# FINANCIAL STATEMENTS

Coralisle Life Assurance Company Ltd.
Year Ended December 31, 2023
With Independent Auditor's Report

Coralisle Life Assurance Company Ltd.
Audited Financial Statements
Year ended December 31, 2023

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Building a better
working world

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# Independent Auditor's Report

The Shareholder
Coralisle Life Assurance Company Ltd.

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Coralisle Life Assurance Company 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 material accounting policy information.

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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) ("UK GAAP").

### 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.

### 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 UK GAAP, 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
May 23, 2024

# Coralisle Life Assurance Company Ltd.

## Statement of Financial Position

(In Thousands of Bermuda Dollars)

| | | December 31 | |
|---|---|---|---|
| | | **2023** | **Restated 2022** |
| **ASSETS** | **Notes** | **$** | **$** |
| **Intangible assets** | *7* | **53** | 25 |
| **Investments** | *3* | **22,774** | 21,295 |
| **Debtors** | | | |
| Accounts receivable | *5* | **1,166** | 1,275 |
| Insurance balances receivable | *5* | **2,051** | 1,921 |
| Amounts receivable from reinsurers | *6* | **587** | 1,497 |
| Amounts due from related companies | *12* | **5,940** | 6,131 |
| | | **9,744** | 10,824 |
| **Other assets** | | | |
| Tangible assets | *8* | **23** | 32 |
| Cash and cash equivalents | *4,12* | **4,087** | 2,276 |
| | | **4,110** | 2,308 |
| **Prepayments and accrued income** | | | |
| Deferred acquisition costs | *6* | **432** | 503 |
| Prepaid reinsurance premiums | | **59** | 55 |
| Other prepayments and accrued income | | **56** | 54 |
| | | **547** | 612 |
| **Segregated managed fund assets** | *11* | **80,517** | 72,791 |
| **TOTAL ASSETS** | | **117,745** | **107,855** |

*See accompanying notes to financial statements.*

# Coralisle Life Assurance Company Ltd.

Statement of Financial Position

(In Thousands of Bermuda Dollars)

| | Notes | December 31 2023 $ | Restated 2022 $ |
|---|---|---|---|
| **SHAREHOLDER'S EQUITY** | | | |
| **Capital** | | | |
| Called up share capital | *10* | **4,000** | 4,000 |
| Share premium account | *10* | **14,812** | 14,812 |
| Profit and loss account | *10* | **5,415** | 3,164 |
| | | **24,227** | 21,976 |
| **LIABILITIES** | | | |
| **Technical provisions** | | | |
| Long term business provision | | | |
| Gross amount | *6* | **(455)** | (1,545) |
| Reinsurance amount | *6* | **7,368** | 7,137 |
| **Long term business provision, net of reinsurance** | *6* | **6,913** | 5,592 |
| **Claims outstanding, net of reinsurance** | *6* | **1,138** | 2,652 |
| **Bonuses and rebates payable** | *6* | **2,154** | 2,246 |
| **Provisions for other risks** | *6* | **100** | 100 |
| **Creditors** | | | |
| Creditors arising out of direct insurance operations | *6* | **1,183** | 722 |
| Reinsurance balances payable | | **427** | 404 |
| Funds held on behalf of policyholders | | **47** | 42 |
| Accounts payable and other liabilities | | **155** | 274 |
| Amounts due to related companies | *12* | **578** | 705 |
| | | **2,390** | 2,147 |
| **Accruals and deferred income** | | **306** | 351 |
| **Segregated managed fund liabilities** | *11* | **80,517** | 72,791 |
| **TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES** | | **117,745** | **107,855** |

*See accompanying notes to financial statements.*

The financial statements, including all notes, were authorized for issue by the Board of Directors on May 15, 2024 and were signed on its behalf by:

Director
E. Grant Gibbons
Date: 23 May 2024

Director:
James O'Shaughnessy
Date: 23 May 2024

# Coralisle Life Assurance Company Ltd.

## Statement of Comprehensive Income

(In thousands of Bermuda Dollars)

| | | For the period December 31 | |
|---|---|---|---|
| | | **2023** | **Restated 2022** |
| **Technical account - Long term business** | **Notes** | **$** | **$** |
| **Gross premiums written** | | | |
| Premiums written | | **7,203** | 6,802 |
| Reinsurance premium assumed | *12* | **579** | 518 |
| | | **7,782** | 7,320 |
| Outward reinsurance premiums | | **(1,809)** | (1,792) |
| **Earned premiums, net of reinsurance** | | **5,973** | 5,528 |
| **Technical investment income** | | | |
| Net interest income from other financial investments with related parties | *3,12* | **335** | 338 |
| | | **335** | 338 |
| **Other technical income, net of reinsurance** | | | |
| Policy service fees on insurance contracts | | **880** | 849 |
| Policy service fees on investment contracts | *13* | **247** | 270 |
| Interest earned on loans to policyholders | | **161** | 120 |
| Investment management fees on segregated funds | *13* | **1,433** | 1,512 |
| | | **2,721** | 2,751 |
| **Claims incurred, net of reinsurance** | | | |
| Gross claims paid | *6* | **(1,404)** | (3,607) |
| Reinsurers' share of claims paid | *6* | **484** | 1,600 |
| | | **(920)** | (2,007) |
| **Change in long term business provision, net of reinsurance** | | | |
| Gross amount | *6* | **(1,090)** | 952 |
| Reinsurers' share | *6* | **(231)** | 912 |
| | | **(1,321)** | 1,864 |
| **Bonuses and rebates, net of reinsurance** | | **(543)** | (625) |
| **Net operating expenses** | | | |
| Acquisition costs | | **(231)** | (159) |
| Change in deferred acquisition costs | *6* | **(191)** | (192) |
| Administrative expenses | *14* | **(4,274)** | (3,860) |
| Reinsurance commissions | | **(579)** | (633) |
| | | **(5,275)** | (4,844) |
| **Balance on technical account - long term business** | | **970** | **3,005** |
| **Non-Technical Account** | | | |
| **Non-technical investment income and (expense)** | | | |
| Investment income from other financial investments | | **973** | 494 |
| Fair value gains (losses) on investments | | **337** | (1,013) |
| Investment expenses and charges | | **(29)** | (43) |
| **Balance on non-technical account** | | **1,281** | **(562)** |
| **Total comprehensive income for the year** | | **2,251** | 2,443 |

*See accompanying notes to financial statements.*

Coralisle Life Assurance Company Ltd.

Statement of Changes in Shareholder's Equity

(In thousands of Bermuda Dollars)

| | *Notes* | **Called up share capital** | **Share premium account** | **Profit and loss account** | **Total** |
|---|---|---|---|---|---|
| | | **$** | **$** | **$** | **$** |
| **Balance at December 31, 2021** | | 4,000 | 14,812 | 2,721 | 21,533 |
| Total comprehensive income for the year | | — | — | 2,443 | 2,443 |
| Dividend paid | | — | — | (2,000) | (2,000) |
| **Balance at December 31, 2022** | *10* | 4,000 | 14,812 | 3,164 | 21,976 |
| Total comprehensive income for the year | | — | — | **2,251** | **2,251** |
| **Balance at December 31, 2023** | *10* | **4,000** | **14,812** | **5,415** | **24,227** |

*See accompanying notes to financial statements.*

# Coralisle Life Assurance Company Ltd.
## Statement of Cash Flows

(In thousands of Bermuda Dollars)

| | | Year ended December 31 | |
|---|---|---|---|
| | | **2023** | **Restated 2022** |
| **Operating activities** | **Notes** | **$** | **$** |
| **Total Comprehensive income for the year** | | **2,251** | 2,443 |
| Adjustments for: | | | |
| Depreciation and amortization | *7,8* | **31** | 35 |
| Net unrealised (gains)/losses on financial assets held at fair value through profit and loss | *3* | **(473)** | 587 |
| Realized loss on sale of financial assets | *3* | **136** | 427 |
| Bond amortization | *3* | **(8)** | 12 |
| Operating cash flow before changes in operating working capital | | **1,937** | 3,504 |
| Change in operating working capital | *15* | **994** | (1,691) |
| **Cash flows provided by operating activities** | | **2,931** | 1,813 |
| **Investing activities** | | | |
| Purchase of intangible assets | *7* | **(48)** | — |
| Purchase of tangible assets | *8* | **(3)** | (22) |
| Proceeds from sale of investments | | **2,256** | 5,621 |
| Purchase of investments | | **(3,389)** | (8,766) |
| Repayments from related companies | *12* | **64** | 379 |
| **Cash used in investing activities** | | **(1,120)** | (2,788) |
| **Financing activities** | | | |
| Ordinary share dividend paid | | — | (1,001) |
| **Cash used in financing activities** | | — | (1,001) |
| **Net increase (decrease) in cash and cash equivalents** | | **1,811** | (1,976) |
| **Cash and cash equivalents at beginning of year** | | **2,276** | 4,252 |
| **Cash and cash equivalents at end of year** | | **4,087** | 2,276 |
| Cash available for use | | **4,007** | 2,217 |
| Restricted cash | *4,10* | **80** | 59 |
| **Cash and cash equivalents at end of year** | | **4,087** | 2,276 |

*See accompanying notes to financial statements.*

## 1. General Information and Significant Accounting Policies

### General Information

Coralisle Life Assurance Company Ltd. (the "Company") was incorporated in 1991 under the laws of Bermuda, and is licensed as a long term (Class C) insurer under the Insurance Act 1978 of Bermuda and related regulations, to carry on business as an insurance company.

