

**BAHAMAS FIRST GENERAL INSURANCE  
COMPANY LIMITED**

**Financial Statements For The Year  
Ended December 31, 2024 and  
Independent Auditors' Report**

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Bahamas First General Insurance Company Limited:

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of **Bahamas First General Insurance Company Limited** ("the Company"), which comprise the statement of financial position as at December 31, 2024, the statement of profit or loss, statement of profit or loss and other comprehensive income/(loss), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

#### 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

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

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

*Deloitte & Touche*

Nassau, Bahamas  
April 30, 2025

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2024 (Expressed in Bahamian dollars)

	Notes	2024	2023
<b>ASSETS</b>			
Cash and cash equivalents	6	\$ 11,221,674	\$ 15,399,630
Broker receivables, net	4,8	16,014,480	11,296,362
Sundry receivables and prepayments	13	712,349	433,911
Reinsurance contract assets held	9	42,295,984	40,858,057
Investments, net	4,7	22,413,097	22,721,779
Receivables from Parent	21	20,640,882	25,842,975
Investment property	11	2,300,000	2,300,000
Property and equipment	4,12	8,589,317	8,781,414
Intangible assets	14	<u>2,677,154</u>	<u>3,398,947</u>
TOTAL ASSETS		<u>\$ 126,864,937</u>	<u>\$ 131,033,075</u>
<b>LIABILITIES AND EQUITY</b>			
LIABILITIES:			
Broker payables		\$ 538,184	\$ 513,599
Payables to related party companies	21	8,283,852	9,212,586
Insurance contract liabilities	4,9	63,660,069	61,384,592
Sundry payables and accruals	13	<u>500,383</u>	<u>980,528</u>
Total liabilities		<u>72,982,488</u>	<u>72,091,305</u>
EQUITY:			
Share capital	15	7,500,000	7,500,000
Contributed surplus		14,100,000	14,100,000
Reserves	16,17	18,969,119	19,625,745
Retained earnings		<u>13,313,330</u>	<u>17,716,025</u>
Total equity		<u>53,882,449</u>	<u>58,941,770</u>
TOTAL LIABILITIES AND EQUITY		<u>\$ 126,864,937</u>	<u>\$ 131,033,075</u>

See notes to financial statements.

These financial statements were approved by the Board of Directors on April 30, 2025 and are signed on its behalf by:

Alison Treco  
Director

Dr. Samir Mikhael  
Director

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2024

(Expressed in Bahamian dollars)

	Notes	2024	2023
Insurance revenue	9,21	\$ 118,477,924	\$ 110,306,683
Insurance service expenses	9,21	(44,207,441)	(46,326,473)
Net expenses from reinsurance contracts held	9	<u>(68,434,804)</u>	<u>(60,401,431)</u>
Insurance service result		<u>5,835,679</u>	<u>3,578,779</u>
Insurance finance expenses for insurance contracts issued	9,19	(362,423)	(361,720)
Reinsurance finance income for reinsurance contracts held	9,19	<u>241,709</u>	<u>247,054</u>
Net insurance financial result	19	<u>(120,714)</u>	<u>(114,666)</u>
Interest revenue from financial assets not measured at FVTPL		621,871	612,491
Dividend income		315,216	288,478
Net credit impairment losses on financial assets	7,8	<u>5,677</u>	<u>20,747</u>
Net investment income		<u>942,764</u>	<u>921,716</u>
Other income	19	462,909	376,933
Other operating expenses	18,21	<u>(2,581,563)</u>	<u>(2,658,333)</u>
PROFIT FOR THE YEAR		<u>\$ 4,539,075</u>	<u>\$ 2,104,429</u>
OTHER COMPREHENSIVE (LOSS)/INCOME:			
Items that will not be reclassified subsequently to profit or loss:			
Net (losses)/gains on investments in equity securities measured at FVTOCI	7,17	(809,331)	3,749,039
Items that may be reclassified subsequently to profit or loss:			
Net gains on investments in debt securities measured at FVTOCI	7,17	<u>152,705</u>	<u>186,546</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		<u>(656,626)</u>	<u>3,935,585</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>\$ 3,882,449</u>	<u>\$ 6,040,014</u>

See notes to financial statements.

## BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2024

(Expressed in Bahamian dollars)

	Share Capital	Contributed Surplus	General Reserve	Revaluation Reserve	Retained Earnings	Total
Balance at December 31, 2022	7,500,000	14,100,000	3,500,000	12,190,160	15,611,596	52,901,756
Profit for the year	-	-	-	-	2,104,429	2,104,429
Other comprehensive income	-	-	-	3,935,585	-	3,935,585
Total comprehensive income	-	-	-	3,935,585	2,104,429	6,040,014
Balance at December 31, 2023	7,500,000	14,100,000	3,500,000	16,125,745	17,716,025	58,941,770
Profit for the year	-	-	-	-	4,539,075	4,539,075
Other comprehensive loss	-	-	-	(656,626)	-	(656,626)
Total comprehensive (loss)/income	-	-	-	(656,626)	4,539,075	3,882,449
Dividends paid (\$1.19 per common share) (Note 15)	-	-	-	-	(8,941,770)	(8,941,770)
Balance at December 31, 2024	<u>\$ 7,500,000</u>	<u>\$ 14,100,000</u>	<u>\$ 3,500,000</u>	<u>\$ 15,469,119</u>	<u>\$ 13,313,330</u>	<u>\$ 53,882,449</u>

See notes to financial statements.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2024

(Expressed in Bahamian dollars)

	Notes	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit for the year		\$ 4,539,075	\$ 2,104,429
Adjustments for:			
Depreciation	12,13	294,203	414,014
Amortisation of intangible assets	14	721,793	525,031
Amortisation of discounts on bonds	7	114,652	120,936
Interest on leases	13	765	1,761
Credit loss provision	7,8	(5,677)	(20,747)
(Increase)/decrease in operating assets			
(Increase)/decrease in broker receivables	8	(4,719,028)	783,384
(Increase)/decrease in sundry receivables and prepayments	13	(299,728)	1,150,162
Increase in reinsurance contract assets	9	(1,437,927)	(3,470,976)
Increase in net receivable from related companies	21	(4,668,411)	(2,381,584)
Increase/(decrease) in operating liabilities			
Increase/(decrease) in broker payables		24,585	(254,281)
Increase in insurance contract liabilities	9	2,275,477	5,643,624
(Decrease)/increase in sundry payables and accruals	13	(458,110)	565,786
Net cash (used in)/from operating activities		<u>(3,618,331)</u>	<u>5,181,539</u>

(Continued)

See notes to financial statements.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2024

*(Expressed in Bahamian dollars)*

	Notes	2024	2023
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	12	\$ (80,816)	\$ (157,024)
Proceeds from sales and maturities of investments	7	982,666	1,953,867
Purchase of investments	7	(1,438,675)	-
Purchase of intangible assets	14	-	(1,502,549)
Net cash (used in)/from investing activities		<u>(536,825)</u>	<u>294,294</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Lease liability cash payments	13	<u>(22,800)</u>	<u>(22,800)</u>
Net cash used in financing activities		<u>(22,800)</u>	<u>(22,800)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(4,177,956)	5,453,033
CASH AND CASH EQUIVALENTS:			
BEGINNING OF YEAR		<u>15,399,630</u>	<u>9,946,597</u>
END OF YEAR		<u>\$ 11,221,674</u>	<u>\$ 15,399,630</u>
SUPPLEMENTAL CASH FLOW DISCLOSURE:			
Interest received, investments		<u>\$ 573,390</u>	<u>\$ 452,799</u>
Dividends received		<u>\$ 315,218</u>	<u>\$ 288,478</u>
Premium taxes paid		<u>\$ 3,729,154</u>	<u>\$ 3,463,300</u>
Non-cash dividends paid		<u>\$ 8,941,770</u>	<u>\$ -</u>

*(Concluded)*

See notes to financial statements.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

*(Expressed in Bahamian dollars)*

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### 1. GENERAL

Bahamas First General Insurance Company Limited (the “Company”) was incorporated on September 8, 1982 under the laws of the Commonwealth of The Bahamas. Effective January 1, 1998 the Company became a wholly-owned subsidiary of Bahamas First Holdings Limited (“BFH” or “Parent”). It is registered to carry on general insurance business. One of BFH’s subsidiaries, Nassau Underwriters Agency Insurance Agents and Brokers Ltd. (“NUA”) acts as an insurance agent for the Company. Bahamas First Corporate Services (“BFCS”), a wholly owned subsidiary of BFH, provides administrative and corporate services to the Company. First Response Limited (“FRL”), a wholly-owned subsidiary of BFH, provided motor vehicle claim roadside assistance and claim adjusting services to the Company. As at October 31, 2024, FRL had ceased active operations as the claim adjusting services are now carried out by the Company’s employees.

