



## FINANCIAL STATEMENTS

Coralisle Re Ltd.  
Year Ended December 31, 2023  
With Independent Auditor's Report

Coralisle Re Ltd.  
Financial Statements  
Year ended December 31, 2023

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## Independent Auditor's Report

The Shareholder  
Coralisle Re Ltd.

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Coralisle Re Ltd. (the Company), which comprise the statement of financial position as at December 31, 2023 and 2022, and the statement of comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of Matter

Without qualifying the above conclusion, we draw your attention to the change in accounting principles relating to the Insurance contracts, described in Note 2 to the financial statements presenting the impacts of IFRS 17 "Insurance Contracts" first time application from January 1, 2023.

## **Responsibilities of Management and the Board of Directors for the Financial Statements**

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

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

The Board of Directors are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors 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.

*Ernst & Young Ltd.*

Hamilton, Bermuda  
April 30, 2024

Coralisle Re Ltd.  
Statement of Financial Position  
(In Thousands of Bermuda Dollars)

	December 31	
	2023	2022
	\$	\$
<b>Assets</b>		
Cash and cash equivalents (Note 8)	543	166
Financial assets (Note 3,8,10)	16,188	13,840
Accounts receivable and accrued interest (Note 8)	11	7
Amounts due from related companies (Note 3,8,10)	9,278	5,361
Reinsurance contract assets (Note 7,8)	1,222	—
<b>Total assets</b>	<b>27,242</b>	<b>19,374</b>
<b>Liabilities</b>		
Other liabilities	5	23
<b>Total liabilities</b>	<b>5</b>	<b>23</b>
<b>Shareholder's equity</b>		
Share capital (Note 9)	120	120
Contributed surplus (Note 9)	11,396	11,396
Retained earnings	15,721	7,835
<b>Total equity</b>	<b>27,237</b>	<b>19,351</b>
<b>Total liabilities and equity</b>	<b>27,242</b>	<b>19,374</b>

*See accompanying notes to financial statements.*

On behalf of the Board:

*Jan LeClerc*

Director

Date: April 30, 2024

*James O'Shaughnessy*

Director

Date: April 30, 2024

Coralisle Re Ltd.  
Statement of Comprehensive Income  
(In Thousands of Bermuda Dollars)

	Year Ended December 31	
	2023	2022
	\$	\$
Insurance contract revenue (Note 4,5,6,10)	7,586	2,950
Insurance service expense (Note 4,5,6,10)	(34)	(33)
Net revenues from reinsurance contract held (Note 4,5,6,10)	1,096	—
<b>Insurance service result</b>	<b>8,648</b>	<b>2,917</b>
Investment income (loss) (Note 3,5,10)	1,324	(1,201)
Investment expense (Note 3,5)	(4)	(3)
<b>Total revenue</b>	<b>9,968</b>	<b>1,713</b>
Staff salaries and benefits	43	38
Professional fees (Note 11)	34	30
Finance charges	5	6
<b>Total expenses</b>	<b>82</b>	<b>74</b>
<b>Total comprehensive income for the year</b>	<b>9,886</b>	<b>1,639</b>

*See accompanying notes to financial statements.*

Coralisle Re Ltd.  
Statement of Changes in Shareholder's Equity  
(In Thousands of Bermuda Dollars)

	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
	\$	\$	\$	\$
Balance as at December 31, 2021	120	11,396	6,196	17,712
Net income	—	—	1,639	1,639
Restated balance as at December 31, 2022	<b>120</b>	<b>11,396</b>	<b>7,835</b>	<b>19,351</b>
Dividends	—	—	(2,000)	(2,000)
Net income	—	—	9,886	9,886
Balance as at December 31, 2023	<b>120</b>	<b>11,396</b>	<b>15,721</b>	<b>27,237</b>

*See accompanying notes to financial statements.*



Coralisle Re Ltd.  
Statement of Cash Flows  
(In Thousands of Bermuda Dollars)