The Company is a wholly owned subsidiary of Coralisle Group Ltd. (the "Parent Company") and principally writes unit linked investment policies, personal pension plans and life insurance risks. The registered office and principal place of business of the Company is Jardine House, 33–35 Reid Street, Hamilton, Bermuda.

### Summary of Significant Accounting Policies

### Statement of Compliance

The financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102), Financial Reporting Standard 103, 'Insurance Contracts' (FRS 103) and the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to insurance companies.

The financial statements are prepared as at December 31, 2023 and for the year ended December 31, 2023.

The Company transitioned from the International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') to FRS 102 (and FRS 103) effective as at January 1, 2023.

The change of financial reporting standard has been accounted for as a change in accounting policy in accordance with FRS 102. The Company has applied the change retrospectively and restated the comparative figures for the year ended December 31, 2022. The impact of the change on the Company's financial position and impact on shareholder's equity is disclosed in note 2 to the financial statements.

### Basis of Preparation

The financial statements, including all notes, are prepared in accordance with FRS 102 and FRS 103 and were authorized for issue by the Board of Directors on May 15, 2024.

The financial statements have been compiled on the going concern basis and prepared on the historical cost basis, except for the financial assets at fair value through profit or loss, which are stated at fair value, and financial assets carried at amortized cost, which are carried at their amortized cost value. After reviewing the Company's forecasts and projections, which cover the 12-month period from the date of signing the financial statements, the Board of Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the period to May 2025.

**Functional and Presentation Currency**

The financial statements are presented in Bermuda dollars, the Company's functional currency.

**Use of Estimates and Judgments**

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, and the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies (that have significant effect on the amounts recognized in the financial statements) are described in the Notes 3, 6 and 9.

The following are the critical judgements that the directors have made in the process of applying the principles of IFRS 15 "Revenue from Contracts with Customers", as allowed under FRS 102 that have the most significant effect on amounts recognized in the financial statements:

- Revenue for investment management and administration services is generally recognized over time, like most services' revenue. This is because the customer generally receives and consumes the benefits from these services simultaneously as the Company performs them.
- Promoter fees are calculated based on the market value of the managed assets weekly; this allocation will typically lead to recognizing the fees as revenue in full at the end of each month. The consideration is allocated to the distinct time increments of service up to the measurement date at the end of the month, and all of the variability associated with those time increments is resolved.

**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 maximize 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.
>
> 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**

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short-term deposits with an original maturity date of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**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 amortized cost, and (iii) financial assets at fair value through other comprehensive income.

*Initial Recognition and Measurement*

Management determines the classification at initial recognition and 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 the principles of IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") as allowed by FRS 102.

In order for a financial asset to be classified and measured at amortized cost or fair value through 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 recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

*Subsequent Measurement*

*Financial Assets Carried at Amortized Cost*

The Company measures financial assets at amortized 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 amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is de-recognized, modified or impaired. Financial assets classified as investments at amortized cost include notes and bonds, loans and other receivables and term deposits.

*Financial Assets at Fair Value Through OCI (Debt Instruments)*

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.
- 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.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon de-recognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

For the years ended December 31, 2023, and 2022, the Company had no financial assets classified as FVTOCI.

*Financial Assets at Fair Value Through Profit or Loss*

Financial assets at fair value through profit or loss (FVTPL) 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 FVTPL, 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 FVTPL 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.

The Company's expected credit loss ("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, expected credit losses are categorized into one of three stages. Under stage 1 of the general approach, each financial asset or financial asset grouping will be measured for expected credit losses that result from default events that are possible within the 12 months subsequent to the current fiscal period (12-month ECL). Under stage 2 and 3 of the general approach, the financial asset or financial asset group must recognize an expected credit loss 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 recognizes 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.

**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 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 recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in the Statement of Comprehensive Income or Loss.

*Long-Term Life Insurance Contracts*

Long-term life insurance contracts insure events associated with human life (for example, death) over a long duration. Premiums are earned over the policy risk period. Premiums are shown before deduction of commission.

*Benefits are Recorded as an Expense When They are Incurred*

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the contractual premiums (and fees associated with the contract in the case of unit-linked life insurance). The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. An inflation assumption is also made. Margins for adverse deviations are included in the assumptions.

The discount rate used to value the future cash flows is dependent on the portfolio assets held to support the liabilities for long term insurance contracts. Adjustments are made for default risk, investment expense, and adverse deviation.

The liabilities are computed on both a direct and reinsurance ceded basis, providing a net reserve result.

The liabilities are recalculated at each end of reporting period using current assumptions.

*Unit-Linked Long-Term Insurance Contracts*

A unit-linked insurance contract is an insurance contract with an embedded derivative linking payments on the contract to the value of units of an internal investment fund set by the Company with the consideration received from the contract holders. This embedded derivative meets the definition of an insurance contract and is not therefore accounted for separately from the host insurance contract. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets.

Expected insurance premiums for these contracts are recognized directly in the liability computation. Premium suspension rates, contract surrender rates, and the impact of the contract's nominal term are recognized. These liability computations recognize anticipated changes in the unit values as well as expected revenue from policy administration fees, mortality and surrender charges. As with other insurance contracts, expected future administrative expenses and death and surrender claims are recognized. The assumed future unit growth rate is 7.54% (2022 – 7.47%) and the discount rate is set at 9.49% (2022 – 9.40%).

*Investment Contracts*

Investment contract liabilities are recognized when contracts are entered into and premiums are charged. These liabilities are initially recognized at fair value, this being the transaction price excluding any transaction costs directly attributable to the issue of the contract.

The liability is derecognised when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value of the contract cannot be less than the surrender value.

Aside from those contracts falling under the scope of the principles of IFRS 9 (allowable by FRS 102) and FRS 103, the Company recognizes revenue on investment contracts from the following sources:

- Policy fee
- Enhanced allocation fee upon investment
- Promoter fee

Revenue is measured based on the consideration specified in the contract with the customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue evenly as services are provided to customers.

**Policy Fee**

Covers initial set-up and close down of the contract and changes to the contract at the request of the policyholder. Premium receipt processing and collecting and processing of documents required to meet regulatory requirements.

**Enhanced Allocation Fee Upon Investment**

This fee is collected upon receipt of the policy premium and covers the process of investing the funds.

**Promoter Fee**

This fee is collected from the value of the assets held and supports the maintenance of holding the assets in segregated accounts and producing the weekly asset valuations.

**Receivables and Payables Related to Insurance Contracts and Investment Contracts**

Receivables and payables are recognized when due. These include amounts due to and from insurance contract holders, brokers and agents. Receivable balances are recorded at amounts due less any allowance for estimated uncollectible balances receivable.

Included in the insurance balances receivable are loans to policyholders inclusive of accrued interest. These loans are fully secured by the cash surrender values on the policies on which the respective loans are issued.

**Deferred Acquisition Costs (DAC)**

Deferred acquisition costs represent the cost of acquiring new business, consisting of commission expenses, policy issuance and other costs, which are directly related to the production of new business. Deferred acquisition costs on investment contracts (contracts not deemed to have a significant amount of insurance risk) are amortized over the expected average lives of the contracts.

Deferred acquisition costs on investment contracts are reviewed for recoverability from future income on investment contracts and amounts which are deemed unrecoverable are expensed in the period in which the determination is made. Refer to Note 6 for this assessment.

**Reinsurance Contracts Held**

The Company uses reinsurance in the normal course of business to manage its risk exposure. Insurance ceded to a reinsurer does not relieve the Company from its obligations to policyholders. The Company remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet its obligations for reinsurance ceded to it under the reinsurance agreement.

Reinsurance assets represent the benefit derived from reinsurance agreements in force at the reporting date and reinsurance liabilities represent the cost of agreements. Amounts recoverable from reinsurers are estimated in accordance with the terms of the relevant reinsurance contract.

Premiums ceded and claims reimbursed are presented on a gross basis in the statement of comprehensive income. Reinsurance assets are not offset against the related insurance contract liabilities and are presented separately in the statement of financial position.

The Company assumes a portion of group life business of an affiliated Bermuda-based direct insurer. This affiliated company also manages a number of individual group life policies on behalf of the Company.

**Liability Adequacy Test**

At each end of the reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is charged to profit or loss through adjustments to the reserve provisions.

**Segregated Funds**

Segregated funds arise as a result of the Company issuing investment contracts where the amount of the benefits ultimately payable is directly linked to the market value of the investments held in the segregated funds. The trustee of the segregated funds is Clarien Trust Limited, a related-party (Note 12).