The Company, BFH, and the other subsidiaries of BFH are hereinafter collectively referred to in these financial statements as the “Group”.

The registered office of the Company is located at 32 Collins Avenue, Nassau, Bahamas.

### 2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) AND INTERNATIONAL ACCOUNTING STANDARDS (“IAS”)

#### a. *New and amended Standards and Interpretations adopted by the Company*

In the current year, there were several new and amended Standards and Interpretations issued by the International Accounting Standards Board (the “IASB”) and the International Financial Reporting Interpretations Committee of the IASB effective for annual reporting periods beginning on or after January 1, 2024. However, they do not have a material effect on the Company’s financial statements.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

*(Expressed in Bahamian dollars)*

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### 2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) AND INTERNATIONAL ACCOUNTING STANDARDS (“IAS”) (CONTINUED)

#### b. Standards and Interpretations issued but not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the dates noted below:

Effective for annual periods beginning on or after January 1, 2026

*Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 – Financial Instruments (“IFRS 9”) and IFRS 7 – Financial Instruments: Disclosures (“IFRS 7”)*

On 30 May 2024, the IASB issued targeted amendments to IFRS 9 and IFRS 7 to respond to recent questions arising in practice, and to include new requirements. These amendments:

- (i) clarify the date of recognition and derecognition of some financial assets and liabilities;
- (ii) clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest criterion;
- (iii) add new disclosures for certain instruments with contractual terms that can change cash flows; and
- (iv) update the disclosures for equity instruments designated at fair value through other comprehensive income.

These amendments are not anticipated to have a material impact on the Company’s financial statements.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

*(Expressed in Bahamian dollars)*

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### 2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) AND INTERNATIONAL ACCOUNTING STANDARDS (“IAS”) (CONTINUED)

#### b. Standards and Interpretations issued but not yet effective (continued)

Effective for annual periods beginning on or after January 1, 2027

##### IFRS 18 – Presentation and Disclosure in Financial Statements (“IFRS 18”)

IFRS 18 will replace IAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements. Management is currently assessing the detailed implications of applying the new standard on the Company’s financial statements.

##### IFRS 19 – Subsidiaries without Public Accountability: Disclosures (“IFRS 19”)

IFRS 19 allows for certain eligible subsidiaries of parent entities that report under IFRS Accounting Standards to apply reduced disclosure requirements. Management is currently assessing the detailed implications of applying the new standard on the Company’s financial statements.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

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### 3. MATERIAL ACCOUNTING POLICY INFORMATION

The following is a summary of the material accounting policy information:

- a. ***Basis of preparation*** - These financial statements have been prepared in accordance with IFRS. They have been prepared on an accrual basis and under the historical cost convention, except as outlined in the accounting policies below. The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The accounting policies are consistent with those used in the prior year.

Where necessary, in the financial statements, corresponding figures have been reclassified to conform with changes in presentation in the current year.

- b. ***Financial instruments***

***Classification and measurement*** - On initial recognition, a financial asset or liability is measured at its fair value plus, in the case of investments not at fair value through profit or loss (“FVTPL”), transaction costs directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs on financial assets and financial liabilities at FVTPL are expensed immediately, while on other financial instruments they are amortised.