	Year Ended December 31	
	2023	2022
	\$	\$
<b>Operating activities</b>		
Net income	9,886	1,639
<b>Adjustments for:</b>		
Dividend and interest income (Note 3)	(13)	(9)
Realised gains on other investments (Note 3)	(10)	—
Net change in unrealised (gains) losses on investments (Note 3)	(1,029)	1,115
Realized losses on sale of financial assets (Note 3)	—	393
<b>Operating cash flow before changes in operating working capital</b>	<b>8,834</b>	<b>3,138</b>
Change in operating working capital (Note 12)	(1,244)	14
Cash flows provided by operating activities	<b>7,590</b>	<b>3,152</b>
<b>Investing activities</b>		
Proceeds from sale of financial assets (Note 3)	1,373	2,084
Purchase of financial assets (Note 3)	(2,682)	(5,162)
Interest and dividends received (Note 3)	13	9
Repayments to related companies (Note 10)	(3,917)	(371)
Cash flows used in investing activities	<b>(5,213)</b>	<b>(3,440)</b>
<b>Financing activities</b>		
Dividends paid to owners	(2,000)	—
Cash flows used in financing activities	<b>(2,000)</b>	<b>—</b>
Net change in cash and cash equivalents	377	(288)
Cash and cash equivalents at beginning of year	166	454
Cash and cash equivalents at end of year	<b>543</b>	<b>166</b>

*See accompanying notes to financial statements.*

Coralisle Re Ltd.  
Notes to the Financial Statements  
(In Thousands of Bermuda Dollars)

**Notes to Financial Statements**

**1. General**

Coralisle Re Ltd. (the Company) was incorporated under the laws of Bermuda on March 10, 2004. It is a wholly owned subsidiary of Coralisle Group Ltd. (The Group), and provides property catastrophe excess of loss reinsurance programs to companies related through common control.

The registered office and principal place of business of the Company is Jardine House, 33-35 Reid Street, Hamilton, Bermuda. The Group, an entity domiciled in Bermuda, is fully owned by Edmund Gibbons Limited, also an entity domiciled in Bermuda.

The Company holds a Class 3A license under the Insurance Act 1978 of Bermuda and related regulations to write all classes of related party property and casualty business.

The financial statements, including all notes, were authorized for issue by the Board of Directors on April 22, 2024.

**2. Summary of Significant Accounting Policies**

**Basis of Preparation**

The preparation of Financial Statements in conformity with International Financial Reporting Standards (IFRS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results may differ from these estimates. The most significant estimation processes relate to assumptions used in measuring insurance and investment contract liabilities, assessing assets for impairment and fair valuation of certain invested assets. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

Although some variability is inherent in these estimates, management believes that the amounts recorded are appropriate. The significant accounting policies used and the most significant judgments made by management in applying these accounting policies in the preparation of these financial statements are summarized below.

The Company presents its Statement of Financial Position broadly in order of liquidity. The following balances are generally classified as current:

- cash and cash equivalents, financial assets, accounts receivable and accrued interest, amounts due from related companies, reinsurance contract assets, and .
- amounts due to related companies, insurance contract liabilities.

Coralisle Re Ltd.  
Notes to the Financial Statements (continued)  
(In Thousands of Bermuda Dollars)

**Prior year changes in the presentation of financial statements**

Certain comparative information has been reclassified and/or updated to conform to the current year presentation and to enhance comparability.

The Company adopted the IFRS 17 standard as at January 1, 2023 under the full retrospective approach, and accordingly has restated comparative information for 2022 applying the transitional provisions of IFRS 17. The related changes to significant accounting policies and quantitative impact on equity are stated in the New Standards, Interpretations and Amendments to Published Standards section of this note.

**Basis of Measurement**

The financial statements have been compiled on the going-concern basis and prepared on the historical cost basis, except for financial assets at fair value through profit or loss which are stated at fair value. As at December 31, 2023 and December 31, 2022, the Company had no financial assets stated at fair value through other comprehensive income and financial assets carried at amortised cost.

**Fair Value Measurement**

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. Fair value is measured using the assumptions that market participants would use when pricing an asset or liability. The Company determines fair value by using quoted prices in active markets for identical or similar assets or liabilities. When quoted prices in active markets are not available, fair value is determined using valuation techniques that maximise the use of observable inputs. When observable valuation inputs are not available, significant judgment is required to determine fair value by assessing the valuation techniques and valuation inputs. The use of alternative valuation techniques or valuation inputs may result in a different fair value.

The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical instruments.

Level 2 – Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates, credit risks, etc.) and inputs that are derived from or corroborated by observable market data. Most debt securities are classified within Level 2.

**Coralisle Re Ltd.**  
**Notes to the Financial Statements (continued)**  
**(In Thousands of Bermuda Dollars)**

Level 3 – Model derived valuations in which one or more significant inputs or significant value drivers are unobservable. These measurements include circumstances in which there is little, if any, market activity for the asset or liability. In making the assessment, the Company considers factors specific to the asset or liability and such an assessment will involve significant management judgment. Because of the inherent uncertainty in the valuation of these Level 3 investments, fair values of such investments may differ from the values that would have been used had a ready market for these investments existed, and the differences could be material.

