Building for tomorrow, today.

Annual Report
2023

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Financials

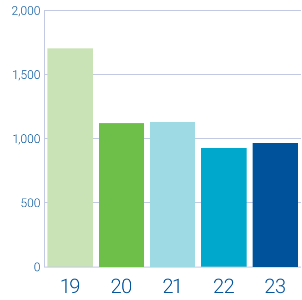
2023 has been a significant year for BF&M. We overcame numerous obstacles to mark a period of notable achievement including record results. As a group of companies, we remain steadfast in our commitment to operational excellence, exceptional service, disciplined underwriting, and careful risk management, all of which are fundamental to our ongoing success. This year's results are a clear indication that we are on the right track and reflects the dedication of our team who strive to provide peace of mind to our valued policyholders.

Note: On January 1, 2023, BF&M adopted IFRS 17, resulting in a transformational change to the accounting treatment for insurance contracts. The standard was adopted retrospectively; therefore, the January 1, 2022, opening balance sheet was adjusted to reflect the new standard. The figures presented in the table prior to 2022 may not be directly comparable to those under the new standard.

*Presented as Gross Written Premium under previous accounting standards.

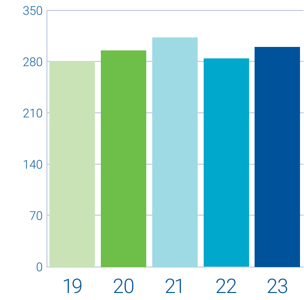
Total General Fund Assets
At end of year
(in millions of dollars)

$966.3



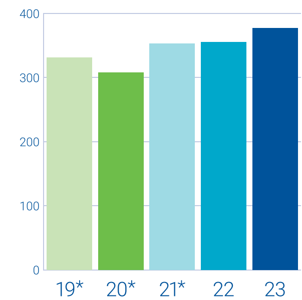
Shareholders' Equity
At end of year
(in millions of dollars)

$300.0



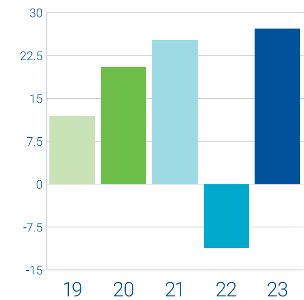
Insurance Revenue
For the year
(in millions of dollars)

$377.5



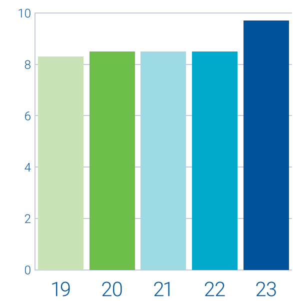
Net Income
For the year
(millions of dollars)

$27.2



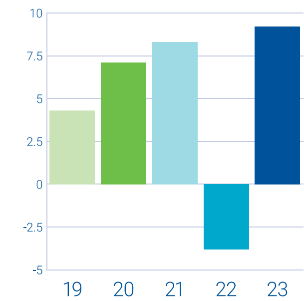
Dividends Declared
For the year
(in millions of dollars)

$9.7



Return on Common Shareholders' Equity
Financial ratios
(in percentages)

9.2%



A message from our Chair

The Board began 2023 by concluding our strategic review process and committing to intensify our focus on key strategic initiatives for the benefit of all shareholders. Our progress and performance throughout the year validate that decision and demonstrate BF&M is uniquely positioned to lead the future growth of the Bermuda insurance market.

As I reflect on my first year as Group Chair of BF&M's Board of Directors, I am proud of our many strategic and financial achievements. When I assumed this role, I noted that, by executing our strategic plan, BF&M would demonstrate the renewed strength and focus necessary to generate sustainable value. Throughout 2023, the company took decisive action and delivered strong results, reinforcing the Board's confidence in our value creation potential.

Our diversification and growth strategy is yielding strong results under the leadership of Abigail Clifford. In a highly dynamic market environment, we delivered outstanding financial results and repeatedly demonstrated our ability to be there for customers when they need us most. This performance strengthens our conviction in our strategy and positioning to drive lasting value for our shareholders, customers, employees, and the greater Bermuda community.

Following the conclusion of our strategic review process, Camellia PLC, our largest shareholder, announced its intention to sell its 36.9% ownership stake to Argus Group Holdings Limited in June 2023. Camellia's decision to divest its stake to a direct competitor led us to adopt a temporary Shareholder Rights Plan in July to provide our Board sufficient time to make thoughtful and prudent decisions in the best interests of the Company and all BF&M shareholders.

In October 2023, we rescinded the Rights Plan and announced a multifaceted strategic partnership with Equilibria Capital Management. Through this partnership, we are in a position to acquire a significant interest in Argus, and through a planned sale-leaseback transaction strengthen our balance sheet.

The Board continues to prioritise value creation opportunities that serve all its shareholders as well as other stakeholders. We look forward to providing updates as appropriate.

Looking ahead, we enter 2024 energised to continue advancing our strategy. We have sharpened our focus on delivering innovative solutions to customers, sustainable value to shareholders, and an inspiring environment for employees to do their best work.

On behalf of the entire Board, I want to thank BF&M employees for their continued hard work and dedication, and our shareholders for their continued support.

L. Anthony Joaquin
Group Chair

A message from our Group President and CEO

2023 was a landmark moment in BF&M's history – our 120th year of operations. I am pleased to report we demonstrated agility, resilience, and strategic foresight as we navigated a unique blend of opportunities and challenges. We achieved excellent financial results and successfully repositioned ourselves strategically around three core pillars – growth, efficiency, and service. Most importantly, we are just getting started on our journey to capitalise on significant opportunities to enhance value for our shareholders and all our stakeholders.

Expanding our foundation of financial strength in 2023

In 2023, BF&M delivered outstanding results, demonstrating the resilience of our core business, the discipline of our underwriting teams, and our unwavering ambition to achieve excellence.

For the full year, we reported net income of $27.2 million, marking a sharp improvement from the restated net loss of $(11.0) million in 2022. We were able to capitalise on improving market conditions in North America and higher interest rates to deliver strong core investment income. During an active hurricane season, our Property & Casualty business had a very strong year, which is a testament to our highly diversified operations across the Caribbean islands, our deep understanding of the jurisdictions in which we operate, and our robust risk management approach. We also successfully navigated challenges that included increased claims activity in our health business, difficult reinsurance market conditions, and the ever-present threat of climate change.

Total Equity attributable to shareholders was $300 million at 31 December 2023. Across our group of companies, AM Best affirmed our "A" (Excellent) financial strength rating, reinforcing our financial stability and ability to meet the ongoing needs of our policyholders.

Importantly, our strong performance and robust financial position drove enhanced shareholder returns in 2023. The Board of Directors increased the quarterly dividend by 16.6% to $0.28 per share, reflecting our company's commitment to delivering long-term value and competitive returns on investment to our shareholders. Over the last five years, BF&M has paid out close to $45 million in dividends. Our annualised total shareholder returns, including share price gains and dividends, was 12% over the last three years ending December 31, 2023.

I am confident that our strong capital position, proactive strategies, and dedicated team have positioned us to ensure sustained growth and operational excellence across our three core pillars of growth, efficiency, and service.

Exciting opportunities for growth

In 2022, we outlined a five-year diversification and growth strategy, which includes transitioning towards promising products and markets to broaden our revenue streams.

We advanced this strategy in 2023 by remaining focused on sound fundamentals — leveraging technical expertise, attracting, and nurturing talent, fostering a culture of continuous improvement and innovation, educating policyholders, and optimising capital allocation. Each of these actions contributed meaningfully to our continued growth and reinforced our commitment to delivering value and excellence in everything we do.

We continue to see tremendous opportunity for diversification and growth by expanding our products in Cayman. During the year, we successfully implemented our Group Life and Disability product offering into Cayman and expanded our Property & Casualty offerings into the Eastern islands.

As always, our growth is not only reflected in numbers but in the trust and relationships we have built through strategic partnerships and collaborations aimed at broadening our ecosystem and enhancing our service capabilities. These partnerships reflect a blueprint for our future where integrated solutions and partnerships are key to delivering comprehensive and tailored financial security.

Improving efficiency to drive operational excellence

At the heart of our journey to create a nimbler and more efficient organisational structure is our ongoing digital transformation. We recognise the importance of transitioning away from legacy systems that no longer promote the agility and innovation required in the market today. To that end, we are re-evaluating our core strategies, operational and business processes, and technological foundations to better prepare for a more fast-paced, digital-first future. We are upgrading existing platforms and developing new customer-centric digital solutions that improve internal efficiencies and provide superior value and service to customers.

The company has also kicked off significant product platform projects, underscoring a move towards modernised technology infrastructure with a focus on cloud services and more robust security practices. For example, we are harmonising our Property & Casualty products across our operations, which will result in an aligned process ready for future efficiencies and system upgrades.

Over time, I am confident these initiatives to shift towards advanced, fully digital technologies will bolster BF&M's growth and ability to innovate, ensuring a competitive edge in a constantly evolving market.

I am confident that our strong capital position, proactive strategies, and dedicated team have positioned us to ensure sustained growth and operational excellence across our three core pillars of growth, efficiency, and service.

To celebrate BF&M's 120th anniversary, the Bermuda office hosted an extra-special Customer Appreciation event which saw over 1,000 customers in attendance for a fun-filled event.

> By prioritising professional development and fostering a culture of excellence, we are building a workforce ready to lead our company into the future.

Delivering best-in-class service

Of course, the trust of our customers is essential to our ongoing success, and excellence in customer service remains our top priority. This year, we launched several initiatives designed to improve customer engagement and satisfaction, ensuring we not only meet our customers' present needs, but also anticipate their future demands — building for tomorrow, today. We aligned dedicated and knowledgeable customer support teams for personalised assistance and relationship building. We enhanced our customer touchpoints by defining clear and transparent communication strategies to keep customers informed about policy changes, industry trends, and legislative updates. And with a focus on timely claims resolution so our customers can get back to normal as quickly as possible, in 2023, we settled 88% of our property claims in under 30 days.

An important prerequisite to providing best-in-class service to our customers is investing in our people and ensuring our team is equipped with the skills and knowledge to excel in a rapidly changing environment. By prioritising professional development and fostering a culture of excellence, we are building a workforce ready to lead our company into the future.

Aligning equity and inclusion initiatives with our vision

We recognise the importance of responding to the evolving diversity landscape within the workforce. We are implementing measures for long-term equity, measuring the impact of our Diversity, Equity, and Inclusion (DEI) initiatives, and striving for continuous improvement. Our dedication to building an inclusive and equitable workplace is focused on amplifying the employee voice, fostering inclusive leadership, identifying, and removing barriers to DEI, nurturing partnerships with outside organisations, and embedding DEI practices into our daily operations.

In 2023, we intensified our DEI efforts through employee education, raising awareness about DEI concerns, and encouraging inclusivity in interactions among our colleagues and customers.

These efforts represent significant steps towards creating a workplace where diversity is celebrated, equity is upheld, and inclusion is embedded in every facet of our operations. I am proud of this work and our commitment to continue to improve.

Looking ahead

The landscape is evolving, with rapid technological advancements, changing consumer expectations, and an increasing focus on sustainability. As we look to the future, our strategy is anchored in pursuing thoughtful expansion, exceeding the expectations of our customers and partners, achieving sustainable profitability, and delivering attractive return on equity for our shareholders.

Our achievements in 2023 serve as both a foundation and a springboard for our long-term vision, and we are energised by the opportunities that lie before us. Our strategic focus remains on our core pillars of growth, efficiency, and service as we build a legacy of trust that allows our customers, employees, and communities to thrive. Throughout this report, our Executive Committee members share updates on our progress against specific objectives within these three strategic pillars.

Acknowledgements

I am incredibly thankful for the BF&M team's resilience and dedication, especially in the face of market challenges. Thank you all for being an integral part of the BF&M story. My thanks also go to our Board of Directors for their wise counsel and leadership throughout this journey. Finally, I must extend my sincere gratitude to both our new and longstanding partners for their unwavering support and confidence in BF&M throughout 2023.

Looking forward, I am optimistic for what lies ahead and confident in our collective ability to achieve our ambitious vision. I am thrilled to join the entire BF&M team on this journey of building for tomorrow, today.

Abigail Clifford
Group President and Chief Executive Officer

Financial review

As we build for the future, it is our strong financial position that sets us apart. I am pleased that BF&M continues to deliver value to its shareholders and that our policyholders and business partners can look to our balance sheet as a source of trust and stability. Our AM Best rating of A (Excellent) is a testament to this enduring commitment.

A year of strong and resilient performance

The past year has been marked by many significant achievements, which have reinforced BF&M's strong market position. The Company's financial performance recovered strongly from 2022, driven by our Property & Casualty business and excellent investment results which benefitted from improving market sentiment in North America, as well as higher interest rates and the additional flexibility afforded by our strong capital position.

Despite a challenging reinsurance market, particularly in our Caribbean Property & Casualty operation, we have continued to demonstrate discipline and selectivity in our underwriting process – ensuring that we write the right business at the right price. Our diversified business model offers an additional layer of resilience and flexibility, with income from our Pension segment increasing strongly as a result of double-digit growth in Assets Under Management (AUM).

Product line and geographical diversification have and will continue to be instrumental in offsetting the pressures faced by our Group Health business where claims continue to trend negatively, and the frequency and severity of more complex cases continues to climb.

Addressing these trends is a challenge we must all face, and we are proactively collaborating with our preferred providers and partners to effectively reduce costs, and prudently price the business.

In May 2023, BF&M further demonstrated its commitment to delivering long-term value to shareholders as we increased our quarterly dividend by 16.6%, from $0.24 to $0.28.

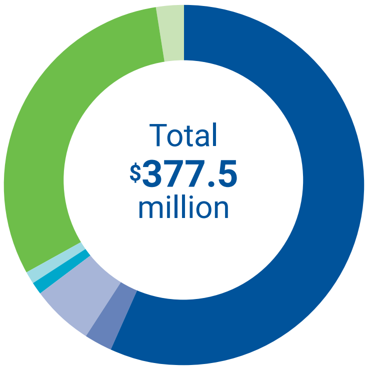
The adoption of IFRS 17 and IFRS 9, new accounting standards for insurance contracts and the measurement of financial assets, was a pivotal focus for BF&M in 2023, marking a significant milestone in our journey towards enhanced transparency and consistency in financial reporting. We successfully navigated this complex transition, ensuring as minimal an impact on our business operations as possible. The new standard should ultimately provide a consistent set of principles for all stakeholders to be able to gain better insight into our business going forward.

Best-in-class ratings from AM Best

A (Excellent)	A (Excellent)	A (Excellent)
BF&M General Insurance Company Limited Bermuda	**BF&M Life Insurance Company Limited** Bermuda	**Island Heritage Insurance Company, Ltd.** Cayman

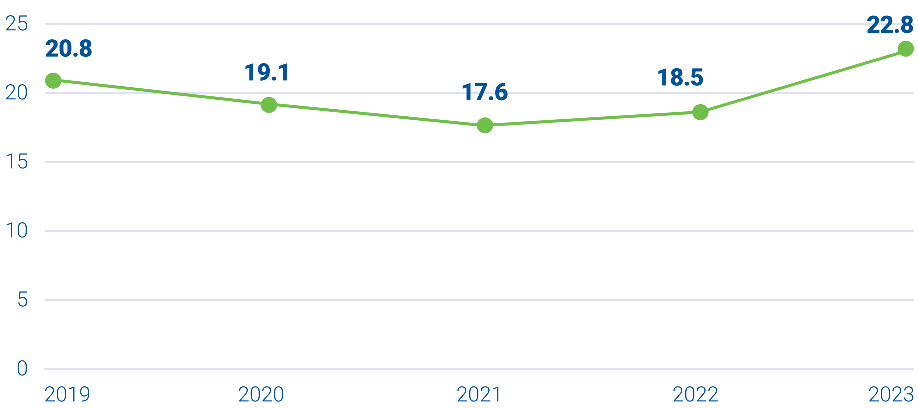
Insurance Revenue by Line of Business

For the year ended 31 December 2023



Property	56.9%
Casualty	2.3%
Motor	5.6%
Marine	1.2%
Individual Life	1.0%
Group Life and Health	30.5%
Other	2.5%

Investment Income (Net of Fair Value)



Looking ahead

Our financial strategies for the coming year revolve around product line and geographical diversification, continuing rate adjustments in Property & Casualty and Life & Health, active expense monitoring, and an effective and efficient reinsurance strategy to minimise the impact of potential catastrophic loss. These efforts are designed not only to ensure that BF&M is well equipped to withstand the pressures of the current market, but also to position the organisation for sustained growth moving forward.

We will continue to make prudent investment decisions aligned with our long-term goals, emphasising an optimal balance between risk and return and allowing us to navigate the fluctuations in investment markets with resilience.

With the first year of IFRS 17 now behind us, we will now turn our attention to apply the learnings of the transition to further enhance our processes and begin to leverage advancing technologies to improve our modelling and forecasting capabilities. Our commitment to financial prudence and effective cost management will continue to be our grounding principles as we navigate the future.

With a solid foundation and a clear vision, we are well-positioned to meet the opportunities as well as the challenges that lie ahead, ensuring BF&M's continued growth and stability. I would like to thank the entire Finance team for their hard work, dedication, and collegiality over the last year. Their contributions are deeply appreciated.

Bruce Walker
EVP, Group Chief Financial Officer

Report from Property & Casualty

In 2023, the Property & Casualty division set numerous ambitious goals, aiming to refine our property portfolio and lead the market in our jurisdictions. This vision propelled us to create a more streamlined, efficient, and consumer-friendly product range, laying the foundation for our continued success and resilience in the ever-evolving Property & Casualty landscape.

Objectives and achievements

BF&M's ambitious goal has been to create a more consumer-friendly product range that facilitates quicker and more efficient claim settlements. During 2023, we advanced our product harmonisation project, focusing on enhancing our policy contract wordings and standardising our product offerings across all jurisdictions. This harmonisation not only streamlines our operations, but also positions us to seamlessly integrate upcoming technological advancements. Our efforts are almost complete.

In addition, the team deliberately scaled down the property portfolio through the implementation of new underwriting guidelines in 2023, which enhanced the quality of our Property & Casualty book. We strategically decreased our involvement in certain programmes where we identified an overexposure of risk for the group. This rigorous underwriting discipline, coupled with rate increases across all business lines and jurisdictions, was instrumental in aligning our pricing with the rates required for long-term profitability.

This important improvement not only helped to attract reinsurance to the portfolio, but also enabled us to continue providing AM Best A-rated insurance solutions to our customers. Despite the challenges these initiatives presented, we continued to successfully serve the residents of the islands where we operate, guided by our commitment to offer insurance solutions to personal and small business customers, who lack the same access to international markets as larger businesses. This approach led to a remarkable financial turnaround for our Property & Casualty business.

In 2023, the Property & Casualty claims team closed 88% of reported claims within 30 days, a testament to our commitment to provide exceptional service. This efficiency not only enhances customer satisfaction, but also mitigates inflationary pressures on claim settlements, benefiting all parties involved.

Evolving our offerings

In 2023, we deployed the index linking programme in the Bermuda homeowner market, automatically adjusting policy values to reflect annual CPI adjustments. This programme is designed to keep pace with inflation, representing our dedication to reducing the risk of underinsurance and adapting our offerings to meet the evolving needs of our customers while keeping up with market conditions.

As we look to the future, our plans to extend index linking on home policies to the Caribbean regions in late 2025 will position us as a market leader in addressing consumer needs related to inflation. Furthermore, our commitment to continuous improvement in underwriting, product innovation, and customer-focused claims service will help us maintain — or improve — our strong market position.

Looking ahead

Heading into 2024, our objectives in Property & Casualty are well-defined: to uphold and refine our underwriting guidelines, pursue product improvements, sustain competitive rates, and continue delivering unparalleled service.

Globally, the Property & Casualty sector experienced tight capacity in 2023, which significantly affected both our business operations and our customers. In response, maintaining precise underwriting strategies and appropriate rate levels will be our focus in 2024 to remain competitive in the marketplace while continuing to provide the highest quality of service to our customers.

These efforts are fundamental to our commitment to being a reliable partner to our customers in their moments of need, today and in the future.

Caroline Mills-White
EVP, Group Head of Property & Casualty

Report from Life, Health & Pensions

In 2023, our focus in the Life, Health & Pensions division has been on aligning strategy, innovation, partnerships, and employee development to position our business for sustained growth as we build for a future where we continue to provide our customers with the very best products in a market facing immense pricing challenges.

Objectives and achievements

In 2023, BF&M took another significant stride towards expanding our portfolio of employee benefits offerings in the Cayman Islands. Early in the year, we successfully introduced our Group Life and Disability product under the Island Heritage brand. We also renewed our focus on Pensions in the Cayman market, underlining our commitment to provide comprehensive financial solutions to our customers.

In the Bahamas, we implemented a strategic plan for the runoff of our individual life insurance business. In collaboration with our longstanding partner J.S. Johnson, we established a stable servicing framework that ensures our steadfast commitment to uphold our obligations to our customers with unwavering integrity.

Automating and streamlining customer service

Adapting to customer preferences through continuous improvement and ongoing automation was a cornerstone of our strategy for 2023, ensuring that our services are not just efficient, but also tailored to the needs and expectations of those we serve.

A key objective for this year was the streamlining of our Know Your Customer (KYC)/Anti-Money Laundering (AML) processes. We established an Anti-Money Laundering (AML) Hub in Halifax, integrating the new software system RTO into our business processes for periodic monitoring, streamlining the experience for our customers. We also restructured our customer service centre to better meet the needs of our customers, ensuring they remain at the centre of everything we do.

Market challenges informing future priorities

The rising cost of healthcare and health insurance premiums in Bermuda is a complex issue influenced by both local challenges and broader market dynamics. Factors such as Bermuda's ageing population, a rise in chronic illnesses, and the necessity for overseas travel for specialised treatments have driven healthcare costs upward.

This is exacerbated by Bermuda's fee-for-service healthcare system, as well as overall inflation. Health insurance premiums have surged in response to these increased healthcare expenses, the rise in overseas treatment costs, and a growing demand for physical and mental healthcare services. The decline in Bermuda's overall population adds to the problem, as the pool of individuals contributing to health insurance plans continues to shrink. In 2023, BF&M saw a 20% increase in the average amount per insured paid out in health claims compared with the previous year, highlighting the urgency of addressing this challenge.

At BF&M, we are acutely aware of the burden that rising healthcare and insurance costs place on our customers. We are actively implementing strategies to mitigate these increases and provide more affordable healthcare solutions, including negotiating discounts and lower rates from healthcare providers and forging partnerships with on-island service providers to reduce the need for overseas treatments.

Looking ahead

As we move forward, BF&M remains dedicated to exploring innovative solutions to the complex challenges facing the healthcare system in Bermuda. Our focus on preventative care, proactive wellness programmes, and strategic partnerships aims not only to mitigate the rising costs of healthcare and insurance for our customers, but also to contribute to a healthier, more sustainable future for our entire community. We are committed to keeping our customers at the centre of our efforts, working tirelessly to provide affordable, high-quality healthcare solutions that meet their ever-evolving needs.

Michelle Jackson
EVP, Group Head of Life, Health & Pensions

Environmental, social and governance

In 2023, the BF&M group of companies significantly advanced efforts to establish more sustainable company practices and drive positive climate impact.

We made strides toward our goal of offsetting our employees' carbon footprint by partnering with Climate Wise to fund carbon removal projects. The impact of our investment to date totals 2,885.35 tonnes offset, the equivalent of 13,932,056 miles travelled in a typical family car.

We also took action to further embed sustainability into our day-to-day operations. We moved away from sharing information and policies on paper by launching a new human resources intranet, saving significant internal waste.

We also introduced "Project Propel," an internal programme intended to improve operational efficiency and encourage a shift in mindset among employees. As part of this effort, we asked employees to look for opportunities to reduce unnecessary waste – they came back with a host of creative ideas, including, for example, changing our lightbulbs to LED lights and reducing the number of internal printers.

Of note, this year our Board and investment committee formally adopted ESG as a consideration within our investment policy statements, and our asset managers continued to consider ESG metrics when designing and reporting returns on our investment portfolio.

Each year, we continue to progress our commitment to transparent, ethical, and lawful business practices.

We recognise the vital role that responsible governance plays in fostering trust among all our stakeholders. Our Board of Directors and leaders are guided by a comprehensive governance framework that ensures we execute our strategic vision while maintaining the utmost integrity of the organisation. Each year, we continue to progress this framework in line with these ideals.

We have established clear policies and procedures for risk management that are reviewed annually and approved by the Board. These policies and procedures are based on the ever-changing compliance environment and are driven by the Financial Action Task Force (FATF), our global regulator, to ensure we maintain a robust Compliance Regime for all jurisdictions in which we operate.

Equally important, we launched internal training for Market Fraud, GDPR and Anti-Bribery and Anti-Corruption, to ensure our employees understand and are well equipped with the right tools to practice ethical workplace behaviour. We also introduced a complaints handling policy, as well as a formal process for submitting and tracking customer complaints.

Finally, we established a contracting policy to standardise and streamline the contracting and approval processes, supporting strong contract governance. We also introduced a new vendor management system to actively mitigate risk associated with our third-party partnerships.

Investing in our people

Professional development

In 2023, our continued dedication to nurturing and advancing our workforce was exemplified by several internal initiatives. We celebrated 24 promotions, reinforcing our belief in providing internal opportunities for advancement. Leadership development was a key focus, with 19 of our leaders participating in esteemed external leadership programmes. Moreover, the introduction of a Professional Development Policy and our continued partnership with LinkedIn Learning underscore our commitment to supporting every employee in their development journey.

Employee recognition awards

Again this year, we commemorated our Employee Recognition Awards, highlighting the outstanding contributions of several of our team members. In 2023, we honoured 19 individuals across all of our jurisdictions in five categories: Outstanding Customer Service, Outstanding Customer Support, Best Team Player, Above and Beyond, and Excellence in Leadership.

Investing in the next generation

Two-year internship programme

In December, the very first participant in our two-year internship programme successfully completed their internship with us, gaining a comprehensive understanding of the insurance industry through rotations across various roles. This individual's dedication and hard work resulted in an offer for a permanent position at BF&M. Following in these successful footsteps, we welcomed another individual into our internship programme in October, demonstrating our continued encouragement of growth and learning.

Island Heritage educational grant

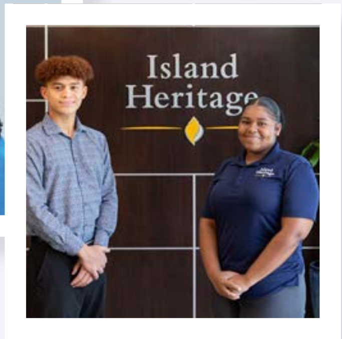
Congratulations to our $10,000 Educational Grant recipient, Marlena Williams. Marlena is currently pursuing a Bachelor's in Marketing with a specialisation in Digital Marketing and Analytics at Johnson & Wales University. We established the Island Heritage Educational Grant in 2017 and have donated $70,000 over the past seven years to help Caymanian students pursue their academic dreams.

Student placement opportunities

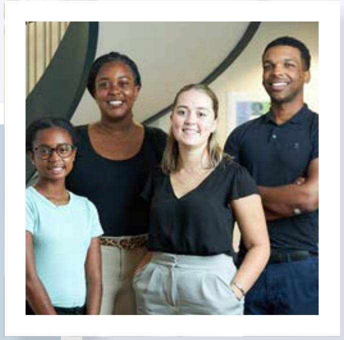
Through both holiday and summer placements, our Bermuda and Cayman Islands offices welcomed 12 students for work placements. During their time with us, this group representing the next generation of insurance professionals had the opportunity to enrich their learning and gain valuable experience across various departments including Health, Life, Property & Casualty, Information Technology, and Legal & Compliance.