Segregated fund net assets are recorded at fair value and primarily include investments in mutual funds, debt securities, equities, real estate, short-term investments and cash and cash equivalents. The segregated assets are not available to creditors of the Company and the holders of the unit-linked life and investment contracts have no recourse to the Company's assets. Segregated managed funds liabilities are measured based on the value of the segregated managed fund assets.

The methodology applied to determine the fair value of investments held in segregated funds is consistent with that applied to direct investments held by the Company, as described above in the note Financial Assets. The segregated managed fund assets and liabilities are presented on separate lines on the statement of financial position.
Investment return on segregated fund assets belong to policyholders and pension plan holders and the Company does not bear the risk associated with these assets outside of guarantees offered on certain variable life and annuity products, for which the underlying investment is segregated funds.

Accordingly, investment income earned by segregated funds and expenses incurred by segregated funds are offset and are not separately presented in the statement of comprehensive income. Fee income earned by the Company for managing the segregated funds is included in statement of comprehensive income.

**Tangible Assets**

Tangible assets are recorded at cost less accumulated depreciation and impairment losses. Depreciation is charged to general and administrative expenses in the statement of comprehensive income on a straight-line basis over the estimated useful life of the asset. The estimated useful lives are as follows:

| | |
|---|---|
| Computer hardware | 5 years |
| Furniture and office equipment | 5 – 10 years |
| Leasehold improvements | 10 years |

The residual values, useful lives and methods of depreciation of tangible assets are reviewed at each financial year end and adjusted prospectively, if appropriate.

**Intangible Assets**

Finite-life intangible assets are amortised on a straight-line basis over their useful life. The Company has classified software costs as intangible assets if they are not an integral part of the computer equipment. Finite-life intangible assets are recorded at cost less accumulated amortisation. Amortisation is provided for on a straight line basis over the following estimated useful lives.

| | |
|---|---|
| Computer Software | 5 years |

**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 recognized 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.

**Leases**

The Company assesses, at contract inception, whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, a lease is present.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. For the financial years ended December 31, 2023 and 2022, the Company did not have a lease agreement requiring the recognition of lease liabilities and right-of-use assets, the Company did not have a lease agreement requiring the recognition of lease liabilities and right-of-use assets.

**Investment Income**

Interest on cash and cash equivalents and debt securities is recorded on an accrual basis. Dividend income is recognized when the right to receive the dividend is established. For loans and receivables reported at amortized cost, interest income is calculated using the effective interest rate method and is reported in the statement of comprehensive income.

**Defined Contribution Plan**

Contributions to the defined contribution plan are recognised as an expense in net income or loss in the Statement of Comprehensive Income or Loss as incurred. A defined contribution plan is a pension plan under which the Company pays fixed contributions to a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient funds to pay all employees the benefits relating to employee service in current and prior periods.

**Retiree Health Benefits**

Company employees are part of the Coralisle Retirees Pension and Health Insurance benefits (Coralisle Plan) whereby, the retirees will be reimbursed by the Company for a portion or the entirety of their Medical Plan premiums if they meet certain criteria. This plan is sponsored by the Parent Company. There is no contractual agreement or stated policy with the Parent Company for charging the Company its share of net defined benefit cost and therefore, the portion of premium paid for the eligible retiree is included in expenses.

**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 FRS 102 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.

## 2. Impact of Change of Financial Reporting Standard

**First-time Adoption and Transition**

The Company changed its financial reporting standard from IFRS to UK GAAP's FRS 102 and 103 on

January 1, 2023. The change was applied retrospectively for the year ended December 31, 2022.

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

- identified, recognised and measured each group of balance sheet and income statement line items as if FRS 102 and FRS 103 had always been applied;
- identified, recognised and measured any assets and liabilities as prescribed by FRS 102 and FRS 103 including the classification of those income statement line items under the technical long term business and non-technical income statements.
- assessed the balance sheet and income statement for items to be derecognised that had previously reported balances that would not have existed if FRS 102 and FRS 103 had always been applied, which are included in the measurement of the insurance contracts; and
- recognised any resulting net difference in the profit and loss account which were previously referred to as accumulated retained earnings.

The Company concluded that the effect on the profit and loss account (previously called accumulated retained earnings) as at January 1, 2022 would be $Nil.

(In thousands of Bermuda Dollars, except share amounts)

**Change in Accounting Policies**

| Area | IFRS | FRS 102 and 103 | Impact on the company |
|---|---|---|---|
| 1. Measurement of insurance technical provisions | IFRS 4 allows various accounting policies for insurance contracts, as long as they meet the minimum criteria of reliability and relevance. The company used a current value approach for insurance contracts under IFRS. | FRS 103 requires insurance contracts to be measured using the gross premium method, which involves long term projections of best estimate liability cash flows, with margins added to each best estimate assumption to allow for adverse deviation. The company continues to apply the Canadian Policy Premium Method (PPM) valuation approach which is permitted under UK GAAP's FRS 103. | The change of financial reporting standard resulted in reallocation of technical provision liabilities and no impact to the profit and loss account as at December 31, 2022 (See following table in this note). The change also affected the presentation of insurance contract revenue and expenses in the statement of comprehensive income. |
| 2. Deferred acquisition costs | IFRS 4 allows the deferral and amortization of acquisition costs that are directly attributable to the origination of insurance contracts. The company deferred and amortized such costs over the expected life of the contracts under IFRS. | FRS 103 allows for the deferral and amortization of acquisition costs for long term insurance business and in addition, requires them to provide the assessment of their recoverability. The company followed this requirement under UK GAAP's FRS 103 in Note 6. | The change of accounting policy had no effect on the recognition and presentation of acquisition costs in the statement of comprehensive income for the years ended December 31, 2022 and 2023. |
| 3. Other areas | The company applied the relevant IFRS standards for the accounting of other items, such as financial instruments (IFRS 9), revenue from contracts with customers (IFRS 15), employee benefits, etc. | The company applied the relevant FRS 102 sections for the accounting of other items. Specifically the company has elected to continue applying IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" as allowed under FRS 102. | The change of accounting standards for other items did not have a material impact on the company's financial position and performance or statement of comprehensive income. |

(In thousands of Bermuda Dollars, except share amounts)

**Comparatives**

The transition from IFRS to UK GAAP had minimal effect on the Company's financial position and financial performance. The Company has prepared financial statements for the current year and prior year in accordance with FRS 102. The Company determines that the total comprehensive income for the years ended December 31, 2023 and 2022 are equivalent under the new reporting standard of FRS when compared to the previous reporting standard of IFRS. Moreover, the effect on the profit and loss account for the year ended December 31, 2022 from the retrospective application of UK GAAP and for the year ended December 31, 2023 was $Nil for both periods.

**Reconciliation**

The following table shows the effects of the change of financial reporting standard on the company's statement of financial position as at December 31, 2022:

**Comparative line items in the statement of financial position**

| **Disclosure under FRS** | **Notes** | **2022 Restated** | **Disclosure under IFRS 4** | **2022** |
|---|---|---|---|---|
| | | **$** | | **$** |
| **Assets / (Liabilities)** | | | **Assets / (Liabilities)** | |
| **Long term business provision** | | | | |
| Gross amount | *6* | 1,545 | Provision for future policy benefits | 1,545 |
| Reinsurance amount | *6* | (7,137) | Reinsurance liabilities | (7,137) |
| **Long term business provision, net of reinsurance** | *6* | (5,592) | | (5,592) |
| | | | | |
| **Claims outstanding, net of reinsurance** | *6* | (2,652) | Policyholder benefits payable | (5,720) |
| **Bonuses and rebates payable** | *6* | (2,246) | | |
| **Provisions for other risks** | *6* | (100) | | |
| | | | | |
| **Creditors arising out of direct insurance operations** | *6* | (722) | | |
| **Total** | | (11,312) | **Total** | (11,312) |

(In thousands of Bermuda Dollars, except share amounts)

## 3. Investments

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 | **7,365** | **7,659** | 6,950 | 7,724 |
| Amortised cost | **15,409** | **15,409** | 14,345 | 14,345 |
| | **22,774** | **23,068** | 21,295 | 22,069 |

For all securities, regardless of classification, the Company's largest concentration in any one investee, or group of investees, is 25.91% (2022 - 27.14%).

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 | |
|---|---|---|---|---|
| | **Fair Value** | **Cost** | **Fair Value** | **Cost** |
| | **$** | **$** | **$** | **$** |
| Managed funds | **5,246** | **5,376** | 1,748 | 1,939 |
| US Government Bonds | **1,777** | **1,936** | 194 | 199 |
| Corporate Bonds | **292** | **297** | 4,884 | 5,453 |
| Non-US Govt Bonds | **50** | **50** | 124 | 133 |
| | **7,365** | **7,659** | 6,950 | 7,724 |

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.

