)
Tax payments made	379	84
Current tax expense for the year	(453)	(379)
Tax under / (over) accrual	(14)	8
Other	-	(28)
<b>Total tax payable at end of the year</b>	<b>(463)</b>	<b>(375)</b>
<b>Net tax recoverable at the end of year</b>	<b>731</b>	<b>819</b>

### D. IMPACT TO OTHER COMPREHENSIVE INCOME

There was no tax (charge) credit relating to components of OCI.

## 16. INTANGIBLE ASSETS

The carrying amounts of intangible assets are as follows:

	Finite life				Indefinite life	
	Customer relationships & contracts \$	Distribution channels \$	Brands \$	Software development costs \$	Goodwill \$	Total \$
<b>At 1 January 2022</b>						
Cost	6,550	14,535	2,040	24,743	5,607	53,475
Accumulated amortisation	(4,549)	(14,138)	(2,040)	(16,500)	-	(37,227)
<b>Net book value</b>	<b>2,001</b>	<b>397</b>	<b>-</b>	<b>8,243</b>	<b>5,607</b>	<b>16,248</b>
<b>Year ended 31 December 2022</b>						
Additions	-	-	-	496	-	496
Disposal	-	-	-	(7,862)	-	(7,862)
Disposal (accumulated amortisation)	-	-	-	7,862	-	7,862
Amortisation	(558)	(397)	-	(1,617)	-	(2,572)
Impairment losses	-	-	-	(28)	(5,400)	(5,428)
<b>Closing net book value</b>	<b>1,443</b>	<b>-</b>	<b>-</b>	<b>7,094</b>	<b>207</b>	<b>8,744</b>
<b>At 31 December 2022</b>						
Cost	6,550	14,535	2,040	17,349	207	40,681
Accumulated amortisation	(5,107)	(14,535)	(2,040)	(10,255)	-	(31,937)
<b>Net book value</b>	<b>1,443</b>	<b>-</b>	<b>-</b>	<b>7,094</b>	<b>207</b>	<b>8,744</b>
<b>Year ended 31 December 2023</b>						
Additions	-	-	-	728	-	728
Disposal	-	-	-	(392)	-	(392)
Disposal (accumulated amortization)	-	-	-	392	-	392
Amortisation	(525)	-	-	(1,596)	-	(2,121)
Impairment losses	-	-	-	-	(207)	(207)
<b>Closing net book value</b>	<b>918</b>	<b>-</b>	<b>-</b>	<b>6,226</b>	<b>0</b>	<b>7,144</b>
<b>At 31 December 2023</b>						
Cost	6,550	14,535	2,040	17,685	-	40,810
Accumulated amortisation	(5,632)	(14,535)	(2,040)	(11,459)	-	(33,666)
<b>Total net book value</b>	<b>918</b>	<b>-</b>	<b>-</b>	<b>6,226</b>	<b>-</b>	<b>7,144</b>
Remaining weighted average amortisation period in years	1.4	-	-	3.5	n/a	

Impairment losses and the amortisation charge on goodwill and intangible assets are included in amortisation expense in the consolidated statement of income.

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### A. GOODWILL

In 2022, as a result of numerous economic factors including an increase in discount rates and lower terminal growth rates due to worldwide market volatility, as well as anticipated pricing and capacity changes in the property catastrophe reinsurance market, management reassessed its future expectations, resulting in an impairment charge with respect to goodwill of \$5,400. For the year ended 31 December 2023, the Group has recorded a further impairment charge of \$207, fully eliminating the goodwill balance.

### B. SOFTWARE DEVELOPMENT COSTS

Costs associated with the development of information systems are deferred, to the extent that the cost satisfies the criteria under IAS 38 – *Intangible assets*, until such time that management determines that a component is available for use in the manner expected and then it is amortised over its expected useful life. Annually, the Group reviews its software development costs for evidence of impairment. For significant software development costs not available for use, management performs an impairment assessment annually in accordance with IAS 36, using the methodology described in note 2(H)(iii).

## 17. OTHER LIABILITIES

	2023 \$	2022 \$
Payables and accrued expenses	8,278	7,234
Lease liabilities	255	298
	8,533	7,532
Liabilities held for sale	(165)	
<b>Total</b>	<b>8,368</b>	<b>7,532</b>

Financial liabilities included within other liabilities are classified as held at amortised cost.

## 18. RETIREMENT BENEFIT OBLIGATIONS

### A. DEFINED CONTRIBUTION PENSION PLAN

BF&M has established a defined contribution pension plan for eligible qualifying employees. Contributions by the Group to the defined contribution plan are subject to certain vesting requirements and are generally a set percentage of an employee's annual income and matched against employee contributions. The cost of the defined contribution pension plan is not reflected in the tables below. An expense of \$349 (2022 - \$335) equating to the service cost for the year for these employees was reported during the year.

### B. POST RETIREMENT MEDICAL PLAN

BF&M sponsors a post-retirement medical benefit plan for its Bermuda employees. The main benefit provided is for health care. Prior to 1 January 2012, the Group paid 50% of the total premiums paid to the insurer and the pensioner paid the balance. Retirees after 31 December 2011 pay 100% of their premiums if they want to continue to be covered by the plan. This change reduced the number of current employees who will be prospectively entitled to benefits.