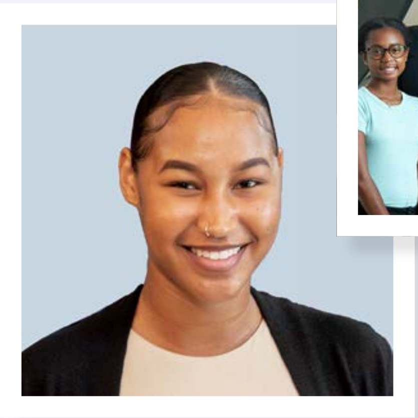
Postgraduate scholarship

Etteleon Burchall was the recipient of the inaugural BF&M Postgraduate John Wight Scholarship, selected from more than 60 applicants. The scholarship is valued at $25,000 and will support her pursuit of a Master of Science degree in Global Health Policy at the University of London. Etteleon's academic journey has been marked by determination, resilience, and a commitment to making a meaningful impact on healthcare systems. Congratulations on this outstanding achievement, Etteleon.



We take immense pride in our commitment to cultivating talent and fostering professional growth within our organisation and across our broader community.







376+

employee volunteer hours


$841,000

donated within our communities





65%

of employees volunteer to support our initiatives

We aim to 'partner with purpose' to build stronger communities, together. Our title sponsorships are centred on environmental stewardship, community engagement, and wellness.

As a leading health insurance provider, we understand the importance of a healthy, thriving community, so we dedicate both time and resources to drives, initiatives and charities focused on improving health and wellness.

In 2023, we aligned our efforts across Bermuda, Barbados, and Cayman by sponsoring local breast cancer awareness walks and supporting initiatives to combat homelessness. We celebrated the 27th year of the BF&M Breast Cancer Awareness Walk, which we host in partnership with Bermuda Cancer and Health Centre. We had a record-breaking 1,800+ participants come to support the cause. Additionally, for the second year in a row, Island Heritage was the Title Sponsor of the Light up the Night walk, which saw yet another record turnout of over 1,600+ participants. In Barbados, we were pleased to sponsor the CIBC Walk for the Cure and walk as a team in support of this important cause.

This year we also announced a significant partnership with KBB (Keep Bermuda Beautiful) as the title sponsor for Earth Week in Bermuda. This initiative united 1,272 volunteers from across the island to clean 60 locations, resulting in the removal of an impressive 25,048 pounds of litter and illegal dumping. Members of our Cayman Island Heritage team also volunteered their time to support the Cayman Islands Chamber of Commerce's Earth Day Clean Up.

Island Heritage hosted another successful Charity Drive event in 2023. Since its inception in 2012, the drive has supported 33 charities and donated over $385,000 CI. This year, donations went to the Alex Panton Foundation, dedicated to fighting the stigma around youth mental illness, Cayman Island eSports Association, and the Cayman Food Bank.

We were also proud to partner with Endeavour in sponsoring the BF&M No Limits Sailing Programme, which facilitates experiential learning for students aged 6 to 18, particularly those on the autism spectrum or with developmental challenges. Participants engage in hands-on activities focusing on STEM concepts relevant to sailing, complemented by recreational therapy sessions on the water.

These initiatives and the others we support reflect our ongoing dedication to making a positive impact and fostering thriving local communities.

Governance

At BF&M, we understand that responsible and effective governance is fundamental to maintaining trust and ensuring long-term sustainability. Our commitment to transparency, ethical decision-making and regulatory compliance is at the heart of our corporate culture. Our Board of Directors, Executive and Senior leaders utilise a robust governance framework to steer our organisation toward its strategic goals while upholding the highest standard of integrity.

Group Executive Committee

Abigail Clifford
Group President and Chief Executive Officer

Bruce Walker
EVP, Group Chief Financial Officer

Michelle Jackson
EVP, Group Head of Life, Health & Pensions

Caroline Mills-White
EVP, Group Head of Property & Casualty

Gemma Rochelle
EVP, Group General Counsel & Chief Compliance Officer

Senior Management Team

Stacy Ashby
Head of Internal Audit

Jennifer Brown
Group Head of Marketing and Communications

Jennifer Campbell
Chief Human Resources Officer

Jason Cook
Group Head of Business Operations

Karysa Ebanks
Head of Talent Management

Marianne Hood
Chief Information Officer

Maureen Kennedy
Head of Pension Regulations

Lisa Lewis
Group Head of Client Experience

Caitlyne Lindo
Head of Benefits Management

Matthew MacDonald
Head of Financial Reporting

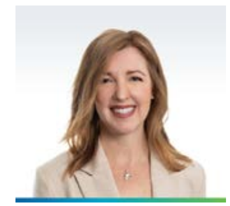
Daniel McMillan
Senior Legal Counsel

Jai-Michael Phillips
Head of Life and Health

Matthew Radoux
Chief Actuary and Chief Risk Officer

Victoria Rankin
Group Head of Property & Casualty Reinsurance and Fronting

Larenzo Ratteray
Group Head of Consumer Solutions



Michelle Smith
Head of HR Data and Insights

Penny Smith
Head of Property & Casualty Claims

Andrew Spencer
Head of Investments

Evelyn Tibbetts-Farrar
Group Head of Producer Solutions

Raana Warner
Head of Facilities and Office Management

Barry Williams
Head of Compliance

Lin Zhou
Chief Accounting Officer

Board of Directors

L. Anthony Joaquin[1]
Group Chair, BF&M Limited
Retired Managing Partner, Ernst & Young

Abigail Clifford
Group President and CEO,
BF&M Limited

Nancy L. Gosling[2]
President and CEO,
Gosling Brothers Limited

Gordon J. Henderson[1]
Retired President and CEO,
BMO Life Insurance Company

Andrew Lo[1]
President and CEO,
Embark

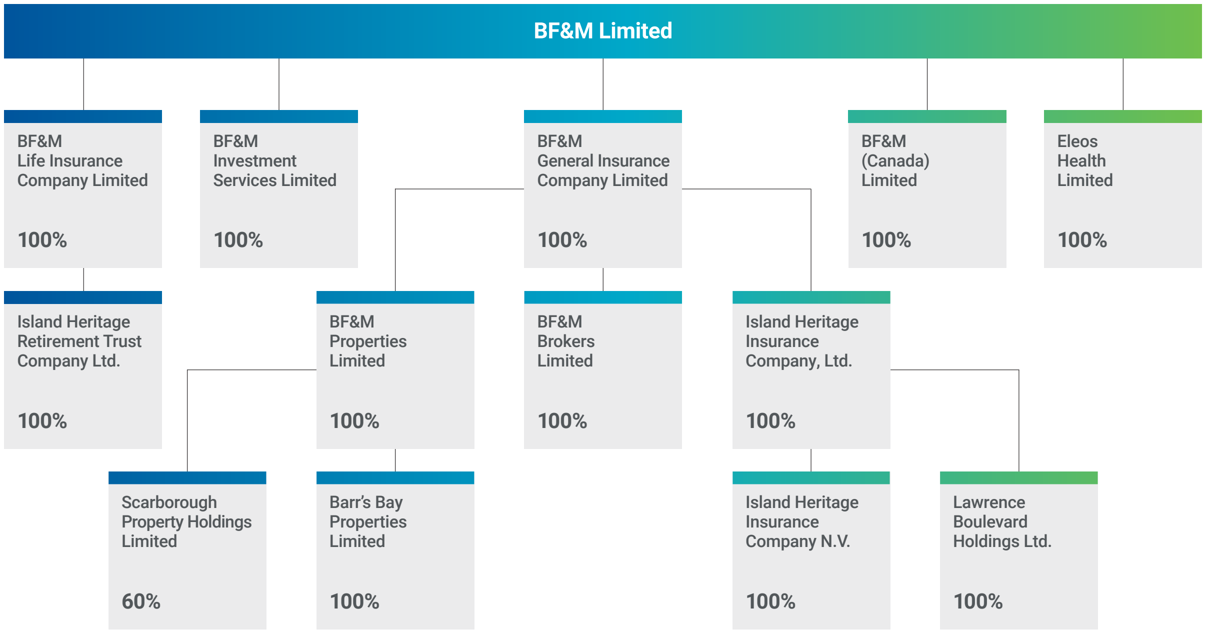
Paul C. J. Markey[2]
Retired Chair,
AON Bermuda

Conor O'Dea[1]
Retired Chair / Director,
Butterfield Bank (Cayman) Ltd.

Jennifer Reynolds[1]
CEO, Women Corporate
Directors Foundation (WCD)

[1] Finance, Compensation and Corporate Governance Committee
[2] Audit, Compliance and Corporate Risk Management Committee

Corporate Structure



Directors and Officers

BF&M General Insurance Company Limited

Directors

- Nancy L. Gosling, B.Comm., C.G.A., LLD, Chair
- Paul C. J. Markey, Deputy Chair
- Abigail Clifford, B.A., M.Sc.
- Andrew Lo, BASc, P. Eng.
- Caroline Mills-White, M.Sc., FCIP

Officers

- Abigail Clifford, B.A., M.Sc., Group President and Chief Executive Officer
- Caroline Mills-White, M.Sc., FCIP, Executive Vice President, Group Head of Property & Casualty
- Larenzo Ratteray, CPCU, AIC, Group Head of Consumer Solutions, Property & Casualty
- Gemma Rochelle, LL.B. (Hons.), Executive Vice President, Group General Counsel and Chief Compliance Officer, and Corporate Secretary

BF&M Life Insurance Company Limited

Directors

- Gordon Henderson, B.A. (Hons.), LL.B., Chair
- L. Anthony Joaquin, FCA, Deputy Chair
- Abigail Clifford, B.A., M.Sc.
- Michelle Jackson
- Conor O'Dea, FCA
- Jennifer Reynolds, MBA, ICD.D

Officers

- Abigail Clifford, B.A., M.Sc., Group President and Chief Executive Officer
- Michelle Jackson, Executive Vice President, Group Head of Life, Health & Pensions
- Gemma Rochelle, LL.B. (Hons.), Executive Vice President, Group General Counsel and Chief Compliance Officer, and Corporate Secretary

BF&M Investment Services Limited

Directors

- Abigail Clifford, B.A., M.Sc.
- Jennifer Reynolds, MBA, ICD.D

Officers

- Abigail Clifford, B.A., M.Sc., Group President and Chief Executive Officer
- Gemma Rochelle, LL.B. (Hons.), Executive Vice President, Group General Counsel and Chief Compliance Officer, and Corporate Secretary
- Andrew Spencer, CPA, CMA, MBA, CFA, FLMI, Head of Investments

Directors and Officers

Island Heritage Insurance Company, Ltd.

Directors

- Conor O'Dea, FCA, Chair
- Abigail Clifford, B.A., M.Sc.
- Gordon Henderson, B.A. (Hons.), LL.B.
- Paul C. J. Markey
- Caroline Mills-White, M.Sc., FCIP
- Bruce Walker, CPA, CA

Officers

- Abigail Clifford, B.A., M.Sc., Group President and Chief Executive Officer
- Evelyn Tibbetts-Farrar, CPCU, ACII, Group Head of Producer Solutions, Property & Casualty
- Caroline Mills-White, M.Sc., FCIP, Executive Vice President, Group Head of Property & Casualty
- Barry Williams, Head of Compliance
- Conyers, Corporate Secretary

Island Heritage Retirement Trust Company Ltd.

Directors

- Conor O'Dea, FCA, Chair
- Abigail Clifford, B.A., M.Sc.
- Michelle Jackson

Officers

- Michelle Jackson, Executive Vice President, Group Head of Life, Health & Pensions
- Bruce Walker, Chief Financial Officer, CPA, CA
- Barry Williams, Head of Compliance
- Conyers, Corporate Secretary

Financial statements

Responsibility for Financial Reporting

For the year ended December 2023

The management of BF&M Limited ("the Group") is responsible for the preparation of the consolidated financial statements contained in this report. These consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards'.

Management has established and maintains a system of financial reporting and internal controls to provide reasonable assurance that transactions are properly authorised and recorded. These controls include the careful selection, training, and supervision of qualified employees, the establishment of well-defined responsibilities, and the communication of policies relating to good conduct and business practice. Internal controls are reviewed and evaluated by the Group's internal audit function.

The Audit, Compliance, and Corporate Risk Management Committee, composed of directors who are not officers or employees of the Group, reviews the consolidated financial statements on behalf of the Board of Directors before the statements are submitted to the shareholders.

The shareholders' independent auditors, PricewaterhouseCoopers Ltd., have audited the consolidated financial statements of the Group in accordance with International Standards on Auditing and have expressed their opinion in their report to the Group's shareholders. The auditors have unrestricted access to and meet periodically with the Audit, Compliance, and Corporate Risk Management Committee to review its findings regarding internal controls over the financial reporting process, auditing matters and reporting issues.

These consolidated financial statements have been authorised for issue by the Board of Directors on 22 March 2024. The Board of Directors has the power to amend these consolidated financial statements after issue, if required.

L. Anthony Joaquin, FCA, JP
Group Chairman

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

Independent auditor's report

To the Shareholders of BF&M Limited

Report on the audit of the consolidated financial statements

Our opinion

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

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Chartered Professional Accountants of Bermuda Rules of Professional Conduct (CPA Bermuda Rules) that are relevant to our audit of the consolidated financial statements in Bermuda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the CPA Bermuda Rules.

PricewaterhouseCoopers Ltd., Chartered Professional Accountants, P.O. Box HM 1171, Hamilton HM EX, Bermuda
T: +1 (441) 295 2000, F:+1 (441) 295 1242, www.pwc.com/bermuda

Our audit approach

Overview

- Overall group materiality: $3.5 million, which represents approximately 1% of insurance revenue

- We conducted an audit of three full scope components covering over 90% of the Group's consolidated total assets and revenues. Each of the three components were audited by component audit teams located in Bermuda and the Cayman Islands. The Group engagement team has regular interaction with the aforementioned component teams.

- Valuation of the liability for incurred claims for short duration lines of business
- Methodologies and assumptions used for determining insurance contract liabilities for life and annuity claims - fulfilment cash flows
- Methodologies and assumptions used for determining insurance contract liabilities for life and annuity claims – transition contractual service margin

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

BF&M Limited is the parent of a group of entities. The financial information of this Group is included in the consolidated financial statements of BF&M Limited. The Group is structured into five operating segments (see Note 7 of the consolidated financial statements) and is a consolidation of 13 separate legal entities (see Note 1 of the consolidated financial statements).

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the components by us, as the Group engagement team, or by PwC component auditors in Bermuda and the Cayman Islands operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained.

The Group's operations are dominated by three financially significant legal entities (components) which also represent three operating segments, and as such these components required an audit of their complete financial information which provided us with over 90% coverage of the Group's operations as measured by consolidated total assets and revenues. These component entities are: (i) BF&M Life Insurance Company Limited, (ii) BF&M General Insurance Company Limited, and (iii) Island Heritage Insurance Company, Ltd. Additionally, based on our professional judgement, audit procedures were conducted by the Group engagement team over certain balances within the Group's real estate and corporate segments, as well as analytical procedures over the remaining components. The Group engagement team had regular interaction with all component audit teams and reviewed in detail all reports with regards to the audit approach and findings submitted by the component audit teams.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	$3.5 million
How we determined it	In determining materiality, we considered a range of financial metrics believed to be relevant to the primary users of the consolidated financial statements. We selected a materiality amount using our professional judgement which represents approximately 1% of insurance revenue for the year ended 31 December 2023.
Rationale for the materiality benchmark applied	The materiality amount selected is appropriate to the size and nature of the business. Expressing materiality in terms of insurance revenue, one of the key metrics relevant to users of the consolidated financial statements, provides a good representation relative to the size and complexity of the business and it is not distorted by insured catastrophe events to which the Group is exposed, or the levels of external reinsurance purchased by the Group.

We agreed with the Audit and Corporate Risk Management Committee that we would report to them misstatements identified during our audit above $175,000, and reclassification misstatements above $3.5 million, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have revised the following prior year key audit matters: (i) 'Valuation of claims incurred but not reported for property and casualty lines' into the key audit matter entitled 'Valuation of the liability for incurred claims for short duration lines of business', and (ii) "Methodologies and assumptions used for determining insurance contract liabilities for life and health claims" into the key audit matter entitled "Methodologies and assumptions used for determining insurance contract liabilities for life and annuity claims - fulfilment cash flows" in order to reflect these matters in terms of IFRS 17 Insurance Contracts (IFRS 17). Furthermore, we have added the key audit matter entitled "Methodologies and assumptions used for determining insurance contract liabilities for life and annuity claims – transition contractual service margin" to reflect the specific identified risk related to the Group's transition to IFRS 17. Finally, the prior year key audit matter entitled "Assessment of the impairment of goodwill of Island Heritage" has been removed as the associated goodwill was fully impaired in the prior year.

Key audit matter	How our audit addressed the key audit matter
Valuation of the liability for incurred claims for short duration lines of business *See notes 2.O(iii), 5C(ii) and 23 to the consolidated financial statements for disclosures of related accounting policies, judgements and estimates.*	Our approach to testing management's valuation of the LIC for short duration lines of business involved the following procedures, amongst others: • We obtained an understanding of management's end to end process and controls underlying the valuation of the LIC for short duration contracts.

The liability for incurred claims (LIC) for short duration lines of business as at 31 December 2023 are $73.3 million. The LIC for short duration lines of business is inherently uncertain and contains material estimates.

The most subjective element is the incurred but not yet reported claims cash flows, which form part of the best estimate liability (BEL) within the LIC. Management bases the BEL on the estimated ultimate cost of all claims, together with estimates of the related claims handling costs. Underlying these estimated costs are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims which are also subject to complex calculations.

The LIC also includes (i) the risk adjustment to reflect management's view of the compensation that it requires for bearing uncertainty about the amount and timing of cash flows from non-financial risks, and for property and casualty lines of business (ii) the application of discounting (including choice of illiquidity premium) and payment patterns which are used to derive the cash flows for incurred claims. Management uses both internal and external actuarial experts to assist in determining the value of the LIC.

- In order to challenge management's assumptions and methodologies related to the BEL component of the LIC, we were assisted by our PwC actuarial experts, who performed independent re-projections on selected classes of property and casualty lines of business, particularly focusing on the largest and most volatile reserves as these were considered higher risk. For these classes, we compared our independent claims reserve estimates to those recorded by management and sought to understand any significant differences.
- For the remaining classes of business, our PwC actuarial experts evaluated the appropriateness of the methodology and reasonableness of assumptions applied by management in arriving at the BEL. In performing this work, we compared the Group's actuarial methodologies with those commonly used in the insurance industry and used by the Group in prior periods.
- With the assistance of our PwC actuarial experts, we assessed the appropriateness of the policy applied to determine the risk adjustment and evaluated the derivation of the adjustment.
- We understood updates made to the actuarial assumptions impacting the forecast future claims cash flows and evaluated any changes for reasonableness. For property and casualty lines of business, this included assumptions on discount rates and payment patterns.
- We tested the completeness, accuracy and reliability of the underlying data utilised by management and their internal and external actuarial expert to support the actuarial valuation.

The results of our procedures indicated that the valuation of the liability for incurred claims for short duration lines of business were supported by the evidence we obtained.

Methodologies and assumptions used for determining insurance contract liabilities for life and annuity claims - fulfilment cash flows

See notes 2.O(ii), 5C(i) and 23 to the consolidated financial statements for disclosures of related accounting policies, judgements and estimates.

As at 31 December 2023 insurance contract liabilities for life and annuity claims are $175.7 million.

The forecast of fulfilment cash flows requires management to develop assumptions and methodologies that represent a probability-weighted view of potential future outcomes.

The methodologies and assumptions utilised to measure both the timing and amount of fulfilment cash flows involve complex and subjective judgements about future events, both internal and external to the business, for which small changes in assumptions can result in material impacts to the determination of these liabilities. The key assumptions include mortality, morbidity, lapse, and expenses.

Additional estimation is applied to the fulfilment cash flows in the application of discounting and a risk adjustment.

Management uses internal actuarial experts to determine the methodologies and assumptions used in valuing insurance contract liabilities for life and annuity claims.

Our approach to testing management's methodologies and assumptions used for determining insurance contract liabilities for life and annuity claims involved the following procedures, amongst others:

- We obtained an understanding of management's end to end process and controls supporting the determination of the fulfilment cash flows.
- We have utilised our PwC actuarial experts to assist in the evaluation of the methodologies and key assumptions used by management including assessing consistency with industry and entity-specific facts and circumstances.
- We assessed the reasonableness of changes in key assumptions based on consistency with internal experience and/or industry studies and guidance and examined experience to confirm that unchanged assumptions are still reasonable for the current valuation and are consistent with relevant actuarial standards of practice.
- We evaluated management's methodology and key assumptions applied for adherence with the requirements of IFRS 17.
- We assessed the calibration of the risk adjustment and evaluated the underlying methodology and assumptions.
- We tested management's discount rate methodology and application thereof including evaluating the observable period yields applied, the ultimate rate and the interpolation between the end of the observable period and the ultimate rate.
- We tested a sample of contracts to ascertain that contract features and assumptions were appropriately reflected within the actuarial model.
- We tested accuracy and completeness of a sample of the data used in the estimates of future cash flows.

The results of our procedures indicated that the methodologies and assumptions used by management for determining fulfilment cash flows for insurance contract liabilities for life and annuity claims are reasonable.

Methodologies and assumptions used for determining insurance contract liabilities for life and annuity claims – transition contractual service margin

See notes 2.O(ii), 5C(i) and 23 to the consolidated financial statements for disclosures of related accounting policies, judgements and estimates.

The introduction of the contractual service margin (CSM) is a fundamental change upon adoption of IFRS 17. On transition the CSM was $19.5 million.

The valuation of CSM and subsequent release into profit and loss requires significant management assumptions not only in how coverage units are defined but also around discounted projected liabilities, risk adjustment, and current and future services. On transition there was additional estimation required to develop fair value assumptions for cohorts of contracts for which it was deemed impractical to apply IFRS 17 retrospectively. Key assumptions in determining fair value CSM on transition included required capital, weighted average cost of capital, return on assets supporting capital and own credit risk adjustment.

Determining these assumptions involves complex and subjective judgements, both internal and external to the business, for which small changes in assumptions can result in material impacts to the determination of the CSM.

Our approach to testing management's methodologies and assumptions used for determining insurance contract liabilities for life and annuity claims for the transition CSM involved our PwC actuarial specialists and application of the following procedures, amongst others:

- We assessed management's modelled coverage units against our independent expectations based on industry application and the requirements of IFRS 17.
- We evaluated the reasonableness of the key assumptions in determining fair value CSM on transition by considering market participant data and industry benchmarks.
- We assessed the appropriateness and consistency of other key assumptions, including discount rate and risk adjustment, used in the measurement of transition CSM, by comparing to published industry studies, market data, entity specific facts and circumstances, our knowledge of the Group's life and annuity products and the requirements of IFRS 17.
- We tested the methodology and calculations of the transition CSM through reconciliation of key inputs and review of the calculation logic within the models used by management.
- We tested the accuracy and completeness of a sample of underlying data utilised by management.

For these reasons we found this to be the most complex area of adoption of IFRS 17 for the Group.

- We reconciled the modelled outputs to the trial balance used to prepare the restated financial statements.

The results of our procedures indicated that the methodologies and assumptions used by management for determining the transition CSM for insurance contract liabilities for life and annuity claims as reflected in the consolidated financial statements are reasonable.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Once we have read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Marisa Savage.

PricewaterhouseCoopers Ltd.

PricewaterhouseCoopers Ltd.
Chartered Professional Accountants
Hamilton, Bermuda
9 April 2024

Consolidated Statement of Financial Position

As at 31 December 2023
(in thousands of Bermuda dollars)

	Notes	2023	Restated 2022*	Restated 1 January 2022*
Assets		$	$	$
Cash and cash equivalents	9	83,679	75,847	103,601
Regulatory assets	10	26,129	24,676	24,783
Investments	11	717,632	673,212	738,565
Other assets	12	15,643	24,142	23,581
Reinsurance contracts held assets	23	71,875	72,765	61,139
Investment properties	15	15,650	21,831	21,579
Property and equipment	16	12,992	17,548	15,281
Tax recoverable	17	820	787	1,005
Deferred tax asset	17	394	310	288
Intangible assets	18	10,685	13,654	22,537
Assets held for sale	4	10,803	–	–
Total general fund assets		**966,302**	**924,772**	**1,012,359**
Segregated funds assets	19	1,353,193	1,128,491	1,349,792
Total assets		**2,319,495**	**2,053,263**	**2,362,151**
Liabilities				
Other liabilities	20	41,876	43,154	60,755
Retirement benefit obligations	21	591	640	953
Investment contract liabilities	22	324,434	298,217	308,081
Insurance contract liabilities	23	286,750	286,705	326,258
Reinsurance contracts held liabilities	23	5,578	5,647	7,234
Liabilities held for sale	4	165	–	–
Total general fund liabilities		**659,394**	**634,363**	**703,281**
Segregated funds liabilities	19	1,353,193	1,128,491	1,349,792
Total liabilities		**2,012,587**	**1,762,854**	**2,053,073**

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

Consolidated Statement of Financial Position (continued)

As at 31 December 2023
(in thousands of Bermuda dollars)

	Notes	2023	Restated 2022*	Restated 1 January 2022*
Equity		$	$	$
Share capital	24	9,273	9,187	9,073
Treasury shares	24	(6,352)	(5,227)	(4,998)
Contributed surplus	24	1,482	1,482	1,482
Share premium	24	69,494	67,853	66,240
Accumulated other comprehensive loss	28	(2,591)	(1,287)	(1,231)
Retained earnings		228,723	211,957	231,561
Total shareholders' equity		**300,029**	**283,965**	**302,127**
Non-controlling interests		6,879	6,444	6,951
Total equity		**306,908**	**290,409**	**309,078**
Total liabilities and equity		**2,319,495**	**2,053,263**	**2,362,151**

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

Approved by the Board of Directors

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

L. Anthony Joaquin, FCA, JP
Group Chairman

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

Consolidated Statement of Income

For the year ended 31 December 2023
(in thousands of Bermuda dollars except for per share amounts)

	Notes	2023	Restated * 2022
		$	$
Insurance revenue	13	377,541	355,207
Insurance service expenses		(186,740)	(179,973)
Net expenses from reinsurance contracts held		(163,272)	(144,785)
Insurance service result		**27,529**	**30,449**
Investment result	14	44,826	(66,506)
Change in investment contract liabilities	14	(5,883)	19,709
Net investment result		**38,943**	**(46,797)**
Net finance (expenses) income from insurance contracts issued	14	(11,124)	36,759
Net finance income from reinsurance contracts held	14	838	2,288
Net insurance finance result		**(10,286)**	**39,047**
Other (income)	26	(16,655)	(14,226)
Participating policyholders' net loss (income)		837	(259)
Other operating expenses	27	39,660	36,722
Commission and acquisition expense		110	171
Amortisation expense		4,322	10,488
Interest expense		139	100
Net income/(loss) before income taxes		27,773	(10,297)
Income taxes expense	17	(600)	(674)
Net income/(loss) for the year		**27,173**	**(10,971)**
Net income/(loss) attributable to:			
Shareholders		26,740	(11,055)
Non-controlling interests in subsidiaries		433	84
Net income/(loss) for the year		**27,173**	**(10,971)**
Earnings per share			
Basic and fully diluted		$2.99	($1.24)

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

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023
(in thousands of Bermuda dollars except for per share amounts)

	2023	Restated * 2022
	$	$
Net income/(loss) for the year	**27,173**	**(10,971)**
Other comprehensive (loss)/income:		
Items that will not be reclassified to profit or loss		
Re-measurement of retirement benefit obligations	85	383
Unrealised (losses)/gains on fair value through OCI investments	(1,554)	–
	(1,469)	383
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	167	(430)
	167	(430)
Total other comprehensive loss for the year after income taxes	**(1,302)**	**(47)**
Total other comprehensive loss attributable to:		
Shareholders	(1,304)	(56)
Non-controlling interests in subsidiaries	2	9
Total other comprehensive loss for the year after income taxes	**(1,302)**	**(47)**
Comprehensive income/(loss)	**25,871**	**(11,018)**
Comprehensive income/(loss) attributable to:		
Shareholders	25,436	(11,111)
Non-controlling interests in subsidiaries	435	93
Comprehensive income/(loss)	**25,871**	**(11,018)**

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in Note 17.