**Cash and Cash Equivalents**

For the purposes of the Statement of Cash Flows, the Company considers all cash on hand, time deposits with an original maturity of three months or less and money market funds which can be redeemed without penalty, net of overdrafts as equivalent to cash.

**Financial Assets**

The Company has the following classifications for measurement of financial assets: (i) financial assets at fair value through profit or loss, (ii) financial assets held at amortised cost, and (iii) financial assets at fair value through other comprehensive income.

*Initial Recognition and Measurement*

Management determines the classification at initial recognition and it is dependent on the nature of the assets and the purpose for which the assets were acquired. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”).

In order for a financial asset to be classified and measured at amortised cost or fair value through Other Comprehensive Income (OCI), it needs to give rise to cash flows that are ‘Solely Payments of Principal and Interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Coralisle Re Ltd.  
Notes to the Financial Statements (continued)  
(In Thousands of Bermuda Dollars)

*Subsequent Measurement*

*Financial Assets Carried at Amortised Cost*

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in the Statement of Comprehensive Income or Loss when the asset is de-recognised, modified or impaired. Financial assets classified as investments at amortised cost include notes and bonds, loans and other receivables and term deposits.

*Financial Assets at Fair Value Through Profit or Loss (FVTPL)*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the Statement of Financial Position at fair value with net changes in fair value recognised in the Statement of Comprehensive Income or Loss as a component of net investment income.

This category includes listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as investment income in the Statement of Comprehensive Income or Loss when the right of payment has been established.

**Impairment of Financial Assets**

The Company assesses all debt instruments not held at fair value through profit or loss to determine if an allowance for expected credit losses (ECLs) is required. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

**Coralisle Re Ltd.**  
**Notes to the Financial Statements (continued)**  
**(In Thousands of Bermuda Dollars)**

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

- The Company's criteria for assessing if there has been a significant increase in credit risk, and so allowances for financial assets should be measured on a Lifetime ECL ("LTECL") basis and the qualitative assessment.
- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs.
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, Exposure at Default ("EAD") and Loss Given Defaults ("LGD").
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Under the general approach, ECL is categorized into one of three stages. Under stage 1 of the general approach, each financial asset or financial asset grouping will be measured for ECL that results from default events that are possible within the 12 months subsequent to the current fiscal period (12-month ECL). Under stages 2 and 3 of the general approach, the financial asset or financial asset group must recognise an ECL allowance for possible default events that may take place over the remaining life of the instrument (LTECL). The categorization of an individual asset or asset group into stage 1, stage 2 or stage 3 is determined by whether there was a significant increase in credit risk since the initial recognition to the reporting date, with the exception of an asset that is categorized as low credit risk.

The stage 1 ECL classification is used for low credit risk assets or assets that have shown significant improvement in credit quality and is reclassified from stage 2 or has had no significant change in credit risk since initial recognition.

The stage 2 ECL classification is used for assets for which there has been a significant decrease in credit quality since initial recognition, or stage 3 assets that have shown significant improvement in credit quality. The stage 3 ECL is reserved for assets considered to be credit impaired.

The Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. Further, the Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Coralisle Re Ltd.  
Notes to the Financial Statements (continued)  
(In Thousands of Bermuda Dollars)

### **Financial Liabilities**

All financial liabilities are recorded in the Statement of Financial Position at amortised cost using the effective interest method. Financial liabilities include accounts payable and accrued liabilities, included in other liabilities, which are all current liabilities. The carrying value of the Company's financial liabilities approximates their fair value.

#### *Derecognition and modification of financial liabilities*

The Company derecognises a financial liability when:

- its contractual obligations are discharged or cancelled, or expire; or
- its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the Statement of Comprehensive Income or Loss.

### **Impairment of Non-Financial Assets**

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

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the Statement of Comprehensive Income.

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

### **Investment Income**

Interest on cash and cash equivalents are recorded on an accrual basis using the effective annual interest rate. Dividend income is recognised when the right to receive the dividend is established.

Coralisle Re Ltd.  
Notes to the Financial Statements (continued)  
(In Thousands of Bermuda Dollars)

**Provisions and Contingent Liabilities**

The Company is, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company, in conjunction with internal counsel, makes its best estimate of the likelihood or outcome of these actions and considers this in the Company's accrued liabilities based on information as of the date the financial statements are available to be issued. The Company does not disclose information usually required by IAS 37 on the grounds to not prejudice seriously the outcome of any litigation but does not believe that adverse decisions in any pending or threatened proceedings will have a material impact on the financial condition or future results of operations.