Cash contributions to the plan by the Group during 2023 were \$101 (2022 - \$105).

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### C. DEFINED BENEFIT PENSION PLAN

The Group also sponsors a defined benefit pension plan for eligible employees in Bermuda, which follows the National Pension Scheme (Occupational Pensions) Act 1998 regulatory framework. This plan is closed to new entrants for employees hired after 1999. The defined benefit plan is administered by a separate Fund that is legally separated from the BF&M Group. Responsibility for governance of the plan including investment and contributions lies jointly with the BF&M Group and the Trustees of the pension fund.

Under the plan, the pension amount at retirement is based on an employee's final average earnings. The scheme is generally funded through payments determined by periodic actuarial calculations. Cash contributions to the plan by the BF&M Group during 2023 were \$nil (2022 - \$nil).

The BF&M Group measures the fair value of assets and the accrued benefit obligations as of 31 December. The most recent actuarial valuation of the plan's assets and the present value of the defined benefit obligation were carried out as of 31 December 2023.

The following table provides a summary of the defined benefit pension and post-retirement medical plans' estimated financial position at 31 December 2023 and 2022:

Changes in defined benefit obligation	Defined benefit pension plan		Medical benefit plan	
	2023	2022	2023	2022
	\$	\$	\$	\$
Balance - beginning of year	21,008	24,271	1,508	1,849
Current service cost	76	106	-	-
Interest expense	725	512	37	26
Actuarial (gains) and losses due to changes in:				
Experience	54	(130)	1	(141)
Economic assumption changes	(609)	(3,587)	(26)	(121)
Changes in asset ceiling, excluding amounts included in interest expense	1,106	944	-	-
Benefits paid	(1,097)	(1,108)	(101)	(105)
<b>Total Defined benefit obligation - End of year</b>	<b>21,263</b>	<b>21,008</b>	<b>1,419</b>	<b>1,508</b>

  

Changes in plan assets	Defined benefit pension plan		Medical benefit plan	
	2023	2022	2023	2022
	\$	\$	\$	\$
Fair value – beginning of year	21,826	25,265	-	-
Return on plan assets	1,318	(2,305)	-	-
Employer contributions	-	-	101	105
Plan expenses	(29)	(26)	-	-
Benefits paid	(1,097)	(1,108)	(101)	(105)
<b>Total Fair value of plan assets - End of year</b>	<b>22,018</b>	<b>21,826</b>	<b>-</b>	<b>-</b>

  

<b>Net Defined (benefit) liability recognized in the Consolidated Statement of Financial Position</b>	<b>(755)</b>	<b>(818)</b>	<b>1,419</b>	<b>1,508</b>
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Amounts recognised in respect of these defined benefit plans:

Net benefit cost recognised in Consolidated Statement of Income	Defined benefit pension plan		Medical benefit plan	
	2023	2022	2023	2022
	\$	\$	\$	\$
Current service cost	76	106	-	-
Interest expense	725	512	37	26
Expected return on plan assets	(876)	(575)	-	-
Administrative expense	29	26	-	-
Interest on effect of asset ceiling	129	47	-	-
<b>Total Net benefit cost</b>	<b>83</b>	<b>116</b>	<b>37</b>	<b>26</b>

Re-measurement effects recognized in OCI	Defined benefit pension plan		Medical benefit plan	
	2023	2022	2023	2022
	\$	\$	\$	\$
Return on plan assets (excluding amount included interest income)	(442)	2,880	-	-
Actuarial gains and losses due to change in:				
Experience	54	(130)	1	(141)
Economic assumptions	(609)	(3,588)	(26)	(121)
Adjustment for restrictions on the defined benefit asset	977	897	-	-
<b>Total Net benefit cost</b>	<b>(20)</b>	<b>59</b>	<b>(25)</b>	<b>(262)</b>

Accrued benefit obligation and plan assets are as follows:

At 31 December 2023	Total
	\$
Present value of obligation	22,682
Fair value of plan assets	(22,018)
<b>Total</b>	<b>664</b>

  

At 31 December 2022	Total
	\$
Present value of obligation	22,516
Fair value of plan assets	(21,826)
<b>Total</b>	<b>690</b>



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Asset allocation and fair values of the plan assets by major category for the defined benefit pension plan is as follows:

	2023			2022		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
	\$	\$	\$	\$	\$	\$
Equity and fund instruments	5,628	-	5,628	9,840	-	9,840
Fixed income instruments	16,561	-	16,561	11,292	-	11,292
Real estate	-	270	270	-	382	382
Other	-	(441)	(441)	-	312	312
<b>Total Net benefit cost</b>	<b>22,189</b>	<b>(171)</b>	<b>22,018</b>	<b>21,132</b>	<b>694</b>	<b>21,826</b>

Pension and medical plan assets include the BF&M Group's ordinary shares with a fair value of \$1,400 (2022 - \$1,176).

### Risk

Through its defined benefit pension plan and post-employment medical plan, the BF&M Group is exposed to a number of risks, the most significant are detailed below:

Changes in bond yields – a decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the fair value of the plans' bond holdings.

Life expectancy – The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities. This is particularly significant where inflationary increases result in higher sensitivity to changes in life expectancy.