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

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023
(in thousands of Bermuda dollars except for per share amounts)

	Notes	2023	Restated * 2022
		$	$
Share capital			
Balance – beginning of year		9,187	9,073
Shares issued under employee share purchase plan	24	7	11
Shares issued under equity incentive plan	24	9	7
Share grants issued under equity incentive plan	24	83	106
Share grants forfeited under equity incentive plan	24	(13)	(10)
Balance – end of year		**9,273**	**9,187**
Treasury shares			
Balance – beginning of year		(5,227)	(4,998)
Acquisition of shares	24	(1,846)	(232)
Shares issued outside employee/equity plans	24	721	–
Shares issued under employee share purchase plan	24	–	3
Balance – end of year		**(6,352)**	**(5,227)**
Contributed surplus – beginning and end of year		**1,482**	**1,482**
Share premium			
Balance – beginning of year		67,853	66,240
Shares issued under employee share purchase plan	24	132	236
Shares issued under equity incentive plan		170	164
Share grants issued under equity incentive plan		1,373	1,951
Share grants forfeited under equity incentive plan		(256)	(238)
Treasury shares allocated		345	–
Deferred share grant		(123)	(500)
Balance – end of year		**69,494**	**67,853**
Accumulated other comprehensive loss			
Balance – beginning of year		(1,287)	(1,231)
Other comprehensive loss for the year		(1,304)	(56)
Balance – end of year		**(2,591)**	**(1,287)**

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

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2023
(in thousands of Bermuda dollars except for per share amounts)

	Notes	2023	Restated * 2022
		$	$
Retained earnings			
Balance – beginning of year		211,957	242,212
Impact of initial application of IFRS 17		–	(10,651)
Impact of initial application of IFRS 9		(303)	–
Restated balance – beginning of year		211,654	231,561
Net income/(loss) for the year		26,740	(11,055)
Cash dividends		(9,671)	(8,549)
Balance – end of year		**228,723**	**211,957**
Total equity attributable to shareholders of the Group		**300,029**	**283,965**
Attributable to non-controlling interests			
Balance – beginning of year		6,444	6,951
Net income for the year		433	84
Other comprehensive income for the year		2	9
Cash dividends		–	(600)
Balance – end of year		**6,879**	**6,444**
Total equity		**306,908**	**290,409**

The dividends paid in 2023 and 2022 were $9,671 ($1.08 per share) and $8,549 ($0.96 per share) respectively.

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

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

Consolidated Statement of Cash Flows

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

	Notes	2023	Restated * 2022
		$	$
Cash flows from operating activities			
Income/(loss) for the year before income taxes		**27,773**	**(10,297)**
Adjustments for:			
Investment income		(22,954)	(17,559)
Net realised (gain)/loss on investments		(2,181)	1,752
Change in fair value of investments		(22,425)	82,517
Net recovery on investments		(1,384)	(1,292)
Amortisation of property and equipment		1,332	1,426
Amortisation of investment properties		1,024	988
Amortisation of intangible assets		3,797	4,484
Net impairment of property and equipment		21	–
Net impairment of intangible assets		287	5,655
Interest on lease liabilities		139	100
Compensation expense related to shares and options		1,193	1,857
Changes in assets and liabilities:			
Regulatory assets		(871)	(706)
Other assets		8,656	(355)
Reinsurance contracts held assets		890	(11,626)
Reinsurance contracts held liabilities		(69)	(1,587)
Insurance contract liabilities		45	(39,554)
Investment contract liabilities		26,217	(9,864)
Other liabilities		(745)	(17,386)
Retirement benefit obligations		36	70
Cash generated/(used) from operations		**20,781**	**(11,377)**
Income taxes paid		(719)	(509)
Interest received		21,250	17,347
Dividends received		1,051	963
Net cash generated from operating activities		**42,363**	**6,424**

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

Consolidated Statement of Cash Flows (continued)

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

	Notes	2023	Restated * 2022
		$	$
Cash flows from investing activities			
Purchase of investments		(293,904)	(176,280)
Proceeds from sales of investments		262,273	158,564
Net acquisition of property and equipment		(1,513)	(3,694)
Additions to investment properties		(388)	(1,240)
Net acquisition of intangible assets		(1,115)	(1,255)
Net cash used for investing activities		**(34,647)**	**(23,905)**
Cash flows from financing activities			
Cash dividends paid		(9,671)	(8,549)
Interest paid		(139)	(100)
Proceeds from loan		12,000	–
Acquisition of treasury shares		(1,846)	(229)
Cash dividends paid to non-controlling interest		–	(600)
Cash proceeds on issue of common shares		189	44
Principal elements of lease payments		(366)	(409)
Net cash generated/(used) for financing activities		**167**	**(9,843)**
Effect from changes in exchange rates		167	(430)
Increase/(decrease) in cash and cash equivalents		8,050	(27,754)
Cash and cash equivalents – beginning of year		75,847	103,601
Cash and cash equivalents – end of year		**83,897**	**75,847**
Cash and cash equivalents include:			
Cash and cash equivalents of assets held for sale		218	–
Cash and cash equivalents of continuing operations		83,679	75,847
		83,897	**75,847**

See Note 11 for disclosures of non cash investing activities arising in the year.

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

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

Notes to Consolidated Financial Statements

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

1 Nature of the Group and its business

BF&M Limited (the "Group") was incorporated in Bermuda on 5 August 1991, as a holding company, and is a public limited company listed on the Bermuda Stock Exchange. The address of its registered office is: 112 Pitts Bay Road, Pembroke HM08, Bermuda.

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

The Group is involved in property, casualty, motor, marine, life, health and long-term disability insurance, annuities, the management and investment of pension plans, as well as the rental of office space in buildings owned by the Group.

The Group has the following subsidiaries:

	% owned	Principal country of operation and incorporation
BF&M General Insurance Company Limited ("BF&M General")	100	Bermuda
BF&M Life Insurance Company Limited ("BF&M Life")	100	Bermuda
Island Heritage Insurance Company, Ltd. ("IHIC")	100	Cayman Islands
Barr's Bay Properties Limited ("Barr's Bay")	100	Bermuda
BF&M (Canada) Limited ("BF&M Canada")	100	Canada
BF&M Brokers Limited ("BF&M Brokers")	100	Bermuda
BF&M Investment Services Limited ("BFMISL")	100	Bermuda
BF&M Properties Limited ("BF&M Properties")	100	Bermuda
Island Heritage Insurance Company N.V.	100	Netherlands Antilles
Island Heritage Retirement Trust Company Ltd. ("IHRT")	100	Cayman Islands
Lawrence Boulevard Holdings Ltd.	100	Cayman Islands
Eleos Health Ltd.	100	Bermuda
Scarborough Property Holdings Limited ("Scarborough")	60	Bermuda

During 2023, IHIC received regulatory approval for the expansion of group life and disability insurance offerings in the Cayman Islands. In 2023, the Group incorporated the subsidiary Eleos Health Ltd, which is currently non-operational.

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

On 22 March 2024, the Board of Directors approved the consolidated financial statements and authorised them for issue. The Board of Directors has the power to amend the consolidated financial statements after issue.

2 Material accounting policy information

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

A. Statement of compliance

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

B. Basis of preparation

i) Basis of measurement

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

The consolidated statement of financial position is presented in order of liquidity except for Assets held for sale and Liabilities held for sale. Refer to Note 4.

ii) Critical estimates, judgments and assumptions

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

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

- The actuarial assumptions used in the valuation of life and health insurance contract liabilities. Key assumptions are discussed in Note 23E and sensitivities are disclosed in Note 5C.
- The estimate of the ultimate liability arising from claims under short-term insurance contracts. Refer to Note 23E and Note 5C.
- The determination of the fair value on adoption of IFRS 17 for certain long-duration insurance and reinsurance contracts as described in Note 3A(ii).
- Management exercises judgment in determining whether credit risk on financial assets carried at amortised cost has increased significantly since initial recognition and in choosing appropriate models and assumptions for the measurement of expected credit loss allowances, including the incorporation of estimated or forecast information. Refer to Note 2I and Note 5B.
- In the determination of the fair value of financial instruments, the Group's management exercises judgment in the determination of fair value inputs, particularly those items categorised within level 3 of the fair value hierarchy. Refer to Note 8.

Notes to Consolidated Financial Statements
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- Management considers the synergies and future economic benefits to be realised in the initial recognition and measurement of goodwill and intangible assets as well as evaluating recoverable amounts. The assessment of the carrying value of goodwill and intangible assets relies upon the use of forecasts and future results. Refer to Note 2N and Note 18.
- The actuarial assumptions used in determining the liability and expense of the Group's retirement benefit obligations. Management reviews previous experience of its plan members and market conditions for the year. Refer to Note 21.
- Management uses independent qualified appraisal services to assist in determining the fair value of investment properties or properties providing collateral for mortgages, for purposes of evaluating possible impairment. This fair value assessment requires judgments and estimates on future cash flows and general market conditions. Refer to Notes 8 and 15.

C. Consolidation

i) Subsidiaries

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

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

ii) Transactions with non-controlling interest

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

D. Determination of fair value

Except in applying the fair value approach on adoption of IFRS 17 (as described in Note 3A(ii)), fair value is determined based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using the assumptions that market participants would use when pricing an asset or liability.

When available, quoted market prices are used to determine fair value. If quoted market prices are not available, fair value is typically based on alternative valuation methods such as discounted cash flows and other techniques. When observable valuation inputs are not available, significant judgment is required to determine fair value by assessing the valuation methods and inputs. For bonds and fixed income securities, broker quotes are typically used when external public vendor prices are not available. Judgment is also applied in adjusting external observable data for items including liquidity and credit factors. A description of the fair value methodologies and assumptions by type of asset is included in Note 8.

E. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

F. Foreign currency translation

i) Functional and presentation currency

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

ii) Transactions and balances

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

Translation differences on non-monetary financial assets and liabilities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets classified as available-for-sale are included in other comprehensive income.

iii) Group companies

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

The Cayman Islands operation's functional currency is the United States dollar, which is on par with the Bermuda dollar. As a result there are no unrealised translation gains and losses to be reported other than for BF&M Canada, for which the functional currency is the Canadian dollar.

G. Cash and cash equivalents

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

Notes to Consolidated Financial Statements

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H. Regulatory assets

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

I. Financial assets and financial liabilities

i) Recognition and initial measurement

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

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

ii) Classification and subsequent measurement

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

a) Financial assets

Classification

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

Assets at amortised cost comprise financial assets with contractual terms that give rise solely to interest and principal ("SPPI") cash flows, and which are held in a business model whose objective is to hold the assets to collect their cash flows. They are measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in the consolidated statement of income. Any gain or loss on derecognition is also recognised in the consolidated statement of income.

With the exception of the investments discussed in Note 4, all other financial assets are measured at FVTPL, either mandatorily (such as for equity instruments that are not plan assets) or by designation, where such designation eliminates or significantly reduces an accounting mismatch that would otherwise arise were it to be measured at FVOCI or amortised cost. Net gains and losses on assets measured at FVTPL, including any interest or dividend income and foreign exchange gains and losses, are recognised in the consolidated statement of income.

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

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

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

Business model assessment

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

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

Assessment of whether contractual cash flows are SPPI

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

b) Financial liabilities

Classification

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

The Group's investment contract liabilities and segregated fund liabilities are held at FVTPL on initial recognition since the related assets are managed and their performance is evaluated on a fair value basis. For investment contract liabilities, net gains and losses, including any interest expenses and foreign exchange gains and losses, on these financial liabilities are recognised in the consolidated statement of income.

All other financial liabilities are measured at amortised cost.

c) Interest on financial instruments

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

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

iii) Impairment

a) Impairment policy from 1 January 2023

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

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

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

- debt securities that are determined to have low credit risk at the reporting date; and
- other financial instruments for which credit risk has not increased significantly since initial recognition.

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

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

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

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

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). The Group's ECL model is detailed in Note 5B.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets measured at amortised cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

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

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

Write-off

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

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

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

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

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

iv) Derecognition

a) Financial assets

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

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

b) Financial liabilities

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

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

J. Investment properties

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

K. Property and equipment

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

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

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

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

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

L. Leases

1) *The Group as a lessee*

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

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

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

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

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

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

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

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

ii) The Group as a lessor

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

M. Intangible assets

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

Customer relationships and contracts

These assets, which comprise customer lists, customer relationships and contracts acquired from the purchase of rights or as part of business combinations, were initially measured at fair value by estimating the net present value of future cash flows from the contracts in force at the date of acquisition. Subsequently, these assets are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line basis over either 5 or 10 years, being the expected life of the business assumed. These assets include assets acquired on the acquisition of IHIC and BF&M Brokers and assets acquired from agents in the health, life, annuity and pension segment.

Distribution channels

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

Software development costs

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

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

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

N. Impairment of non-financial assets

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

O. Insurance and reinsurance contracts and investment contracts

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

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

Life insurance contracts issued include term, whole life and universal life insurance contracts, group life insurance policies, and life contingent annuities. Whole life contracts may be participating or non-participating contracts. Life insurance contracts issued that contain participating features do not meet the definition of contracts with direct participation features set out in IFRS 17 Insurance Contracts since a specified pool of underlying assets is not clearly identified.

Term certain annuities issued expose the Group to financial risk primarily and are therefore classified as investment contracts and accounted for under IFRS 9 (see Note 2(I)).

Short-duration group life and health contracts issued, and the related reinsurance contracts held, automatically qualify for measurement under the premium allocation approach ("PAA") set out in IFRS 17 since the coverage periods (after also considering cancellation clauses) are 12 months or less. Long-duration life and annuity contracts are measured using the general measurement principles (collectively, the "GMM") of IFRS 17.

General insurance contracts (issued by IHIC and BF&M General) include property, casualty, motor, marine and other specialty insurance contracts. These contracts are all non-participating contracts.

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

i) Aggregation and recognition of insurance and reinsurance contracts

a) Insurance contracts issued

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

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

The Group's main life and health portfolios are:

- Long-duration under the GMM: Annuity and Individual Life contracts
- Short-duration under the PAA: Group Life and Group Health contracts.

In addition, the Group also has four General insurance portfolios namely, Property, Motor, Liability and Marine.

Various contracts contain investment components which are non-distinct. The identification of and accounting for such components is discussed in Note 23(E).

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

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

b) Reinsurance contracts held

Reinsurance contracts held are allocated into portfolios based on the direct risks covered. Some reinsurance contracts provide cover for underlying contracts that are included in different direct portfolios. These contracts are subdivided based on the underlying direct risks covered and allocated into portfolios on this basis since the covers were combined into one contract merely for administrative convenience. The different covers do not lapse together and can be priced and sold separately in the market.

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

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

ii) Measurement of contracts under the GMM

a) Insurance contracts issued Initial measurement

On initial recognition, the Group measures a group of insurance contracts issued as the total of (a) the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the contractual service margin ("CSM").

The risk adjustment for non-financial risk is the compensation required by the Group for bearing uncertainty that arises from non-financial risk.

The CSM represents the unearned profit that the Group will recognise as it provides services under those contracts. The CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

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b) Insurance contracts – Subsequent measurement

The carrying amount of a group of insurance contracts issued at each reporting date is the sum of the LRC and the liability for incurred claims ("LIC").

After initial recognition, the LRC comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date (see below).

The LIC includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid.

The fulfilment cash flows of groups of insurance contracts issued are measured at the reporting date using current estimates of future cash flows (Note 23E(i)(a)), current discount rates (Note 23E(i)(d)) and current estimates of the risk adjustment for non-financial risk (Note 23E(i)(e)).

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the year;
- interest accreted on the carrying amount of the CSM during the year, measured at the discount rates determined on initial recognition;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition;
- the amount recognised as insurance revenue because of the services provided in the year (see (v)).

c) Reinsurance contracts held – GMM

To measure groups of reinsurance contracts held that cover the underlying insurance risks that are measured using GMM, the Group applies accounting policies and assumptions that are consistent with those applied to the associated insurance contracts issued.

iii) Measurement of contracts under the PAA

The Group uses the PAA to simplify the measurement of groups of General insurance and short-duration life and health contracts.

a) Insurance contracts issued

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

Subsequently, the Group measures the carrying amount of the LRC at the end of each reporting period as: (a) the LRC balance at beginning of the period; plus (b) premiums received in the period; minus (c) directly attributable acquisition costs net of related amortisation (unless expensed as incurred); minus (d) amount recognised as insurance revenue for the period; minus (e) investment component paid or transferred to the LIC.

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

For General insurance, amounts receivable from brokers and agents are accounted for as part of the LRC.

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

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

b) Reinsurance contracts held

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

iv) Contract derecognition

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

v) Presentation

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

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

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

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

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

a) Insurance revenue from contracts not measured under the PAA

The Group recognises insurance revenue as it satisfies its performance obligations – i.e., as it provides services. For contracts not measured under the PAA, insurance revenue comprises the following items:

- A release of the CSM, measured based on coverage units provided (see ‘Release of the CSM’ below).
- A release of the risk adjustment for non-financial risk relating to current services.
- Claims and other insurance service expenses previously reserved for that were released in the year, are measured at the amounts expected at the beginning of the year.

In addition, the Group allocates a portion of premiums that relate to recovering insurance acquisition cash flows to each period in a systematic way based on the passage of time. The Group recognises the allocated amount, adjusted for interest accretion at the discount rates determined on initial recognition of the related group of contracts, as insurance revenue, and an equal amount as insurance service expenses.

Release of the CSM

The amount of the CSM that is recognised as insurance revenue in each year is determined by identifying the coverage units in the group, allocating the CSM equally to each coverage unit provided in the year and expected to be provided in future years, and recognising in insurance revenue the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is determined by considering for each contract the quantity of benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date. Time value of money is not considered for the purposes of the CSM amortisation.

b) Insurance revenue from contracts measured under the PAA

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

- certain property and life and health contracts: the pattern of the expected release from risk; and
- other contracts: the passage of time.

c) Insurance service expenses

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

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

d) Net income/expenses from reinsurance contracts held

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

The Group recognises an allocation of reinsurance premiums paid in the consolidated statement of income as it receives services under the reinsurance contracts held. For contracts not measured under PAA, the allocation of reinsurance premiums paid relating to services received for each period represents the total of the changes in the asset for remaining coverage that relate to services for which the Group expects to pay consideration. These services include expected recoveries, a release of the reinsurance risk adjustment, and a release of the reinsurance CSM.

For contracts measured under PAA, the allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period.

e) Net insurance and reinsurance finance income and expenses

Net insurance and reinsurance finance income and expenses comprises changes in the carrying amounts of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk and changes therein. For contracts measured under GMM this primarily includes interest accreted on the FCF and the CSM and the effect of changes in interest rates and other financial assumptions. For contracts measured under the PAA this primarily includes interest accretion on LIC and the effect of changes in interest rates and other financial assumptions.

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

vi) Transition

With the exception of certain long-duration life contracts, at 1 January 2022, the Group applied the full retrospective approach to identify and measure groups of contracts on transition to IFRS 17.

The Group has applied the fair value approach on transition for annuity contracts issued prior to 1 January 2021, and for all individual life contracts in force at the date of transition since this line of business was discontinued in 2022.

The general approach to transition and the methodologies applied in applying the fair value approach to transition are explained in Note 3 (A) (ii).

vii) Investment contracts

Investment contracts are those contracts that do not transfer significant insurance risk but do transfer financial risk from the policyholder. The Group issues contracts that in some instances contain a discretionary participation feature ("DPF"). This feature entitles the holder to receive, as a supplement to guaranteed benefits, a dividend. Dividends are paid on the policy anniversary and as long as the policy is in force. These contracts are referred to as participating contracts. IFRS allows the non-guaranteed, or participating, elements of such contracts to be classified as either a liability or as equity, depending on the nature of the obligation to the policyholder. The contracts issued by the Group contain constructive obligations to the policyholder with respect to the DPF of the contracts. The Group has therefore elected to classify these features as a liability.

Investment contracts with DPF's are accounted for in accordance with IFRS 17 and investment contracts without discretionary participating features are accounted for in accordance with IFRS 9, Financial Instruments. The Group's investment contracts include pension plans with a guaranteed minimum rate of return and annuities that do not transfer insurance risk. All investment contracts issued are non-participating.

Liabilities for investment contracts have been designated at FVTPL. Contracts recorded at FVTPL are measured at fair value at inception and each subsequent reporting period. Changes in investment contract liabilities are recorded as a change in investment contract benefits expense in the consolidated statement of income. These liabilities are derecognised when the obligation of the contract is discharged, cancelled or expired.

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P. Service contracts

Contracts issued by the Group that do not transfer significant insurance or financial risk from the customer are referred to as service contracts. These contracts are primarily for the provision of pension administration and investment management services. Fee income earned from these contracts is described in the Revenue Recognition accounting policy, Note 2T. Deferred acquisition costs ("DAC") arising from service contracts are amortised over the expected life of the contracts up to a maximum of 10 years. Where the cost of meeting the obligations of the contract exceed the economic benefits expected to be received under it, a provision is recognised.

Q. Segregated funds assets and liabilities

Segregated funds assets and liabilities relates to contracts issued by the Group where the benefit amount to the policyholder is directly linked to the fair value of the investment held in the particular segregated fund. The underlying assets are registered in the name of the Group and the segregated fund policyholder has no direct access to the specific assets. The contractual arrangements are such that the segregated fund policyholder bears the risk and rewards of the fund's investment performance. There is also no insurance risk to the Group with these contracts. Segregated funds net assets are recorded at fair value. The fair value of the segregated funds net liabilities is equal to the segregated funds net assets. Investment income earned by the segregated funds and expenses incurred by the segregated funds offset and are not separately presented in the consolidated statement of income and are disclosed in Note 19. Fee income earned on the management of these contracts is included in commission and other income in the consolidated statement of income.

R. Current and deferred income tax

The tax expense for the period on the Group's Canadian and Cayman Islands operations comprises current and deferred tax. In December 2023, the Bermuda Government enacted a 15 per cent corporate income tax ("CIT") that comes in effect in 2025. The Group is not presently in scope of the requirements since CIT is applicable only to multinational enterprise groups with annual revenues of €750 million Euros or more.

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

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

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

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The tax effect of carry-forwards of unused tax losses are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised. When management's assessment indicates that it is more likely than not that deferred income tax assets will not be realised, a valuation allowance is recorded against the deferred tax assets.

S. Employee benefits

The Group operates various post-employment benefit schemes, including defined benefit and defined contribution pension plans and post-employment medical plans.

i) Pension obligations

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

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

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

ii) Other post-employment benefit obligations

In addition to pension benefits, the Group provides post-retirement benefits for health care to qualified Bermuda retirees. The entitlement to these benefits was conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. As the plan is closed to new participants, only the interest on the obligation is recognised in the consolidated statement of income. Actuarial gains and losses are charged or credited to equity in other comprehensive income in the period in which they arise.

iii) Share-based compensation

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

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

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

iv) Employee share purchase plan

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

T. Revenue recognition

Revenue arising from the management of service contracts, pension administrative services and investment advisory and management services offered by the Group is included within other income in the consolidated statement of income. Revenue is recognised at the point in time when services are rendered.

The majority of the revenue from service contracts is comprised of variable consideration and is recognised when it is highly probable that a significant reversal in the amount of the revenue recognised will not occur. Revenue comprises the fair value for services.

U. Share capital and treasury shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognised as a deduction from equity.

Where the Group purchases the Group's common shares, for example as the result of a share buy-back, the consideration paid, including any directly attributable costs, is deducted from equity until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transactions costs, is included in equity.

V. Dividend distribution

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

W. Earnings per share

Basic earnings per share is presented in the consolidated statement of income and is calculated by dividing the shareholders' net earnings for the year by the weighted average number of ordinary shares outstanding, excluding treasury shares, at the reporting date.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. When there is a loss, no potential common shares are included in the computation of fully diluted earnings per share.

X. Non-current assets and disposal groups classified as held-for-sale and discontinued operations

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

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

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

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

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

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

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

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3 New and revised accounting standards

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

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

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

A. IFRS 17 Insurance contracts

IFRS 17 became effective for the Group beginning on 1 January 2023, and is to be applied retrospectively, unless impracticable. For certain groups of long-duration contracts, full retrospective application was impracticable, and the fair value method was used instead (see section (ii) below). The standard replaced IFRS 4 Insurance Contracts and therefore replaced the Canadian Asset Liability Method ("CALM") and, for long-duration contracts, materially changed the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Group's consolidated financial statements. Changes to measurement principles for short-duration contracts (measured under the PAA) were minimal. For contracts measured under the PAA, the differences between the two standards arise mainly due to application of discounting and risk adjustment methodologies.

i) Recognition, measurement, and presentation of insurance contracts

The key measurement differences resulting from adoption for contracts measured using GMM are as follows:

- New business gains on long-duration contracts are recorded in the consolidated statements of financial position (in the CSM component of the insurance contract liability) and amortised into income as services are provided, rather than being recognised in income immediately. New business losses are recorded in the consolidated statement of income immediately.
- Under IFRS 17, the discount rate used to estimate the present value of insurance contract liabilities is based on the characteristics of those liabilities. Under CALM, the rates of returns for current and projected assets supporting insurance contract liabilities were used to discount the liabilities.
- Implicit margins or provisions for adverse deviation, which were previously recorded under CALM, are removed and instead an explicit risk adjustment for non-financial risk is established.
- Under IFRS 17, only attributable expenses are included in reserves.

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

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

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

ii) Transition

a) General principles

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

- identified, recognised, and measured each group of insurance and reinsurance contracts as if IFRS 17 had always been applied;
- derecognised previously reported balances that would not have existed if IFRS 17 had always been applied. These included deferred acquisition costs for insurance contracts, policyholder loans, insurance receivables and insurance payables. Under IFRS 17, they are included in the measurement of the insurance contracts; and
- recognised any resulting net difference within retained earnings in equity.

The Group has applied the transition provisions in IFRS 17 and, as permitted by IFRS 17.C3(a), has not disclosed the impact of the adoption of IFRS 17 on earnings per share. The effects of adopting IFRS 17 on the consolidated financial statements on 1 January 2022 are presented in the statement of changes in equity. Additional information regarding the quantitative effects of the measurement and presentation changes are shown in (iii) below.

b) Fair value approach

The Group has applied the fair value approach on transition for annuity contracts issued prior to January 1, 2021, and for all individual life contracts in force at the date of transition since this line of business was discontinued in 2022. The fair value approach in IFRS 17 was applied to identify, recognise, and measure these groups of contracts on 1 January 2022 because it was impracticable to apply the full retrospective approach

The Group considered the full retrospective approach impracticable for these contracts because the information required had not been collected (or had not been collected with sufficient granularity) and was unavailable because of system migrations or other reasons or would have required assumptions about what management's intentions would have been in previous periods or significant accounting estimates that could not be made without the use of hindsight.

Under the fair value approach, the Group determined the CSM of the LRC at the transition date as the difference between the fair value of the group of insurance contracts and the fulfilment cash flows measured at that date. A single cohort was used for each in-force portfolio on transition.

In determining the fair value of the in-force contracts, the Group applied the requirements of IFRS 13 Fair Value Measurement, except for the demand deposit floor requirement. The determination of fair value required the use of estimates and assumptions that necessitated the application of judgment by management. The Group used the "adjusted fulfilment cash flows approach" for fair value determination. This approach identifies amounts that a market participant would require, in addition to the insurance contracts' fulfilment cash flows, to take over the obligations of the Group. The estimates and assumptions were compared to a market participant's perspective where such market information was reasonably available without undertaking an extensive and exhaustive search.

The discount rate for the group of contracts applying the fair value approach was determined at the transition date, and a single cohort was used for each portfolio on transition.