(In thousands of Bermuda Dollars, except share amounts)

The maturity profile of fixed maturity securities, comprising Corporate, Non-US Government and US Government debt categorized at fair value through profit or loss, at their carrying value as at the balance sheet date is as follows:

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Due less than one year | **148** | 99 |
| From one year to five years | **1,141** | 1,265 |
| Over five years | **829** | 702 |
| | **2,118** | 2,066 |

*Amortized Cost Investments*

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Carrying Value | Amortised Cost | Carrying Value | Amortised Cost |
| | $ | $ | $ | $ |
| Corporate bonds | **15,409** | **15,409** | 14,345 | 14,345 |
| | **15,409** | **15,409** | 14,345 | 14,345 |

The carrying amount of these investments as of the Statement of Financial Position date is $15,409 (2022 - $14,345)

Investments held at amortised cost include fixed maturity debt instruments which mature as follows:

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Over five years | **15,409** | 14,345 |
| | **15,409** | **14,345** |

(In thousands of Bermuda Dollars, except share amounts)

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 |
|---|---|---|---|---|
| **Financial assets measured at fair value** | **$** | **$** | **$** | **$** |
| Managed funds | **5,246** | **—** | **—** | **5,246** |
| US Government bonds | **1,777** | **—** | **—** | **1,777** |
| Corporate bonds | **—** | **292** | **—** | **292** |
| Non-US Govt bonds | **—** | **50** | **—** | **50** |
| Total | **7,023** | **342** | **—** | **7,365** |
| | | | | |
| **Assets for which fair values are disclosed** | | | | |
| Segregated fund assets | **—** | **80,517** | **—** | **80,517** |
| Financial assets at Amortised cost | **—** | **15,409** | **—** | **15,409** |
| **Total** | **7,023** | **96,268** | **—** | **103,291** |

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 | 4,884 | — | — | 4,884 |
| US Government bonds | 1,748 | — | — | 1,748 |
| Corporate bonds | — | 194 | — | 194 |
| Non-US Govt bonds | — | 124 | — | 124 |
| Total | 6,632 | 318 | — | 6,950 |
| | | | | |
| **Assets for which fair values are disclosed** | | | | |
| Segregated fund assets | — | 72,791 | — | 72,791 |
| Financial assets at Amortised cost | — | 14,345 | — | 14,345 |
| Total | 6,632 | 87,454 | — | 94,086 |

*(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 primarily domestic and foreign quoted equity shares and 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.
Specific valuation techniques include 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. If all significant inputs required to determine the fair value of an investment are observable, the investment is included in Level 2. Investments included in Level 2 comprise primarily of corporate debt securities and managed funds.

Fair values of the Company's interests in unquoted managed fund investments are based upon the Net Asset Values of the underlying investment funds as reported by the investment managers or their independent administrators. The Company's ability to redeem its managed fund investments at the reported net asset value per share (or its equivalent) determines whether the managed fund investment is categorized within Level 2 or Level 3 of the fair value hierarchy. If the managed fund can be redeemed within a time period of 3 months with no gates or other redemption restrictions it is classified within Level 2. Otherwise, the managed fund is classified within Level 3.

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

*(c) Financial Assets in Level 3*

The Level 3 financial assets are primarily composed of funds valued on a Net Asset Value (NAV) basis. The most significant input in the valuation is the NAV of the underlying fund. Generally, an increase in the NAV of each underlying fund will have an increase in the fair value of the financial assets.

The Company had no changes in Level 3 financial assets (and liabilities) for the year ended December 31, 2023.

(In thousands of Bermuda Dollars, except share amounts)

The following table provides a summary of the changes in fair value of the Company's Level 3 financial assets (and liabilities) for the year ended December 31, 2022:

| | Common Equity |
|---|---|
| | $ |
| Beginning balance as at January 1, 2022 | 1 |
| Movement in unrealised gains | 137 |
| Realised losses | (138) |
| Ending balance as at December 31, 2022 | — |

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.

*Investment Income*

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

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Dividend and interest income | **615** | 506 |
| Intercompany and related party interest | **335** | 338 |
| Realised loss on sale of investments | **(136)** | (427) |
| Net unrealised gain (loss) on investments | **479** | (587) |
| Bond amortization | **8** | (12) |
| Management fees | **(29)** | (42) |
| Impairment | **(6)** | — |
| Other investment income[1] | **350** | — |
| | **1,616** | **(224)** |

[1] The company received dividend income in 2023 that it had deemed not collectable and written off in prior periods amounting to $350.

## 4. Cash and cash equivalents

Cash and cash equivalents represent current account and demand deposit balances, with 26% (2022 – 33%) held by Clarien Bank (Note 12), 25% (2022 – 11%) held with unrelated Bermuda banks, 13% (2022 – 38%) held by a Cayman-based bank and 36% (2022 – 17%) held with a non-Bermuda or Cayman based bank.

Of the cash and equivalents, $80 (2022 – $59) is held in regulated bank accounts in Cayman in accordance with requirements of the Cayman Islands Monetary Authority and is not available for immediate use (Note 10).

## 5. Debtors - Accounts and Insurance Receivables

Premiums receivable, included in insurance receivables, are presented net of an allowance for doubtful accounts of $Nil (2022 – $Nil). The Company decreased allowance for doubtful accounts in 2023 by $Nil (2022 - $5).

Included in accounts receivable at December 31, 2023, are $319 (2022 – $309) investment management fees on segregated funds from contracts with clients.

(In thousands of Bermuda Dollars, except share amounts)

## 6. Technical provisions

Composition of the technical provisions is as follows:

| | 2023 | 2022 |
|---|---|---|
| **In respect of insurance contract liabilities** | **$** | **$** |
| Participating: | | |
| Individual life | **5,856** | 5,909 |
| Non-participating: | | |
| Individual life | **746** | (619) |
| Universal life | **(12,554)** | (11,619) |
| Annuities | **5,497** | 4,784 |
| **Total provision for long term business** | **(455)** | (1,545) |
| Add: | | |
| Claims outstanding, net of reinsurance | **1,138** | 2,652 |
| Bonuses and rebates payable | **2,154** | 2,246 |
| Provisions for other risks | **100** | 100 |
| **Total Technical Provision** | **2,937** | 3,453 |
| Creditors arising out of direct insurance operations | **1,183** | 722 |
| | **4,120** | 4,175 |

The long term business provision in respect of investment contracts held by the Company were carried at $Nil as at December 31, 2023 and 2022. The value of the benefit on these contracts did not result in sufficient risk transfer to consider the contracts as insurance contract liabilities and the value of the benefit provided to policyholders on those contracts were deemed immaterial to warrant the Company recognising a long term business provision. Therefore, the Company has carried these investment contracts with no provision for long term business.

*Claims Outstanding*

Claims outstanding comprise of other insurance benefits payable on reported claims, surrenders.

| | 2023 | | |
|---|---|---|---|
| | **Gross** | **Reinsurer's share** | **Net** |
| | **$** | **$** | **$** |
| **At January 1, 2023** | **2,652** | **(1,497)** | **1,155** |
| Claims incurred | **(110)** | **426** | **316** |
| Claims paid | **(1,404)** | **484** | **(920)** |
| **At December 31, 2023** | **1,138** | **(587)** | **551** |

(In thousands of Bermuda Dollars, except share amounts)

| | 2022 | | |
|---|---|---|---|
| | Gross | Reinsurer's share | Net |
| | $ | $ | $ |
| **At January 1, 2022** | 1,277 | (195) | 1,082 |
| Claims incurred | 4,984 | (2,902) | 2,082 |
| Claims paid during the year | (3,609) | 1,600 | (2,009) |
| **At December 31, 2022** | 2,652 | (1,497) | 1,155 |

*Bonuses and rebates payable*

Bonuses and rebates payable are comprised of dividends on deposit which represent a provision for policyholders' share of earnings on participating business. The Company discontinued dividends with effect from January 1, 2009. As of December 31, 2023, dividends on deposit of $2,154 (2022 – $1,711) and accrued deposit interest of $Nil (2022 – $535) are included in bonuses and rebates payable.

For the year ended December 31, 2023, interest on dividends on deposit of $26 (2022 – $75) is included in insurance benefits in the statement of comprehensive income.

*Provision for other risks*

Provision for other risks is an additional basic provision based on the assessment for future claims incurred but not reported. The assumptions for the basis of the provision have not changed. The balance as of December 31, 2023 the balance of the provision is $100 (2022 - $100).

(In thousands of Bermuda Dollars, except share amounts)

*Provision for long term business*

Changes in provision for future policy benefits during the year are as follows:

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | **Gross** | **Reinsurer's share** | **Net** | Gross | Reinsurer's share | Net |
| | **$** | **$** | **$** | **$** | **$** | **$** |
| Provision for long term business, beginning of year | **$ (1,545)** | **$ 7,137** | **$ 5,592** | $ (593) | $ 8,050 | $ 7,457 |
| Change in reserves for existing business on non-investment plans and impact of decrease (increase) in net asset value of segregated funds | **1,451** | **(192)** | **1,259** | 4,072 | (363) | 3,709 |
| Change in assumptions or methodology | **(368)** | **296** | **(72)** | (4,042) | (929) | (4,971) |
| Addition for changes in modelling | | | | | | |
| Reserve for new business | **7** | **127** | **134** | (982) | 379 | (603) |
| Increase (decrease) in actuarial liabilities | **1,090** | **231** | **1,321** | (952) | (912) | (1,864) |
| Provision for long term business, end of year | **$ (455)** | **$ 7,368** | **$ 6,913** | $ (1,545) | $ 7,137 | $ 5,592 |

The Company estimates the present value of future long term business related to long duration contracts using assumptions for investment yields, mortality, and expenses, including a provision for adverse deviation. The Company's Appointed Actuary is responsible for determining the amount of life and annuity policy reserve in accordance with standards established by the Canadian Institute of Actuaries. Insurance contract liabilities, net of reinsurance assets, have been determined using the Canadian PPM (Policy Premium Method) method under IFRS 4 "Insurance Contracts" (permitted by UK GAAP) .