Inflation risk – The pension obligation is linked to inflation, and higher inflation will lead to higher liabilities. The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with equities inflation, meaning that an increase in inflation will also increase the deficit of the plan or reduce the surplus of the plan.

As the BF&M Group's defined benefit plan is closed to new entrants, the volatility associated with future service accruals for active members has been limited and will decline over time.

### Actuarial assumptions

	Defined benefit pension plan		Medical benefit plan	
	2023 %	2022 %	2023 %	2022 %
<b>Benefit cost during the year:</b>				
Discount rate	5.25	4.80	5.00	4.50
Compensation increase	3.50	3.30	-	-
Medical claims inflation*	-	-	5.00	5.00
<b>Defined benefit obligation at end of year:</b>				
Discount rate	5.25	4.80	5.00	4.50
Compensation increase	4.50	3.30	-	-
Medical claims inflation	-	-	5.00	5.00

The significant weighted-average assumptions as of 31 December 2023 and 2022 are:

The expected return on assets assumption for pension cost purposes is the weighted average of expected long-term asset return assumptions by asset class and is selected from a range of possible future asset returns.

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Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience. As the defined benefit plan is closed to new entrants, these assumptions translate into an average life expectancy in years for a pensioner who retired at age 65:

	Defined benefit pension plan		Medical benefit plan	
	2023 in years	2022 in years	2023 in years	2022 in years
Male	20.61	20.53	20.61	20.53
Female	22.58	22.54	22.58	22.54

Significant judgement is used in setting the assumptions used to calculate the BF&M Group's retirement benefit obligations. The sensitivity analysis has been determined based on reasonably possible changes of the significant assumptions occurring at the end of the reporting period. Changes in trend rate assumptions by 1% either direction will change the retirement benefit obligation as follows:

	Defined benefit pension plan		Medical benefit plan	
	2023 Increase \$	2023 Decrease \$	2023 Increase \$	2023 Decrease \$
Discount rate	1,434	1,698	84	95
Compensation increase	57	55	n/a	n/a
Average life expectancy	502	925	92	88

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur, and a change in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised in the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

For the funded plan, the BF&M Group ensures that the investment positions are managed with an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension scheme. The BF&M Group's ALM objective is to match assets to the pension's obligation by investing in long-term fixed interest securities with maturities that match the benefits payments as they fall due.

The BF&M Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The BF&M Group has not changed the process used to manage its risk from previous periods. Investments are well diversified, such that failure of any single investment would not have a material impact on the overall level of assets.

The funding requirements are based on a local actuarial measurement framework. In this framework the discount rate is set on a risk-free rate. Furthermore, premiums are determined on a current salary base. Additional liabilities stemming from past service due to salary increase should be paid immediately to the fund.

Expected contributions to post-employment benefit plans for the year ending December 31, 2023 are \$95.

The weighted average duration of the defined benefit obligation is 9.24 (2022 – 9.73) years.

The weighted average duration of the medical plan obligation is 6.31 (2022 – 6.80) years.

# BF&M GENERAL INSURANCE COMPANY LIMITED

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(in thousands of Bermuda dollars)

## Future benefit payments

The following table sets forth the expected future benefit payments of the defined benefit pension and medical plans.

	2024 \$	2025 \$	2026 \$	2027 \$	2028-2038 \$
Defined benefit pension	1,182	1,219	1,337	1,343	16,748
Medical benefit plan	95	84	69	54	145
<b>Total future payments</b>	<b>1,277</b>	<b>1,303</b>	<b>1,406</b>	<b>1,397</b>	<b>16,893</b>

## 19. INSURANCE AND REINSURANCE CONTRACTS

The table below analyses the carrying amounts of insurance contracts issued and reinsurance contracts held within the consolidated statement of financial position.

As at 31 December 2023	Note	Property & casualty under the PAA \$	Cayman and other Caribbean operations under the PAA \$	Total \$
<b>Insurance contracts</b>				
Insurance contracts liabilities	A	31,138	59,736	90,874
		31,138	59,736	90,874
<b>Reinsurance contracts held</b>				
Reinsurance contracts held assets	A	(23,713)	(42,226)	(65,939)
Reinsurance contracts held liabilities	A	-	170	170
		(23,713)	(42,056)	(65,769)

As at 31 December 2022 (restated)	Note	Property & casualty under the PAA \$	Cayman and other Caribbean operations under the PAA \$	Total \$
<b>Insurance contracts</b>				
Insurance contracts liabilities	A	33,752	70,017	103,769
		33,752	70,017	103,769
<b>Reinsurance contracts held</b>				
Reinsurance contracts held assets	A	(24,882)	(43,574)	(68,456)
Reinsurance contracts held liabilities	A	-	170	170
		(24,882)	(43,404)	(68,286)

As at 1 January 2022 (restated)	Note	Property & casualty under the PAA \$	Cayman and other Caribbean operations under the PAA \$	Total \$
<b>Insurance contracts</b>				
Insurance contracts liabilities	A	27,838	69,540	97,378
		27,838	69,540	97,378
<b>Reinsurance contracts held</b>				
Reinsurance contracts held assets	A	(16,934)	(42,118)	(59,052)
Reinsurance contracts held liabilities	A	-	170	170
		(16,934)	(41,948)	(58,882)

## **BF&M GENERAL INSURANCE COMPANY LIMITED**

Notes to Consolidated Financial Statements

For the year ended 31 December 2023

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### **A. Movements in insurance and reinsurance contract balances**

The Group disaggregates information to provide disclosure in respect of the following major product lines separately:

- General Insurance under the PAA (which includes only contracts issued or held by BF&M General)
- Island Heritage under the PAA

These reporting levels were determined based on how the Group is managed.