- (i) Debt instruments

The classification and measurement of debt instruments is dependent on the business model under which the Company manages its investments as well as their cash flow characteristics. They are reclassified when the business model for managing those assets changes.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

### 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### b. *Financial instruments (continued)*

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

##### (i) Debt instruments (continued)

Debt instruments are classified as either financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income (“FVTOCI”) or financial assets measured at FVTPL and are classified as follows:

<b>Amortised cost</b>	<b>FVTOCI</b>	<b>FVTPL</b>
Assets held for the collection of contractual cash flows.  Cash flows represent solely payments of principal and interest (“SPPI”).	Assets held for the collection of contractual cash flows and for the sale of financial assets.  Cash flows represent SPPI.	Assets that do not meet the criteria for amortised cost nor FVTOCI are measured at FVTPL.  An irrevocable election can be made (on an instrument-by-instrument basis) to designate assets as FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

##### *Business model assessment*

A business model refers to how an entity manages its financial assets in order to generate cash flows, i.e. by collecting contractual cash flows, selling financial assets or both. There are three business models under IFRS 9:

- Hold to collect (contractual cash flows)
- Hold to collect and sell
- Hold to trade

For all internally managed debt instruments, the Company’s business model is defined as hold to collect. For all externally managed debt instruments, the business model is defined as hold to collect and sell.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

### 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

b. *Financial instruments (continued)*

Classification and measurement (continued)

(i) Debt instruments (continued)

*SPPI assessment*

The second criterion for determining the classification of a financial asset is whether the contractual cash flows are SPPI. For contractual cash flows to be SPPI they must include returns consistent with a basic lending arrangement.

The Company's debt instruments are consistent with a basic lending arrangement and the contractual cash flows are solely payments of principal and interest. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. We are not aware of any features that would result in the Company's debt instruments failing the SPPI test.

(ii) Equity instruments

There are two measurement categories under which an equity instrument could be classified: as FVTOCI or FVTPL:

<b>FVTOCI (without recycling) of gains or losses to profit or loss on derecognition</b>	<b>FVTPL</b>
Irrevocable election (on an instrument-by-instrument basis) on the date of acquisition. Designation is not permitted if the equity instrument is held for trading.	Default classification for all equity instruments.

The Company does not hold any equity instruments for trading purposes. All equities were designated as FVTOCI. An entity may, at initial recognition, irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. This may be applicable for an insurance company if the assets supporting the liabilities are measured differently. The FVTPL option was not taken by the Company.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

### 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

b. *Financial instruments (continued)*

Classification and measurement (continued)

Investments in Bahamas Government Registered Stock are classified as debt instruments and are carried at amortised cost. Preference shares and redeemable fixed rate note investments that meet the criteria are also classified as debt instruments and carried at amortised cost. All other investments are classified as FVTOCI.

After initial recognition, financial assets are measured as follows:

<b>Debt instruments at amortised cost</b>	<b>Debt instruments at FVTOCI</b>	<b>Equity instruments at FVTOCI</b>
Debt instruments at amortised cost, are measured using the effective interest rate (EIR) method, less allowance for impairment. Expected credit losses (“ECLs”) are recognised in the statement of comprehensive income when the investments are impaired. Gains or losses are recognised in profit or loss on derecognition or impairment, as well as through the amortisation process.	Debt instruments at FVTOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI, with gains or losses recycled to profit or loss on derecognition.	Equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI, with no recycling of gains or losses to profit or loss on derecognition.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, except for financial liabilities at FVTPL. Such liabilities, including derivatives that are liabilities, are measured at fair value.

Cash and cash equivalents, broker receivables, sundry receivables and prepayments, and receivables from Parent are carried at cost, which equates to amortised cost, less provision for ECLs. Broker payables, payables to related party companies, and sundry payables and accruals are financial liabilities which are carried at cost, which equates to amortised cost.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

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### 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

b. *Financial instruments (continued)*

Classification and measurement (continued)

Recognition and derecognition - Financial assets and liabilities (including assets and liabilities designated at FVTPL) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the Company has transferred its right to receive cash flows from the asset and substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished.

c. *Broker receivables* - Broker receivables are stated at cost less provision for ECLs. The provision for ECLs is based on management's evaluation of the portfolio, as described in note 3g.

d. *Investment property* - Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in the statement of comprehensive income. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the statement of comprehensive income. When investment property that was previously classified as property and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Rental income from investment property is recognised as other income on a straight-line basis over the term of the lease. Lease incentives granted are recognised over the term of the lease.

**BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)**  
*(Expressed in Bahamian dollars)*

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**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

- e. *Property and equipment* – Property and equipment, other than freehold land and buildings, are stated at cost less accumulated depreciation and impairment losses.

Expenditure incurred in the construction or replacement of property and equipment is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the property and equipment. All other expenditure is recognised in the statement of comprehensive income as an expense as incurred. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised in the statement of comprehensive income.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of the assets. Land is not depreciated and expenditure incurred on construction-in-progress is not depreciated until construction is completed.

The estimated useful lives are as follows:

Buildings	40 years
Furniture and equipment	3 - 10 years
Leasehold improvements	3 - 5 years

The assets’ useful lives are reviewed at each date of the statement of financial position and adjusted if appropriate.

Freehold land and buildings are stated at fair market value, based on independent professional appraisals, which are performed at least once every three years. At the end of each reporting period, management updates its assessment of the fair value of each property, considering current information available and the most recent independent valuations. The fair value measurement is categorised as Level 3 in the fair value hierarchy. A revaluation increment is recorded in other comprehensive income, unless it reverses a revaluation decrease of the same asset previously recognised as an expense and is transferred to retained earnings to the extent realised by complete or partial disposal of the related asset, including depreciation.

Any revaluation decrease is recognised as an expense unless it reverses a revaluation increase that was previously recognised in other comprehensive income.

Any depreciation accumulated on an asset at the date of revaluation is eliminated against the gross carrying amount of the asset and the resulting net amount restated to the revalued amount of the asset. The accumulated depreciation is reduced or eliminated, and any remaining surplus is used to increase cost.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

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### 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

- f. **Intangible assets** – Intangible assets are comprised of acquired software licenses. These licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful life of the software, estimates of which range between three and seven years.

An intangible asset shall be derecognised on disposal or when no future economic benefit is expected from its use or disposal. The gain or loss arising from the derecognition is recognised in the statement of comprehensive income.

- g. **Impairment** – The Company recognises an allowance for ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the appropriate effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company considers a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The key elements and the mechanics of the ECL calculations are outlined below:

- (i) The Probability of Default (“PD”) is an estimate of the likelihood of default over a given time horizon. It is estimated with consideration of economic scenarios and forward-looking information.
- (ii) The Exposure at Default (“EAD”) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and accrued interest from missed payments.
- (iii) The Loss Given Default (“LGD”) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive. It is usually expressed as a percentage of the EAD.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

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### 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

g. *Impairment (continued)*

The Company allocates its assets subject to ECL calculations into one of the following stages:

- (i) Stage 1 Financial instruments – 12-month ECL: The provision is calculated as the portion of Lifetime ECLs that represent the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. The Company calculates the 12-month ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an appropriate effective interest rate (“EIR”).
- (ii) Stage 2 Financial instruments – Lifetime expected credit loss (“LTECL”): When an instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected losses are discounted by an appropriate EIR.
- (iii) Stage 3 Financial instruments – Credit impaired: The Company recognises the lifetime expected credit losses for financial assets that are considered impaired. The method is similar to that for LTECL assets, with the PD set at 100%.

Non-financial assets, except for investment property, are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where one of these assets previously suffered an impairment, it is reviewed for possible reversal of the impairment at the end of each reporting period. To the extent that the impairment is reversed, it is recognised in the statement of comprehensive income.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

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### 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### h. *Insurance contracts*

Definition and classification - Insurance contracts are contracts under which the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Company uses judgement to assess whether a contract transfers insurance risk and whether the accepted insurance risk is significant. The main insurance contracts issued by the Group are as follows:

Property and casualty (“P&C”) insurance contracts - Property and casualty contracts are generally one year renewable contracts issued by the Company covering insurance risks over property, motor, marine, engineering and general accident.

All of the Company’s insurance contracts transfer significant insurance risk. The Company does not issue insurance contracts with direct or indirect participating features, nor any features that should be accounted for separately in accordance with IFRS 17 requirements. Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, which are issued together with the main insurance contracts form part of a single insurance contract with all of the cash flows within its boundary.

In the normal course of business, the Company uses reinsurance to mitigate its risk exposures. A reinsurance contract held transfers significant risk if it transfers a substantial portion of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss. The Company does not issue any reinsurance contracts directly or indirectly.