**Foreign Currency Transactions**

Transactions involving currencies other than the Bermuda dollar are translated at rates of exchange in effect on the transaction dates. Foreign exchange gains and losses are included in the statement of comprehensive income.

**New Standards, Interpretations and Amendments to Published Standards**

*Future Changes in Accounting Policy and Disclosure*

Certain new standards, interpretations, amendments, and improvements to existing standards were issued by the International Accounting Standards Board (IASB) or the IFRS Interpretations Committee (IFRIC) that are mandatory for annual reporting periods beginning on or after January 1, 2023.

Effective January 1, 2023, the Company adopted the following new accounting standards:

**IFRS 17 - Insurance Contracts**

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods on or after 1 January 2023. The Company has adopted this standard as of January 1, 2023 under the full retrospective approach, and accordingly has restated comparative information for 2022 applying the transitional provisions of IFRS 17. The key changes to the Company's accounting policies resulting from its adoption of IFRS 17 are summarized below.

*Changes to Classification and Measurement*

The adoption of IFRS 17 did not change the classification of the Company's insurance contracts.

Under IFRS 17, the Company's insurance contracts issued and reinsurance contracts held are all eligible to be measured by applying the Premium Allocation Approach ("PAA"). The PAA simplifies the measurement of insurance contracts in comparison with the general model in IFRS 17.

An entity may simplify the measurement of a group of insurance contracts using the premium allocation approach if, and only if, at the inception of the group:



Coralisle Re Ltd.  
Notes to the Financial Statements (continued)  
(In Thousands of Bermuda Dollars)

- the entity reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the group that would not differ materially from the one that would be produced by applying the requirements in paragraphs 32–52; or
- the coverage period of each contract in the group (including coverage arising from all premiums within the contract boundary determined at that date applying paragraph 34) is one year or less.

The Company's insurance contracts issued and reinsurance contracts held are all eligible to be measured by applying the Premium Allocation Approach ("PAA") as a result of the coverage period being one year or less for P&C contracts.

The measurement principles of the PAA differ from the 'earned premium approach' used by the Company under IFRS 4 in the following key areas:

- The liability for remaining coverage reflects premiums received.
- Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of services are more than 12 months apart.
- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision).
- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not reported (IBNR) claims) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk. The liability includes the Company's obligation to pay other incurred insurance expenses.
- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.
- Management opted to include insurance acquisition costs in the measurement of the liability for remaining coverage.

The Company has elected to expense its insurance acquisition cash flows.

*Changes to Presentation and Disclosure*

For presentation in the Statement of Financial Position, the Company has a set of insurance contracts in a liability position and a set of reinsurance contracts held in an asset position. The portfolios are established at initial recognition in accordance with the IFRS 17 requirements.

The line item descriptions that were previously in the Statement of Comprehensive Income were:

- Gross premiums written.
- Net premiums written.
- Direct claims incurred-gross.
- Net claims incurred.

Coralisle Re Ltd.  
Notes to the Financial Statements (continued)  
(In Thousands of Bermuda Dollars)

These have been replaced by:

- Insurance contract revenue.
- Insurance service expenses.
- Net expenses from reinsurance contracts held.
- Insurance finance income or expenses.
- Reinsurance finance income or expenses.

*Transition*

Under the full retrospective approach, at 1 January 2022 the Company:

- identified, recognised and measured each group of insurance and reinsurance contracts as if IFRS 17 had always been applied;
- identified, recognised and measured any assets for insurance acquisition cash flows as if IFRS 17 had always been applied, except that the recoverability assessment was not applied before 1 January 2022;
- derecognised previously reported balances that would not have existed if IFRS 17 had always been applied, which are included in the measurement of the insurance contracts;
- measured owner-occupied properties and the Company's own shares held that were underlying items of direct participating contracts at fair value; and
- recognised any resulting net difference in equity

The Company has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item. The effects of adopting IFRS 17 on the financial statements at 1 January 2022 are presented in the statement of changes in equity.

The full retrospective approach required assumptions about what Company management's intentions would have been in previous periods or significant accounting estimates that could not be made without the use of hindsight. Such assumptions and estimates included for certain contracts:

- expectations at contract inception about policyholders' shares of the returns on underlying items at contract inception required for identifying direct participating contracts;
- assumptions about discount rates, because the Company had not been subject to any accounting or regulatory framework that required insurance contracts to be measured on a present value basis before 2007; and
- assumptions about the risk adjustment for non-financial risk, because the Company had not been subject to any accounting or regulatory framework that required an explicit margin for non-financial risk before 2022.

The resulting adjustments impact on retained earnings is \$NIL.