The disclosures in this note are for the net insurance contract asset or liability and the net reinsurance held contract asset or liability.

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

For both insurance and reinsurance contracts, the Group presents tables that separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the consolidated statement of income.

# BF&M GENERAL INSURANCE COMPANY LIMITED

Notes to Consolidated Financial Statements

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(in thousands of Bermuda dollars)

## i) General Insurance under the PAA

### a) Insurance contracts

Analysis by remaining coverage and incurred claims

	2023				2022			
	Remaining coverage component	Incurred claims component		Total	Remaining coverage component	Incurred claims component		Total
	Excluding loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk		Excluding loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
	\$	\$	\$	\$	\$	\$	\$	\$
Opening assets	-	-	-	-	-	-	-	-
Opening liabilities	13,342	18,340	2,070	33,752	14,280	12,365	1,193	27,838
<b>Net opening balance</b>	<b>13,342</b>	<b>18,340</b>	<b>2,070</b>	<b>33,752</b>	<b>14,280</b>	<b>12,365</b>	<b>1,193</b>	<b>27,838</b>
<b>Changes in the consolidated statement of income</b>								
<b>Insurance revenue</b>	<b>(63,436)</b>	-	-	<b>(63,436)</b>	<b>(59,752)</b>	-	-	<b>(59,752)</b>
<b>Insurance service expenses</b>								
<b>Incurred insurance service expenses:</b>								
<i>Claims</i>	-	11,240	1,178	12,418	-	14,740	1,640	16,380
<i>Expenses</i>	-	5,702	-	5,702	-	6,680	-	6,680
<i>Other movements related to current service</i>	-	-	(513)	(513)	-	-	(582)	(582)
Amortisation of insurance acquisition cashflows	2,557	-	-	2,557	2,538	-	-	2,538
Changes that relate to past service	-	(1,197)	(963)	(2,160)	-	1,307	(391)	916
<b>Total insurance service expenses</b>	<b>2,557</b>	<b>15,745</b>	<b>(298)</b>	<b>18,004</b>	<b>2,538</b>	<b>22,727</b>	<b>667</b>	<b>25,932</b>
<b>Total Insurance service result</b>	<b>(60,879)</b>	<b>15,745</b>	<b>(298)</b>	<b>(45,432)</b>	<b>(57,214)</b>	<b>22,727</b>	<b>667</b>	<b>(33,820)</b>
<b>Investment components</b>								
<b>Net insurance finance income or expenses:</b>								
The effect of and changes in time of time value of money and financial risk	-	586	67	653	-	(128)	210	82
<b>Total net insurance finance income or expense</b>	<b>-</b>	<b>586</b>	<b>67</b>	<b>653</b>	<b>-</b>	<b>(128)</b>	<b>210</b>	<b>82</b>
<b>Total changes in the consolidated statement of income</b>	<b>(60,879)</b>	<b>16,331</b>	<b>(231)</b>	<b>(44,779)</b>	<b>(57,214)</b>	<b>22,599</b>	<b>877</b>	<b>(33,738)</b>
<b>Cash flows (actual cash flows in the period:</b>								
Premium and premium tax received	63,311	-	-	63,311	58,702	-	-	58,702
Claims and other insurance service expenses paid	-	(18,489)	-	(18,489)	-	(16,624)	-	(16,624)
Insurance acquisition cash flows	(2,657)	-	-	(2,657)	(2,426)	-	-	(2,426)
<b>Total cash flows</b>	<b>60,654</b>	<b>(18,489)</b>	<b>-</b>	<b>42,165</b>	<b>56,276</b>	<b>(16,624)</b>	<b>-</b>	<b>39,652</b>
<b>Net closing balance</b>	<b>13,117</b>	<b>16,182</b>	<b>1,839</b>	<b>31,138</b>	<b>13,342</b>	<b>18,340</b>	<b>2,070</b>	<b>33,752</b>
<b>Closing insurance contract assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Closing insurance contract liabilities</b>	<b>13,117</b>	<b>16,182</b>	<b>1,839</b>	<b>31,138</b>	<b>13,342</b>	<b>18,340</b>	<b>2,070</b>	<b>33,752</b>
<b>Net closing balance</b>	<b>13,117</b>	<b>16,182</b>	<b>1,839</b>	<b>31,138</b>	<b>13,342</b>	<b>18,340</b>	<b>2,070</b>	<b>33,752</b>

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## b) Reinsurance contract assets held