The Company measures insurance contracts issued and reinsurance contracts held applying the Premium Allocation Approach (“PAA”).

Unit of account - The Company manages insurance contracts issued by product lines, where each product line includes contracts that are subject to similar risks and are managed together. All insurance contracts within a product line represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are:

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

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

*(Expressed in Bahamian dollars)*

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### 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### h. *Insurance contracts (continued)*

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

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

For each portfolio of contracts, the Company determines the appropriate level at which reasonable and supportable information is available, to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts.

The Company uses judgement to determine at what level of granularity the Company has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

The Company assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. For non-onerous contracts, the Company assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Company aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of: (i) contracts for which there is a net gain at initial recognition; (ii) contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and (iii) remaining contracts in the portfolio.

Reinsurance contracts held are assessed for aggregation requirements at the portfolio level. The Company tracks internal management information reflecting historical experience of such contracts' performance to assess the associated profitability cohort of groups of reinsurance contracts.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

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### 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### h. *Insurance contracts (continued)*

Recognition and derecognition - Groups of insurance contracts issued are initially recognised from the earliest of the following:

- (i) the beginning of the coverage period;
- (ii) the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- (iii) when the Company determines that a group of contracts becomes onerous.

Reinsurance contracts held are recognised as follows:

- (i) a group of reinsurance contracts held that provide proportionate coverage (quota share reinsurance) is recognised at the later of:
  - the beginning of the coverage period of the group; and
  - the initial recognition of any underlying insurance contract;
- (ii) all other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the group of reinsurance contracts held. This is unless the Company entered into the reinsurance contract held, at or before the date when an onerous group of underlying contracts is recognised (which is prior to the beginning of the coverage period of the group of reinsurance contracts held). In this case, the reinsurance contract held is recognised at the same time as the group of underlying insurance contracts is recognised.

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

An insurance contract is derecognised when it is:

- (i) extinguished; or
- (ii) the contract is modified and additional criteria discussed below are met.

When an insurance contract is modified by the Company as a result of an agreement with the counterparties or due to a change in regulations, the Company treats changes in cash flows caused by the modification as an adjustment to the Liability for Remaining Coverage (“LRC”), unless the conditions for the derecognition of the original contract are met.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

*(Expressed in Bahamian dollars)*

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### 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### h. *Insurance contracts (continued)*

##### *Recognition and derecognition (continued)*

The Company derecognises the original contract and recognises the modified contract as a new contract if any of the following conditions are present:

- (i) if the modified terms had been included at contract inception and the Company would have concluded that the modified contract:
  - is not within the scope of IFRS 17;
  - results in different separable components;
  - results in a different contract boundary; or
  - belongs to a different group of contracts.
- (ii) the modification means that the contract no longer meets the eligibility criteria for that approach.

When an insurance contract is derecognised, adjustments to remove related rights and obligations to account for the effect of the derecognition result in the following amounts being reported immediately in the statement of comprehensive income:

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

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

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### 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### h. *Insurance contracts (continued)*

##### Fulfilment cash flows and contract boundary

The term fulfilment cash flows (“FCFs”) in the context of insurance contracts are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Company expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of FCFs:

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

The Company estimates certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts. The Company uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

The Company uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation ends when:

- (i) the Company has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or
- (ii) both of the following criteria are satisfied:
  - the Company has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
  - the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

In assessing the practical ability to reprice the contract, risks transferred from the policyholder to the Company, such as insurance risk and financial risk, are considered; other risks, such as lapse or surrender and expense risk, are not included. Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

*(Expressed in Bahamian dollars)*

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### 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### h. *Insurance contracts (continued)*

##### *Fulfilment cash flows and contract boundary (continued)*

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

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

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

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

Before a group of insurance contracts is recognised, the Company could pay for directly attributable acquisition costs to originate them. Such balances are recognised as insurance acquisition cash flow assets within the carrying amount of insurance contracts issued and are subsequently derecognised when respective groups of insurance contracts are recognised and the insurance acquisition cash flows are included in the group's measurement. The amounts allocated to groups of insurance contracts yet to be recognised are revised at each reporting date, to reflect any changes in assumptions that determine the inputs to the method of allocation used.