Coralisle Re Ltd.  
Notes to the Financial Statements (continued)  
(In Thousands of Bermuda Dollars)

**3. Financial assets**

At the Statement of Financial Position date, financial assets are classified as follows:

	2023		2022	
	Carrying Value	Amortised Cost	Carrying Value	Amortised Cost
	\$	\$	\$	\$
At fair value through profit or loss	16,188	16,274	13,840	14,953

For all securities, regardless of classification, the Company's largest concentration in any one investee, or group of investees, is 100% (2022 - 97.04%).

The investee, PIMCO, is a large asset management firm through which the Company holds a number of managed funds which encompass a diversified asset mix of equities, fixed income and alternative investments.

*At Fair Value Through Profit or Loss (FVTPL)*

	2023		2022	
	Value	Cost	Value	Cost
	\$	\$	\$	\$
Managed funds	16,188	16,274	13,840	14,953

The managed funds owned by the Company invest in a number of different types of investments which include: large cap, small cap and emerging market equity, sovereign bonds, investment grade corporate bonds, high yield bonds, asset backed securities, and alternative investments which can include private equity and real estate.

These investments are subject to the conditions and restrictions as further defined in the terms of the offering of each fund, which are usually contained in a formal offering memoranda. Such offering memoranda generally define the nature and types of investments in which a managed fund can invest and provide for specified procedures regarding further investment in and redemption from the particular fund.

The investment portfolio is monitored by the Investment Committee and is subject to investment guidelines approved by the Board of Directors.

**Coralisle Re Ltd.**  
**Notes to the Financial Statements (continued)**  
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*Fair Value Hierarchy*

The following table presents the Company's fair value hierarchy for those assets or liabilities measured at fair value and for which fair values are disclosed as of December 31, 2023:

	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Managed funds	16,188	—	—	16,188

The following table presents the Company's fair value hierarchy for those assets or liabilities measured at fair value and for which fair values are disclosed as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value	\$	\$	\$	\$
Managed funds	13,840			13,840

*(a) Financial Assets in Level 1*

The fair value of investments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, 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 Company is the current bid price. These investments are included in Level 1. Investments included in Level 1 comprise managed funds.

*(b) Financial Assets in Level 2 and 3*

The fair value of investments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

A review of the fair value hierarchy classifications is conducted on an ongoing basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets and liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in/out of the Level 3 category as of the beginning of the period in which the reclassifications occur.

There were no reclassifications of investments between Level 1, Level 2, or Level 3 during the year ended December 31, 2023 and 2022.

Coralisle Re Ltd.  
Notes to the Financial Statements (continued)  
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*Investment Income and Expense*

Net investment income (loss) and expense comprises the following:

	2023	2022
	\$	\$
Dividend and interest income	13	9
Intercompany and related party interest	272	298
Realised gain (loss) on sale of investments	10	(393)
Net unrealised gain (loss) on investments	1,029	(1,115)
Management fees	(4)	(3)
	<u>1,320</u>	<u>(1,204)</u>

**4. Insurance service results**

The following tables present an analysis of the insurance revenues and expenses recognised in the period.

	2023	2022
	\$	\$
<b>Insurance revenue measured under PAA</b>	<b>7,586</b>	<b>2,950</b>
<b>Income from reinsurance contracts held</b>		
Allocation of net reinsurance premium received	1,096	—
	<u>1,096</u>	<u>—</u>
<b>Expenses from insurance contracts issued</b>		
Insurance acquisition expenses	(34)	(33)
	<u>(34)</u>	<u>(33)</u>
<b>Total insurance service and finance result</b>	<b>8,648</b>	<b>2,917</b>

**5. Total Investment Income and Net Insurance Financial Results**

The following tables present an analysis of the investment income and net insurance finance results recognised in the period.

	2023	2022
	\$	\$
<b>Summary of the amounts recognized in statement of comprehensive income</b>		
Insurance service result	8,648	2,917
Net investment income (loss)	1,320	(1,204)
Net finance income from insurance and reinsurance contracts	—	—
<b>Net insurance and investment result</b>	<b>9,968</b>	<b>1,713</b>

Coralisle Re Ltd.  
Notes to the Financial Statements (continued)  
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**6. Reconciliation of insurance contract liabilities**

The roll-forward of liabilities for insurance contracts showing liabilities for remaining coverage and liabilities for incurred claims are disclosed in the tables below:

	2023				
	Excluding loss component	Loss Component	Estimates of PV of Future Cash Flows	Risk adj. for non-financial risk	Total
	\$	\$	\$	\$	\$
<b>Opening insurance contract liabilities</b>	—	—	—	—	—
<b>Changes in the statement of comprehensive income</b>					
<b>Insurance revenue</b>					
Insurance contract revenue measured under PAA	(7,586)	—	—	—	(7,586)
<b>Insurance service expenses</b>					
Incurred claims and other insurance service expenses	34	—	—	—	34
<b>Insurance service result</b>	(7,552)	—	—	—	(7,552)
<b>Investment components excluded from insurance revenue and insurance service expenses</b>					
<b>Cash flows</b>					
Premiums received (including investment components)	7,586	—	—	—	7,586
Claims and other insurance service expenses paid (including investment components)	(34)	—	—	—	(34)
<b>Total cash flows</b>	7,552	—	—	—	7,552
<b>Closing insurance contract liabilities</b>	—	—	—	—	—

Coralisle Re Ltd.  
Notes to the Financial Statements (continued)  
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	2022				
	Excluding loss component	Loss Component	Estimates of PV of Future Cash Flows	Risk adj. for non-financial risk	Total
	\$	\$	\$	\$	\$
<b>Opening insurance contract liabilities</b>	—	—	—	—	—
<b>Total changes in the statement of comprehensive income</b>					
<b>Insurance revenue</b>					
<b>Insurance contract revenue measured under PAA</b>	(2,950)	—	—	—	(2,950)
<b>Insurance service expenses</b>					
Incurred claims and other insurance service expenses	33	—	—	—	33
<b>Insurance service result</b>	<b>(2,917)</b>	—	—	—	<b>(2,917)</b>
<b>Investment components excluded from insurance revenue and insurance service expenses</b>					
<b>Cash flows</b>					
Premiums received (including investment components)	2,950	—	—	—	2,950
Claims and other insurance service expenses paid (including investment components)	(33)	—	—	—	(33)
<b>Total cash flows</b>	<b>2,917</b>	—	—	—	<b>2,917</b>
<b>Closing insurance contract liabilities</b>	—	—	—	—	—

Coralisle Re Ltd.  
Notes to the Financial Statements (continued)  
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**7. Reconciliation of reinsurance contract assets**

The roll-forward of the net asset for reinsurance contracts held showing assets for remaining coverage and amounts recoverable on incurred claims arising on insurance ceded to reinsurers are disclosed in the tables below:

	<b>2023</b>				
	Excluding loss component	Loss Component	Estimates of PV of Future Cash Flows	Risk adj. for non-financial risk	<b>Total</b>
	\$	\$	\$	\$	\$
<b>Opening reinsurance contract assets</b>	—	—	—	—	—
<b>Changes in the statement of comprehensive income</b>					
<b>Insurance revenue</b>					
Allocation of reinsurance premiums paid	1,096	—	—	—	<b>1,096</b>
<b>Insurance service result</b>	<b>1,096</b>	—	—	—	<b>1,096</b>
<b>Investment components excluded from insurance revenue and insurance service expenses</b>					
<b>Cash flows</b>					
Premiums paid	260	—	—	—	260
Amounts received from reinsurers relating to incurred claims	(134)	—	—	—	(134)
<b>Total cash flows</b>	<b>126</b>	—	—	—	<b>126</b>
<b>Closing reinsurance contract assets</b>	<b>1,222</b>	—	—	—	<b>1,222</b>

There were no balances and no movements in the roll forwards for the year ended December 31, 2022.



**Coralisle Re Ltd.**  
Notes to the Financial Statements (continued)  
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**8. Risk Management and Financial Instruments**

The activities of the Company involve the use of insurance contracts and financial instruments. As such, the Company is exposed to insurance risks and financial risks. This note presents information about the Company's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established an Investment Management Committee, Risk Oversight Committee and Audit Committee, which along with the Group CEO are responsible for developing and monitoring the Company's risk management policies. The committees and Group CEO report regularly to the Board of Directors on their activities.

The risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Investment Management Committee, Risk Oversight Committee and Audit Committee of the Group are standing committees of the Board of Directors and assist the Board in fulfilling its oversight responsibilities relating to the financial reporting process, internal accounting and financial controls, audit and risk review process, risk assessment and risk management and compliance with legal and regulatory requirements. The Investment Management Committee, Risk Oversight Committee and Audit Committee meet at least four times per annum and report to the Board of Directors on their performance with regards to their respective terms of reference.

The principles used by the Company in managing its insurance risks are set out below.

**Insurance Risk**

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

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered. The Company insures the risks of companies operating in 20 jurisdictions across the Caribbean.