(in thousands of Bermuda dollars)

iii) Effect of adoption of IFRS 17

Caption under IFRS 4	Caption under IFRS 17	As of 31 December 2021* $	Measurement adjustments $	Presentation adjustments $	Transition CSM and adjustments to participating policyholders' accounts $	As of 1 January 2022* $
Insurance receivables and other assets	Other assets	85,641	–	(62,060)	–	**23,581**
Investments	Investments	742,873	–	(4,308)	–	**738,565**
Deferred acquisition costs	Other assets	12,080	–	(12,080)	–	**–**
Reinsurance assets	Reinsurance contract held assets	92,452	2,740	(34,053)	–	**61,139**
Other liabilities	Other liabilities	128,995	–	(68,240)	–	**60,755**
Investment contract liabilities	Investment contract liabilities	308,075	–	6	–	**308,081**
Insurance contract liabilities	Insurance contract liabilities	364,368	(6,463)	(50,446)	18,799	**326,258**
None (N/A)	Reinsurance contract held liabilities	–	332	6,179	723	**7,234**
Retained earnings	Retained earnings	242,212	8,651	–	(19,302)	**231,561**

* As of 31 December 2021, the Group's had a line of business (assets totaling $79,200 and liabilities totaling $89,500) that met the criteria for classification as Held for Sale under IFRS 5. Subsequently in 2022, as previously reported, the Group concluded that this line of business would no longer be subject to sale, and its presentation as Held for Sale was therefore discontinued as of 31 December 2022. As such, in presenting the statement of financial position as of 1 January 2022 and to compare the financial periods more appropriately under IFRS 17, the Group has not presented this line of business as Held for Sale. Furthermore, the "As of 31 December 2021" column in the table above also does not reflect this line of business as Held for Sale.

B. IFRS 9 Financial instruments

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

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

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

i) Classification of financial assets and financial liabilities

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

For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, see Note 2.I (ii),

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

ii) Impairment of financial assets

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

iii) Transition

Applying the classification overlay explained above resulted in immaterial valuation differences as of January 1, 2022. As of 1 January 2023, adjustments were made to the measurement of certain financial assets and liabilities due to the adoption the IFRS 9 impairment requirements. Such adjustments were recognised in opening retained earnings of the current period.

Consequently, amendments to IFRS 7 disclosures were made to align with the classification categories of IFRS 9.

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

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

(in thousands of Bermuda dollars)

	Notes	Classification under IAS 39	Classification under IFRS 9	IAS 39 carrying amount at 31 December 2021	Presentation adjustments	Carrying amount 1 January 2022 applying the classification overlay
				$	$	$
Financial assets						
Cash and cash equivalents	(a)	Loans and receivables	Amortised cost	103,192	–	103,192
Regulatory assets	(c)	FVTPL	FVTPL	24,783	–	24,783
Fixed income securities (held-to-collect)	(a)	Held-to-maturity	Amortised cost	1,000	–	1,000
Fixed income securities (other)	(c)	FVTPL	FVTPL	582,176	–	582,176
Equity investments	(d)	FVTPL	FVTPL	108,170	–	108,170
Mortgages	(a)	Loans and receivables	Amortised cost	34,897	–	34,897
Corporate loan	(a)	Loans and receivables	Amortised cost	12,000	–	12,000
Policyholder loans		Loans and receivables	N/A*	4,307	(4,307)	–
Residential properties foreclosed	(b)	Available-for-sale	Amortised cost	323	–	323
Segregated fund assets		FVTPL	FVTPL	1,349,792	–	1,349,792
Financial liabilities						
Investment contract liabilities		FVTPL	FVTPL	308,075	–	308,075
Segregated fund liabilities		Designated at FVTPL	Designated at FVTPL	1,349,792	–	1,349,792

*Included in Insurance Contract Liabilities (IFRS-17)

	Classification under IAS 39	Classification under IFRS 9	Carrying amount at 31 December 2022, as restated after applying the classification overlay	Effect of changes to loss allowance determination	Carrying amount at 1 January 2023 under IFRS 9
			$	$	$
Financial assets					
Cash and cash equivalent	Loans and receivables	Amortised cost	75,847	–	75,847
Regulatory assets	FVTPL	FVTPL	24,676	–	24,676
Fixed income securities (held-to-collect)	Held-to-maturity	Amortised cost	1,000	–	1,000
Fixed income securities (other)	FVTPL	FVTPL	497,783	–	497,783
Equity investments	FVTPL	FVTPL	128,202	–	128,202
Mortgages	Loans and receivables	Amortised cost	33,904	(303)	33,601
Corporate loan	Loans and receivables	Amortised cost	12,000	-	12,000
Residential properties foreclosed	Available-for-sale	Amortised cost	323	–	323
Segregated fund assets	FVTPL	FVTPL	1,128,491	–	1,128,491
Financial liabilities					
Investment contract liabilities	FVTPL	FVTPL	298,205	–	298,205
Segregated fund liabilities	FVTPL	FVTPL	1,128,491	–	1,128,491

The Group's accounting policies related to the classification of financial instruments under IFRS 9 are set out in Note 2I (ii). The application of these policies resulted in the reclassifications set out in the first table shown above and explained below:

(a) On transition to IFRS 9, the Group has classified its loans and receivables and held-to-maturity investments as amortised cost. These instruments meet the SPPI criterion, were not actively traded and were held with the intention to collect cash flows and without the intention to sell.

(b) Residential properties foreclosed were previously classified as available-for-sale with changes being recorded in OCI. Under IFRS 9, these exposures are considered as mortgages that are credit-impaired, and, as such, continue to be measured at amortised cost and subject to the impairment requirements of IFRS 9.

(c) Fixed income and regulatory assets instruments previously held at FVTPL under IAS 39 continue to be held at FVTPL under IFRS 9 (see Note 2(I)(ii)).

(d) Under IFRS 9, all equity instruments, except equity and fund instruments within plan assets, are measured mandatorily at FVTPL. Previously, these instruments were designated at FVTPL in order to reduce the accounting mismatch between these assets and the insurance contract liabilities these assets are held to fund.

v) Effect of initial application on retained earnings

As at 31 December 2022/1 January 2023, the adoption of IFRS 9's ECL methodology resulted in a $303 increase in the loss allowance, from $2,366 under IAS 39 to $2,669 under IFRS 9.

The impact of transition to IFRS 9 on retained earnings is as follows:

	31 December 2022/1 January 2023
	$
Balance as at 31 December 2022/1 January 2023 under IAS 39, restated following the adoption of IFRS17	212,260
Recognition of IFRS 9 ECLs	(303)
Balance as at 1 January 2023 following the adoption of IFRS 9	211,957
Total change in equity due to application of IFRS 9	(303)

C. Other new and revised accounting standards effective 1 January 2023

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

(i) Amendments to IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2 – Making Materiality Judgments were issued in February 2021 and became effective prospectively from 1 January 2023. The amendments address the process of selecting accounting policy disclosures which should be based on an assessment of the materiality of the policy to the Group's consolidated financial statements. Adoption of these amendments did not have a significant impact on the Group's consolidated financial statements.

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(ii) Amendments to IAS 8 – Accounting Policies, Changes to Accounting Estimates and Errors were issued in February 2021 and became effective prospectively from 1 January 2023. The amendments include new refinements of the definition of "accounting estimate" and "change in accounting estimate". Adoption of these amendments did not have a significant impact on the Group's consolidated financial statements.

D. New and revised accounting standards not yet effective

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

4 Assets and liabilities held for sale

On 11 October 2023, the Group and Equilibria Capital Management Limited ("Equilibria"), a Bermuda-based global asset management company announced a multifaceted strategic partnership. The terms of the strategic partnership include the following:

- a cross-shareholding arrangement, with each company investing in the common shares of the other. The Group's resultant minority interest in Equilibria is presented within Investments on the consolidated statement of financial position. It is initially recognised at fair value and subsequently measured at FVOCI see Notes 8 and 11.
- the Group purchased a call option written by investment funds managed by Equilibria over equity securities issued by a third company. The call option, which expires at the end of 2024, is recognised as a Derivative asset that is held at FVTPL. The Derivative asset is presented within Investments on the consolidated statement of financial position (see Notes 8 and 11), while changes in fair value are reported within Investment result on the consolidated statement of net income (see Note 14). Details of the valuation technique applied in determining the fair value of the purchased call option are disclosed in Note 8.
- Investments in a dedicated fund set up by Equilibria. This fund is considered a controlled vehicle and is consolidated by applying the principles set out in Note 2C. The underlying investment positions, which consist of quoted equity securities of a third company that are not held for trading, are included in Investments within the consolidated statement of financial position and are classified at FVOCI. Changes in fair value are recorded in the consolidated statement of comprehensive income within the line-item Unrealised losses on FVOCI investments see Note 14. Fair value techniques, including those for the valuation of quoted equity securities, are discussed in Note 8.
- the Group committed to sell its headquarters and a wholly-owned-subsidiary company, Barr's Bay (which owns the property adjoining the Group's headquarters), to Equilibria. The Group simultaneously committed to lease a portion of the affected properties from Equilibria on a long-term basis. The subsidiary's assets and liabilities (which comprise a disposal group) and the building are treated as held-for-sale at year-end because the sale is highly probable.

As at 31 December 2023, for certain real estate assets noted above the criteria to be reflected as held for sale per the requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations were met. There was no gain or loss recognised upon recording the disposal group as held for sale as all the assets and liabilities of the disposal group were carried at the lower of carrying value or fair value less cost to sell, furthermore the business did not meet the criteria to be classified as a discontinued operation. The following table shows the assets and liabilities held for sale at 31 December.

	Notes	2023	2022
		$	$
Assets			
Cash and cash equivalents	9	218	–
Other assets	12	324	–
Investment properties	15	5,545	–
Property and equipment	16	4,716	–
Total assets held for sale		**10,803**	–
Liabilities			
Other liabilities	20	165	–
Total liabilities held for sale		**165**	–

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5 Management of financial and insurance risk

A. Risk management and objectives

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

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

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

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

Assets which relate to certain life insurance and investment contracts are managed for the account and risk of the Group's customers. They are segregated and managed to meet specific investment objectives of the policyholders. The assets back the insurance liabilities and the financial liabilities arising from these contracts. The fair value of the liabilities reflects the fair value of the assets.

B. Financial risks

i) Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a reinsurance contract or financial instrument fails to meet its contractual obligations and arises principally from the Group's reinsurance contract assets and financial assets. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposures – e.g., individual obligor default risk, country risk and sector risk.

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

- Holding a diversified investment portfolio that focuses on quality of investment. The portfolio is monitored and reviewed regularly by management's Investment Committee and by the Board of Director's Finance, Compensation, and Corporate Governance Committee;

- Investment guidelines are in place that require the purchase of only investment-grade assets and minimise undue concentration of assets in any single issuer, industry group, asset class or credit rating, unless required by local law or regulation;
- Investment guidelines specify collateral requirements for mortgages and loans and receivables which include the underlying property or other security;
- Transacting business with well-established reinsurance companies with strong credit ratings; and
- Transacting business with well-established financial institutions and diversification of holdings where possible.
- Developing and maintaining the Group's processes for measuring ECL. This includes processes for determining and monitoring of significant increases in credit risk, such as identifying past-due amounts, placing at-risk exposures on credit watchlists, and scrutinising the borrower's financial position.

Maximum exposure to credit risk

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

	2023	2022 (restated)
	$	$
Cash and cash equivalents	83,897	75,847
Regulatory assets	26,129	24,676
Fixed income securities – at amortised cost	–	1,000
Fixed income securities – at FVTPL	531,335	497,783
Mortgages and loans	32,177	46,229
Other assets	15,967	24,142
Reinsurance contracts held assets	71,875	72,765
	761,380	742,442
Assets held for sale	(542)	–
Total	**760,838**	**742,442**

Concentration of credit risk

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

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

	2023 Investments	2023 Regulatory assets	2022 Investments	2022 Regulatory assets
Assets held in:	$	$	$	$
Fixed income securities issued or guaranteed by:				
Financials	94,144	2,167	92,264	3,187
Government	56,070	7,523	71,747	6,943
U.S. Treasury and other agencies	66,245	343	71,366	831
Utilities and energy	63,064	738	58,921	727
Consumer staples and discretionary	54,066	416	73,116	510
Telecom	–	–	11,591	–
Computer technology products and services	20,892	432	7,109	882
Industrials and materials	36,209	–	35,466	–
Other	140,645	–	77,203	–
Total fixed income securities	531,335	11,619	498,783	13,080
Comprising:				
– at amortised cost	–	–	1,000	–
– at FVTPL	531,335	11,619	497,783	13,080

	2023 Investments	2023 Regulatory assets	2022 Investments	2022 Regulatory assets
Assets held in:	$	$	$	$
United States	492,064	2,646	447,169	4,737
Canada	7,565	330	6,454	321
Northern Europe	15,288	533	17,294	514
Asia-Pacific	4,786	1,127	3,296	1,095
United Kingdom	7,142	448	12,733	434
Caribbean	2,396	6,535	11,264	5,979
Other	2,094	–	573	–
Total fixed income securities	531,335	11,619	498,783	13,080
Comprising:				
– at amortised cost	–	–	1,000	–
– at FVTPL	531,335	11,619	497,783	13,080

(in thousands of Bermuda dollars)

The carrying value of mortgages and loans by geographic location is shown in the following table:

	2023	2022 (restated)
	$	$
Bermuda	32,177	46,229
Total mortgages and loans	**32,177**	**46,229**

Credit quality of financial assets

The following tables set out information about the credit quality of debt investments, without taking into account collateral or other credit enhancements, at gross carrying amounts.

	AAA	AA	A	BBB	BB and lower	Not rated	Total
As at 31 December 2023	$	$	$	$	$	$	$
Cash and cash equivalents							
-Stage 1	17,092	21,232	23,701	18,628	–	3,244	**83,897**
Regulatory assets							
-Held at FVTPL and not subject to ECL requirements	3,799	586	9,059	1,923	7,144	3,618	**26,129**
Fixed income securities							
-Held at FVTPL and not subject to ECL requirements	63,095	177,722	197,109	92,785	624	–	**531,335**
Mortgages *							
-Stage 1	–	–	–	–	–	30,836	**30,836**
-Stage 2	–	–	–	–	–	–	**–**
-Stage 3	–	–	–	–	–	1,340	**1,340**
Other assets							
-Stage 1 **	–	–	–	–	–	15,970	**15,970**
	83,986	**199,540**	**229,869**	**113,336**	**7,768**	**55,008**	**689,507**
Assets held for sale	–	–	–	–	–	(218)	**(218)**
Total	**83,986**	**199,540**	**229,869**	**113,336**	**7,768**	**54,790**	**689,289**

*Includes residential properties foreclosed and pending imminent sale which are all in Stage 3.

**Other assets subject to ECL requirements comprise trade/contract receivables for which the ECL model is simplified and the ECL allowance is always based on lifetime ECLs.

(in thousands of Bermuda dollars)

As at 31 December 2022 (restated)	AAA $	AA $	A $	BBB $	BB and lower $	Not rated $	Total $
Cash and cash equivalents	8,820	15,903	24,923	24,850	–	1,351	**75,847**
Regulatory assets	1,829	453	9,411	2,628	6,701	3,654	**24,676**
Fixed income securities	58,975	185,753	170,897	82,541	616	–	**498,782**
Mortgages *	–	–	–	–	–	34,229	**34,229**
Corporate loan	–	–	–	–	–	12,000	**12,000**
Other assets	–	–	–	–	–	24,142	**24,142**
Total	**69,624**	**202,109**	**205,231**	**110,019**	**7,317**	**75,376**	**669,676**

*Includes residential properties foreclosed and pending imminent sale.

The Group's reinsurance panel consists of 44 reinsurance companies, excluding facultative and fronting policies, the majority of which are rated A- or better by AM Best. Any exceptions to this are approved by the Group Security Committee.

As disclosed in Note 2(l), certain financial liabilities are held at FVTPL. All credit risk changes in these liabilities are presented within net income on the consolidated statement of income since to present such changes in OCI would create an accounting mismatch between the liabilities and the assets supporting them. The changes in fair value of these financial liabilities that are attributable to changes in credit risk were insignificant in both 2023 and 2022.

Credit quality enhancements

The credit quality of mortgages and other loans is enhanced by the assignment of collateral. Mortgages comprise first mortgages on real property situated in Bermuda and are registered under The Mortgage Registration Act 1976 and The Trustee Act 1975. Other loans are secured by collateral assignments. The collateral cannot be alienated in absence of default.

The following table quantifies the extent to which collateral mitigates credit risk on mortgages and other loans that are in Stage 3:

	%
31 December 2023	
Mortgages and other loans * – Stage 3	132
31 December 2022	
Mortgages and other loans * – Stage 3	114

*Includes residential properties foreclosed and pending imminent sale which are all in Stage 3 in 2023.

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e) Amounts arising from ECL on financial assets

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

Stage 1 financial assets

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

ECL measurement in Stage 1

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

For Stage 1 mortgages, the 12-month ECL is calculated as the reporting date balance (including accrued interest) multiplied by the applicable ECL rate as described below.

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

Movement from Stage 1 to Stage 2

Financial assets are moved from Stage 1 to Stage 2 when a significant increase in credit risk ("SICR") occurs. Financial assets with low credit risk at the reporting date are assumed to not have undergone a SICR. Additionally, trade/contract receivables follow a simplified model whereby the loss allowance is always based on lifetime ECLs and SICR assessments are not performed.

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

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

For mortgages, given the size and nature of the Bermudian market and the constraints on the availability of relevant, timely macroeconomic information and of external sources of credit quality information, emphasis is placed on past-due information. Where available, qualitative information that comes to light is also incorporated using management judgment.

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

ECL measurement for Stage 2 assets and trade/contract receivables

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

The lifetime ECL allowance for Stage 2 mortgages is calculated by multiplying the applicable ECL rate as described below by the expected outstanding balance (including accrued interest) at each future year end for the remaining lifetime of the mortgage and discounting the resulting sum to arrive at the present value.

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

Movement from Stage 2 to Stage 3

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

ECL measurement for Stage 3 assets

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

For Stage 3 mortgages, lifetime ECLs are calculated as the difference between the present value of expected net cash flows (usually sale proceeds after costs to sell) discounted at the mortgage contract interest rate, and the net carrying amount of the mortgage. Market fluctuations will impact the expected value of sale proceeds and can significantly impact the estimate of the ECL allowance. Management estimates that sales will occur within 12 months. An additional impairment of between $nil and $nil could be incurred if the sales occurred within 18-24 months. A 10% drop in the collateral value supporting Stage 3 mortgages would result in an increase in the ECL allowance of $nil (2022 – an increase in the IAS 39 impairment charge of $nil).

Incorporation of forward-looking information

The ECL rates are derived from a combination of historical averages (10 year and 3 year) and scenario assumptions. Separate historical rates and scenarios are calculated for commercial and residential mortgages. A weighted average ECL is calculated from a best case, most likely, and worst-case scenarios for both commercial and residential mortgages, where the scenario assumptions are partly based on the historical loss rates. Management has determined that actual experienced historical loss rates combined with the current status of the mortgage book is the best methodology for estimating scenarios and future ECL rates. See above under Stage 1 regarding assessment of macroeconomic information.

Loss allowance

The following tables show the reconciliation from the opening balance to the closing balance of the loss allowance by class of financial instruments. Transfers due to changes in credit risk are determined in accordance with the accounting policy set out in Note 2(l) and above. None of the Group's financial assets are purchased or originated credit-impaired and there are no instruments for which there has been a significant increase in credit risk that are not accounted for as Stage 2 or Stage 3 financial assets.

	2023				2022 – IAS 39
	Stage 1	Stage 2	Stage 3	Total	Total
Mortgages *					
Balance at 1 January	32,161	173	1,590	**33,924**	**35,218**
Additions due to new originations	1,243	–	–	**1,243**	**6,335**
Transfer to Stage 1	–	–	–	**–**	**–**
Transfer to Stage 2	–	–	–	**–**	**–**
Transfer to Stage 3	–	(173)	173	**–**	**–**
Derecognition due to repayments	(2,568)	–	(423)	**(2,991)**	**(7,324)**
Balance at 31 December	**30,836**	**–**	**1,340**	**32,176**	**34,229**
Fixed income held at amortised cost					
Balance at 1 January	1,000	–	–	1,000	
Additions due to new purchases	–	–	–	–	
Transfer to Stage 1	–	–	–	–	
Transfer to Stage 2	–	–	–	–	
Transfer to Stage 3	–	–	–	–	
Net remeasurements	–	–	–	–	
Derecognition due to repayments	(1,000)	–	–	(1,000)	
Write-offs, net of recoveries **	–	–	–	–	
Balance at 31 December	–	–	–	–	

*Includes residential properties foreclosed and pending imminent sale.

** The contractual amount outstanding on financial assets that were written off during the period but are still subject to enforcement activities is $nil.

The Group also holds an allowance for ECL for trade/contract receivables (within other assets) amounting to $nil at the end of 2023 (2022 (IAS 39) – $nil). None of these receivables are credit impaired.

The following table provides an explanation of how significant changes in the gross carrying amounts of financial instruments contributed to changes in the loss allowance:

		Increase (decrease in loss allowance)		
	Increase (decrease) in gross carrying amount	Stage 1	Stage 2	Stage 3
During the year ended 31 December 2023				
Mortgages *				
– Sale of property underlying defaulted mortgage	(2,787)	–	–	(2,367)

*Includes residential properties foreclosed and pending imminent sale.

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ii) Liquidity risk

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

- Management maintains levels of cash and short-term deposits, which are sufficient to fulfill the Group's short-term obligations;
- Short-term cash flow needs are adequately met by operating cash flows and proceeds from mortgage and loan repayments;
- The Group closely manages operating liquidity through cash flow matching of assets and liabilities on its life insurance, annuities, and pensions business. Investments in various types of assets occur with a view to match them to the liabilities of various durations;
- Investments are graded internally on a liquidity level (1 to 4) and the Group looks to maintain adequate levels in highly liquid (1 and 2) securities;
- The ability of the Group's subsidiaries in certain jurisdictions to pay dividends and transfer funds is regulated. The Group maintains appropriate dividend and capital policies to ensure movement of cash flow through the Group as needed;

Arrangements with reinsurers are made to ensure that recoverables are received in a timely fashion in the event of a liquidity crisis.

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

	Within 1 year	2 to 3 years	4 to 5 years	Over 5 years	Total	Effective interest rate ranges
	$	$	$	$	$	
Mortgages *	2,412	4,519	4,398	20,848	32,177	4.50% – 9.00%
Regulatory assets	21,371	586	2,249	1,922	26,128	1.50% – 6.95%
Fixed income securities – at FVTPL	80,243	90,493	115,822	244,777	531,335	0.21% – 7.54%
Total	**104,026**	**95,598**	**122,469**	**267,547**	**589,640**	
Percent of total	**17.6%**	**16.2%**	**20.8%**	**45.4%**	**100%**	

*Includes residential properties foreclosed and pending imminent sale. The timing of the realisation of sale proceeds could differ from current expectations.

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

	Within 1 year	2 to 3 years	4 to 5 years	Over 5 years	Total	Effective interest rate ranges
(Restated)	$	$	$	$	$	
Corporate loans	12,000	–	–	–	12,000	3.50%
Mortgages *	2,868	4,590	4,501	22,270	34,229	4.50% – 9.00%
Regulatory assets	13,724	5,243	2,137	3,572	24,676	1.50% – 6.95%
Fixed income securities	88,519	112,864	110,118	187,282	498,783	0.21% – 7.54%
Total	**117,111**	**122,697**	**116,756**	**213,124**	**569,688**	
Percent of total	**20.6%**	**21.5%**	**20.5%**	**37.4%**	**100.0%**	

*Includes residential properties foreclosed and pending imminent sale which are all in Stage 3.

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

	Within 1 year	1 to 5 years	Over 5 years	Total
	$	$	$	$
Investment contract liabilities	102,258	222,119	57	324,434
Other liabilities	38,591	496	2,954	42,041
	140,849	222,615	3,011	366,475
Liabilities held for sale	(165)	–	–	(165)
Total	**140,684**	**222,615**	**3,011**	**366,310**

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

	Within 1 year	1 to 5 years	Over 5 years	Total
(Restated)	$	$	$	$
Investment contract liabilities	95,529	202,628	60	298,217
Other liabilities	39,652	483	3,019	43,154
Total	**135,181**	**203,111**	**3,079**	**341,371**

(in thousands of Bermuda dollars)

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

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
	$	$	$	$	$	$	$
31 December 2023							
Insurance contract liabilities	114,036	1,396	1,296	1,204	1,135	167,683	286,750
Reinsurance contracts held liabilities	6,117	(133)	(114)	(98)	(87)	(107)	5,578
Total	**120,153**	**1,263**	**1,182**	**1,106**	**1,048**	**167,576**	**292,328**
31 December 2022 (restated)							
Insurance contract liabilities	122,191	1,254	1,165	1,087	1,009	159,999	286,705
Reinsurance contracts held liabilities	7,152	(73)	(63)	(54)	(47)	(1,268)	5,647
Total	**129,343**	**1,181**	**1,102**	**1,033**	**962**	**158,731**	**292,352**

Certain insurance contract liabilities measured under GMM have provisions which enables the holder to demand payment upon cancellation, the total value of such features is approximately $41,000.

The expected maturity profile of insurance and reinsurance contract liabilities presented above is significantly affected by the insurance risk assumptions set out in Note 5(C).

iii) Market risk

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

Currency risk

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

- The majority of the Group's assets, liabilities, and earnings are denominated in Bermuda, Cayman, Bahamian or United States dollars;
- The Bermuda, Cayman and Bahamian dollars are pegged to the United States dollar;
- The Bermuda dollar is at par with the United States dollar; and
- The Group's Canadian operation is fully integrated. Its monetary assets and liabilities are not considered material.

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

Interest rate risk

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

- Asset allocation and diversification of the investment portfolio;
- Utilisation of a formal process for managing the matching of assets and liabilities;
- Investing in assets that are suitable for the products sold;
- Investing in fixed income assets that closely match the life liability product cash flows for products with fixed and highly predictable benefit payments; and
- Quantifying and reviewing regularly the risk associated with the mismatch in portfolio duration and cash flow.

The sensitivity analysis for interest rate risk illustrates how the values of interest-sensitive assets and certain liabilities would have fluctuated because of changes in interest rates at the reporting date, and the consequential immediate impact such fluctuations would have had on net income.

Assets are notionally segmented to correspond to the different liability categories of the Group. The impact of interest rate risk on the Group's GMM actuarial liabilities is included in Note 5(C) below.

If interest rates on fixed income investments supporting GMM actuarial liabilities shifted parallel by 100 basis points higher/lower, the immediate impact to net income and equity would have been ($12,622)/$14,733 (2022 – ($14,393)/$14,393) lower/higher. This impact was calculated using a discounted cash flow method.

If interest rates on other fixed-income investments shifted parallel by 100 basis points higher/lower, the immediate impact to net income and equity (excluding any liability effects) would have been $ 10,201/$10,361 (2022 – $9,139/$9,139) lower/higher. This interest rate sensitivity impact was calculated using the effective duration method.

Price risk

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

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The Group's price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities. None of the Group's equity and fund investments are linked with or notionally allocated to supporting the Group's insurance contract liabilities hence such liabilities do not carry price risk.

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

A 10% increase/decrease in the value of the Group's equity and fund portfolio would increase/decrease the Group's comprehensive income by $12,476 (2022 – $12,820) and the Group's other components of equity by $2,662 (2022 – $nil). The price risk sensitivity impact was calculated by using the ending balances in equity and funds at a 10% increase/decrease.

C. Insurance risk

Insurance risk is any risk other than financial risk that is transferred from the holder of the contract to the issuer. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. Insurance risk is implicit in the Group's insurance business and arises as a consequence of the type and volume of business written and the concentration of risk in particular policies or groups of policies subject to the same risks.

i) Life and health insurance risk

Insurance risk in the Group arises through its exposure to mortality and morbidity risks and exposure to worse than anticipated operating experience on factors such as persistency levels and management and administration expenses.

Management of life and health insurance risks

The Group has developed an insurance risk policy and guidelines. Individual insurance risks are managed at a business unit level but are also monitored at the Group level.

The impact of insurance risk is monitored by the business units as part of the control cycle of business management. Exposure is monitored through the assessment of liabilities and the asset liability management framework. At the Group level the overall exposure to insurance risk is measured through management reporting, stress testing, and Bermuda Solvency Capital Requirement ("BSCR") analysis.

The Board of Directors considers the reinsurance coverage across the life and health businesses. It confirms that guidance and procedures are in place for each of the major components of life insurance risk, and that the businesses mitigate against any insurance risk within the parameters for the overall Group risk appetite.

The Board of Directors has also developed guidance for business units on management of a number of areas of insurance risk to ensure best practice is shared throughout the Group and common standards are adopted.