Certain life insurance and annuity contracts provide the holder with a guarantee that the benefit received upon death will be no less than a minimum prescribed amount. The contracts are accounted for in accordance with the authoritative guidance on Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Separate Accounts, which requires that the best estimate of future experience be combined with actual experience to determine the anticipated benefits used to calculate the long term business reserve.

The Company examines the assumptions used in determining the technical provisions on an ongoing basis to ensure they appropriately reflect emerging experience and changes in risk profile.

The Company uses best estimate assumptions for expected future experience. Some assumptions relate to events that are anticipated to occur many years in the future and are likely to require subsequent revision. Additional provisions are included to provide for possible adverse deviations from management's best estimates. If the assumption is more susceptible to change or if there is uncertainty about the underlying best estimate assumption, a correspondingly larger provision is included in provision for long term business. To appropriately reflect the size of the Company, a conservative margin is applied to each one of the assumptions which is maintained for the entire projection period until all required liabilities have been considered.

With the passage of time and resulting reduction in estimation risk, excess provisions are released into income. In recognition of the long-term nature of provision for long term business, the margin for possible deviations generally increases for contingencies further in the future. The best estimate assumptions and margins for adverse deviations are reviewed annually, and revisions are made as deemed necessary and prudent. The margins for adverse deviation are in accordance with applicable actuarial guidelines.

**Assumptions and Sensitivities**

*Mortality*

Mortality refers to the rates at which death is expected to occur for defined groups of people. Insurance mortality assumptions are based on a statistical weighting of organization wide mortality and industry experience specific for the jurisdictions where the Company writes business, since the Company's own experience is insufficient to be statistically fully credible.

For all life insurance products (products with (Unit-Linked Long-Term Insurance Contracts UL)) and without segregated assets) an increase in mortality would have an adverse impact on financial results. A permanent 10% increase in mortality for the non-segregated asset products would necessitate a reserve increase of $730 (2022 – $574) and for life insurance products with segregated assets (UL) a reserve increases of $341 (2022 – $330). Non-insurance products with segregated assets have an insignificant death benefit and mortality changes would have virtually no impact on income.

For immediate (payout) annuities, a permanent 10% decrease in mortality would require a decrease of income and a reserve increase of $160 (2022 – $109).

For both life insurance products and annuities, a mortality improvement assumption is made. For life insurance products improvement is assumed in accordance with recent Canadian Institute of Actuaries guidance.

*Investment Return and Interest Rate*

Assets are notionally segmented to correspond to the different liability categories of the Company. Cash flow matching has been addressed under a level economic scenario. These fixed income assets are of high quality and, along with policy loans, provide a gross investment income rate. Investment expenses, default provisions and margins are incorporated to produce a final, net, discount rate.

Interest rate risk associated with this assumption is measured by determining the effect on the present value of the projected net asset and liability cash flows of the Company of an immediate 1% increase or an immediate 1% decrease in the level of reserve discount rates.

The effect of an immediate 1% increase in discount rates on life insurance contracts (those without segregated funds) would be to decrease the present value of these net projected cash flows by approximately $4,550 (2022 – $3,956).

The effect of an immediate 1% decrease in discount rates would be to increase the present value of these net projected cash flows by approximately $7,106 (2022 – $6,088).

The impact of discount rate changes on segregated fund life insurance and segregated fund non-insurance contracts would be small, less than $117 (2022 - $105) for either an increase or decrease in the discount rate.

The effect of an immediate 1% increase in discount rates on immediate annuities would be to decrease reserves by $460 (2022 –$398), and the effect of an immediate 1% decrease in discount rates on annuities would be to increase reserves by $536 (2022 – $463). The company incorporates a 69 basis point margin for non-annuities and 73 basis points used for annuities in its discount rates for fixed dollar life insurance and a 192 basis point margin in all segregated fund business discount rates.

*Policy Termination Rates (Lapse Rates)*

Policyholders may allow their policies to terminate prior to the end of the contractual coverage period by choosing not to continue to pay premiums or by exercising one of the non-forfeiture options in the contract. Assumptions for termination experience on life insurance are based on corporate-wide lapse across the group subsidiaries selling similar life products. Termination rates may vary by product/plan, age at issue, method of premium payment, and policy duration. For universal life policies it is also necessary to set assumptions about premium cessation occurring prior to termination of the policy. A 10% adverse change in the assumption for policy termination would decrease net income and shareholder's equity by approximately $868 (2022 – $932).

*Operating Expenses and Inflation*

Policy liabilities include an estimate for future policy-related expenses. These include the costs of premium collection, claims adjudication and processing, actuarial calculations, preparation and mailing of policy statements and related indirect expenses and overheads. Expense assumptions are mainly based on recent Company experience using an internal expense allocation methodology. Future expense assumptions reflect inflation. The sensitivity of actuarial liabilities to a 10% increase in unit expenses Company-wide would result in a decrease in net income and shareholder's equity of approximately $1,486 (2022 – $1,437).

(In thousands of Bermuda Dollars, except share amounts)

The composition of the assets supporting the liabilities of provision for long term insurance costs as at December 31, 2023, is as follows:

| | 2023 | | |
|---|---|---|---|
| | **Cash and Cash Equivalents** | **Financial Assets** | **Total** |
| Participating: | **$** | **$** | **$** |
| Individual life | **4,087** | **1,769** | **5,856** |
| Non-participating: | | | |
| Individual life | **—** | **746** | **746** |
| Annuities | **—** | **5,497** | **5,497** |
| Provision for future policy benefits | **4,087** | **8,012** | **12,099** |
| Claims outstanding, net of reinsurance | **—** | **1,138** | **1,138** |
| Bonuses and rebates payable | **—** | **2,154** | **2,154** |
| Provisions for other risks | **—** | **100** | **100** |
| Creditors arising out of direct insurance operations | **—** | **1,183** | **1,183** |
| Positive provision for future policy benefits | **4,087** | **12,587** | **16,674** |
| Negative provision for future policy benefits | | | **(12,554)** |
| | | | **4,120** |

The composition of the assets supporting the liabilities of provision for future policy benefits as at December 31, 2022, is as follows:

| | 2022 | | |
|---|---|---|---|
| | **Cash and Cash Equivalents** | **Financial Assets** | **Total** |
| Participating: | **$** | **$** | **$** |
| Individual life | 2,276 | 3,633 | 5,909 |
| Non-participating: | | | |
| Annuities | — | 4,784 | 4,784 |
| Provision for long term business | 2,276 | 8,417 | 10,693 |
| Claims outstanding, net of reinsurance | — | 2,652 | 2,652 |
| Bonuses and rebates payable | — | 2,246 | 2,246 |
| Provisions for other risks | — | 100 | 100 |
| Creditors arising out of direct insurance operations | — | 722 | 722 |
| Positive provision for future policy benefits | 2,276 | 14,137 | 16,413 |
| Negative provision for future policy benefits | | | (12,238) |
| | | | 4,175 |

(In thousands of Bermuda Dollars, except share amounts)

*Deferred Acquisition Costs*

The following reflects the amounts of acquisition costs deferred and amortized as of and for the year ended:

| | 2023 | 2022 |
|---|---|---|
| | **$** | **$** |
| **Deferred acquisition costs, beginning of year** | **503** | 557 |
| Expenses capitalized | **120** | 138 |
| Amortization expense | **(191)** | (192) |
| **Deferred acquisition costs, end of year** | **432** | 503 |

In accordance with UK GAAP the Company is required to assess the recoverability of deferred acquisition costs for continued amortization. The Company holds deferred acquisition costs of $432 (2022 - $503). The collectability of this asset was assessed by the Company for each applicable line of business. Future income of $4,032 (2022 - $3,432) estimated under this analysis exceeds the balance of the asset held and the Company considers the asset recoverable in its entirety as at December 31, 2023 and December 31, 2022.

(In thousands of Bermuda Dollars, except share amounts)

**7. Intangible Assets**

Intangible assets as at December 31, 2023, are detailed below:

| | 2022 | Additions | Disposals | 2023 |
|---|---|---|---|---|
| **Costs** | **$** | **$** | **$** | **$** |
| Computer software | 1,346 | 48 | — | **1,394** |
| | **2022** | **Amortization Expense** | **Disposals** | **2023** |
| **Accumulated amortization** | **$** | **$** | **$** | **$** |
| Computer software | 1,322 | 19 | — | **1,341** |
| **Net book value** | 25 | | | **53** |

Intangible assets as at December 31, 2022 are detailed below:

| | 2021 | Additions | Disposals | 2022 |
|---|---|---|---|---|
| **Costs** | $ | $ | $ | $ |
| Computer software | 1,346 | — | — | 1,346 |
| | **2021** | **Amortization Expense** | **Disposals** | **2022** |
| **Accumulated amortization** | $ | $ | $ | $ |
| Computer software | 1,299 | 23 | — | 1,322 |
| **Net book value** | 47 | | | 25 |

No impairment was recorded as of December 31, 2023 and 2022.