The Company's maximum exposure is limited to \$7 million per occurrence per geographic region, except for British Virgin Islands where the exposure is \$9 million and CG United Insurance Ltd. where the exposure is \$6 million. Property catastrophe reinsurance covers unpredictable events such as hurricanes, windstorms, hailstorms, earthquakes, fires, industrial explosions, freezes, floods and other man-made or natural disasters. Because the Company has large aggregate exposures to these risks, the Company

Coralisle Re Ltd.  
Notes to the Financial Statements (continued)  
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expects that its claims experience will be characterized by relatively low frequency and high severity claims. The occurrence of claims from catastrophic events is likely to result in substantial volatility in the Company's financial results for any particular period. The Company endeavors to manage its exposure to catastrophic events by limiting the amount of its exposure in each geographic zone it operates in.

**Financial Risk**

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

The nature and extent of the financial instruments outstanding at the Statement of Financial Position date and the risk management policies of the Company are discussed below:

**Credit Risk**

Credit risk is the risk that a counter-party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Company's maximum credit risk exposure is the carrying value of assets less any provisions for irrecoverable amounts. The Company is exposed to credit risk in the following areas:

*Cash and Investments*

Investment asset allocation is determined by the Company's Investment Committee who manages the distribution of the assets to achieve the Company's investment objectives and to mitigate credit risks. Divergence from target asset allocations and the composition of the portfolio is monitored by the Company's Board of Directors and Investment Committee. Details of concentrations of investments are disclosed in Note 3.

*Related-Party Receivables*

Amounts due from related parties are assessed and monitored for any indication of impairment. At December 31, 2023, all amounts are considered collectible.

**Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company is exposed to daily calls on its available cash resources for the payment of operating expenses. In order to manage the Company's liquidity risk, management is able to draw on related party balances to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Coralisle Re Ltd.  
Notes to the Financial Statements (continued)  
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All financial assets and financial liabilities are classified on the statement of financial position as current with the exception of amounts due from/to related companies which are not anticipated to be received / paid in the next 12 months. All financial assets and liabilities which can be liquidated/paid within 12 months are considered current.

**Market Risk**

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

*Interest-Rate Risk*

The Company invests in managed funds, the fair values of which are affected by changes in interest rates. The coupon rates and maturity dates associated with the fixed interest debt securities held by the Company is disclosed in Note 3. Details of interest rate risk on related party balances are disclosed in Note 10.

*Foreign Currency Risk*

The majority of the Company's financial assets and liabilities are denominated in Bermuda Dollars therefore the Company is not normally exposed to significant currency risk.

*Equity Price Risk*

The Company is subject to equity price risk due to daily changes in the market value of securities in its fund and equity portfolios. Equity price risk is actively managed in order to mitigate anticipated unfavorable market movements where this lies outside the risk appetite of the Company's Investment Committee. Diversified portfolios of assets are held in order to reduce exposure to individual equities. At the balance sheet date management estimates that a 10% increase in prices for common equities and equity based managed funds held, with all other variables held constant, would increase net income by approximately \$277 (2022 – \$79). A 10% decrease in equity prices would have a corresponding decrease in net income.

Coralisle Re Ltd.  
Notes to the Financial Statements (continued)  
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## 9. Capital Management and Statutory Requirements

### *Capital Management*

The Company's capital base is structured to exceed regulatory targets and desired capital ratios, while maintaining an effective capital structure. The Board of Directors is responsible for devising the Company's capital plan with management responsible for the implementation of the plan. The plan is designed to provide an appropriate level of risk management over capital adequacy risk, which is defined as the risk that capital is not or will not be sufficient to withstand adverse economic conditions, to maintain financial strength.

The company capital base consists of:

	2023	2022
	\$	\$
Authorized and issued:		
120,000 ordinary shares of \$1.00 each	120	120
Contributed surplus	11,396	11,396
	11,516	11,516

### *Statutory Requirement*

The Company must at all times maintain a solvency margin and an enhanced capital requirement in accordance with the provisions of the Insurance Act, 1978 of Bermuda.

Each year the Company is required to file with the Bermuda Monetary Authority (the Authority) a capital and solvency return within four months of its relevant financial year end (unless specifically extended).

The prescribed form of capital and solvency return comprises the insurer's Bermuda Solvency Capital Requirement (BSCR) model, a schedule of fixed income investments by rating category, a schedule of net loss and loss expense provision by line of business, a schedule of premiums written by line of business, a schedule of risk management and a schedule of fixed income securities.