Analysis by remaining coverage and incurred claims

	2023				2022			
	Remaining coverage component	Incurred claims component		Total	Remaining coverage component	Incurred claims component		Total
	Excluding loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk		Excluding loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
\$	\$	\$	\$	\$	\$	\$	\$	
Opening reinsurance contract held assets	9,915	13,464	1,503	24,882	8,332	7,849	753	16,934
Opening reinsurance contract held liabilities	-	-	-	-	-	-	-	-
<b>Net opening balance</b>	<b>9,915</b>	<b>13,464</b>	<b>1,503</b>	<b>24,882</b>	<b>8,332</b>	<b>7,849</b>	<b>753</b>	<b>16,934</b>
<b>Changes in the consolidated statement of income</b>								
<b>Total allocation of premiums paid</b>	<b>(38,145)</b>	<b>-</b>	<b>-</b>	<b>(38,145)</b>	<b>(34,639)</b>	<b>-</b>	<b>-</b>	<b>(34,639)</b>
<b>Amounts recovered from reinsurance:</b>								
Recoveries of incurred claims and other								
Insurance service expense	-	4,245	402	4,647	-	9,146	877	10,023
Changes related to past service (changes Related to incurred claims component)	-	3,639	(431)	3,208	-	2,120	(268)	1,852
<b>Total amounts recovered from reinsurance</b>	<b>-</b>	<b>7,884</b>	<b>(29)</b>	<b>7,855</b>	<b>-</b>	<b>11,266</b>	<b>609</b>	<b>11,875</b>
<b>Investment components</b>								
<b>Net reinsurance finance income or expenses:</b>								
The effect of and changes in time of time value of money and financial risk	-	393	44	437	-	(33)	141	108
<b>Total net reinsurance finance income or expense</b>	<b>-</b>	<b>393</b>	<b>44</b>	<b>437</b>	<b>-</b>	<b>(33)</b>	<b>141</b>	<b>108</b>
<b>Total changes in the consolidated statement of income</b>	<b>(38,145)</b>	<b>8,277</b>	<b>15</b>	<b>(29,853)</b>	<b>(34,639)</b>	<b>11,233</b>	<b>750</b>	<b>(22,656)</b>
<b>Cash flows (actual cash flows in the period:</b>								
Premium and premium tax paid	37,002	-	-	37,002	36,222	-	-	36,222
Amounts recovered	-	(8,318)	-	(8,318)	-	(5,618)	-	(5,618)
<b>Total cash flows</b>	<b>37,002</b>	<b>(8,318)</b>	<b>-</b>	<b>28,684</b>	<b>36,222</b>	<b>(5,618)</b>	<b>-</b>	<b>30,604</b>
<b>Net closing balance</b>	<b>8,772</b>	<b>13,423</b>	<b>1,518</b>	<b>23,713</b>	<b>9,915</b>	<b>13,464</b>	<b>1,503</b>	<b>24,882</b>
<b>Closing reinsurance contract assets</b>	<b>8,772</b>	<b>13,423</b>	<b>1,518</b>	<b>23,713</b>	<b>9,915</b>	<b>13,464</b>	<b>1,503</b>	<b>24,882</b>
<b>Closing reinsurance contract liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net closing balance</b>	<b>8,772</b>	<b>13,423</b>	<b>1,518</b>	<b>23,713</b>	<b>9,915</b>	<b>13,464</b>	<b>1,503</b>	<b>24,882</b>

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## ii) Island Heritage under the PAA

### a) Insurance contracts

Analysis by remaining coverage and incurred claims

	2023				2022			
	Remaining coverage component	Incurred claims component		Total	Remaining coverage component	Incurred claims component		Total
	Excluding loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk		Excluding loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
	\$	\$	\$	\$	\$	\$	\$	\$
<i>Opening assets</i>	-	-	-	-	-	-	-	-
<i>Opening liabilities</i>	35,634	31,397	2,986	70,017	31,173	35,434	2,933	69,540
<b><i>Net opening balance</i></b>	<b>35,634</b>	<b>31,397</b>	<b>2,986</b>	<b>70,017</b>	<b>31,173</b>	<b>35,434</b>	<b>2,933</b>	<b>69,540</b>
<b><i>Changes in the consolidated statement of income</i></b>								
<b><i>Insurance revenue</i></b>	<b>(185,640)</b>	-	-	<b>(185,640)</b>	<b>(177,054)</b>	-	-	<b>(177,054)</b>
<b><i>Insurance service expenses</i></b>								
<b><i>Incurred insurance service expenses:</i></b>								
<i>Claims</i>	-	14,802	1,362	16,164	-	16,134	1,438	17,572
<i>Expenses</i>	-	7,347	-	7,347	-	8,962	-	8,962
<i>Other movements related to current service</i>	-	-	(393)	(393)	-	-	(449)	(449)
Amortisation of insurance acquisition cashflows	29,176	-	-	29,176	28,158	-	-	28,158
Changes that relate to past service	-	(8,491)	(1,522)	(10,013)	-	(2,620)	(1,320)	(3,940)
<b>Total insurance service expenses</b>	<b>29,176</b>	<b>13,658</b>	<b>(553)</b>	<b>42,281</b>	<b>28,158</b>	<b>22,476</b>	<b>(331)</b>	<b>50,303</b>
<b>Total Insurance service result</b>	<b>(156,464)</b>	<b>13,658</b>	<b>(553)</b>	<b>(143,359)</b>	<b>(148,896)</b>	<b>22,476</b>	<b>(331)</b>	<b>(126,751)</b>
<b><i>Investment components</i></b>								
<b><i>Net insurance finance income or expenses:</i></b>								
The effect of and changes in time of time value of money and financial risk	-	1,086	103	1,189	-	(601)	384	(217)
<b>Total net insurance finance income or expense</b>	<b>-</b>	<b>1,086</b>	<b>103</b>	<b>1,189</b>	<b>-</b>	<b>(601)</b>	<b>384</b>	<b>(217)</b>
<b>Total changes in the consolidated statement of income</b>	<b>(156,464)</b>	<b>14,744</b>	<b>(450)</b>	<b>(142,170)</b>	<b>(148,896)</b>	<b>21,875</b>	<b>53</b>	<b>(126,968)</b>
<b><i>Cash flows (actual cash flows in the period:</i></b>								
Premium and premium tax received	180,282	-	-	180,282	181,744	-	-	181,744
Claims and other insurance service expenses paid	-	(21,341)	-	(21,341)	-	(25,912)	-	(25,912)
Insurance acquisition cash flows	(27,052)	-	-	(27,052)	(28,387)	-	-	(28,387)
<b>Total cash flows</b>	<b>153,230</b>	<b>(21,341)</b>	<b>-</b>	<b>131,889</b>	<b>153,357</b>	<b>(25,912)</b>	<b>-</b>	<b>127,445</b>
<b>Net closing balance</b>	<b>32,400</b>	<b>24,800</b>	<b>2,536</b>	<b>59,736</b>	<b>35,634</b>	<b>31,397</b>	<b>2,986</b>	<b>70,017</b>
<b>Closing insurance contract assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Closing insurance contract liabilities</b>	<b>32,400</b>	<b>24,800</b>	<b>2,536</b>	<b>59,736</b>	<b>35,634</b>	<b>31,397</b>	<b>2,986</b>	<b>70,017</b>
<b>Net closing balance</b>	<b>32,400</b>	<b>24,800</b>	<b>2,536</b>	<b>59,736</b>	<b>35,634</b>	<b>31,397</b>	<b>2,986</b>	<b>70,017</b>