(In thousands of Bermuda Dollars, except share amounts)

## 8. Tangible assets

Tangible assets as at December 31, 2023, comprises the following:

| | 2022 | Additions | Disposals | 2023 |
|---|---|---|---|---|
| **Cost** | $ | $ | $ | **$** |
| Leasehold improvements | 609 | — | — | **609** |
| Computer hardware | 449 | 3 | — | **452** |
| Furniture and office equipment | 329 | — | — | **329** |
| | 1,387 | 3 | — | **1,390** |

| | 2022 | Depreciation | Disposals | 2023 |
|---|---|---|---|---|
| **Accumulated depreciation** | $ | $ | $ | **$** |
| Leasehold improvements | 609 | — | — | **609** |
| Computer hardware | 430 | 9 | — | **439** |
| Furniture and office equipment | 316 | 3 | — | **319** |
| | 1,355 | 12 | — | **1,367** |
| **Net book value** | 32 | | | **23** |

Tangible assets as at December 31, 2022, comprises the following:

| | 2021 | Additions | Disposals | 2022 |
|---|---|---|---|---|
| **Cost** | $ | $ | $ | $ |
| Leasehold improvements | 609 | — | — | 609 |
| Computer hardware | 441 | 8 | — | 449 |
| Furniture and office equipment | 315 | 14 | — | 329 |
| | 1,365 | 22 | — | 1,387 |

| | 2021 | Depreciation | Disposals | 2022 |
|---|---|---|---|---|
| **Accumulated depreciation** | $ | $ | $ | $ |
| Leasehold improvements | 609 | — | — | 609 |
| Computer hardware | 420 | 10 | — | 430 |
| Furniture and office equipment | 314 | 2 | — | 316 |
| | 1,343 | 12 | — | 1,355 |
| **Net book value** | 22 | | | 32 |

No impairment was recorded as of December 31, 2023 and 2022.

## 9. 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 Company is also guided by the risk management framework of its ultimate parent. The Board and the Company's parent have established an Investment Committee, Risk Oversight Committee and Audit Committee, which along with the President and CEO of the Company are responsible for developing and monitoring the Company's risk management policies. The committees and President 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 Audit Committee and Risk Oversight Committee of the Parent company 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 Audit Committee, Risk Oversight Committee and Investment Committee meet at least three times per annum and report to the Board on their performance with respect to their respective terms of reference.

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

### Insurance Risk

The Company provides life insurance and accidental death benefits coverage as well as investment and savings products in Bermuda, Cayman, British Virgin Islands and internationally. Life insurance contracts offered by the Company include: whole life, term assurance, single premium immediate annuity and variable life.

Whole life and term assurance are conventional regular premium products when lump sum benefits are payable on death.

All life insurance policies include the option to purchase contribution protection benefits that provide for payment of contributions on behalf of policyholders in periods of total disability.

The main risks that the Company is exposed to are as follows:

- Mortality risk – risk of loss arising due to policyholder death experience being different than expected.
- Longevity risk – risk of loss arising due to the annuitant living longer than expected.
- Investment return risk – risk of loss arising from actual returns being different than expected.
- Expense risk – risk of loss arising from expense experience being different than expected and the risk of future inflation causing expenses to be higher than projected, thus impacting reserves.
- Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

These risks do not vary significantly in relation to the location of the risk insured by the Company, type of risk insured or by industry.

Please refer to Note 6 for the concentration of life insurance and investment contract liabilities by type of contract.

*Mortality Risk*

Mortality risk is the risk that future experience could be worse than the assumptions used in the pricing and valuation of products. Mortality risk can arise in the normal course of business through random fluctuation in realised experience, through catastrophes, or in association with other risk factors such as product development and pricing or model risk.

The Company maintains underwriting standards to determine the insurability of applicants. Claim trends are monitored on an ongoing basis. Exposure to large claims is managed by establishing policy retention limits, which vary by market and geographic location. Policies in excess of the limits are reinsured with other companies. The impact of a 10% change in the mortality assumption is disclosed in Note 6.

*Longevity Risk*

Longevity risk is the potential for economic loss, accounting loss or volatility in earnings arising from uncertain adverse changes in rates of mortality improvement relative to the assumptions used in the pricing and valuation of products. This risk can manifest itself slowly over time as socioeconomic conditions improve and medical advances continue. It could also manifest itself more quickly, for example, due to medical breakthroughs that significantly extend life expectancy. Longevity risk affects contracts where benefits are based upon the likelihood of survival (for example, annuities, pensions and pure endowments). The impact of a 10% change in the mortality assumption is disclosed in Note 6.

*Investment Return Rate*

The Company's policy of closely matching asset cash flows with those of the corresponding liabilities is designed to mitigate the Company's exposure to future changes in interest rates. The interest rate risk positions are monitored on an ongoing basis. The reinvestment rate is developed using interest rate scenario testing and reflects the interest rate risk positions.

Equities, bonds and other long-duration assets are used to support liabilities where investment return experience is passed back to policyholders through dividends or credited investment return adjustments. Bonds, policy loans and other long-duration assets are also used to support long-dated obligations in the Company's annuity and life insurance businesses that is for long-dated insurance obligations on contracts where the investment return risk is borne by the Company.

The impact of a 1% change in the investment return rate assumption is disclosed in Note 6.

*Expense Risk*

Expense risk is the risk that future expenses are higher than the assumptions used in the pricing and valuation of products. This risk can arise from general economic conditions, unexpected increases in inflation, slower than anticipated growth or reduction in productivity leading to an increase in unit expenses. Expense risk occurs in products where the Company cannot or will not pass increased costs onto the customer and will manifest itself in the form of a liability increase or a reduction in expected future profits.

The Company closely monitors expenses through an annual budgeting process and ongoing monitoring of any expense gaps between unit expenses assumed in pricing and actual expenses. The impact of a 10% change in the unit expenses assumption is disclosed in Note 6.

*Policyholder Decision Risk*

Policies are terminated through lapses and surrenders, where lapses represent the termination of policies due to non-payment of premiums, and surrenders represent the voluntary termination of policies by policyholders. Premium persistence represents the level of ongoing deposits on contracts where there is policyholder discretion as to the amount and timing of deposits.

The Company seeks to design products that minimize financial exposure to lapse, surrender and other policyholder decision risk. The Company monitors lapse, surrender and other policyholder decision experience. The impact of a 10% change in the policy termination rates assumption is disclosed in Note 6.

*Reinsurance Protection*

In the normal course of business, the Company limits the amount of loss on any one policy by reinsuring certain levels of risk with other insurers. Reinsurance ceded does not discharge the Company's liability as the primary insurer. In the event that the reinsurers are unable to meet their obligations under the reinsurance agreements, the Company would also be liable for the reinsured amount.

*Life Risks*

Reinsurance agreements are in place for individual life business. The Company does not assure any individual life risks in excess of the reinsurers' limits. The individual life business is reinsured on claims in excess of $100 domestically (2022 – $100) and $100 internationally (2022 – $100) with the reinsurers' limit being $3,000 (2022 – $3,000). However, the Company's reinsurer has made exceptions on individual considerations and has accepted higher limits.

From January 1, 2012, the Company assumed 50% of the domestic group life book of business written by an affiliate, Coralisle Medical Insurance Company Limited (formerly known as Colonial Medical Insurance Company Limited), and assumed a net retention equal to 20% of the first $250 per insured.

*Accidental Death Benefit*

The reinsurer can participate in risks up to $1,000 (2022 - $1,000) of accidental death benefit (ADB) per life with all carriers. The Company does not insure any individual ADB risks in excess of the reinsurer's limits. The Company does not retain any exposure to ADB risks.

*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 balance sheet date and the risk management policies of the Company are discussed below:

*Credit Risk*

Credit risk is the risk that a counterparty 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 manager who manages the distribution of the assets to achieve the Company's investment objectives. Divergence from target asset allocations and the composition of the portfolio is monitored by the Company's Board of Directors and the Parent's Investment Committee. Details of concentrations of investments and cash and cash equivalents are disclosed in Notes 3 and 4.

*Insurance Balance Receivable*

The Company's exposure to credit risk is influenced by the financial stability of entities and individuals purchasing insurance products. This credit risk is controlled by monitoring the aging of all amounts outstanding on an ongoing basis and monitoring the customers' financial health by reference to the media and discussions with the customers. A provision is made for non-recovery if considered necessary.

Collateral is not held against any of the outstanding balances, however the Company has the right to cancel the policy for non-payment. Cancellation or extension of the terms of credit is instituted on a case by case basis.