The individual life and health insurance risks are managed as follows:

- Mortality and morbidity risks are mitigated by use of reinsurance. The Group companies select reinsurers, from those approved by the Group, based on local factors, but assess the overall programme to manage Group-wide risk exposures and monitor that the aggregation of risk ceded to individual reinsurers is within the Group appetite for credit risk. In the case of default by a reinsurer, this does not release the Group from its liability to the insured policyholders.
- Longevity risk: Whilst individual Group companies are responsible for reserving and pricing for annuity business, the Group monitors the exposure to this risk and the capital implications to manage the impact on the Group-wide exposure and the capital funding that Group companies may require as a consequence.
- Persistency risk: Where possible the financial impact of lapses is reduced through appropriate product design. Group companies also implement specific initiatives to improve retention of policies which may otherwise lapse.
- Product design and pricing risk arises from poorly designed or inadequately priced products and can lead to both financial loss and reputational damage to the Group. Guidelines have been developed to support the Group companies through the complete cycle of the product development process, financial analysis and pricing.
- Expense risk is primarily managed by the Group companies through the assessment of profitability and frequent monitoring of expense levels.

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Concentration risk

The following table shows life and health insurance liabilities by geographic area.

31 December 2023		**Long-duration life and annuities**	**Short-duration life and health**	**Total**
Territory		**$**	**$**	**$**
Bermuda				
	Gross	167,272	20,197	187,469
	Net	172,222	14,747	186,969
Bahamas	Gross	8,407	–	8,407
	Net	8,379	–	8,379
Total				
	Gross	**175,679**	**20,197**	**195,876**
	Net	**180,601**	**14,747**	**195,348**

31 December 2022 (restated)		**Long-duration life and annuities**	**Short-duration life and health**	**Total**
Territory		**$**	**$**	**$**
Bermuda				
	Gross	159,371	16,348	175,719
	Net	164,317	12,038	176,355
Bahamas	Gross	7,216	–	7,216
	Net	7,749	–	7,749
Total				
	Gross	**166,587**	**16,348**	**182,935**
	Net	**172,066**	**12,038**	**184,104**

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Assumptions and methodology

The nature of life and health insurance business is such that a number of assumptions are made in compiling these consolidated financial statements. Assumptions are made about investment returns, mortality rates, lapse rate, morbidity, expenses, and premium payment patterns in connection with the in-force policies for each business unit. Assumptions are best estimates based on historic and expected experience of the business. The estimate of the ultimate liability arising from life and health insurance contracts is a significant accounting estimate.

The valuation of liabilities was performed based on requirements in IFRS 17. Note 23(E) sets out a broad definition of future cash flows, the policy for discounting those cash flows and how those cash flows were adjusted for non-financial risk, however the underlying actuarial assumptions fundamental to the valuation (being mortality, morbidity, investment return, expenses, policyholder behaviour, policyholder dividend levels) are discussed below. In some instances, approximations are used due to the nature of liabilities. The approximations are not expected to change the results materially.

a) Mortality/Longevity

Mortality refers to the rates at which death is expected to occur for defined classes of insured. Management reviews the Group's mortality experience annually, however the portfolio of business is too small to form the basis for any internally produced mortality assumption. Therefore, the Group's mortality assumption is based on industry experience. The assumed mortality rates for life insurance contracts do not reflect any future improvement. For life contingent annuities, the assumed mortality assumption includes future mortality improvement, the effect of which is to increase insurance contract liabilities, based on prescribed minimum mortality improvement rates promulgated by the Canadian Actuarial Standards Board ("ASB").

For life products, a higher mortality would be financially adverse to the Group. For annuity products, a lower mortality would be financially adverse to the Group.

b) Morbidity

Morbidity refers to the likelihood that an insured will contract or develop any number of illnesses. The Group's portfolio of group and individual health business is large enough for an internal analysis of lag and is used, along with an analysis of experience, as the basis for setting annually renewable premiums. A very small block of individual disability business assumes industry standard morbidity rates when setting assumptions. Morbidity also refers to both the rates of accident or sickness and the rates of recovery therefrom. An increase in medical claim rates net of reinsurance would increase the actuarial liabilities.

c) Expenses

Actuarial liabilities provide for future administrative policy-related expenses. These include the costs of premium collection, claims adjudication and processing, related consulting services, preparation and mailing of policy statements and related indirect expenses and overheads. A unit expense study is performed to determine an appropriate estimate of expenses by liability type. An inflation assumption is incorporated in the estimate of future expenses.

d) Lapse

The best estimate lapse assumption is based on a combination of industry and the Group's lapse experience and pricing assumptions for newer products.

Policyholders may allow their policies to terminate prior to the end of the contractual period by choosing not to continue to pay premiums or by exercising one of the non-forfeiture options contained in the contract. Assumptions for termination experience on life insurance are based on industry and the Group's experience. Termination rates vary by plan, policy duration and method of premium payment. For universal life policies, it is also necessary to set assumptions about premium cessation occurring prior to termination of the policy.

e) Premium payment patterns

Universal life liabilities are sensitive to the amount of discretionary premium received from the policyholders. A premium persistency assumption is made for all universal life products and can vary by plan, age and policy duration.

f) Policyholder dividends

Future policyholder dividends are included in the determination of actuarial liabilities for participating policies, with the assumption that future policyholder dividends will change to reflect the experience of the respective participating accounts consistent with the participating policyholder dividend policies.

g) Sensitivity test analysis

There is considerable judgment required by management in making assumptions in the measurement of insurance and investment contract liabilities. Application of different assumptions may result in a different measure of the liabilities. Therefore, sensitivity testing is widely used to measure the capital required and volatility in earnings due to exposure to life and health insurance risks. This assessment is taken at both business unit level and at Group level where the impact of aggregation of similar risks can be measured. This enables the Group to determine whether action is required to reduce risk, or whether that risk is within the overall risk appetite.

The Group uses a number of sensitivity test-based risk management tools to understand the volatility of earnings, the volatility of its capital requirements, and to manage its capital more efficiently. Sensitivities to economic and operating experience are regularly produced on all of the Group's financial performance measurements to inform the Group's decision making and planning processes, and as part of the framework for identifying and quantifying the risks to which each of its business units, and the Group as a whole, are exposed.

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The table below analyses how the CSM, net income and equity would have increased (decreased) if changes in risk variables that were reasonably possible at the reporting date had occurred. This analysis presents the sensitivities both before and after risk mitigation by reinsurance and assumes that all other variables remain constant.

	Change in assumption	Increase in fulfilment cash flows		Effect on CSM		Effect on net income		Effect on equity	
		Gross	Net	Gross	Net	Gross	Net	Gross	Net
31 December 2023									
Mortality rate – life products	+3%	697	258	(702)	(104)	4	(154)	4	(154)
Mortality rate – annuity products	-3%	780	780	(1,028)	(1,028)	248	248	248	248
Morbidity – medical claims	+1%	1,016	1,016	-	-	(1,016)	(1,016)	(1,016)	(1,016)
Expenses	+10%	1,259	1,272	(1,554)	(1,568)	295	296	295	296
Termination rate	+10%	603	737	(1,265)	(1,507)	662	771	662	771
31 December 2022 (restated)									
Mortality rate – life products	+3%	768	311	(787)	(148)	18	(163)	18	(163)
Mortality rate – annuity products	-3%	709	709	(863)	(863)	153	153	153	153
Morbidity – medical claims	+1%	848	848	-	-	(848)	(848)	(848)	(848)
Expenses	+10%	1,268	1,275	(1,472)	(1,476)	204	201	204	201
Termination rate	+10%	697	771	(1,552)	(1,935)	855	1,165	855	1,165

ii) General insurance risk

Types of risk

General insurance risk in the Group arises from:

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

The majority of the general insurance business underwritten by the Group is of a short-term nature such as property, motor and marine insurances. The Group's general insurance exposures are located in Bermuda and throughout the Caribbean, climate change may impact the frequency and severity of tropical cyclone activity in the regions in which Group writes general insurance, which in turn may impact the frequency and severity of claims. The Group's underwriting strategy and appetite is agreed by the Board of Directors and communicated via specific policy statements and guidelines. Like the life insurance risk, general insurance risk is managed primarily at a business unit level with oversight at a Group level.

Management of general insurance risks

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

Significant insurance risks will be reported through the risk management framework. The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The LIC for these contracts comprise a provision for claims incurred but not yet reported ("IBNR"), a provision for reported claims not yet paid and a provision for unexpired risks at the end of the reporting period.

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

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

Reinsurance strategy

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

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

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

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

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

Concentration risk

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

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

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

31 December 2022 (restated)		**Property**	**Motor**	**All other**	**Total**
Territory		**$**	**$**	**$**	**$**
Bermuda					
	Gross	14,142	15,741	3,868	33,751
	Net	(4,132)	9,767	3,235	8,870
Cayman/Other Caribbean					
	Gross	49,337	12,582	8,098	70,017
	Net	9,755	10,494	6,364	26,613
Total					
	Gross	**63,479**	**28,323**	**11,967**	**103,769**
	Net	**5,623**	**20,261**	**9,600**	**35,484**

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Assumptions and methodology

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

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

General insurance business claims reserving

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

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

The Group has claims departments dealing with the mitigation of risks surrounding known exposures. These departments investigate and adjust claims with the assistance and advice of external loss adjusters. The claims are reviewed individually on a quarterly basis and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments. The adequacy of the Group's general insurance claims provisions is ultimately overseen by the Board of Directors.

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

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

In estimating the liability for the cost of reported claims not yet paid, the Group considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

(in thousands of Bermuda dollars)

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

Sensitivity analysis

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

	Change in assumption	Effect on liability		Effect on net income		Effect on equity	
		Gross	Net	Gross	Net	Gross	Net
31 December 2023		$	$	$	$	$	$
Ultimate claims liability	+ 5%	2,004	923	2,004	923	2,004	923
Ultimate claims liability	– 5%	(2,004)	(923)	(2,004)	(923)	(2,004)	(923)

6 Capital management and regulatory compliance

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

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

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

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

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

A. Bermuda

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

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

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

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

B. Cayman Islands

The Cayman Islands Monetary Authority ("CIMA") has statutory powers that enable it to use its discretion to require the Group to conduct its Cayman operations in accordance with general or specific conditions which may be imposed by CIMA or may be agreed between CIMA and IHIC. IHIC is required to maintain capital in excess of the greater of approximately $300 for domestic insurers or $1,000 for external insurers, and an amount determined as per a prescribed formula set out in legislation. The formula prescribes the minimum capital requirements for the IHIC's assets and liabilities on a risk basis and also provides for a margin for catastrophe risk. IHIC holds both a domestic insurer license and an external insurer Class A license. Additionally, IHIC has regulated insurance operations in several other jurisdictions throughout the Caribbean. As at 31 December 2023, IHIC was in compliance with regulatory requirements.

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7 Segmental information

Management has determined the operating segments based on a combination of factors, including products, geographical areas and reports reviewed by the Group Chief Executive Officer ("CEO") used to make strategic decisions. All the operating segments meet the definition of a reportable segment.

Health, life, annuity and pension

This operating segment includes group and individual health and accident, life, disability, annuity and pension products offered in Bermuda, Bahamas and Cayman.

Property and casualty (Bermuda)

This operating segment includes the following products: personal and commercial fire, windstorm, burglary, public liability, marine, special types, personal automobile, personal auto-cycle, workmen's compensation and commercial vehicles.

Real estate (Bermuda)

This operating segment includes the Group's real estate operations in Bermuda. The Group currently holds ownership in three buildings, with full ownership of two buildings and a majority ownership in the other. The Group occupies one of the fully owned buildings and the other two are leased principally to non-related parties. Two of the three operations within this segment are now classified as held for sale, refer to Note 4.

Cayman Islands and other Caribbean operations

This operating segment is identified by its geographical location. Insurance coverage includes motor, property, marine, and casualty business.

Corporate and other

Corporate operations consist of corporate level income and expenses and returns from investments not allocated to any operating segments. It also represents the combined operations of a holding company, a management company, and an investment management company. The Group manages shared services centrally with most costs allocated based on either net assets, head count, expenses or revenues. Some central costs are not allocated and remain within the corporate Group.

Measurement basis

The accounting policies of the segments are generally the same as those for the Group as a whole, adjustments are made at the Group level where differences exist. The Group evaluates performance of operating segments on the basis of profit or loss from operations before tax.

Intersegment income is recorded at management's estimate of current market prices.

(in thousands of Bermuda dollars)

The segmental information provided to the CEO for the reportable segments for the year ended 31 December 2023 is as follows:

	Health, life, annuity, and pension	Property and casualty	Real estate	Cayman and other Caribbean operations	Corporate and other	Total
	2023	2023	2023	2023	2023	2023
Results by segment	$	$	$	$	$	$
Insurance revenue	128,528	63,372	–	185,641	–	377,541
Insurance service expenses	(128,157)	(17,594)	–	(41,151)	162	(186,740)
Net expenses from reinsurance contracts held	(2,438)	(30,290)	–	(130,382)	(162)	(163,272)
Insurance service result	**(2,067)**	**15,488**	**–**	**14,108**	**–**	**27,529**
Investment revenue calculated using the effective interest method	35,091	6,622	–	3,283	(170)	44,826
Movement in investment contract liabilities	(5,883)	–	–	–	–	(5,883)
Net investment income	**29,208**	**6,622**	**–**	**3,283**	**(170)**	**38,943**
Net finance income/(expense) from insurance contracts issued	(9,282)	(653)	–	(1,189)	(9,090)	(11,124)
Net finance income/(expense) from reinsurance contracts held	(303)	437	–	704	(381)	838
Net insurance financial result	**(9,585)**	**(216)**	**–**	**(485)**	**(9,471)**	**(10,286)**
Other income	(11,287)	(40)	(3,799)	(31)	(1,498)	(16,655)
Allocation of participating policyholders' share of net income	837	–	–	–	–	837
Other operating expenses	16,452	10,789	850	9,481	2,088	39,660
Amortisation expense	89	1,365	1,225	386	1,257	4,322
Commission and acquisition expense	110	–	–	–	–	110
Interest expense	–	–	–	14	125	139
Income taxes	–	–	–	467	133	600
Non-controlling interest	–	–	433	–	–	433
Shareholders' net income	**11,355**	**9,780**	**(1,291)**	**6,589**	**(2,276)**	**26,740**
Other segment information						
Net impairment on investments	879	–	–	–	–	879
Impairment losses on intangible assets	67	207	–	–	13	287
Total assets	**2,006,431**	**130,518**	**30,655**	**136,435**	**15,456**	**2,319,495**
Fixed asset and intangible expenditures	34	27	1,260	811	774	2,906
Total liabilities	**1,898,823**	**35,470**	**2,173**	**78,952**	**(2,831)**	**2,012,587**

(in thousands of Bermuda dollars)

The segmental information provided to the CEO for the reportable segments for the year ended 31 December 2022 is as follows:

	Health, life, annuity, and pension	Property and casualty	Real estate	Cayman and other Caribbean operations	Corporate and other	Total
	2022	2022	2022	2022	2022	2022
Results by segment (restated)	$	$	$	$	$	$
Insurance revenue	117,973	60,180	–	177,054	–	355,207
Insurance service expenses	(105,074)	(25,591)	–	(49,308)	–	(179,973)
Net expenses from reinsurance contracts held	(3,114)	(23,196)	–	(118,475)	–	(144,785)
Insurance service result	**9,785**	**11,392**	**–**	**9,272**	**–**	**30,449**
Investment revenue	(58,536)	(4,807)	–	(3,805)	642	(66,506)
Movement in investment contract liabilities	19,709	–	–	–	–	19,709
Net investment income	**(38,827)**	**(4,807)**	**–**	**(3,805)**	**642**	**(46,797)**
Net finance income/(expense) from insurance contracts issued	36,625	(83)	–	217	–	36,759
Net finance income/(expense) from reinsurance contracts held	2,318	109	–	(139)	–	2,288
Net insurance financial result	**38,943**	**26**	**–**	**78**	**–**	**39,047**
Other income	(9,930)	(52)	(1,930)	(28)	(2,286)	(14,226)
Allocation of participating policyholders' share of net income	(259)	–	–	–	–	(259)
Other operating expenses	17,534	10,607	894	6,904	783	36,722
Amortisation expense	253	7,053	1,257	365	1,560	10,488
Commission and acquisition expense	171	–	–	–	–	171
Interest expense	–	–	–	16	84	100
Income taxes	–	–	–	373	301	674
Non-controlling interest	–	–	84	–	–	84
Shareholders' net loss	**2,132**	**(10,996)**	**(305)**	**(2,086)**	**200**	**(11,055)**
Other segment information						
Credit impairment recoveries on mortgages	(1,292)	–	–	–	–	(1,292)
Impairment losses on intangible assets	–	5,428	–	–	227	5,655
Total assets	**1,745,397**	**104,113**	**28,624**	**143,112**	**32,017**	**2,053,263**
Fixed asset and intangible expenditures	109	135	1,467	618	4,888	7,217
Total liabilities	**1,636,184**	**73,484**	**1,373**	**37,623**	**14,190**	**1,762,854**

8 Fair value measurements

A. Fair value methodologies and assumptions

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

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

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

For disclosure purposes, the fair values of mortgages and loans classified as amortised cost are determined by discounting the expected future cash flows using a current market interest rate applicable to financial instruments with a similar yield, credit quality and maturity characteristics. Valuation inputs typically include benchmark yields and risk-adjusted spreads from current lending activities or loan issuances. For impaired mortgages, fair value reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

Fair values for investment properties and residential properties foreclosed pending sale are assessed annually and reviewed quarterly for material changes. The fair value is assessed using the most recently available reports from qualified external appraisal services. Investment properties are appraised externally at least once every three years. The Bermuda properties were externally valued as at 30 June 2023. Values are estimated using 1) the income approach to estimate the present value of discounted projected future cash flows using current rental values, assessed rental values or market rental values at a market discount rate; or 2) determined having regard to recent market transactions for similar properties in similar locations or where such information is not readily available, other valuation techniques such as the income capitalisation model are used. The methodologies and inputs used in these models are in accordance with real estate industry valuation standards. Valuation inputs include estimated rental value, rental growth rates, vacancy rates, discount rates, future operating expenses and terminal growth rates. Changes in valuation inputs can have a significant impact on fair value assessed.

The fair value of investments for accounts of segregated fund holders is determined using quoted prices in active markets or independent valuation information provided by investment managers. The fair value of direct investments within investments for accounts of segregated fund holders, such as short-term securities and government and corporate debt securities, is determined according to valuation methodologies and inputs described above in the respective asset type sections.

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Liabilities for investment contracts are held at FVTPL. Contracts recorded at FVTPL are measured at fair value at inception and each subsequent reporting period. Changes in investment contract liabilities are recorded as a change in investment contract benefits expense in the consolidated statement of income. These liabilities are derecognised when the obligation of the contract is discharged, cancelled or expired.

B. Fair value hierarchy

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

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

i) Level 1

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

ii) Level 2

Fair value for level 2 are inputs, other than quoted prices included within level 1, that are observable for the asset or liability either directly or indirectly. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. These inputs include the following:

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

iii) Level 3

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

C. Assets and liabilities measured at fair value

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

As at 31 December 2023	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
At FVTPL:				
Fixed income securities	72,591	458,744	–	531,335
Segregated fund assets	1,271,286	81,907	–	1,353,193
Regulatory assets	14,994	11,135	–	26,129
Equity and fund investments	53,566	71,198	–	124,764
Derivatives	–	–	2,739	2,739
Designated at fair value through other comprehensive income:				
Equity and funds	–	25,551	1,066	26,617
Total assets measured at fair value on a recurring basis	**1,412,437**	**648,535**	**3,805**	**2,064,777**
Liabilities				
At FVTPL:				
Investment contract liabilities	–	324,434	–	324,434
Segregated fund liabilities	–	1,353,193	–	1,353,193
Total liabilities measured at fair value on a recurring basis	**–**	**1,677,627**	**–**	**1,677,627**

As at 31 December 2022 (restated)	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
At FVTPL:				
Fixed income securities	72,997	424,786	–	497,783
Segregated fund assets	1,046,538	81,953	–	1,128,491
Regulatory assets	12,228	12,448	–	24,676
Equity and fund investments	46,878	81,324	–	128,202
Total assets measured at fair value on a recurring basis	**1,178,641**	**600,511**	**–**	**1,779,152**
Liabilities				
At FVTPL:				
Investment contract liabilities	–	298,217	–	298,217
Segregated fund liabilities	–	1,128,491	–	1,128,491
Total liabilities measured at fair value on a recurring basis	**–**	**1,426,708**	**–**	**1,426,708**

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Additional information pertaining to assets measured at fair value on a recurring basis which fall into Level 3 of the fair value hierarchy is provided below.

The following table depicts the changes in Level 3 assets for the reporting period ended 31 December 2023.

	Unquoted securities at FVOCI $	Derivatives at FVTPL $	Total $
Opening balance on 1 January 2023 *	–	–	–
Additions in the period	1,066	3,723	4,789
Unrealized losses recognised in OCI	–	–	–
Unrealized losses recognised in Net income **	–	(984)	(984)
Closing balance on 31 December 2023	**1,066**	**2,739**	**3,806**

* Following the application of the IFRS 9 classification overlay on 1 January 2022 (see Note 3B), there were no assets measured at fair value on a recurring basis at the commencement or during the 2022 reporting period.

** Presented within Investment result in the consolidated statement of income.

The following table sets out information about significant unobservable inputs used to determine fair values of Level 3 assets:

	Valuation approach	Significant unobservable inputs utilized in valuation		Relationship of unobservable inputs to fair value
Unquoted equity securities at FVOCI	The value of the investee company was derived using estimations of future cash flows for a set period of time and the terminal value, which were then discounted using a risk-adjusted rate. A constant, long-term earnings growth factor was applied in determining the terminal value.	*Earnings growth factor:* The earnings growth factor was estimated based on market information for similar companies. *Risk-adjusted discount rate:* The discount rate was determined using a capital asset pricing model and reflects current market assessments of the time value of money and the risk specific to the investee company.	2.00% 11.90%	A higher earnings growth factor and lower discount rate would increase the FV; a lower growth factor and higher discount rate would decrease FV.
Derivatives at FVTPL	Derivatives consist of a long position in call options over the equity securities of an unrelated company and were valued using the industry-standard Black-Scholes option pricing model. One of the key inputs to the model is the volatility measure - this is also the only significant input that is unobservable. Other observable inputs are the risk-free rate, time to expiration, the current market price of the underlying security and the exercise price.	*Volatility:* Historical volatility levels of the underlying security were calculated for a range of time periods using exchange-quoted price history information. Management then applied a judgmental overlay to account for, among other factors, low trading frequency and low traded volumes. The midpoint of this range of adjusted volatility measures was used in the model.	42.50%	A higher volatility assumption would increase the FV, while a lower volatility assumption would decrease FV. The FV using a volatility assumption of 40% would be $2,532. Using a volatility assumption of 45% would increase the value to $2,919.

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D. Assets and liabilities not measured at fair value

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

	Level 1	Level 2	Level 3	Total
As at 31 December 2023	**$**	**$**	**$**	**$**
Assets				
Financial assets classified as amortised cost:				
Cash and cash equivalents	83,897	–	–	83,897
Mortgages *	–	–	28,924	28,924
Other non-financial assets:				
Investment properties	–	–	39,550	39,550
	83,897	–	68,474	152,371
Assets held for sale	(218)	–	(11,700)	(11,918)
Total assets not measured at fair value but for which fair value is disclosed	**83,679**	**–**	**56,774**	**140,453**

	Level 1	Level 2	Level 3	Total
As at 31 December 2022 (restated)	**$**	**$**	**$**	**$**
Assets				
Financial assets classified as amortised cost:				
Cash and cash equivalents	75,847	–	–	75,847
Fixed income securities	–	966	–	966
Mortgages *	–	–	32,837	32,837
Corporate loan	–	–	11,825	11,825
Other non-financial assets:				
Investment properties	–	–	36,800	36,800
Total assets not measured at fair value but for which fair value is disclosed	**75,847**	**966**	**81,462**	**158,275**

*Includes Residential properties foreclosed and pending imminent sale.

9 Cash and cash equivalents

	2023	2022
	$	$
Cash at bank and in hand	79,120	68,155
Short-term bank deposits	4,777	7,692
	83,897	75,847
Assets held for sale	(218)	–
Total	**83,679**	**75,847**

10 Regulatory assets

	2023	2022
	$	$
Regulatory assets	26,129	24,676
Total	**26,129**	**24,676**

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

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11 Financial instruments

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

	FVTPL	Amortised cost	FVOCI	Total carrying amount
31 December 2023	$	$	$	$
Financial assets				
Cash and cash equivalents	–	83,897	–	83,897
Regulatory assets	26,129	–	–	26,129
Recognised within Investments:				
Fixed income securities	531,335	–	–	531,335
Equity and fund investments	124,764	–	26,617	151,381
Mortgages *	–	32,177	–	32,177
Derivative	2,739	–	–	2,739
Segregated fund assets	1,353,193	–	–	1,353,193
	2,038,160	116,074	26,617	2,180,851
Assets held for sale	–	(218)	–	(218)
Total financial assets	**2,038,160**	**115,856**	**26,617**	**2,180,633**
Financial liabilities				
Investment contract liabilities	324,434	–	–	324,434
Segregated fund liabilities	1,353,193	–	–	1,353,193
Total financial liabilities	**1,677,627**	**–**	**–**	**1,677,627**

* Includes residential properties foreclosed and pending imminent sale.

31 December 2022	FVTPL $	Amortised cost $	Total carrying amount $
Financial assets			
Cash and cash equivalents	–	75,847	75,847
Regulatory assets	24,676	–	24,676
Recognised within Investments:			
Fixed income securities	497,783	1,000	498,783
Equity and fund investments	128,202	–	128,202
Mortgages *	–	34,227	34,229
Corporate loan	–	12,000	12,000
Segregated fund assets	1,128,491	–	1,128,491
Total financial assets	**1,779,152**	**123,074**	**1,902,224**
Financial liabilities			
Investment contract liabilities	298,217	–	298,217
Segregated fund liabilities	1,128,491	–	1,128,491
Total financial liabilities	**1,426,708**	**–**	**1,426,708**

* Includes residential properties foreclosed and pending imminent sale.

12 Other assets

	2023 $	2022 (restated) $
Other receivables and prepayments	10,395	18,882
Accrued investment income	4,684	4,125
Other deferred costs	256	366
Tenant allowances	632	769
	15,967	24,142
Assets held for sale	(324)	–
Total	**15,643**	**24,142**

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13 Insurance revenue

The tables below analyses the Group's insurance revenue in the consolidated statement of income. The Group disaggregates information in Notes 13, 14 and 23 to provide disclosures in respect of the following major insurance product lines separately:

- Long-duration life and annuities under the GMM
- Short-duration life and health under the PAA
- Property and casualty under the PAA
- Cayman and other Caribbean operations under the PAA

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

	Long-duration life and annuities under the GMM 2023 $	Short-duration life and health under the PAA 2023 $	Property and casualty under the PAA 2023 $	Cayman and other Caribbean operations under the PAA 2023 $	Total 2023 $
CSM recognised for services provided	1,561	–	–	–	1,561
Change in risk adjustment for non-financial risk for risk expired	657	–	–	–	657
Expected insurance service expenses incurred:					
Claims	5,980	–	–	–	5,980
Expenses	1,171	–	–	–	1,171
Total revenue from contracts not measured under the PAA	9,369	–	–	–	9,369
Revenue from contracts measured under the PAA	–	119,159	63,372	185,641	368,172
Total insurance revenue	**9,369**	**119,159**	**63,372**	**185,641**	**377,541**

	Long-duration life and annuities under the GMM	Short-duration life and health under the PAA	Property and casualty under the PAA	Cayman and other Caribbean operations under the PAA	Total
	2022	2022	2022	2022	2022
	$	$	$	$	$
CSM recognised for services provided	1,353	–	–	–	1,353
Change in risk adjustment for non-financial risk for risk expired	672	–	–	–	672
Expected insurance service expenses incurred:					
Claims	5,790	–	–	–	5,790
Expenses	1,193	–	–	–	1,193
Total revenue from contracts not measured under the PAA	9,008	–	–	–	9,008
Revenue from contracts measured under the PAA	–	108,965	60,180	177,054	346,199
Total insurance revenue	**9,008**	**108,965**	**60,180**	**177,054**	**355,207**

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14 Net investment income and net insurance financial result

The Group disaggregates information in this note according to the major product lines mentioned in Note 13. This note also discloses net investment income on non-insurance business and categorises these amounts under “Corporate and other”:

(Continued on next page).