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## b) Reinsurance contract assets held

Analysis by remaining coverage and incurred claims

	2023				2022			
	Remaining coverage component	Incurred claims component		Total	Remaining coverage component	Incurred claims component		Total
	Excluding loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk		Excluding loss component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
\$	\$	\$	\$	\$	\$	\$	\$	
Opening reinsurance contract held assets	21,941	19,708	1,755	43,404	15,673	24,356	1,919	41,948
Opening reinsurance contract held liabilities	-	-	-	-	-	-	-	-
<b>Net opening balance</b>	<b>21,941</b>	<b>19,708</b>	<b>1,755</b>	<b>43,404</b>	<b>15,673</b>	<b>24,356</b>	<b>1,919</b>	<b>41,948</b>
<b>Changes in the consolidated statement of income</b>								
<b>Total allocation of premiums paid</b>	<b>(133,276)</b>	<b>-</b>	<b>-</b>	<b>(133,276)</b>	<b>(122,566)</b>	<b>-</b>	<b>-</b>	<b>(122,566)</b>
<b>Amounts recovered from reinsurance:</b>								
Recoveries of incurred claims and other								
Insurance service expense	-	9,156	722	9,878	-	6,872	420	7,292
Changes related to past service (changes Related to incurred claims component)	-	(6,356)	(790)	(7,146)	-	(2,615)	(794)	(3,409)
<b>Total amounts recovered from reinsurance</b>	<b>-</b>	<b>2,800</b>	<b>(68)</b>	<b>2,732</b>	<b>-</b>	<b>4,257</b>	<b>(374)</b>	<b>3,883</b>
<b>Investment components</b>								
<b>Net reinsurance finance income or expenses:</b>								
The effect of and changes in time of time value of money and financial risk	-	647	57	704	-	(349)	210	(139)
<b>Total net reinsurance finance income or expense</b>	<b>-</b>	<b>647</b>	<b>57</b>	<b>704</b>	<b>-</b>	<b>(349)</b>	<b>210</b>	<b>(139)</b>
<b>Total changes in the consolidated statement of income</b>	<b>(133,276)</b>	<b>3,447</b>	<b>(11)</b>	<b>(129,840)</b>	<b>(122,566)</b>	<b>3,908</b>	<b>(164)</b>	<b>(118,822)</b>
<b>Cash flows (actual cash flows in the period:</b>								
Premium and premium tax paid	133,167	-	-	133,167	128,834	-	-	128,834
Amounts recovered	-	(4,675)	-	(4,675)	-	(8,556)	-	(8,556)
<b>Total cash flows</b>	<b>133,167</b>	<b>(4,675)</b>	<b>-</b>	<b>128,492</b>	<b>128,834</b>	<b>(8,556)</b>	<b>-</b>	<b>120,278</b>
<b>Net closing balance</b>	<b>21,832</b>	<b>18,480</b>	<b>1,744</b>	<b>42,056</b>	<b>21,941</b>	<b>19,708</b>	<b>1,755</b>	<b>43,404</b>
<b>Closing reinsurance contract assets</b>	<b>21,832</b>	<b>18,480</b>	<b>1,744</b>	<b>42,056</b>	<b>21,941</b>	<b>19,708</b>	<b>1,755</b>	<b>43,404</b>
<b>Closing reinsurance contract liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net closing balance</b>	<b>21,832</b>	<b>18,480</b>	<b>1,744</b>	<b>42,056</b>	<b>21,941</b>	<b>19,708</b>	<b>1,755</b>	<b>43,404</b>