*Reinsurance Balances Receivable*

Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honour their obligations could result in losses to the Company; consequently, allowances are established for amounts deemed uncollectible. The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of its reinsurers to minimize the exposure to significant losses from reinsurer insolvencies.

The Company reviews the creditworthiness of reinsurers on an annual basis and only enters and maintains contracts with reinsurers that (1) have been rated as A+ or higher by the AM Best credit rating agency and (2) have in excess of $500 million in capital and surplus. Current financial statements for the reinsurers are reviewed annually. Based on the individual reinsurance agreements, the Company may have the right to offset amounts due to reinsurers against any amounts due from reinsurers.

Amounts due from reinsurers are assessed regularly, for any indication of impairment. At December 31, 2023 losses recoverable from reinsurers were due from one reinsurer having an A.M. Best rating of A+. At December 31, 2022, losses recoverable from reinsurers were due from two reinsurers both having an A.M. Best rating of A+. At year end there is no significant credit risk associated with any of the Company's reinsurers.

*Related-Party and other Receivables*

Amounts due from related parties and other receivables are assessed and monitored on a monthly basis for any indication of impairment. As at December 31, 2023, $5,818 (2022 – $5,817) of amounts due from related parties were due from Gibbons Management Services Limited, representing 97.9% (2022 – 94.9%) of total amounts due from related parties. As at December 31, 2023, all amounts were considered to be collectible.

(In thousands of Bermuda Dollars, except share amounts)

The following table analyses the aging of the Company's receivables as at December 31, 2023:

| | Accounts receivable | Insurance balances receivable | Amounts receivable from reinsurers | Amounts due from related companies | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Up to 30 days | **1,166** | **2,051** | **587** | **5,940** | **9,744** |
| | **1,166** | **2,051** | **587** | **5,940** | **9,744** |

The following table analyses the aging of the Company's receivables as at December 31, 2022:

| | Accounts receivable | Insurance balances receivable | Amounts receivable from reinsurers | Amounts due from related companies | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Up to 30 days | 1,275 | 1,921 | 1,497 | 6,131 | 10,824 |
| | 1,275 | 1,921 | 1,497 | 6,131 | 10,824 |

**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 claims and operating expenses. In order to manage liquidity, management seeks to maintain levels of cash and short-term deposits sufficient to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

(In thousands of Bermuda Dollars, except share amounts)

The following summarizes the contractual recovery or settlement of other assets held (within 12 months from the balance sheet date) and the maturity profile of the Company's liabilities relating to financial instruments and insurance contracts:

| | December 31, 2023 | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|
| | Current | Non-Current | Total | Current | Non-Current | Total |
| **Financial assets** | $ | $ | $ | $ | $ | $ |
| Cash and cash equivalents | **4,087** | **—** | **4,087** | 2,276 | — | 2,276 |
| Investments | **5,246** | **17,528** | **22,774** | 4,884 | 16,411 | 21,295 |
| Accounts receivable | **1,166** | — | **1,166** | 1,275 | — | 1,275 |
| Insurance balances receivable | **2,051** | — | **2,051** | 1,921 | — | 1,921 |
| Amounts receivable from reinsurers | **587** | — | **587** | 1,497 | — | 1,497 |
| Amounts due from related companies | **5,940** | — | **5,940** | 6,131 | — | 6,131 |
| **Total Financial Assets** | **19,077** | **17,528** | **36,605** | 17,984 | 16,411 | 34,395 |

(In thousands of Bermuda Dollars, except share amounts)

| | December 31, 2023 | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|
| | Current | Non-Current | Total | Current | Non-Current | Total |
| **Financial liabilities** | **$** | **$** | **$** | **$** | **$** | **$** |
| Claims outstanding, net of reinsurance | **1,138** | **—** | **1,138** | 2,652 | — | 2,652 |
| Bonuses and rebates payable | **2,154** | **—** | **2,154** | 2,246 | — | 2,246 |
| Provisions for other risks | **100** | **—** | **100** | 100 | — | 100 |
| Creditors arising out of direct insurance operations | **1,183** | **—** | **1,183** | 722 | — | 722 |
| Reinsurance balances payable | **427** | **—** | **427** | 404 | — | 404 |
| Funds held on behalf of policyholders | **47** | **—** | **47** | 42 | — | 42 |
| Accounts payable and other liabilities | **155** | **—** | **155** | 274 | — | 274 |
| Amounts due to related companies | **578** | **—** | **578** | 705 | — | 705 |
| Accruals and deferred income | **306** | **—** | **306** | 351 | — | 351 |
| **Total Financial Liabilities** | **6,088** | **—** | **6,088** | 7,496 | — | 7,496 |
| | | | | | | |
| **Liquidity margin** | **$ 12,989** | **$ 17,528** | **$ 30,517** | $ 10,488 | $ 16,411 | $ 26,899 |

The Company is dependent on the continued support of the Parent Company and/or related through common control companies. The Company has obtained a commitment letter from its Parent Company to further finance operations and maintain solvency if needed.

*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. Details of interest rate risk on related party balances are disclosed in Note 12. The Company's interest rate risk exposure on its corporate bond securities is not considered significant as they are classed as held-to-maturity.

*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 values 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 parent 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 securities held, with all other variables held constant, would increase net income by approximately $26 (2022 – $28). A 10% decrease in equity prices would have a corresponding decrease in net income.

*Limitations of Sensitivity Analysis*

The sensitivity information included in this note demonstrates the estimated impact of a change in a major input assumption while other assumptions remain unchanged. In reality, there are normally significant levels of correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results. Furthermore, estimates of sensitivity may become less reliable in unusual market conditions such as instances when risk free interest rates fall towards zero. Finally, a compound impact of several assumption changes has not been devised.

## 10. Capital Management and Statutory Requirements

*Capital Management*

The Company's capital base is structured to exceed regulatory and internal capital targets while maintaining an effective capital structure. The Board of Directors is responsible for designing the Company's capital plan with management responsible for the implementation of the plan. The policy is designed to ensure that adequate capital is maintained to provide the flexibility necessary to take advantage of growth opportunities, to support the risks associated with the business and to provide returns to shareholder. The policy is also 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 or to allow the Company to take advantage of opportunities for expansion. The Company is required by the Bermuda Monetary Authority to maintain certain levels of capital and surplus. At the balance sheet date the Company has met these requirements.

The Company's capital base consists of called up share capital and share premium, net of the accumulated profit and loss account.

(In thousands of Bermuda Dollars, except share amounts)

*Shareholder's Equity - Called Up Share Capital*

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Authorized share capital of par value $1 each: | | |
| 4,000,000 (2022 - 4,000,000) ordinary shares | **4,000** | 4,000 |
| | | |
| Called up share capital issued and fully paid: | | |
| 4,000,000 (2022 - 4,000,000) ordinary shares | **4,000** | 4,000 |

*Share Premium Account*

Share premium represents amounts paid to the Company by the shareholder in addition to its subscription to the Company's share capital.

*Statutory Requirements*

The Company is registered as a long term (Class C) insurer pursuant to the Bermuda Insurance Act 1978 and accordingly is required to meet and maintain certain standards of solvency and to maintain a minimum margin of solvency under the Act of $500. At December 31, 2023, the Company's statutory capital and surplus was $23,664 (2022 - $21,361) of which $18,812 (2022 - $18,812) comprised statutory capital and $4,852 (2022 - $2,550) pertains to the Company's surplus in its Profit and loss account (previously Accumulated Retained Earnings).

Actual statutory capital and surplus at December 31, 2023 and 2022, as determined using statutory accounting principles, is as follows:

| | 2023 | 2022 |
|---|---|---|
| | **$** | **$** |
| Total shareholder's equity | **24,227** | 21,976 |
| Less non-admitted assets: | | |
| Intangible assets | **(53)** | (25) |
| Tangible Assets | **(23)** | (32) |
| Deferred acquisition costs | **(432)** | (503) |
| Prepaid expenses | **(56)** | (54) |
| | **23,664** | 21,362 |

(In thousands of Bermuda Dollars, except share amounts)

*Cayman Statutory Requirements*

The Company must separately disclose Cayman risk according to the insurance laws of the Cayman Islands.

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Premiums/policy fees written/received | **2,972** | 2,811 |
| Reinsurance premiums ceded | **(705)** | (705) |
| Net insurance premium revenue | **2,267** | 2,106 |
| Net claims benefits | **235** | 460 |

Included in the provision for long term business is $1,469 (2022 – $1,676) which represents the portion related to Cayman Risk. The reasonableness of the Cayman provision for future policy benefits is supported by a separate independent actuarial study in accordance with the Company's accounting policies stated in Note 1.

Due from reinsurers at year end amounted to $230 (2022 – $271) and represents the net amount for Cayman recoveries. These reinsurers have been rated as A+ by AM Best.

In order to comply with the insurance laws of the Cayman Islands, the Company has investments in bonds and cash in a Cayman Trust held in favour of the Cayman Islands Monetary Authority, in compliance of the Authority's requirements. The bonds are held at fair value through profit or loss.