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	Long-duration life and annuities under the GMM	Short-duration life and health under then PAA	Property and casualty under the PAA	Cayman and other Caribbean operations under the PAA	Corporate and other	Total
	2023	2023	2023	2023	2023	2023
	$	$	$	$	$	$
Net investment return						
Interest income on financial assets not measured at FVTPL (calculated using the effective interest rate method)	1,914	–	48	–	719	2,681
Net gains on FVTPL financial assets	9,702	791	6,088	3,102	25,968	45,651
Dividend income	–	–	486	181	384	1,051
Net credit impairment loss on financial assets	–	–	–	–	(879)	(879)
Less: Crediting interest on guaranteed contracts for the account of customers	–	–	–	–	(3,678)	(3,678)
	11,616	**791**	**6,622**	**3,283**	**22,514**	**44,826**
Net finance expenses from insurance contracts issued						
Interest accreted	(10,587)	(155)	(656)	(1,195)	–	(12,593)
Effect of changes in interest rates and other financial assumptions	1,498	(38)	3	6	–	1,469
Total net finance expense from insurance contracts issued	**(9,089)**	**(193)**	**(653)**	**(1,189)**	**–**	**(11,124)**
Net finance income from reinsurance contracts held						
Interest accreted	(542)	55	438	710	–	661
Effect of changes in interest rates and other financial assumptions	161	23	(1)	(6)	–	177
Total net finance expense from reinsurance contract held	**(381)**	**78**	**437**	**704**	**–**	**838**
Movement in investment contract liabilities	–	–	–	–	(5,883)	(5,883)
Total net investment income and net insurance financial result	**2,146**	**676**	**6,406**	**2,798**	**16,631**	**28,657**
Represented by:						
Amounts recognised in the consolidated statement of income:						
– Within net investment income	11,616	791	6,622	3,283	16,631	38,943
– Within net insurance finance result	(9,470)	(115)	(216)	(485)	(9,470)	(10,286)
Total net investment income and net insurance financial result	**2,146**	**676**	**6,406**	**2,798**	**16,631**	**28,657**

(in thousands of Bermuda dollars)

	Long-duration life and annuities under the GMM	Short-duration life and health under then PAA	Property and casualty under the PAA	Cayman and other Caribbean operations under the PAA	Corporate and other	Total
	2022	2022	2022	2022	2022	2022
	$	$	$	$	$	$
Net investment return						
Interest income on financial assets not measured at FVTPL (calculated using the effective interest rate method)	2,043	–	48	–	777	2,868
Net gains on FVTPL financial assets	(41,886)	388	(5,234)	(3,985)	(18,860)	(69,577)
Dividend income	–	–	379	180	404	963
Net credit impairment loss reversal on financial assets	–	–	–	–	1,291	1,291
Less: Crediting interest on guaranteed contracts for the account of customers	–	–	–	–	(2,051)	(2,051)
Total net investment return	**(39,843)**	**388**	**(4,807)**	**(3,805)**	**(18,439)**	**(66,506)**
Net finance expenses from insurance contracts issued						
Interest accreted	(7,375)	(64)	(61)	(200)	–	(7,700)
Effect of changes in interest rates and other financial assumptions	43,889	175	(22)	417	–	44,459
Total net finance expense from insurance contracts issued	**36,514**	**111**	**(83)**	**217**	**–**	**36,759**
Net finance income from reinsurance contracts held						
Interest accreted	(308)	17	37	139	–	(115)
Effect of changes in interest rates and other financial assumptions	2,675	(66)	72	(278)	–	2,403
Total net finance expense from reinsurance contract held	**2,367**	**(49)**	**109**	**(139)**	**–**	**2,288**
Movement in investment contract liabilities	–	–	–	–	19,709	19,709
Total net investment income and net insurance financial result	**(962)**	**450**	**(4,781)**	**(3,726)**	**1,270**	**(7,749)**
Represented by:						
Amounts recognised in the consolidated statement of income:						
– Within net investment income	(39,843)	388	(4,807)	(3,805)	1,270	(46,797)
– Within net insurance finance result	38,881	62	26	78	–	39,047
Total net investment income and net insurance financial result	**(962)**	**450**	**(4,781)**	**(3,727)**	**1,270**	**(7,750)**

15 Investment properties

	2023	2022
	$	$
Cost	37,809	37,422
Accumulated depreciation	(16,614)	(15,591)
	21,195	21,831
Assets held for sale	(5,545)	–
Net book value	**15,650**	**21,831**
Year ended 31 December		
At beginning of year	21,831	21,579
Net additions and capital improvements	388	1,240
Amortisation	(1,024)	(988)
Transfer to assets held for sale	(5,545)	–
Closing net book value	**15,650**	**21,831**

Investment properties located in Bermuda consist of 30 Woodbourne, owned by Scarborough, a 60% owned subsidiary, and Exchange House, owned by Barr's Bay, a wholly-owned subsidiary. The Group has entered into non-cancellable operating leases on space within several of the Group's office buildings as a lessor.

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

Rental income generated from these investment properties during the year amounted to $2,889 (2022 – $1,929). Operating expenses incurred in support of generating rental income from investment properties were $157 (2022 – $34).

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16 Property and equipment

A. Property and equipment comprises:

	Land and buildings	Furniture, equipment and leasehold improve-ments	Computer hardware	Motor Vehicles	Total
	$	$	$	$	$
At 1 January 2022					
Cost	17,088	4,114	5,618	126	26,946
Accumulated amortisation	(4,121)	(3,409)	(4,014)	(121)	(11,665)
Net book value	**12,967**	**705**	**1,604**	**5**	**15,281**
Year ended 31 December 2022					
Additions	3,761	790	169	–	4,720
Disposals	(1,411)	(464)	(2,724)	–	(4,599)
Disposals – accumulated amortisation	525	454	2,719	–	3,698
Amortisation charge	(622)	(232)	(568)	(5)	(1,427)
Effect of movement in exchange rates	(61)	(1)	(63)	–	(125)
Closing net book value	**15,159**	**1,252**	**1,137**	**–**	**17,548**
At 31 December 2022					
Cost	19,342	4,417	2,827	126	26,712
Accumulated amortisation	(4,183)	(3,165)	(1,690)	(126)	(9,164)
Total net book value	**15,159**	**1,252**	**1,137**	**–**	**17,548**
Year ended 31 December 2023					
Transfer to held for sale assets – cost	(8,121)	(240)	–	–	(8,361)
Transfer to held for sale assets – accumulated amortisation	3,580	65	–	–	3,645
Additions	769	221	413	–	1,403
Disposals	–	(70)	(335)	–	(405)
Disposals – accumulated amortisation	–	70	335	–	405
Amortisation charge	(591)	(259)	(503)	–	(1,353)
Effect of movement in exchange rates	80	14	16	–	110
Closing net book value	**10,876**	**1,053**	**1,063**	**–**	**12,992**
At 31 December 2023					
Cost	12,075	4,343	2,962	126	19,506
Accumulated amortisation	(1,199)	(3,290)	(1,899)	(126)	(6,514)
Total net book value	**10,876**	**1,053**	**1,063**	**–**	**12,992**

B. Leases:

This note provides information for leases where the Group is a lessee. For leases where the Group is a lessor, see Note 15.

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

	2023	2022
	$	$
Right-of-use assets		
Land and buildings	3,594	3,745
Furniture, equipment and leasehold improvements	162	164
	3,756	**3,909**
Lease liabilities		
Other liabilities	3,893	3,967
	3,893	**3,967**

Additions to the right-of-use assets during the year were $nil (2022 – $3,535).

ii) Amounts recognised in the consolidated statement of income:

	2023	2022
	$	$
Amortisation charge of right-of-use assets		
Land and buildings	231	222
Furniture, equipment, and leasehold improvements	43	43
	274	265
Interest expense	139	100
Expense relating to short-term leases (included in operating expenses)	–	105
Expenses relating to leases of low-value assets (included in operating expenses)	67	72

The total cash outflow for leases was $366 (2022 – $409).

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

	Within 1 year	1 to 5 years	Over 5 years	Total
	$	$	$	$
Lease liabilities	221	719	2,953	3,893

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

	Within 1 year	1 to 5 years	Over 5 years	Total
	$	$	$	$
Lease liabilities	159	793	3,015	3,967

17 Income taxes

Income tax is calculated and payable on the profits of BF&M Canada, and IHIC which operate in jurisdictions with corporate tax requirements.

A. Income tax

The income tax expense comprises:

	2023	2022
	$	$
Current tax	684	694
Deferred tax	(84)	(20)
Total income tax expense	**600**	**674**

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

	2023	2022 (restated)
	$	$
BF&M Canada and IHIC's (loss)/income before corporation tax	5,769	(2,333)
Tax calculated at effective rates of 29% and 8.5% respectively	586	713
Income not subject to tax	(1)	(32)
Tax (under)/over accrual	15	(7)
Income tax expense	**600**	**674**

B. Deferred taxes

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

	2023	2022
	$	$
Deferred tax assets:		
Insurance contract liabilities	174	174
Reinsurance contract assets	407	407
Tax charge related to components of other comprehensive income	485	485
Deferred tax asset	**1,066**	**1,066**
Deferred tax liabilities:		
Accelerated tax depreciation	(65)	(66)
Insurance contract liabilities	(607)	(690)
Deferred tax liability	**(672)**	**(756)**
Net deferred tax asset	**394**	**310**

C. Tax recoverable

	2023	2022
	$	$
Tax recoverable at beginning of year	1,243	1,245
Tax payments made	309	–
Tax under accrual	(1)	(2)
Other	(3)	–
Total tax recoverable at end of year	**1,548**	**1,243**
Tax payable at beginning of year	(456)	(240)
Tax payments made	410	509
Current tax expense for year	(684)	(694)
Tax over accrual	(14)	(18)
Other	16	(13)
Total tax payable at end of year	(728)	(456)
Net tax recoverable	**820**	**787**

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D. Impact to other comprehensive income/(loss)

The tax credit/(charge) relating to components of OCI is as follows:

	2023		
	Before tax	Tax (charge)/credit	After tax
	$	$	$
Re-measurements of retirement benefit obligations	85	–	85
Unrealised (losses)/gains on fair value through OCI investments	(1,554)		(1,554)
Currency translation differences	34	133	167
Total other comprehensive income	**(1,435)**	**133**	**(1,302)**

	2022		
	Before tax	Tax (charge)/credit	After tax
	$	$	$
Re-measurements of retirement benefit obligations	383	–	383
Currency translation differences	(731)	301	(430)
Total other comprehensive income	**(348)**	**301**	**(47)**

(in thousands of Bermuda dollars)

18 Goodwill and intangible assets

The carrying amounts of intangible assets are as follows:

	Customer relationships and contracts	Distribution channels	Brands	Software development costs	Goodwill	Total
	$	$	$	$	$	$
At 1 January 2022						
Cost	9,370	14,500	2,040	47,652	5,607	79,169
Accumulated amortisation	(6,628)	(14,138)	(2,040)	(33,826)	–	(56,632)
Net book value	**2,742**	**362**	**–**	**13,826**	**5,607**	**22,537**
Year ended 31 December 2022						
Additions	–	–	–	1,257	–	1,257
Disposals	–	–	–	(15,659)	–	(15,659)
Disposals – accumulated amortisation	–	–	–	15,658	–	15,659
Amortisation	(918)	(362)	–	(3,204)	–	(4,484)
Impairment losses	–	–	–	(255)	(5,400)	(5,655)
Closing net book value	**1,824**	**–**	**–**	**11,623**	**207**	**13,654**
At 31 December 2022						
Cost	9,370	14,500	2,040	32,995	207	59,112
Accumulated amortisation	(7,546)	(14,500)	(2,040)	(21,372)	–	(45,458)
Total net book value	**1,824**	**–**	**–**	**11,623**	**207**	**13,654**
Year ended 31 December 2023						
Additions	–	–	–	1,115	–	1,115
Disposals	–	–	–	(2,399)	–	(2,399)
Disposals – accumulated amortisation	–	–	–	2,399	–	2,399
Amortisation	(720)	–	–	(3,077)	–	(3,797)
Impairment losses	–	–	–	(80)	(207)	(287)
Closing net book value	**1,104**	**–**	**–**	**9,581**	**–**	**10,685**
At 31 December 2023						
Cost	9,370	14,500	2,040	31,631	–	57,541
Accumulated amortisation	(8,266)	(14,500)	(2,040)	(22,050)	–	(48,856)
Total net book value	**1,104**	**–**	**–**	**9,581**	**–**	**10,685**
Remaining weighted average amortisation period in years	1.2	–	–	3.0	n/a	

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

A. Goodwill

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

B Software development costs

Costs associated with the development of information systems are deferred to the extent that the cost satisfies the criteria under IAS 38 – Intangible assets, until such time that management determines that a component is available for use in the manner expected and then it is amortised over its expected useful life. Annually, the Group reviews its software development costs available for use, for evidence of impairment. The Group impaired software development costs of $80 in 2023 (2022 – $255). Annually in accordance with IAS 36, the Group reviews whether there is any indication that an impairment loss previously recognised for an asset either not longer exists or has decreased. The amount of any reversal that can be recognised is restricted to the carrying value that would have been recognised if the original impairment had not occurred. For significant software development costs not available for use, management performs an impairment assessment annually in accordance with IAS 36, using the methodology described in Note 2(J)(ii).

19 Segregated funds

The Group's segregated funds net assets were comprised entirely of mutual funds for both the 2023 and 2022 years.

Segregated funds – consolidated statements of changes in net assets

	2023	2022
	$	$
Segregated funds assets – beginning of year	1,128,491	1,349,792
Additions:		
Pension contributions	154,420	159,887
Net realised and unrealised gains (losses)	200,289	(248,996)
Total additions	354,709	(89,109)
Deductions:		
Payments to policyholders and their beneficiaries	(118,348)	(120,736)
Management fees	(11,659)	(11,456)
Total deductions	(130,007)	(132,192)
Net additions/(deductions) to segregated funds	224,702	(221,301)
Total segregated funds assets – end of year	**1,353,193**	**1,128,491**

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20 Other liabilities

	2023	2022
	$	$
Payables and accrued expenses	35,282	36,722
Lease liabilities	3,893	3,967
Dividends payable	2,866	2,465
	42,041	43,154
Liabilities held for sale	(165)	–
Total	**41,876**	**43,154**

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

21 Retirement benefit obligations

A. Defined contribution pension plan

The Group has established a defined contribution pension plan for eligible qualifying employees. Contributions by the Group to the defined contribution plan are subject to certain vesting requirements and are generally a set percentage of an employee's annual income and matched against employee contributions. The cost of the defined contribution pension plan is not reflected in the tables below. An expense of $1,197 (2022 – $1,191) equating to the service cost for the year for these employees was reported during the year.

B. Post retirement medical plan

The Group sponsors a post-retirement medical benefit plan for its Bermuda employees. The main benefit provided is for health care. Prior to 1 January 2012, the Group paid 50% of the total premiums paid to the insurer and the pensioner paid the balance. Retirees after 31 December 2011 pay 100% of their premiums if they want to continue to be covered by the plan. This change reduced the number of current employees who will be prospectively entitled to benefits. The plan is closed to new entrants from employees hired after 1999.

Cash contributions to the plan by the Group during 2023 were $191 (2022 – $197).

C. Defined benefit pension plan

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

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

(in thousands of Bermuda dollars)

The Group measures the fair value of assets and the accrued benefit obligations as of 31 December. The most recent actuarial valuation of the plan's assets and the present value of the defined benefit obligation were carried out as of 31 December 2021.

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

	2023	2022
	$	$
Defined benefit pension plan (asset)/liability	(922)	(1,038)
Medical benefit plan (asset)/liability	1,513	1,678
Total retirement benefit obligations	**591**	**640**

	Defined benefit pension plan		Medical benefit plan	
	2023	2022	2023	2022
Changes in benefit obligation	$	$	$	$
Balance – beginning of year	34,485	40,644	1,678	2,320
Current service cost	144	200	–	–
Interest expense	1,367	967	71	50
Actuarial (gains) and losses due to changes in:				
Experience	101	(245)	4	(267)
Economic assumption changes	(1,149)	(6,769)	(49)	(228)
Changes in asset ceiling, excluding amounts included in interest expense	2,086	1,779	–	–
Benefits paid	(2,071)	(2,091)	(191)	(197)
Total benefit obligation – end of year	**34,963**	**34,485**	**1,513**	**1,678**

	Defined benefit pension plan		Medical benefit plan	
	2023	2022	2023	2022
Changes in plan assets	$	$	$	$
Fair value – beginning of year	35,523	42,011	–	–
Return on plan assets	2,488	(4,348)	–	–
Employer contributions	–	–	191	197
Plan expenses	(55)	(49)	–	–
Benefits paid	(2,071)	(2,091)	(191)	(197)
Total fair value of plan assets – end of year	**35,885**	**35,523**	**–**	**–**
Net (benefit) liability recognised in the consolidated statement of financial position	**(922)**	**(1,038)**	**1,513**	**1,678**

(in thousands of Bermuda dollars)

Amounts recognised in respect of these plans:

	Defined benefit pension plan		Medical benefit plan	
	2023	2022	2023	2022
Net benefit cost recognised in consolidated statement of income	$	$	$	$
Current service cost	144	200	–	–
Interest expense	1,367	967	71	50
Expected return on plan assets	(1,654)	(1,085)	–	–
Administrative expense	55	49	–	–
Interest on effect of asset ceiling	245	88	–	–
Total net benefit cost	**157**	**219**	**71**	**50**

	Defined benefit pension plan		Medical benefit plan	
	2023	2022	2023	2022
Re-measurement effects recognised in OCI	$	$	$	$
Return on plan assets (excluding amounts included in interest income)	(834)	5,433	–	–
Actuarial gains and losses due to change in:				
Experience	101	(245)	–	(267)
Financial assumptions	(1,149)	(6,769)	4	(228)
Adjustments for restrictions on the defined benefit asset	1,842	1,692	(49)	–
Total re-measurements effects	**(40)**	**111**	**(45)**	**(495)**

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

		2023			2022	
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
	$	$	$	$	$	$
Equity and fund instruments	9,172	–	9,172	16,016	–	16,016
Fixed income instruments	26,990	–	26,990	18,377	–	18,377
Real estate	–	442	442	–	623	623
Other	–	(719)	(719)	–	507	507
Total asset allocation	**36,162**	**(277)**	**35,885**	**34,393**	**1,130**	**35,523**

Plan assets include the Group's ordinary shares with a fair value of $1,400 (2022 – $1,176).

Risk

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

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

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

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

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

Actuarial assumptions

	Defined benefit pension plan		Medical benefit plan	
	2023	2022	2023	2022
	%	%	%	%
Benefit cost during the year:				
Discount rate	5.25	4.80	5.00	4.50
Compensation increase	3.50	3.30	–	–
Medical claims inflation	–	–	5.00	5.00
Defined benefit obligation at end of year:				
Discount rate	5.25	4.80	5.00	4.50
Compensation increase	4.50	4.30	–	–
Medical claims inflation	–	–	5.00	5.00

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

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

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

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

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

	Defined benefit pension plan		Medical benefit plan	
	Increase 2023	Decrease 2023	Increase 2023	Decrease 2023
	$	$	$	$
Discount rate	2,358	2,777	90	101
Compensation increase	92	91	n/a	n/a
Average life expectancy	826	1,520	98	94

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

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

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

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

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

Expected contributions to post-employment benefit plans for the year ending 31 December 2024 are $180.

The weighted average duration of the defined benefit obligation is 9.24 years. The weighted average duration of the medical plan obligation is 6.31 years.

Future benefit payments

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

	2024	2025	2026	2027	2028-2037
	$	$	$	$	$
Defined benefit pension	2,230	2,301	2,522	2,535	31,600
Medical benefit plan	180	158	130	102	274
Total future payments	**2,410**	**2,459**	**2,652**	**2,637**	**31,874**

Notes to Consolidated Financial Statements
For the year ended 31 December 2023
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22 Investment contract liabilities

The composition of investment contract liabilities and the movement in liabilities are shown below:

	2023	2022
Composition of investment contract liabilities	$	$
Guaranteed interest pension	323,522	297,112
Term certain annuities	912	1,105
Total investment contract liabilities	**324,434**	**298,217**

	2023	2022
Investment contract liabilities carried at fair value	$	$
At 1 January	298,217	308,075
Pension contributions	58,959	48,900
Net investment (loss)/income	9,466	(17,742)
Benefits paid	(33,193)	(37,457)
Management fees deducted	(220)	(4)
Net transfers out	(8,795)	(3,555)
Total at 31 December	**324,434**	**298,217**

In the above reconciliation, the investment return from the underlying assets represents changes in the fair value of the investment contract liabilities due to the changes in market conditions. The amount due to the investors is contractually determined based on the performance of the underlying assets. The effect of this feature on the fair value of the liabilities is asset-specific performance risk, not credit risk of the liability; accordingly, no amount of fair value gain or loss required an allocation to OCI.

(in thousands of Bermuda dollars)

23 Insurance and reinsurance contracts

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

31 December 2023	Note	Long-duration life and annuities under the GMM $	Short-duration life and health under the PAA $	Property & casualty under the PAA $	Cayman and other Caribbean operations under the PAA $	Total $
Insurance contracts						
Insurance contracts liabilities	A	175,679	20,197	31,138	59,736	286,750
Reinsurance contracts held						
Reinsurance contracts held assets	A	(656)	(5,450)	(23,713)	(42,056)	(71,875)
Reinsurance contracts held liabilities	A	5,578	–	–	–	5,578

31 December 2022 (restated)	Note	Long-duration life and annuities under the GMM $	Short-duration life and health under the PAA $	Property & casualty under the PAA $	Cayman and other Caribbean operations under the PAA $	Total $
Insurance contracts						
Insurance contracts liabilities	A	166,589	16,348	33,751	70,017	286,705
Reinsurance contracts held						
Reinsurance contracts held assets	A	–	(4,312)	(24,881)	(43,572)	(72,765)
Reinsurance contracts held liabilities	A	5,479	–	–	168	5,647

As at 1 January 2022 (restated)	Note	Long-duration life and annuities under the GMM $	Short-duration life and health under the PAA $	Property & casualty under the PAA $	Cayman and other Caribbean operations under the PAA $	Total $
Insurance contracts						
Insurance contracts liabilities	A	212,156	16,724	27,838	69,540	326,258
Reinsurance contracts held						
Reinsurance contracts held assets	A	–	(2,257)	(17,366)	(41,516)	(61,139)
Reinsurance contracts held liabilities	A	7,234	–	–	–	7,234

A. Movements in insurance and reinsurance contract balances

The disclosures in this note are for the net insurance contract asset or liability and the net reinsurance held contract asset or liability. Certain reconciliations or other disclosures that are provided for GMM contracts are not required for PAA contracts. Included within insurance contract liabilities in the consolidated statement of financial position, however excluded from the reconciliations in Note 23 A (i)(a), are amounts in respect of policyholders' surplus which are disclosed in Note 23 A (i)(c).

(in thousands of Bermuda dollars)

i. Long-duration life and annuities under the GMM

a) Insurance contracts

Analysis by remaining coverage and incurred claims

	Liabilities for remaining coverage			Liabilities for remaining coverage		
	Excluding loss component 2023	Liabilities for incurred claims 2023	Total 2023	Excluding loss component 2022	Liabilities for incurred claims 2022	Total 2022
	$	$	$	$	$	$
Opening insurance contract liabilities	158,477	7,547	166,024	202,667	8,665	211,332
Insurance revenue – full retrospective approach						
CSM recognised for services provided	(60)	–	(60)	(54)	–	(54)
Change in risk adjustment for non-financial risk for risk expired	(3)	–	(3)	(3)	–	(3)
Expected insurance service expenses incurred:						
Claims	(103)	–	(103)	(103)	–	(103)
Expenses	(9)	–	(9)	(10)	–	(10)
Insurance revenue – fair value approach						
CSM recognised for services provided	(1,445)	–	(1,445)	(1,289)	–	(1,289)
Change in risk adjustment for non-financial risk for risk expired	(653)	–	(653)	(669)	–	(669)
Expected insurance service expenses incurred:						
Claims	(5,805)	–	(5,805)	(5,668)	–	(5,668)
Expenses	(1,147)	–	(1,147)	(1,179)	–	(1,179)
Insurance revenue – post transition						
CSM recognised for services provided	(55)	–	(55)	(11)	–	(11)
Change in risk adjustment for non-financial risk for risk expired	(1)	–	(1)	–	–	–
Expected insurance service expenses incurred:						
Claims	(73)	–	(73)	(18)	–	(18)
Expenses	(14)	–	(14)	(4)	–	(4)
Recovery of insurance acquisition cash flows	(1)	–	(1)	(1)	–	(1)
Total insurance revenue – all transition methods	(9,369)	–	(9,369)	(9,009)	–	(9,009)

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

i. **Long-duration life and annuities under the GMM**

a) Insurance contracts

Analysis by remaining coverage and incurred claims (continued)

	Liabilities for remaining coverage			Liabilities for remaining coverage		
	Excluding loss component 2023	Liabilities for incurred claims 2023	Total 2023	Excluding loss component 2022	Liabilities for incurred claims 2022	Total 2022
	$	$	$	$	$	$
Insurance service expenses						
Incurred insurance service expenses:						
Claims	–	7,680	7,680	–	5,390	5,390
Expenses	–	1,215	1,215	–	1,308	1,308
Amortisation of insurance acquisition cash flows	1	–	1	1	–	1
Changes that relate to past service (changes in fulfilment cash flows re LIC)	–	(814)	(814)	–	(884)	(884)
Total insurance service expense	**1**	**8,081**	**8,082**	**1**	**5,814**	**5,815**
Investment components	(8,758)	8,758	–	(9,145)	9,145	–
Total insurance service result	**(18,126)**	**16,839**	**(1,287)**	**(18,153)**	**14,959**	**(3,194)**
Insurance finance income or expense						
The effect of and changes in time of time value of money and financial risk	8,934	155	9,089	(36,675)	161	(36,514)
Total insurance finance income or expense	8,934	155	9,283	(36,675)	161	(36,514)
Total changes in the consolidated statement of income	(9,192)	16,994	7,802	(54,828)	15,120	(39,708)
Cash flows (actual cashflows in the period)						
Premiums and premium tax received	15,889	–	15,889	10,684	–	10,684
Claims and other insurance service expenses paid, included investment components	–	(15,321)	(15,321)	–	(16,238)	(16,234)
Insurance acquisition cash flows	(47)	–	(47)	(47)	–	(47)
Total cash flows	**15,842**	**(15,321)**	**521**	**10,637**	**(16,238)**	**(5,601)**
Closing insurance contract liabilities	**165,127**	**9,220**	**174,347**	**158,476**	**7,547**	**166,023**

(in thousands of Bermuda dollars)

Analysis by measurement component – contracts not measured under the PAA

			CSM			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Full retrospective approach	Fair value approach	Post transition	Total
31 December 2023	$	$	$	$	$	$
Opening insurance contract liabilities	**138,736**	**6,656**	**1,115**	**18,933**	**584**	**166,024**
Changes that relate to current services						
CSM recognised for services provided	–	–	(60)	(1,445)	(55)	(1,560)
Change in risk adjustment for non-financial risk for risk expired	–	(561)	–	–	–	(561)
Experience adjustments not related to future service	1,674	–	–	–	–	1,674
Changes that relate to future services						
Contracts initially recognised in the year	(1,750)	136	–	–	1,614	–
Changes in estimates that adjust the CSM	(2,310)	(151)	126	2,312	22	(1)
Changes that relate to past services						
Changes in estimates in LIC fulfilment cash flows	70	–	–	–	–	70
Experience adjustments in claims and other insurance service expenses in LIC	(801)	(97)	–	–	–	(898)
Total insurance service result	**(3,117)**	**(673)**	**66**	**867**	**1,581**	**(1,276)**
Insurance finance income or expense						
The effect of and changes in time of time value of money and financial risk	9,282	515	11	(605)	80	9,283
Total insurance finance income or expense	**9,282**	**515**	**11**	**(605)**	**80**	**9,283**
Total changes in the consolidated statement of income	**6,165**	**(158)**	**77**	**262**	**1,661**	**8,007**
Cash flows (actual cashflows in the period)						
Premiums and premium tax received	15,684	–	–	–	–	15,684
Claims and other insurance service expenses paid, including investment components	(15,321)	–	–	–	–	(15,321)
Insurance acquisition cash flows	(47)	–	–	–	–	(47)
Total cash flows	**316**	**–**	**–**	**–**	**–**	**316**
Closing insurance contract liabilities	**145,217**	**6,498**	**1,192**	**19,195**	**2,245**	**174,347**