## **BF&M GENERAL INSURANCE COMPANY LIMITED**

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### **c) Significant judgements and estimates**

#### **i) Fulfilment cash flows**

Fulfilment cash flows comprise:

- Estimates of future cash flows (see a. below);
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows (see c. below);
- and a risk adjustment for non-financial risk (see d. below)

##### *a. Estimates of future cashflows*

In estimating future cash flows, the Group incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience

When estimating future cash flows, the Group considers current expectations of future events that might affect those cash flows, including expected inflation. Estimates of any relevant market variables are consistent with observable market prices when available

Cash flows include premiums received from policyholders, payments to (or on behalf of) policyholders, insurance acquisition costs, and other directly attributable costs that are incurred in issuing and fulfilling contracts.

Acquisition costs may be internal or external. Internal acquisition costs are derived from cost and time studies.

If insurance acquisition cash flows are directly attributable to a group of contracts, then they are allocated to that group. If insurance acquisition cash flows are directly attributable to a portfolio, but not to a group of contracts, then they are allocated to groups in the portfolio using a systematic and rational method.

##### *b. Actuarial assumptions*

Key assumptions related to the valuation of the Group's General insurance business include views on policyholder behaviour and future claim and expense levels, including views on inflation (see a. above).

##### *c. Discount rates*

Current rates are used to discount expected cash flows occurring after the reporting date.

These discount rates reflect the time value of money and the liquidity characteristics of the future cash flows.

A discount curve is established to align the rates to the expected timing of the future cash flows. General insurance contracts are typically settled over a shorter period of time, with all claims expected to be settled within the observable period of 10 years.

The Group uses a top-down approach to determine the discount curves. Under this approach, the discount rates are determined as the yields implicit in the fair value of a notional reference portfolio of assets, adjusted for expected and unexpected credit losses. The reference portfolio for General Insurance is comprised solely of fixed income instruments.

The yields from the reference portfolio were adjusted to remove both expected and unexpected credit risk. These adjustments were estimated using information from observed historical levels of default and external, credible studies of default risk which are published annually.

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The following tables provide a summary of the spot discount curves used to present value cash flows that do not vary based on the returns on underlying items for all major products:

General Insurance	1 year	5 years	10 years
As at 31 December 2023	5.32%	4.56%	4.78%
As at 31 December 2022	5.11%	4.93%	5.10%

### *e. 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 is the compensation the Group requires for bearing uncertainties arising from non-financial risks that affect the amount and timing of cash outflows required to fulfil insurance contracts.

The risk adjustment for non-financial risk is determined using a quantile approach. This approach involves calculating the value-at-risk at the selected confidence level.

In determining the risk adjustment, the Group considers both favourable and unfavourable outcomes in a way that reflects the Group's degree of risk aversion.

Diversification benefits are incorporated into the calculations at the legal entity level.

The Group does not consider the effect of reinsurance in determining the risk adjustment for non-financial risk on underlying insurance contracts - rather the risk adjustment for reinsurance held is included in the measurement of the reinsurance contract asset or liability and represents the risk transferred to the reinsurer. This risk adjustment for reinsurance held is calculated using the same methodologies as for the underlying contracts.

The risk adjustment for General insurance contracts issued and reinsurance contracts held corresponds to a confidence level of approximately 75% overall for all legal entities and periods presented.

## 20. EQUITY

### A. SHARE CAPITAL

	2023 \$	2022 \$
10,000,000 (2022 – 10,000,000) common shares of a par value of \$1 each	10,000	10,000
Issue and fully paid – common shares of a par value of \$1 each	10,000	10,000

Common shares in issue in the Group rank pari passu with any new common shares issued in the Group. All the common shares in issue carry the same right to receive all dividends and other distributions declared, made or paid by the Group. No shares were issued in 2023 or 2022.

### B. CONTRIBUTED SURPLUS

This represents additional paid in capital.

### C. ACCUMULATED OTHER COMPREHENSIVE LOSS

This consists of actuarial gains and losses on employee benefit plans.

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### 21. OTHER INCOME

The following tables present fee income from service contracts and rental income by reportable segment.

	2023	2022
	\$	\$
Rental income	3,867	2,941
IT asset usage recharge	327	349
<b>Total other income</b>	<b>4,194</b>	<b>3,290</b>

### 22. OPERATING EXPENSES

	2023	2022
	\$	\$
Corporate head office allocations	12,269	10,758
Wages and salaries	9,063	9,725
IT maintenance contracts	6,156	7,369
Bank charges and foreign currency purchase tax	1,686	1,395
Professional and consulting fees	1,486	1,165
Office, rent building and utilities costs	979	1,072
Advertising and business development	648	602
Compliance, legal and regulatory	619	567
Bad debt expense / (recovery)	298	456
Share expenses	309	452
Office and administration expenses	160	151
Travel	259	113
Membership and subscriptions	46	39
Training and development	22	28
Other	125	21
<b>Total operating expenses</b>	<b>34,125</b>	<b>33,913</b>
Amounts attributed to insurance acquisition cash flows incurred during the year	1,927	1,748
Amortisation of insurance acquisition cash flows	10,118	12,890
	<b>12,045</b>	<b>14,638</b>
<b>Represented by:</b>		
Insurance service expenses	12,045	14,638
Other operating expenses	22,080	19,275
	<b>34,125</b>	<b>33,913</b>