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Bonds | **2,119** | 2,067 |
| Cash | **80** | 59 |
| | **2,199** | 2,126 |

Apart from investments held in favour of the Cayman Islands Monetary Authority, in a Cayman Trust, there are no liens or encumbrances on the Company's assets.

(In thousands of Bermuda Dollars, except share amounts)

## 11. Segregated managed funds

Managed funds comprising the segregated funds are as follows:

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Coralisle Life Unit Trust – American Growth Fund | **21,570** | 18,141 |
| Coralisle Life Unit Trust – Emerging Companies Fund | **6,655** | 5,940 |
| Coralisle Life Unit Trust – American Value Fund | **6,127** | 5,291 |
| Coralisle Life Unit Trust – Global Equity Fund | **16,242** | 13,940 |
| Coralisle Life Unit Trust – European Equities Fund | **3,460** | 3,247 |
| Coralisle Life Unit Trust – Global Bonds Fund | **10,688** | 9,789 |
| Coralisle Life Unit Trust – SE Asia Equities Fund | **2,712** | 2,901 |
| Coralisle Life Unit Trust – Balanced Fund | **3,908** | 4,075 |
| Coralisle Life Unit Trust – Global Equities-Active | **5,459** | 5,136 |
| Coralisle Life Unit Trust – Cash Equivalent | **2,840** | 3,457 |
| Coralisle Life Unit Trust – US Government Bonds | **856** | 874 |
| | **80,517** | 72,791 |

Coralisle Life Unit Trust is registered as an exempted trust in the Cayman Islands. The trust is organized as a Multi-Fund Unit Trust, providing for the creation of any number of classes of units.

Changes in net assets during the year are as follows:

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Net assets at beginning of year | **72,791** | 93,792 |
| Increase during the year: | | |
| Amounts received from policyholders | **5,433** | 6,456 |
| Net increase in market value investments | **12,304** | — |
| | **17,737** | 6,456 |
| Decrease during the year: | | |
| Amounts withdrawn by policyholders | **(8,627)** | (7,988) |
| Amounts withdrawn for policy fees, mortality and rider premiums | **(1,411)** | (1,440) |
| Surrender values reverting to Company | **27** | 74 |
| Net decrease in market value investments | **—** | (18,103) |
| | **(10,011)** | (27,457) |
| Net assets at end of year | **80,517** | 72,791 |

These segregated funds, which are redeemable on a monthly basis, are classified under Level 2 of the fair value hierarchy.

(In thousands of Bermuda Dollars, except share amounts)

## 12. Related party transactions and balances

The following transactions were carried out with related parties:

*(a) Income and Expenses*

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| **Income/(Expense)** | | |
| Reinsurance premiums assumed [1] | **579** | 518 |
| Claims paid [1] | **(20)** | (45) |
| Administration expense [2] | **(58)** | (59) |
| Rent [2] | **(165)** | (165) |
| Commission expense [3] | **(516)** | (560) |
| | **(180)** | (311) |

*(b) Year end Balances*

| | 2023 | 2022 |
|---|---|---|
| **Due (to) from related parties** | $ | $ |
| Gibbons Management Services Limited (GMSL) | **5,818** | 5,817 |
| Coralisle Insurance Company Ltd. (CIC) | **(22)** | (7) |
| Coralisle Medical Insurance Company Ltd. (CMI) | **52** | 3 |
| Coralisle Group Ltd. (The Group) | **(395)** | (87) |
| CG Atlantic Medical & Life Insurance Ltd. (CGAML) | **68** | 272 |
| British Caymanian Insurance Agencies Limited (BCIA) | **(161)** | (611) |
| Coralisle Insurance (BVI) Ltd. (CIBVI) | **2** | 39 |
| | **5,362** | 5,426 |
| | | |
| Total due from related parties | **5,940** | 6,131 |
| Total due to related parties | **(578)** | (705) |
| | **5,362** | 5,426 |

[1] On January 1, 2012, the Company entered into a quota share group life reinsurance agreement with Coralisle Medical Insurance Company Ltd. (CMI), a company related through common control. Under this agreement, the Company assumes 50% of the net group life insurance premium to CMI with a 10% administration fee charged to the Company.

[2] Rent expense is charged by a company related through common control for the rental of office space and other group overhead expenses.

[3] The Company pays to affiliated entities, British Caymanian Agencies Limited, commission for the sale of its products in Cayman and Coralisle Pension Services Ltd. commission for the referral of Annuity sales.

(In thousands of Bermuda Dollars, except share amounts)

The amounts due to and from companies related through common control are due on demand. The amount due from GMSL was structured in 2016 into individual loan notes with varying maturities through to 2045. Interest on the notes continues to be settled monthly and the settlement of any maturing loan notes occurring on June 30 of the year for which they become due. No provisions are held against amounts due from related parties (2022 - $Nil). The balance due from GMSL bears interest at 5.75% per annum. The balance due to CICL is repayable on demand and bears interest at a rate of 3% per annum. Included in net interest income from other financial investments with related parties is interest expense of $1 (2022 - $4) and interest income of $336 (2022 - – $341). Balances with all other related parties are non-interest bearing.

*(c) Investments*

During the year, the Company used Clarien Bank Limited (Clarien) and its wholly owned subsidiaries for certain banking, investment custodian, and investment management services. At December 31, 2023, the Company had nil (2022 - 1) positions with an aggregate carrying value of $Nil (2022 - $Nil) in investment funds managed by Clarien Bank Limited.

At December 31, 2023, the Company had funds on deposit with Clarien of $1,062 (2022 - $756).

At December 31, 2023, segregated funds of $80,517 (2022 - $72,791) were held in trust with Clarien on standard commercial terms.

*(d) Key Management Compensation*

Compensation to key management employees deemed to be related parties under IAS 24 was as follows:

| | **2023** | **2022** |
|---|---|---|
| | **$** | **$** |
| Short term employee benefits | **367** | 352 |
| Defined contribution pension and medical insurance | **53** | 47 |
| | **420** | 399 |

(In thousands of Bermuda Dollars, except share amounts)

## 13. Revenue from contracts with customers

FRS 102 allows for the company to early adopt amendments for revenue from contracts with customers and thus continue its application of the principles of IFRS 15 'Revenue from Contracts with Customers' which requires disaggregation of revenues prior to the deduction of associated expenses.

The following table shows the disaggregation of Revenue from Contracts with Customers

| | 2023 | 2022 |
|---|---|---|
| **Sources of Revenue** | **$** | **$** |
| Policy fees | **81** | 82 |
| Enhanced allocation | **166** | 188 |
| **Policy service fees on investment contracts** | **247** | 270 |
| Investment management fees on segregated funds | **1,433** | 1,512 |
| **Total Contract Income** | **1,680** | 1,782 |

## 14. Administrative expenses

| | 2023 | 2022 |
|---|---|---|
| | **$** | **$** |
| Staff salaries and benefits | **1,594** | 1,745 |
| Rent, maintenance, insurance & power | **346** | 349 |
| Depreciation & amortization | **30** | 34 |
| Marketing | **59** | 84 |
| Information technology | **252** | 308 |
| Professional & Legal fees | **946** | 888 |
| Office | **34** | 37 |
| Travel | **92** | 78 |
| Memberships & subscriptions | **27** | 24 |
| Corporate fees | **182** | 181 |
| Communication | **31** | 14 |
| Other expenses including finance charges | **681** | 118 |
| **Total Administrative expenses** | **4,274** | 3,860 |

*Audit and Audit Related fees*

Audit and Audit Related fees are expensed as incurred. Total Audit and Audit Related fees were $89 and $80 for the years ended December 31, 2023 and 2022, respectively. Audit and Audit Related fees are recorded in "Administrative expenses" within the "Net operating expenses" of Statement of Comprehensive Income.

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

(In thousands of Bermuda Dollars, except share amounts)

## 15. Change in Operating Working Capital

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| **(Increase) decrease in:** | | |
| Accounts receivable | **109** | 6 |
| Insurance balances receivable | **(130)** | (96) |
| Amounts receivable from reinsurers | **910** | (1,303) |
| Deferred acquisition costs | **71** | 54 |
| Prepaid reinsurance premiums | **(4)** | 78 |
| Other prepayments and accrued income | **(2)** | 10 |
| **Increase (decrease) in:** | | |
| Long term business provision, net of reinsurance | **1,321** | (1,864) |
| Claims outstanding, net of reinsurance | **(1,514)** | 1,374 |
| Bonuses and rebates payable | **(92)** | (66) |
| Provisions for other risks | **—** | — |
| Creditors arising out of direct insurance operations | **461** | 52 |
| Reinsurance balances payable | **23** | 30 |
| Premiums received in advance | **—** | — |
| Funds held on behalf of policyholders | **5** | 8 |
| Accounts payable and other liabilities | **(119)** | 2 |
| Accruals and deferred income | **(45)** | 24 |
| **Total** | **994** | (1,691) |

## 16. Subsequent Events

The Company has completed its subsequent events evaluation for the period subsequent to the Statement of Financial Position through May 23, 2024, the date the financial statements were available to be issued. There were no subsequent events requiring disclosure or recognition in the audited financial statements.