(in thousands of Bermuda dollars)

			CSM			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Full retrospective approach	Fair value approach	Post transition	Total
31 December 2022	**$**	**$**	**$**	**$**	**$**	**$**
Opening insurance contract liabilities	**182,680**	**9,182**	**1,025**	**18,445**	**–**	**211,332**
Changes that relate to current services						
CSM recognised for services provided	–	–	(54)	(1,289)	(10)	(1,353)
Change in risk adjustment for non-financial risk for risk expired	–	(575)	–	–	–	(575)
Experience adjustments not related to future service	(382)	–	–	–	–	(382)
Changes that relate to future services						
Contracts initially recognised in the year	(663)	74	–	–	589	–
Changes in estimates that adjust the CSM	(408)	220	128	63	(3)	–
Changes that relate to past services						
Changes in estimates in LIC fulfilment cash flows	(21)	1	–	–	–	(20)
Experience adjustments in claims and other insurance service expenses in LIC	(772)	(92)	–	–	–	(864)
Total insurance service result	**(2,246)**	**(372)**	**74**	**(1,226)**	**576**	**(3,194)**
Insurance finance income or expense						
The effect of and changes in time of time value of money and financial risk	(36,097)	(2,154)	16	1,714	8	(36,513)
Total insurance finance income or expense	**(36,097)**	**(2,154)**	**16**	**1,714**	**8**	**(36,513)**
Total changes in the consolidated statement of income	**(38,343)**	**(2,526)**	**90**	**488**	**584**	**(39,707)**
Cash flows (actual cashflows in the period)						
Premiums and premium tax received	10,684	–	–	–	–	10,684
Claims and other insurance service expenses paid, including investment components	(16,238)	–	–	–	–	(16,238)
Insurance acquisition cash flows	(47)	–	–	–	–	(47)
Total cash flows	**(5,601)**	**–**	**–**	**–**	**–**	**(5,601)**
Closing insurance contract liabilities	**138,736**	**6,656**	**1,115**	**18,933**	**584**	**166,024**

(in thousands of Bermuda dollars)

b) Reinsurance contracts held

Analysis by remaining coverage and incurred claims

	Remaining coverage component			Remaining coverage component		
	Excluding loss-recovery component 2023	Incurred claims component 2023	Total 2023	Excluding loss-recovery component 2022	Incurred claims component 2022	Total 2022
	$	$	$	$	$	$
Opening reinsurance contract assets	–	–	–	–	–	–
Opening reinsurance contract liabilities	(5,828)	349	(5,479)	(8,780)	1,546	(7,234)
Net opening balance	**(5,828)**	**349**	**(5,479)**	**(8,780)**	**1,546**	**(7,234)**
Allocation of the premiums paid – fair value approach						
CSM recognised for services provided	(179)	–	(179)	(64)	–	(64)
Change in risk adjustment for non-financial risk for risk transferred	(147)	–	(147)	(111)	–	(111)
Expected recoveries of incurred claims and other insurance service expense	(1,024)	–	(1,024)	(979)	–	(979)
Total allocation of premiums paid	**(1,350)**	**–**	**(1,350)**	**(1,154)**	**–**	**(1,154)**
Amounts recovered from reinsurance						
Recoveries of incurred claims and other insurance service expense	–	1,025	1,025	–	490	490
Changes related to past service (changes related to incurred claims component)	–	(252)	(252)	–	(277)	(277)
Total amounts recovered from reinsurance	**–**	**773**	**773**	**–**	**213**	**213**
Total net expenses from reinsurance	**(1,350)**	**773**	**(577)**	**(1,154)**	**213**	**(941)**
Reinsurance finance income or expense						
The effect of and changes in time of time value of money and financial risk	(394)	–	(394)	2,368	–	2,368
Total reinsurance finance income or expense	**(394)**	**–**	**(394)**	**2,368**	**–**	**2,368**
Total changes in the consolidated statement of income	**(1,744)**	**773**	**(971)**	**1,214**	**213**	**1,427**
Cash flows (actual cashflows in the period)						
Premiums and premium tax paid	1,624	–	1,624	1,738	–	1,738
Amounts recovered	–	(96)	(96)	–	(1,410)	(1,410)
Total cash flows	**1,624**	**(96)**	**1,528**	**1,738**	**(1,410)**	**328**
Net closing balance	**(5,948)**	**1,026**	**(4,922)**	**(5,828)**	**349**	**(5,479)**
Closing reinsurance contract assets	(33)	689	656	–	–	–
Closing reinsurance contract liabilities	(5,915)	337	(5,578)	(5,828)	349	(5,479)
Net closing balance	**(5,948)**	**1,026**	**(4,922)**	**(5,828)**	**349**	**(5,479)**

(in thousands of Bermuda dollars)

Analysis by measurement component – Contracts not measured under the PAA

			CSM	
	Estimates of present value of future cash flows 2023	**Risk adjustment for non-financial risk 2023**	**Fair value approach 2023**	**Total 2023**
31 December 2023	**$**	**$**	**$**	**$**
Opening reinsurance contract assets	–	–	–	–
Opening reinsurance contract liabilities	(7,388)	1,131	778	(5,479)
Net opening balance	**(7,388)**	**1,131**	**778**	**(5,479)**
Changes that relate to current services				
CSM recognised for services received	–	–	(179)	(179)
Change in risk adjustment for non-financial risk for risk expired	–	(113)	–	(113)
Experience adjustments not related to future service	(32)	–	–	(32)
Changes that relate to future services				
Changes in estimates that adjust the CSM	(866)	11	855	–
Changes that relate to past services				
Changes in fulfilment cash flows re LIC	39	–	–	39
Experience adjustments in claims and other insurance service expenses in LIC	(257)	(35)	–	(292)
Total net expenses from reinsurance	**(1,116)**	**(137)**	**676**	**(577)**
Reinsurance finance income or expense				
The effect of and changes in time of time value of money and financial risk	(440)	71	(25)	(394)
Total reinsurance finance income or expense	**(440)**	**71**	**(25)**	**(394)**
Total changes in the consolidated statement of income	**(1,556)**	**(66)**	**651**	**(971)**
Cash flows				
Premiums and premium tax paid	1,624	–	–	1,624
Amounts recovered	(96)	–	–	(96)
Total cash flows	**1,528**	**–**	**–**	**1,528**
Net closing balance	**(7,416)**	**1,065**	**1,429**	**(4,922)**
Closing reinsurance contract assets	619	20	17	656
Closing reinsurance contract liabilities	(8,035)	1,045	1,412	(5,578)
Net closing balance	**(7,416)**	**1,065**	**1,429**	**(4,922)**

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

31 December 2022	Estimates of present value of future cash flows 2022 $	Risk adjustment for non-financial risk 2022 $	CSM Fair value approach 2022 $	Total 2022 $
Opening reinsurance contract assets	–	–	–	–
Opening reinsurance contract liabilities	(7,913)	1,125	(446)	(7,234)
Net opening balance	**(7,913)**	**1,125**	**(446)**	**(7,234)**
Changes that relate to current services				
CSM recognised for services received	–	–	(64)	(64)
Change in risk adjustment for non-financial risk for risk expired	–	(76)	–	(76)
Experience adjustments not related to future service	(524)	–	–	(524)
Changes that relate to future services				
Changes in estimates that adjust the CSM	(1,407)	53	1,354	–
Changes that relate to past services				
Experience adjustments in claims and other insurance service expenses in LIC	(244)	(33)	–	(277)
Total net expenses from reinsurance	**(2,175)**	**(56)**	**1,290**	**(941)**
Reinsurance finance income or expense				
The effect of and changes in time of time value of money and financial risk	2,372	62	(66)	2,368
Total reinsurance finance income or expense	**2,372**	**62**	**(66)**	**2,368**
Total changes in the consolidated statement of income	**197**	**6**	**1,224**	**1,427**
Cash flows				
Premiums and premium tax paid	1,738	–	–	1,738
Amounts recovered	(1,410)	–	–	(1,410)
Total cash flows	**328**	**–**	**–**	**328**
Net closing balance	**(7,388)**	**1,131**	**778**	**(5,479)**
Closing reinsurance contract assets	–	–	–	–
Closing reinsurance contract liabilities	(7,388)	1,131	778	(5,479)
Net closing balance	**(7,388)**	**1,131**	**778**	**(5,479)**

(in thousands of Bermuda dollars)

c) Policyholders' surplus

Amounts in respect of policyholders' surplus as set out below are included within insurance contract liabilities in the consolidated statement of financial position, however are excluded from the reconciliations in Note 23 A (i)(a):

	Total
Policyholders' surplus reconciliation	**$**
Included within insurance contract liabilities:	
Total policyholders' surplus on 31 December 2023	**1,331**
Change in policyholders' surplus:	
Opening balance, 1 January 2022	**823**
Net income after dividends, prior to shareholders' attribution	57
Less: attribution to shareholders	(316)
Closing balance, 31 December 2022	564
Net income after dividends, prior to shareholders' attribution	819
Less: attribution to shareholders	(52)
Closing balance, 31 December 2023	**1,331**

(Continued on next page).

(in thousands of Bermuda dollars)

ii. Short-duration life and health under the PAA

a) Insurance contracts

Analysis by remaining coverage and incurred claims

	Liabilities for remaining coverage	Liabilities for incurred claims		
	Excluding loss component 2023	Estimates of present value of future cash flows 2023	Risk adjustment for non-financial risk 2023	Total 2023
31 December 2023	$	$	$	$
Opening insurance contract assets	–	–	–	–
Opening insurance contract liabilities	(6,605)	21,332	1,621	16,348
Net opening balance	**(6,605)**	**21,332**	**1,621**	**16,348**
Insurance revenue	**(119,159)**	**–**	**–**	**(119,159)**
Insurance service expenses				
Incurred insurance service expenses:				
Claims	–	111,017	7,433	118,450
Expenses	–	5,991	–	5,991
Other movements related to current service	–	–	(6,145)	(6,145)
Amortisation of insurance acquisition cash flows	1,482	–	–	1,482
Changes that relate to past service (changes in fulfilment cash flows re LIC)	–	1,385	(1,088)	297
Total insurance service expenses	**1,482**	**118,393**	**200**	**120,075**
Total insurance service result	**(117,677)**	**118,393**	**200**	**916**
Net insurance finance income or expense				
The effect of and changes in time of time value of money and financial risk	–	178	15	193
Total net insurance finance income or expense	**–**	**178**	**15**	**193**
Total changes in the consolidated statement of income	**(117,677)**	**118,571**	**215**	**1,109**
Cash flows (actual cashflows in the period)				
Premiums and premium tax received	118,043	–	–	118,043
Claims and other insurance service expenses paid, including investment components	–	(113,821)	–	(113,821)
Insurance acquisition cash flows	(1,482)	–	–	(1,482)
Total cash flows	**116,561**	**(113,821)**	**–**	**2,740**
Net closing balance	**(7,721)**	**26,082**	**1,836**	**20,197**
Closing insurance contract assets	–	–	–	–
Closing insurance contract liabilities	(7,721)	26,082	1,836	20,197
Net closing balance	**(7,721)**	**26,082**	**1,836**	**20,197**

(in thousands of Bermuda dollars)

31 December 2022	Liabilities for remaining coverage	Liabilities for incurred claims		
	Excluding loss component 2022	Estimates of present value of future cash flows 2022	Risk adjustment for non-financial risk 2022	Total 2022
	$	$	$	$
Opening insurance contract assets	–	–	–	–
Opening insurance contract liabilities	(4,366)	19,709	1,381	16,724
Net opening balance	**(4,366)**	**19,709**	**1,381**	**16,724**
Insurance revenue	**(108,965)**			**(108,965)**
Insurance service expenses				
Incurred insurance service expenses:				
Claims	–	90,384	5,884	96,268
Expenses	–	6,332	–	6,332
Other movements related to current service	–	–	(4,914)	(4,914)
Amortisation of insurance acquisition cash flows	1,602	–	–	1,602
Changes that relate to past service (changes in fulfilment cash flows re LIC)	–	696	(724)	(28)
Total insurance service expenses	**1,602**	**97,412**	**246**	**99,260**
Total insurance service result	**(107,363)**	**97,412**	**246**	**(9,705)**
Net insurance finance income or expense				
The effect of and changes in time of time value of money and financial risk	–	(104)	(6)	(110)
Total net insurance finance income or expense	**–**	**(104)**	**(6)**	**(110)**
Total changes in the consolidated statement of income	**(107,363)**	**97,308**	**240**	**(9,815)**
Cash flows (actual cashflows in the period)				
Premiums and premium tax received	106,726	–	–	106,726
Claims and other insurance service expenses paid, including investment components	–	(95,685)	–	(95,685)
Insurance acquisition cash flows	(1,602)	–	–	(1,602)
Total cash flows	**105,124**	**(95,685)**	**–**	**9,439**
Net closing balance	**(6,605)**	**21,332**	**1,621**	**16,348**
Closing insurance contract assets	–	–	–	–
Closing insurance contract liabilities	(6,605)	21,332	1,621	16,348
Net closing balance	**(6,605)**	**21,332**	**1,621**	**16,348**

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

b) Reinsurance contracts held

Analysis by remaining coverage and incurred claims

	Remaining coverage component	Incurred claims component		
	Excluding loss component 2023	Estimates of present value of future cash flows 2023	Risk adjustment for non-financial risk 2023	Total 2023
31 December 2023	$	$	$	$
Opening reinsurance contract assets	(1,203)	5,407	106	4,310
Opening reinsurance contract liabilities	–	–	–	–
Net opening balance	**(1,203)**	**5,407**	**106**	**4,310**
Allocation of the premiums paid:	(8,732)	–	–	(8,732)
Amounts recovered from reinsurance				
Recoveries of incurred claims and other insurance service expense	–	7,046	131	7,177
Changes related to past service (changes related to incurred claims component)	–	(255)	(60)	(315)
Total amounts recovered from reinsurance	**–**	**6,791**	**71**	**6,862**
Total net expenses from reinsurance	**(8,732)**	**6,791**	**71**	**(1,870)**
Net reinsurance finance income or expense				
The effect of and changes in time of time value of money and financial risk	–	72	6	78
Total net reinsurance finance income or expense	**–**	**72**	**6**	**78**
Total changes in the consolidated statement of income	**(8,732)**	**6,863**	**77**	**(1,792)**
Cash flows (actual cashflows in the period)				
Premiums and premium tax paid	9,041	–	–	9,041
Amounts recovered	–	(6,108)	–	(6,108)
Total cash flows	**9,041**	**(6,108)**	**–**	**2,933**
Net closing balance	**(894)**	**6,161**	**183**	**5,450**
Closing reinsurance contract assets	(894)	6,161	183	5,450
Closing reinsurance contract liabilities	–	–	–	–
Net closing balance	**(894)**	**6,161**	**183**	**5,450**

(in thousands of Bermuda dollars)

	Remaining coverage component	Incurred claims component		
	Excluding loss component 2022	Estimates of present value of future cash flows 2022	Risk adjustment for non-financial risk 2022	Total 2022
31 December 2022	$	$	$	$
Opening reinsurance contract assets	(649)	2,792	112	2,255
Opening reinsurance contract liabilities	–	–	–	–
Net opening balance	**(649)**	**2,792**	**112**	**2,255**
Allocation of the premiums paid:				
Post transition	(7,438)	–	–	(7,438)
Total allocation of premiums paid	**(7,438)**	**–**	**–**	**(7,438)**
Amounts recovered from reinsurance				
Recoveries of incurred claims and other insurance service expense	–	5,712	89	5,801
Changes related to past service (changes related to incurred claims component)	–	(443)	(93)	(536)
Total amounts recovered from reinsurance	**–**	**5,269**	**(4)**	**5,265**
Total net expenses from reinsurance	**(7,438)**	**5,269**	**(4)**	**(2,173)**
Net reinsurance finance income or expense				
The effect of and changes in time of time value of money and financial risk	–	(44)	(2)	(46)
Total net reinsurance finance income or expense	**–**	**(44)**	**(2)**	**(46)**
Total changes in the consolidated statement of income	**(7,438)**	**5,225**	**(6)**	**(2,219)**
Cash flows (actual cashflows in the period)				
Premiums and premium tax paid	6,884	–	–	6,884
Amounts recovered	–	(2,608)	–	(2,608)
Total cash flows	**6,884**	**(2,608)**	**–**	**4,276**
Net closing balance	**(1,203)**	**5,409**	**106**	**4,312**
Closing reinsurance contract assets	(1,203)	5,409	106	4,312
Closing reinsurance contract liabilities	–	–	–	–
Net closing balance	**(1,203)**	**5,409**	**106**	**4,312**

(in thousands of Bermuda dollars)

iv. P&C insurance under the PAA

a) Insurance contracts, Analysis by remaining coverage and incurred claims

	Liabilities for remaining coverage	Liabilities for incurred claims		
	Excluding loss component 2023	Estimates of present value of future cash flows 2023	Risk adjustment for non-financial risk 2023	Total 2023
31 December 2023	$	$	$	$
Opening insurance contract assets	–	–	–	–
Opening insurance contract liabilities	13,341	18,340	2,070	33,751
Net opening balance	**13,341**	**18,340**	**2,070**	**33,751**
Insurance revenue	**(63,372)**	**–**	**–**	**(63,372)**
Insurance service expenses				
Incurred insurance service expenses:				
Claims	–	11,240	1,178	12,418
Expenses	–	5,292	–	5,292
Other movements related to current service	–	–	(513)	(513)
Amortisation of insurance acquisition cash flows	2,557	–	–	2,557
Changes that relate to past service (changes in fulfilment cash flows re LIC)	–	(1,197)	(963)	(2,160)
Total insurance service expenses	2,557	15,335	(298)	17,594
Total insurance service result	(60,815)	15,335	(298)	(45,778)
Net insurance finance income or expense				
The effect of and changes in time of time value of money and financial risk	–	586	67	653
Total net insurance finance income or expense	–	586	67	653
Total changes in the consolidated statement of income	(60,815)	15,921	(231)	(45,125)
Cash flows (actual cashflows in the period)				
Premiums and premium tax received	63,247	–	–	63,247
Claims and other insurance service expenses paid, including investment components	–	(18,078)	–	(18,078)
Insurance acquisition cash flows	(2,657)	–	–	(2,657)
Total cash flows	**60,590**	**(18,078)**	**–**	**42,512**
Net closing balance	**13,116**	**16,183**	**1,839**	**31,138**
Closing insurance contract assets	–	–	–	–
Closing insurance contract liabilities	13,116	16,183	1,839	31,138
Net closing balance	**13,116**	**16,183**	**1,839**	**31,138**

(in thousands of Bermuda dollars)

	Liabilities for remaining coverage	Liabilities for incurred claims		
	Excluding loss component 2022	Estimates of present value of future cash flows 2022	Risk adjustment for non-financial risk 2022	Total 2022
31 December 2022	$	$	$	$
Opening insurance contract assets	–	–	–	–
Opening insurance contract liabilities	14,280	12,365	1,193	27,838
Net opening balance	**14,280**	**12,365**	**1,193**	**27,838**
Insurance revenue	**(60,180)**	**–**	**–**	**(60,180)**
Insurance service expenses				
Incurred insurance service expenses:				
Claims	–	14,740	1,640	16,380
Expenses	–	6,339	–	6,339
Other movements related to current service	–	–	(582)	(582)
Amortisation of insurance acquisition cash flows	2,538	–	–	2,538
Changes that relate to past service (changes in fulfilment cash flows re LIC)	–	1,307	(391)	916
Total insurance service expenses	**2,538**	**22,386**	**667**	**25,591**
Total insurance service result	**(57,642)**	**22,386**	**667**	**(34,589)**
Net insurance finance income or expense				
The effect of and changes in time of time value of money and financial risk	–	(127)	210	83
Total net insurance finance income or expense	**–**	**(127)**	**210**	**83**
Total changes in the consolidated statement of income	**(57,642)**	**22,259**	**877**	**(34,589)**
Cash flows (actual cashflows in the period)				
Premiums and premium tax received	59,129	–	–	59,129
Claims and other insurance service expenses paid, including investment components	–	(16,284)	–	(16,284)
Insurance acquisition cash flows	(2,426)	–	–	(2,426)
Total cash flows	**56,703**	**(16,284)**	**–**	**40,419**
Net closing balance	**13,341**	**18,340**	**2,070**	**33,751**
Closing insurance contract assets	–	–	–	–
Closing insurance contract liabilities	13,341	18,340	2,070	33,751
Net closing balance	**13,341**	**18,340**	**2,070**	**33,751**

(in thousands of Bermuda dollars)

b) Reinsurance contracts held

Analysis by remaining coverage and incurred claims

	Remaining coverage component	Incurred claims component		
	Excluding loss component 2023	Estimates of present value of future cash flows 2023	Risk adjustment for non-financial risk 2023	Total 2023
31 December 2023	$	$	$	$
Opening reinsurance contract assets	9,914	13,464	1,503	24,881
Opening reinsurance contract liabilities	–	–	–	–
Net opening balance	9,914	13,464	1,503	24,881
Allocation of the premiums paid:	(38,145)			(38,145)
Amounts recovered from reinsurance				
Recoveries of incurred claims and other insurance service expense	–	4,245	402	4,647
Changes related to past service (charges related to incurred claims component)	–	3,640	(432)	3,208
Total amounts recovered from reinsurance	**–**	**7,885**	**(30)**	**7,855**
Total net expenses from reinsurance	**(38,145)**	**7,885**	**(30)**	**(30,290)**
Net reinsurance finance income or expense				
The effect of and changes in time of time value of money and financial risk	–	393	44	437
Total net reinsurance finance income or expense	**–**	**393**	**44**	**437**
Total changes in the consolidated statement of income	**(38,145)**	**8,278**	**14**	**(29,853)**
Cash flows (actual cashflows in the period)				
Premiums and premium tax paid	37,005	–	–	37,005
Amounts recovered	–	(8,320)	–	(8,320)
Total cash flows	**37,005**	**(8,320)**	**–**	**28,685**
Net closing balance	**8,774**	**13,422**	**1,517**	**23,713**
Closing reinsurance contract assets	8,774	13,422	1,517	23,713
Closing reinsurance contract liabilities	–	–	–	–
Net closing balance	**8,774**	**13,422**	**1,517**	**23,713**

(in thousands of Bermuda dollars)

	Remaining coverage component	Incurred claims component		
	Excluding loss component 2022	Estimates of present value of future cash flows 2022	Risk adjustment for non-financial risk 2022	Total 2022
31 December 2022	$	$	$	$
Opening reinsurance contract assets	8,764	7,849	753	17,366
Opening reinsurance contract liabilities	–	–	–	–
Net opening balance	8,764	7,849	753	17,366
Allocation of the premiums paid:	(35,071)	–	–	(35,071)
Amounts recovered from reinsurance				
Recoveries of incurred claims and other insurance service expense	–	9,146	877	10,023
Changes related to past service (charges related to incurred claims component)	–	2,120	(268)	1,852
Total amounts recovered from reinsurance	**–**	**11,266**	**609**	**11,875**
Total net expenses from reinsurance	**(35,071)**	**11,266**	**609**	**(23,196)**
Net reinsurance finance income or expense				
The effect of and changes in time of time value of money and financial risk	–	(32)	141	109
Total net reinsurance finance income or expense	**–**	**(32)**	**141**	**109**
Total changes in the consolidated statement of income	**(35,071)**	**11,234**	**750**	**(23,087)**
Cash flows (actual cashflows in the period)				
Premiums and premium tax paid	36,221	–	–	36,221
Amounts recovered	–	(5,619)	–	(5,619)
Total cash flows	**36,221**	**(5,619)**	**–**	**30,682**
Net closing balance	**9,914**	**13,464**	**1,503**	**24,881**
Closing reinsurance contract assets	9,914	13,464	1,503	24,881
Closing reinsurance contract liabilities	–	–	–	–
Net closing balance	**9,914**	**13,464**	**1,503**	**24,881**

(in thousands of Bermuda dollars)

v. **Cayman and other Caribbean Islands under the PAA**

a) Insurance contracts

Analysis by remaining coverage and incurred claims

	Liabilities for remaining coverage	Liabilities for incurred claims		
	Excluding loss component 2023	Estimates of present value of future cash flows 2023	Risk adjustment for non-financial risk 2023	Total 2023
31 December 2023	**$**	**$**	**$**	**$**
Opening insurance contract assets	–	–	–	–
Opening insurance contract liabilities	35,635	31,397	2,985	70,017
Net opening balance	**35,635**	**31,397**	**2,985**	**70,017**
Insurance revenue	**(185,641)**	**–**	**–**	**(185,641)**
Insurance service expenses				
Incurred insurance service expenses:				
Claims	–	14,802	1,362	16,164
Expenses	–	6,216	–	6,216
Other movements related to current service	–	–	(393)	(393)
Amortisation of insurance acquisition cash flows	29,177	–	–	29,177
Changes that relate to past service (changes in fulfilment cash flows re LIC)	–	(8,491)	(1,522)	(10,013)
Total insurance service expenses	**29,177**	**12,527**	**(553)**	**41,151**
Total insurance service result	**(156,464)**	**12,527**	**(553)**	**(144,490)**
Net insurance finance income or expense				
The effect of and changes in time of time value of money and financial risk	–	1,086	103	1,189
Total net insurance finance income or expense	**–**	**1,086**	**103**	**1,189**
Total changes in the consolidated statement of income	**(156,464)**	**13,613**	**(450)**	**(143,301)**
Cash flows (actual cashflows in the period)				
Premiums and premium tax received	180,283	–	–	180,283
Claims and other insurance service expenses paid, including investment components	–	(20,210)	–	(20,210)
Insurance acquisition cash flows	(27,053)	–	–	(27,053)
Total cash flows	**153,230**	**(20,210)**	**–**	**133,020**
Net closing balance	**32,401**	**24,800**	**2,535**	**59,736**
Closing insurance contract assets	–	–	–	–
Closing insurance contract liabilities	32,401	24,800	2,535	59,736
Net closing balance	**32,401**	**24,800**	**2,535**	**59,736**

(in thousands of Bermuda dollars)

	Liabilities for remaining coverage	Liabilities for incurred claims		
	Excluding loss component 2022	Estimates of present value of future cash flows 2022	Risk adjustment for non-financial risk 2022	Total 2022
31 December 2022	$	$	$	$
Opening insurance contract assets	–	–	–	–
Opening insurance contract liabilities	31,173	35,434	2,933	69,540
Net opening balance	**31,173**	**35,434**	**2,933**	**69,540**
Insurance revenue	**(177,054)**	**–**	**–**	**(177,054)**
Insurance service expenses				
Incurred insurance service expenses:				
Claims	–	16,135	1,437	17,572
Expenses	–	7,967	–	7,967
Other movements related to current service	–	–	(449)	(449)
Amortisation of insurance acquisition cash flows	28,158	–	–	28,158
Changes that relate to past service (changes in fulfilment cash flows re LIC)	–	(2,620)	(1,320)	(3,940)
Total insurance service expenses	**28,158**	**21,482**	**(332)**	**49,308**
Total insurance service result	**(148,896)**	**21,482**	**(332)**	**(127,746)**
Net insurance finance income or expense				
The effect of and changes in time of time value of money and financial risk	–	(601)	384	(217)
Total net insurance finance income or expense	**–**	**(601)**	**384**	**(217)**
Total changes in the consolidated statement of income	**(148,896)**	**20,881**	**52**	**(127,963)**
Cash flows (actual cashflows in the period)				
Premiums and premium tax received	181,745	–	–	181,745
Claims and other insurance service expenses paid, including investment components	–	(24,918)	–	(24,918)
Insurance acquisition cash flows	(28,387)	–	–	(28,387)
Total cash flows	**153,358**	**(24,918)**	**–**	**128,440**
Net closing balance	**35,635**	**31,397**	**2,985**	**70,017**
Closing insurance contract assets	–	–	–	–
Closing insurance contract liabilities	35,635	31,397	2,985	70,017
Net closing balance	**35,635**	**31,397**	**2,985**	**70,017**