### 23. COMPONENTS OF ACCUMULATED OTHER COMPREHENSIVE LOSS

	2023	2022
	\$	\$
Items that will not be subsequently reclassified to profit or loss		
Remeasurement of post-employment benefit obligation		
Balance – beginning of year	(338)	(532)
Re-measurement of post-employment benefit obligation	45	203
Non-controlling interest	(2)	(9)
<b>Balance – end of year</b>	<b>(295)</b>	<b>(338)</b>

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### 24. RELATED PARTIES

As disclosed in Note 2 C (i), a number of the subsidiaries transacted with the Group during the year in the normal course of business. These transactions are eliminated on consolidation.

Key management personnel have been defined as the executive team and the Board of Directors of the Group. The following transactions were carried out with key management:

#### A. SALES OF INSURANCE CONTRACTS AND OTHER SERVICES

	2023	2022
	\$	\$
Sales of insurance contracts and pension services:		
- Key management	81	118
Purchase of services:		
- Key management	7	121

#### B. KEY MANAGEMENT COMPENSATION

The following table shows compensation to key management:

	2023	2022
	\$	\$
Salaries and other short-term employee benefits	569	507
Post-employment benefits	15	15
Share based payments	72	39
<b>Total</b>	<b>656</b>	<b>561</b>

#### C. DUE TO RELATED PARTIES

	2023	2022
	\$	\$
Due to ultimate parent	(15,372)	(17,378)
Due to ultimate parent – classified as liabilities held for sale	(747)	-
Due from ultimate parent	20,865	18,834
Due from ultimate parent – classified as assets held for sale	957	-

#### D. SELF-INSURANCE

The Group self-insures their office buildings reported in property and equipment and in investment properties. The insured properties are reinsured through the Group's reinsurance programme and are subject to the same terms and conditions as other reinsured insurance contracts.

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### 25. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTEREST

Set out below is the summarised financial information for the aggregate of each subsidiary that has non-controlling interests.

	Scarborough	
	2023	2022
	\$	\$
<b>Summarised statement of financial position</b>		
Total assets	25,540	18,306
Total liabilities	(7,906)	(1,761)
<b>Total Net assets</b>	<b>17,634</b>	<b>16,545</b>

	Scarborough	
	2023	2022
	\$	\$
<b>Summarised statement of income</b>		
Total income	2,227	1,267
Total benefits & expenses	(1,143)	(1,057)
Income before taxes	1,084	210
<b>Total Net income after taxes</b>	<b>1,084</b>	<b>210</b>

	Scarborough	
	2023	2022
	\$	\$
<b>Summarised statement of comprehensive income</b>		
Items that will not be reclassified to profit or loss	5	23
Items that may be subsequently reclassified to profit or loss	-	-
<b>Total comprehensive income</b>	<b>1,089</b>	<b>233</b>
<b>Total income attributable to non-controlling interest</b>	<b>433</b>	<b>84</b>

	Scarborough	
	2023	2022
	\$	\$
<b>Summarised statement of cash flows</b>		
Net cash generated from operating activities	1,094	838
Net cash used in investing activities	(357)	(1,217)
Cash dividends paid	-	(1,500)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>737</b>	<b>(1,879)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>777</b>	<b>2,656</b>
<b>Cash and cash equivalents at end of year</b>	<b>1,514</b>	<b>777</b>

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### 26. COMMITMENTS AND CONTINGENCIES

#### A. OPERATING LEASES

##### i) Group as Lessor

The Group has entered into non-cancellable operating leases on space within several of the Group's office buildings. These agreements include an extension option and terminate between 2024 and 2033. The future minimum lease payments receivable are as follows:

	2023	2022
	\$	\$
No later than 1 year	2,462	2,828
Later than 1 year and no later than 5 years	5,274	8,129
Later than 5 years	2,501	2,475
<b>Total</b>	<b>10,237</b>	<b>13,432</b>

#### B. COMMITMENTS

The Group has commitments made in the normal course of business that are to be disbursed upon fulfilment of certain contract conditions. \$458 is payable in 2024 to fulfil contracts which have fixed and determinable amounts. For years 2025 and 2026, the Group has committed in principle to making donations to various local charities. The amount to be disbursed is unknown but will be determinable on an annual basis subject to contract terms. The Group also expects capital expenditures related to renovation work on its investment properties.

#### C. CONTINGENCIES

The Group and its subsidiaries are from time to time subject to legal actions arising in the normal course of business. It is inherently difficult to predict the outcome of any of these proceedings with certainty and it is possible that an adverse resolution could have a material effect on the consolidated financial statements of the Group.

### 27. SUBSEQUENT EVENTS

Management has performed a subsequent events review from 1 January 2024 through to 25 April 2024, being the date that the consolidated financial statements were available to be issued. Management concluded that there were no material subsequent events which required additional disclosure in these consolidated financial statements.