As a Class 3A insurer, the Company is required to maintain available statutory capital and surplus in an amount that is equal to or exceeds the target capital levels based on enhanced capital requirements (ECR) calculated using the BSCR model. The BSCR model is a risk-based capital model introduced by the Authority that measures risk and determines ECR and a target capital level (defined as 120% of the ECR) based on the Company's statutory financial statements. In circumstances where the Authority concludes that the company's risk profile deviates significantly from the assumptions underlying the ECR or the Company's assessment of its management policies and practices, it may issue an order requiring that the Company adjust its ECR.

During the year ended and as of December 31, 2023 and 2022, the Company met the target capital level required under the BSCR.

**Coralisle Re Ltd.**  
**Notes to the Financial Statements (continued)**  
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The Insurance Act mandates certain actions and filings with the Authority if the Company fails to meet and maintain its ECR or solvency margin, including the filing of a written report detailing the circumstances giving rise to the failure and the manner and time within which the insurer intends to rectify the failure. The Company is prohibited from declaring or paying a dividend if its statutory capital and surplus is less than its ECR, or if it is in breach of its solvency margin or minimum liquidity ratio, or if the declaration or payment of such dividend would cause such breach.

At December 31, 2023, the Company's ECR was \$10,938 (2022 – \$10,547).

The Company is required by its license to maintain capital and surplus greater than a minimum statutory amount determined as the greater of a percentage of outstanding losses or a given fraction of net written premiums. At December 31, 2022, the Company is required to maintain a minimum margin of solvency of \$2,735 (2022 – \$1,345). Actual statutory capital and surplus is \$27,231 (2022 – \$19,345).

The Company is also required to maintain a minimum liquidity ratio whereby the value of its relevant assets is not less than 75% of the amount of its relevant liabilities. Relevant assets include mainly cash and cash equivalents, time deposits and financial assets. Certain categories of assets do not qualify as relevant assets under the statute. The relevant liabilities are accounts payable and accrued expenses.

At December 31, 2023, the Company was required to maintain relevant assets of at least \$Nil (2022 – \$17). At that date, relevant assets were \$16,736 (2022 – \$14,007) and the minimum liquidity ratio was therefore met.

During the year dividend was declared to its shareholders of \$2,000 (2022 – \$Nil).

**10. Related-Party Transactions**

*Year-end Balances*

The amounts due to and from companies related through common control are due on demand. As of December 31, 2023 and 2022, no provisions are held against amounts due from related parties.

	<b>2023</b>	<b>2022</b>
<b>Due from related parties</b>	<b>\$</b>	<b>\$</b>
Gibbons Management Services Limited (GMSL)	—	5,245
Coralisle Insurance Company Ltd. (CIC)	—	116
Coralisle Group Ltd. (The Group)	<b>9,278</b>	—
	<b>9,278</b>	5,361

	<b>2023</b>	<b>2022</b>
<b>Net interest income</b>	<b>\$</b>	<b>\$</b>
Gibbons Management Services Limited	<b>269</b>	255
Coralisle Insurance Company Ltd.	<b>3</b>	43
	<b>272</b>	298

**Coralisle Re Ltd.**  
**Notes to the Financial Statements (continued)**  
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The balance due from Gibbons Management Services Limited bears interest at rates varying from 3% to 5.75%, 5% (2022 - 5%) per annum. The net interest income earned on related party balances, excluding balances with Gibbons Management Services Limited, bears interest at 5%.

*Income and Expenses*

The following transactions were carried out with related parties:

<b>Income (Expense)</b>	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Insurance contract revenue (1)	7,586	2,950
Insurance service expense	(34)	(33)
Staff salaries and benefits (2)	43	38
Administrative expenses	39	36
	<b>7,634</b>	<b>2,991</b>

(1) All premiums earned are from related parties, that are fellow subsidiaries of the Group.

(2) This includes costs from the Group for work performed to support its operations.

**11. Audit and Audit Related Fees**

Audit and Audit Related fees are expensed as incurred. Total Audit and Audit Related fees were \$34 and \$33 for the years ended December 31, 2023 and 2022, respectively. Audit and Audit Related fees are recorded in "Other operating expenses" within the Statement of Comprehensive Income (Loss).

There were no non-audit related fees paid to our auditors with respect to the Company.

**12. Change in Operating Working Capital**

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Increase in:		
Accounts receivable and accrued interest	(4)	—
Reinsurance contract assets	(1,222)	—
(Decrease) increase in:		
Other liabilities	(18)	14
	<b>(1,244)</b>	<b>14</b>

**13. Subsequent Events**

The Company has completed its subsequent events evaluation for the period subsequent to the Statement of Financial Position through April 30, 2024, the date the financial statements were available to be issued.

In March 2024, the Company declared a dividend of \$8,000. There were no subsequent events requiring disclosure or recognition in the audited financial statements.