(in thousands of Bermuda dollars)

b) Reinsurance contracts held

Analysis by remaining coverage and incurred claims

	Remaining coverage component	Incurred claims component		
	Excluding loss component 2023	Estimates of present value of future cash flows 2023	Risk adjustment for non-financial risk 2023	Total 2023
31 December 2023	$	$	$	$
Opening reinsurance contract assets	21,902	19,747	1,755	43,404
Opening reinsurance contract liabilities	–	–	–	–
Net opening balance	**21,902**	**19,747**	**1,755**	**43,404**
Allocation of the premiums paid:	(133,276)			(133,276)
Amounts recovered from reinsurance				
Recoveries of incurred claims and other insurance service expense	–	9,318	722	10,040
Changes related to past service (charges related to incurred claims component)	–	(6,356)	(790)	(7,146)
Total amounts recovered from reinsurance	**–**	**2,962**	**(68)**	**2,894**
Total net expenses from reinsurance	**(133,276)**	**2,962**	**(68)**	**(130,382)**
Net reinsurance finance income or expense				
The effect of and changes in time of time value of money and financial risk	–	646	58	704
Total net reinsurance finance income or expense	**–**	**646**	**58**	**704**
Total changes in the consolidated statement of income	**(133,276)**	**3,608**	**(10)**	**(129,678)**
Cash flows (actual cashflows in the period)				
Premiums and premium tax paid	133,167	–	–	133,167
Amounts recovered	–	(4,837)	–	(4,837)
Total cash flows	**133,167**	**(4,837)**	**–**	**128,330**
Net closing balance	**21,793**	**18,518**	**1,745**	**42,056**
Closing reinsurance contract assets	21,793	18,518	1,745	42,056
Closing reinsurance contract liabilities	–	–	–	–
Net closing balance	**21,793**	**18,518**	**1,745**	**42,056**

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(in thousands of Bermuda dollars)

	Remaining coverage component	Incurred claims component		
	Excluding loss component 2022	Estimates of present value of future cash flows 2022	Risk adjustment for non-financial risk 2022	Total 2022
31 December 2022	**$**	**$**	**$**	**$**
Opening reinsurance contract assets	15,241	24,356	1,919	41,516
Opening reinsurance contract liabilities	–	–	–	–
Net opening balance	**15,241**	**24,356**	**1,919**	**41,516**
Allocation of the premiums paid:	(122,398)	–	–	(122,398)
Amounts recovered from reinsurance				
Recoveries of incurred claims and other insurance service expense	–	6,872	420	7,292
Changes related to past service (charges related to incurred claims component)	–	(2,575)	(794)	(3,369)
Total amounts recovered from reinsurance	**–**	**4,297**	**(374)**	**3,923**
Total net expenses from reinsurance	**(122,398)**	**4,297**	**(374)**	**(118,475)**
Net reinsurance finance income or expense				
The effect of and changes in time of time value of money and financial risk	–	(349)	210	(139)
Total net reinsurance finance income or expense	**–**	**(349)**	**210**	**(139)**
Total changes in the consolidated statement of income	**(122,398)**	**3,948**	**(164)**	**(118,614)**
Cash flows (actual cashflows in the period)				
Premiums and premium tax paid	129,059	–	–	129,059
Amounts recovered	–	(8,557)	–	(8,557)
Total cash flows	**129,059**	**(8,557)**	**–**	**120,502**
Net closing balance	**21,902**	**19,747**	**1,755**	**43,404**
Closing reinsurance contract assets	21,902	19,747	1,755	43,404
Closing reinsurance contract liabilities	–	–	–	–
Net closing balance	**21,902**	**19,747**	**1,755**	**43,404**

B. Effect of contracts initially recognised in the year

The following table summarises the effect on the measurement components arising from the initial recognition of insurance and reinsurance contracts not measured under PAA in the year.

i. Long-duration life and annuities under GMM

a) Insurance contracts

	2023	2022
	$	$
Claims and other insurance service expenses payable	7,797	3,363
Insurance acquisition cash flows	46	31
Estimates of present value of cash outflows	7,843	3,394
Estimates of present value of cash inflows	(9,593)	(4,056)
Risk adjustment for non-financial risk	136	74
CSM	1,614	588
Increase in insurance contract liabilities from contracts recognised in the year	**–**	–

C. Contractual service margin

The following table sets out when the Group expects to recognise the remaining CSM in the consolidated statement of income after the reporting date for contracts not measured under the PAA.

Long-duration life insurance under GMM

Projected recognition of the CSM into net income – 31 December 2023	All years	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	More than 10 years
	$	$	$	$	$	$	$	$
Insurance contracts issued	22,632	1,490	1,369	1,270	1,178	1,109	4,704	11,512
Reinsurance contracts held	(1,429)	(166)	(144)	(125)	(109)	(98)	(362)	(425)
Total	**21,203**	**1,324**	**1,225**	**1,145**	**1,069**	**1,011**	**4,342**	**11,087**

Projected recognition of the CSM into net income – 31 December 2022	All years	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	More than 10 years
	$	$	$	$	$	$	$	$
Insurance contracts issued	20,632	1,321	1,241	1,151	1,073	997	4,224	10,625
Reinsurance contracts held	(778)	(86)	(77)	(67)	(58)	(51)	(192)	(247)
Total	**19,854**	**1,235**	**1,164**	**1,084**	**1,015**	**946**	**4,032**	**10,378**

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For the year ended 31 December 2023
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D. Non-life claims development

The table below illustrates how estimates of cumulative claims for the Group have developed over time on a gross and net of reinsurance basis. Each table shows how the Group's estimates of total claims for each accident year have developed over time and reconciles the cumulative claims to the amount included in the statement of financial position. Balances have been translated at the exchange rates prevailing at the reporting date.

Claims development disclosure is not required when the expected settlement period of claims is less than one year. The Group settles all claim for life insurance with 12 months of the reporting date.

(in thousands of Bermuda dollars)

i) P&C Insurance under PAA

Estimates of undiscounted gross cumulative claims	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	$	$	$	$	$	$	$	$	$	$	$
At the end of accident year	45,152	7,945	19,398	22,546	7,865	19,782	9,809	12,631	14,823	11,019	–
One year later	37,142	8,984	16,746	16,840	7,464	18,329	8,694	14,119	14,001	–	–
Two years later	36,317	8,545	16,757	16,650	6,927	17,771	8,815	14,009	–	–	–
Three years later	37,310	8,377	16,640	16,365	6,888	17,572	8,859	–	–	–	–
Four years later	36,948	8,237	16,218	16,306	6,928	17,463	–	–	–	–	–
Five years later	37,105	8,215	16,228	16,331	6,912	–	–	–	–	–	–
Six years later	36,978	8,111	16,205	16,470	–	–	–	–	–	–	–
Seven years later	36,976	8,133	16,198	–	–	–	–	–	–	–	–
Eight years later	37,032	8,121	–	–	–	–	–	–	–	–	–
Nine years later	37,033	–	–	–	–	–	–	–	–	–	–
Current estimates of cumulative claims	37,033	8,121	16,198	16,470	6,912	17,463	8,859	14,009	14,001	11,019	150,085
Cumulative payments to date	(36,979)	(8,063)	(16,183)	(16,252)	(6,566)	(17,315)	(8,141)	(10,404)	(8,365)	(5,220)	(133,488)
Gross liabilities – accident years 2014 – 2023	54	58	15	218	346	148	718	3,605	5,636	5,799	16,597
Gross liabilities – accident years before 2014	–	–	–	–	–	–	–	–	–	–	26
Gross liabilities for incurred claims included in the statement of financial position (see A)	–	–	–	–	–	–	–	–	–	**–**	**16,623**

Estimates of undiscounted cumulative claims, net of reinsurance	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	$	$	$	$	$	$	$	$	$	$	$
At the end of accident year	12,519	5,737	9,470	15,468	6,821	8,293	6,988	7,223	7,750	7,192	–
One year later	11,946	6,356	8,899	15,427	6,400	7,489	6,063	6,919	7,740	–	–
Two years later	11,495	6,272	8,774	14,998	5,952	7,222	6,080	7,069	–	–	–
Three years later	11,489	6,163	8,644	14,829	5,847	7,141	6,007	–	–	–	–
Four years later	11,453	6,040	8,354	14,780	5,875	7,128	–	–	–	–	–
Five years later	11,523	6,021	8,367	14,787	5,868	–	–	–	–	–	–
Six years later	11,482	5,918	8,329	14,929	–	–	–	–	–	–	–
Seven years later	11,481	5,922	8,327	–	–	–	–	–	–	–	–
Eight years later	11,531	5,924	–	–	–	–	–	–	–	–	–
Nine years later	11,533	–	–	–	–	–	–	–	–	–	–
Current estimates of cumulative claims	11,533	5,924	8,327	14,929	5,868	7,128	6,007	7,069	7,740	7,192	81,717
Cumulative payments to date	(11,483)	(5,871)	(8,326)	(14,724)	(5,616)	(7,076)	(5,529)	(6,215)	(5,344)	(4,190)	(74,374)
Net liabilities – accident years 2014 – 2023	50	53	1	205	252	52	478	854	2,396	3,002	7,343
Net liabilities – accident years before 2014	–	–	–	–	–	–	–	–	–	–	24
Net liabilities for incurred claims included in the statement of financial position (see A)	–	–	–	–	–	–	–	–	–	**–**	**7,367**

(in thousands of Bermuda dollars)

ii) Cayman and other Caribbean Islands under PAA

Estimates of undiscounted gross cumulative claims	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	$	$	$	$	$	$	$	$	$	$	$
At the end of accident year	8,466	9,530	61,642	647,217	10,073	584,281	8,775	14,492	15,478	12,528	–
One year later	8,021	8,741	60,485	586,239	9,047	506,326	8,143	15,397	13,094	–	–
Two years later	7,840	8,171	61,729	578,477	8,486	513,976	7,872	15,161	–	–	–
Three years later	7,794	8,162	60,258	579,155	8,273	515,072	8,174	–	–	–	–
Four years later	8,540	8,424	60,136	578,373	7,611	510,395	–	–	–	–	–
Five years later	8,010	8,432	60,253	575,994	7,689	–	–	–	–	–	–
Six years later	8,033	8,480	59,042	574,410	–	–	–	–	–	–	–
Seven years later	8,037	8,629	58,765	–	–	–	–	–	–	–	–
Eight years later	8,047	8,554	–	–	–	–	–	–	–	–	–
Nine years later	8,026	–	–	–	–	–	–	–	–	–	–
Current estimates of cumulative claims	8,026	8,554	58,765	574,410	7,689	510,395	8,174	15,161	13,094	12,528	1,216,796
Cumulative payments to date	(7,995)	(8,200)	(58,433)	(570,034)	(7,535)	(506,572)	(6,809)	(13,239)	(9,820)	(5,083)	(1,193,720)
Gross liabilities – accident years 2014 – 2023	31	354	332	4,376	154	3,823	1,365	1,922	3,274	7,445	23,076
Gross liabilities – accident years before 2014	–	–	–	–	–	–	–	–	–	–	376
Gross liabilities for incurred claims included in the statement of financial position (see A)	–	–	–	–	–	–	–	–	–	**–**	**23,452**

Estimates of undiscounted cumulative claims, net of reinsurance	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	$	$	$	$	$	$	$	$	$	$	$
At the end of accident year	3,950	5,914	11,263	9,919	7,014	12,255	5,743	8,440	8,378	8,678	–
One year later	4,261	5,316	10,230	9,907	6,320	12,091	5,666	9,234	7,645	–	–
Two years later	4,132	4,945	9,950	9,235	6,018	12,387	5,313	9,253	–	–	–
Three years later	4,118	5,068	9,921	9,085	5,880	12,502	5,216	–	–	–	–
Four years later	4,261	5,115	9,802	9,188	5,413	12,206	–	–	–	–	–
Five years later	4,153	5,117	9,854	9,064	5,468	–	–	–	–	–	–
Six years later	4,158	5,117	10,099	9,094	–	–	–	–	–	–	–
Seven years later	4,157	5,132	9,996	–	–	–	–	–	–	–	–
Eight years later	4,161	5,119	–	–	–	–	–	–	–	–	–
Nine years later	4,157	–	–	–	–	–	–	–	–	–	–
Current estimates of cumulative claims	4,157	5,119	9,996	9,094	5,468	12,206	5,216	9,253	7,645	8,678	76,832
Cumulative payments to date	(4,150)	(5,031)	(9,701)	(8,784)	(5,378)	(11,230)	(4,669)	(7,817)	(5,475)	(3,844)	(66,079)
Net liabilities – accident years 2014 – 2023	7	88	295	310	90	976	547	1,436	2,170	4,834	10,753
Net liabilities – accident years before 2014	–	–	–	–	–	–	–	–	–	–	344
Net liabilities for incurred claims included in the statement of financial position (see A)	–	–	–	–	–	–	–	–	–	**–**	**11,097**

E. Significant judgements and estimates for insurance and reinsurance contracts

i. Fulfilment cash flows

Fulfilment cash flows comprise:

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

a) Estimates of future cash flows

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

internal and external historical data about claims and other experience.

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

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

Acquisition costs may be internal or external. Internal acquisition costs are derived from cost and time studies. If insurance acquisition cash flows are directly attributable to a group of contracts, then they are allocated to that group. If insurance acquisition cash flows are directly attributable to a portfolio, but not to a group of contracts, then they are allocated to groups in the portfolio using a systematic and rational method.

b) Actuarial assumptions – Life and health insurance

Actuarial assumptions utilized in the valuation of life and health insurance business are discussed in Note 5C.

c) Actuarial assumptions – General insurance

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

d) Discount rates

Current rates are used to discount expected cash flows occurring after the reporting date. These discount rates reflect the time value of money and the liquidity characteristics of the future cash flows. A discount curve is established to align the rates to the expected timing of the future cash flows. For Life and health insurance, part of the discount curve is based on available market information (this referred to as the observable period), while the remainder of the curve is determined using extrapolation techniques (this is the unobservable period). General insurance contracts are typically settled over a shorter period of time, with all claims expected to be settled within the observable period of 30 years.

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The Group uses a top-down approach to determine the discount curves. Under this approach, the discount rates are determined as the yields implicit in the fair value of a notional reference portfolio of assets, adjusted for expected and unexpected credit losses. The reference portfolio for Life insurance comprises a mix of fixed income instruments, structured securities and mortgages, with a range of maturities and levels of credit risk, whereas the reference portfolio for General Insurance is comprised solely of fixed income instruments.

Within the observable period, interpolation is applied to derive rates for non-available term structures that are reflective of current market conditions. Extrapolation, using the Smith-Wilson method, from the last available term structure is used to arrive at the ultimate rate of return.

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

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

As at 31 December 2023:	1 year	5 years	10 years	30 years	Ultimate
Life and health	4.79%	4.46%	4.55%	4.94%	4.34%
General insurance	5.32%	4.56%	4.78%	n/a	n/a

As at 31 December 2022:	1 year	5 years	10 years	30 years	Ultimate
Life and health	4.62%	4.64%	4.84%	4.83%	4.29%
General insurance	5.11%	4.93%	5.10%	n/a	n/a

e) Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and is the compensation the Group requires for bearing uncertainties arising from non-financial risks (such as mortality, morbidity, and lapse risk) that affect the amount and timing of cash outflows required to fulfil insurance contracts.

For life insurance, the risk adjustment is determined using a margin approach. This approach utilizes margin percentages to adjust individual best-estimate non-financial assumptions. Where relevant, the percentages determined at the legal entity level are applied to each non-financial assumption to determine the risk adjustment at the contract level.

For General insurance, the risk adjustment for non-financial risk is determined using a quantile approach.

This approach involves calculating the value-at-risk at the selected confidence level.

(in thousands of Bermuda dollars)

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

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

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

For life and health, the RA for insurance contracts issued and reinsurance contracts held corresponds to a confidence level of approximately 80-85% overall for all periods presented. The RA for General insurance contracts issued and reinsurance contracts held corresponds to a confidence level of approximately 75% overall for all legal entities and periods presented.

ii. Contractual service margin

a. Determination of coverage units

See also Note 2 (O).

Management makes judgements to determine the appropriate coverage units that adequately reflect the quantity of insurance contract services provided over the issued insurance contract's coverage period. Coverage units for issued insurance contracts were determined on the following basis:

Contract type	Basis for determining coverage units
Contracts providing periodic benefits	Periodic benefit payout amounts
Contracts providing lump sum benefits	Actual face value of benefit amounts
Contracts providing both periodic and lump sum benefits	Weighted average sum of the expected present value of the periodic benefit payout amounts and actual face value payout amounts

For reinsurance contracts held that provide proportionate coverage, reinsurance coverage units are determined on the same basis as the underlying contracts. For reinsurance contracts held that provide non-proportional coverage, the expected amount of underlying benefits to be covered in the period is used to determine the quantity of reinsurance coverage units.

An analysis of the expected timing of the allocation of the CSM to the consolidated statement of income is disclosed in (C).

An analysis of the expected timing of the allocation of the CSM to the consolidated statement of income is disclosed in (C).

24 Equity

A. Share capital

	2023 $	2022 $
Authorised –		
10,000,000 (2022 – 10,000,000) common shares of a par value of $1 each	10,000	10,000
Issued and fully paid –		
Common shares of a par value of $1 each	**9,273**	**9,187**

Common shares in issue in the Group rank pari passu with any new common shares issued in the Group. All the common shares in issue carry the same right to receive all dividends and other distributions declared, made or paid by the Group.

A reconciliation of the number of shares outstanding at the beginning and at the end of the year is as follows:

	2023 # of shares	2022 # of shares
At 1 January	9,187,213	9,073,478
Shares issued under the employee share purchase plan	7,080	10,784
Shares issued under the equity incentive plan	8,836	7,437
Share grants issued under the equity incentive plan	83,267	106,164
Share grants forfeited under the equity incentive plan	(13,133)	(10,650)
Total at 31 December	**9,273,263**	**9,187,213**

B. Share premium and contributed surplus

Share premium comprises additional paid in capital in excess of the par value. This reserve is not ordinarily available for distribution. Contributed surplus represents additional paid in capital.

C. Share buy back

In 2016, the Group's Board of Directors authorised a share repurchase program up to a maximum of 500,000 shares, increased to 600,000 in 2022. As at 31 December 2023, the Group had repurchased 503,511 shares for a total of $10,125. The repurchased shares are held as treasury shares until reissued or cancelled. The current program expires in August 2024 and may be renewed at the discretion of the Group and upon approval by the Bermuda Stock Exchange. The repurchase of shares is at the discretion of the Group.

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D. Treasury shares

Treasury shares are shares of BF&M Limited that are held by the Group primarily for the purpose of issuing shares under the employee share purchase scheme or the equity incentive plan. Shares were acquired through purchases on the Bermuda Stock Exchange.

	2023	2023 # of shares	2022	2022 # of shares
	$		$	
At 1 January	5,227	260,582	4,998	250,782
Acquisition of shares through share buy-back	1,846	83,286	232	10,000
Shares issued outside the employee share purchase plan	(721)	(44,400)	–	–
Shares issued under the employee share purchase plan	–	–	(3)	(200)
Total at 31 December	**6,352**	**299,468**	**5,227**	**260,582**

E. Accumulated other comprehensive loss

This consists of translation adjustments arising from the consolidation of the BF&M Canada operations, and actuarial gains and losses on employee benefit plans.

F. Employee share purchase plan

During 2023, 7,080 (2022 – 10,984) shares were purchased by employees of the Group. The fair value of the shares was credited to either share capital or treasury shares depending on the source of the shares and share premium. The discount was charged to compensation expense.

	Shares issued	Share capital	Treasury shares	Share premium	Compen-sation expense
Source of shares	#	$	$	$	$
2023					
Share capital	7,080	7	–	132	21
Total	**7,080**	**7**	**–**	**132**	**21**
2022					
Share capital	10,784	11	–	235	37
Treasury shares	200	–	3	1	1
Total	10,984	11	3	236	38

G. Shares held by the Group's defined benefit pension scheme

As at 31 December 2023, 55,992 (2022 – 55,992) shares of the Group were owned within the investment portfolio of the Group's defined benefit pension scheme.

25 Share based payments

Restricted share grants and restricted unit grants

During the year 83,267 (2022 – 106,164) common shares and 16,535 (2022 – 18,494) units were issued to certain employees in respect of restricted share grants and restricted unit grants. These are held by the Group and are restricted from sale or use by the employees for three years from the grant date. Restricted unit grants differ from restricted share grants in that no common shares are issued at the time of the grant; instead they are paid in cash after the vesting date. The amount of the benefit to these employees totalled $1,746 (2022 – $2,416), excluding impact of dividends. This benefit was measured using the 20-day average share price prior to the grant date, and will be amortised through earnings over a three-year period with accelerated vesting for employees over 55 years of age and more than 10 consecutive years of service. The amount charged to compensation expense in the current year totalled $1,611 (2022 – $1,857). The carrying amount of the liability in respect of restricted unit grants, which is included in other liabilities, is $967 (2022 – $787).

The following table summarises information about the outstanding share and unit grants:

Restricted share and unit grants vesting	# of shares	# of share units
01 April 2024	61,567	7,600
01 April 2025	96,256	15,744
01 April 2026	82,392	14,555
Total	**240,215**	**37,899**

26 Other income

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

	Health, life, annuity, and pension	Property and casualty	Real estate	Cayman and other Caribbean operations	Corporate and other	Total
	2023	2023	2023	2023	2023	2023
	$	$	$	$	$	$
Fee income from service contracts:						
Pension administration asset-based income	10,760	–	–	–	–	10,760
Administrative services and other fees	527	2	–	–	2,407	2,936
Rental income	–	–	3,799	31	(909)	2,921
Commission income from brokerage services rendered	–	38	–	–	–	38
Total other income	**11,287**	**40**	**3,799**	**31**	**1,498**	**16,655**

	Health, life, annuity, and pension	Property and casualty	Real estate	Cayman and other Caribbean operations	Corporate and other	Total
	2022	2022	2022	2022	2022	2022
Commission and other income	$	$	$	$	$	$
Fee income from service contracts:						
Pension administration asset based income	9,437	–	–	–	–	9,437
Administrative services and other fees	493	(22)	–	–	2,286	2,757
Rental income	–	–	1,930	28	–	1,958
Commission income from brokerage services rendered	–	74	–	–	–	74
Total other income	**9,930**	**52**	**1,930**	**28**	**2,286**	**14,226**

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27 Operating expenses

	2023	2022
	$	$
Wages and salaries	31,976	33,027
Professional and consulting fees*	4,843	5,913
Post retirement benefit costs	1,425	1,459
IT maintenance contracts	6,643	5,563
Advertising and business development	2,037	2,317
Bank charges and foreign currency purchase tax	2,564	1,896
Office rent, building and utilities costs	1,690	1,844
Share expense	1,611	1,857
Compliance, legal and regulatory	2,124	1,895
Office and administration expenses	682	726
Travel	549	425
Bad debt	484	422
Memberships and subscriptions	188	217
Training and development	172	144
Other	256	(35)
Total operating expenses	**57,244**	57,670
Represented by:		
Insurance service expenses within the consolidated statement of income		
Amounts attributed to insurance acquisition cash flows	3,246	3,138
Other directly attributable insurance service expenses	14,338	17,810
Other operating expenses within the consolidated statement of income	39,660	36,722
Total operating expenses	**57,244**	57,670

*Included in 2023 Professional and consulting fees, are $1,954 related to audit services, $53 other services provided by PricewaterhouseCoopers Ltd and other PricewaterhouseCoopers network firms to the Group.

28 Components of accumulated other comprehensive loss

	2023	2022
	$	$
Items that will not be subsequently reclassified to profit or loss		
Remeasurement of retirement benefit obligation		
Balance – beginning of year	(652)	(1,026)
Re-measurement of retirement benefit obligation	85	383
Unrealised (losses)/gains on fair value through OCI investments	(1,554)	–
Non-controlling interest	(2)	(9)
Balance – end of year	(2,123)	(652)
Currency translation differences		
Balance – beginning of year	(635)	(205)
Unrealised foreign exchange gains on translation of foreign operations	167	(430)
Balance – end of year	(468)	(635)
Total	**(2,591)**	**(1,287)**

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29 Earnings per share

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2023			2022 (restated)		
	Income	# of weighted average shares	per share amount	Loss	# of weighted average shares	per share amount
	$		$	$		$
Net earnings/(loss)	26,740			(11,055)		
Basic earnings per share:						
Income/(loss) available to common shareholders	26,740	8,947,923	$2.99	(11,055)	8,887,012	($1.24)
Effect of dilutive securities:						
Share options	–	–	–	–	–	–
Diluted earnings per share:						
Income/(loss) available to common shareholders and assumed conversions	26,740	8,947,923	$2.99	(11,055)	8,887,012	($1.24)

There are no share options granted to employees of the Group and thus there is no dilutive or anti-dilutive impact on earnings per share.

30 Related parties

The Group has a significant shareholder, Lawrie (Bermuda) Ltd., incorporated in Bermuda, which owns 36.6% of the Group's shares. The remaining shares are widely held.

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

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

A. Sales of insurance contracts and other services

	2023	2022
	$	$
Sales of insurance contracts and pension services:		
Key management	119	202
Purchase of services:		
Key management	**351**	**134**

B. Key management compensation

The following table shows compensation to key management:

	2023	2022
	$	$
Salaries and other short-term employee benefits	3,070	3,528
Post-employment benefits	123	120
Share based payments	596	781
Total	**3,789**	**4,429**

Pursuant to Regulation 6.8 (3) of Section 11A of the Bermuda Stock Exchange Listing Regulations, the total interests of all directors and officers of the Group in the common shares of the Group at 31 December 2023 were 193,452 (2022 – 298,529) shares. No rights to subscribe for shares in the Group have been granted to or exercised by any director or officer, other than those disclosed in Note 25.

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C. Loans to related parties

Loans are extended to key management of the Group (and their families) and to companies related to key management. Mortgage terms are typically no more than 20 years in duration and interest rates are consistent with rates charged by the Group to non-related parties.

	2023	2022
	$	$
At 1 January	4,301	3,527
Adjustments to changes in key management	(2,246)	–
Loans (repaid)/extended	(178)	271
Interest charges	91	503
Total at 31 December	**1,968**	**4,301**

D. Self-insurance

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

31 Subsidiaries with material non-controlling interest

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

	Scarborough	
	2023	**2022**
Summarised statement of financial position	**$**	**$**
Total assets	18,895	18,306
Total liabilities	1,261	1,761
Total net assets	**17,634**	**16,545**

	Scarborough	
	2023	**2022**
Summarised comprehensive income	**$**	**$**
Total income	2,227	1,267
Total benefits and expenses	(1,143)	(1,057)
Net income	1,084	210
Other comprehensive income		
Items that will not be reclassified to profit or loss	5	23
Total comprehensive income	**1,089**	**233**
Total income attributable to non-controlling interest	**433**	**84**

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

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32 Commitments and contingencies

A. Operating leases

i) Group as Lessor

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

	2023	**2022**
	$	**$**
No later than 1 year	2,462	2,852
Later than 1 year and no later than 5 years	5,274	8,129
Later than 5 years	2,501	2,475
Total	**10,237**	**13,456**

B. Commitments

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

C. Contingencies

The Group and its subsidiaries are from time to time subject to legal actions arising in the normal course of business. It is inherently difficult to predict the outcome of any of these proceedings with certainty and it is possible that an adverse resolution could have a material effect on the consolidated financial statements of the Group. In addition, there are specific parameters within the fund agreement discussed in Note 4, that could result in a contingent liability should certain conditions be met.

33 Subsequent events

A. Dividends

On 22 March 2024, the Group, declared a dividend to be paid to shareholders of record at 29 March 2024. The dividend will be paid on or about 12 April 2024 at $0.28 per share.

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