Insurance acquisition cash flow assets not yet allocated to a group are assessed for recoverability if facts and circumstances indicate that the assets might be impaired. Impairment losses reduce the carrying amount of these assets and are recognised in insurance service expenses. Previously recognised impairment losses are reversed to the extent that the impairment conditions no longer exist or have improved.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

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### 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### h. *Insurance contracts (continued)*

##### Fulfilment cash flows and contract boundary (continued)

Before a group of insurance contracts is recognised, the Company could recognise assets or liabilities for cash flows related to a group of insurance contracts other than insurance acquisition cash flows, either because of the occurrence of the cash flows or because of the requirements of another IFRS standard. Cash flows are related to the group of insurance contracts if they would have been included in the FCF at initial recognition of the group and if they had been paid or received after that date. Such assets or liabilities (referred to as ‘other pre-recognition cash flows’) are included in the carrying amount of the related portfolios of insurance contracts issued or in the carrying amount of the portfolios of reinsurance contracts held.

Cash flows that are not directly attributable to a portfolio of insurance contracts are recognised as they are incurred, as other operating expenses within the statement of comprehensive income.

##### Measurement

The Company uses the PAA for measuring contracts with a coverage period of one year or less. For contracts with longer periods, the PAA simplification would produce a measurement of the LRC that would not differ materially from the one that would be produced by applying the General Measurement Model (“GMM”) based on assessments performed by the Company.

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

For insurance contracts issued, on initial recognition, the Company measures the LRC at the amount of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the insurance acquisition cash flows asset and the derecognition of any other relevant pre-recognition cash flows. The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

- (i) the LRC; and
- (ii) the Liability for Incurred Claims (“LIC”), comprising the FCF related to past service allocated to the group at the reporting date.

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

- (i) increased for premiums received in the period, excluding amounts that relate to premium receivables included in the LIC;
- (ii) decreased for insurance acquisition cash flows paid in the period;

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

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### 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### h. *Insurance contracts (continued)*

##### Measurement (continued)

- (iii) decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period; and
- (iv) increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses.

For reinsurance contracts held, on initial recognition, the Company measures the remaining coverage at the amount of ceding premiums paid, plus broker fees paid to a party other than the reinsurer and any amounts arising from the derecognition of any other relevant pre-recognition cash flows. The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

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

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

- (i) increased for ceding premiums paid in the period;
- (ii) increased for broker fees paid in the period; and
- (iii) decreased for the expected amounts of ceding premiums and broker fees recognised as reinsurance expenses for the services received in the period.

The Company does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money. For LIC, the estimates of future cash flows are adjusted using current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rates that reflect the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. It reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils insurance contracts. Unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the LIC. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

*(Expressed in Bahamian dollars)*

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### 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### h. *Insurance contracts (continued)*

##### *Measurement (continued)*

The Company adjusts the assets for reinsurance contracts held for the effect of the risk of reinsurer's non-performance. In the measurement of reinsurance contracts held, the probability-weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer. Based on current use of reinsurers, this provision is materially nil.

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

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

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

Where applicable, changes in the loss-recovery component are recognised as net income from reinsurance contracts held.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

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### 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### h. *Insurance contracts (continued)*

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

The Company recognises insurance revenue based on the passage of time over the coverage period of a group of contracts, except for groups of contracts for which the expected pattern of release of risk during the coverage period differs significantly from the passage of time. For these groups of contracts, the Company recognises insurance revenue based on the expected timing of incurred insurance service expenses. The amount of insurance revenue for the period is the amount of expected premium receipts (excluding any investment component and adjusted to reflect the effect of financial risk) allocated to the period.

Insurance service expenses include the following:

- (i) incurred claims and benefits, reduced by loss component allocations;
- (ii) other incurred directly attributable expenses, including amounts of any other pre-recognition cash flows assets (other than insurance acquisition cash flows) derecognised at the date of initial recognition;
- (iii) insurance acquisition cash flows amortisation;
- (iv) changes that relate to past service – changes in the FCF relating to the LIC;
- (v) changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses; and
- (vi) insurance acquisition cash flows assets impairment.

Amortisation of insurance acquisition cash flows is based on the timing of recognition of insurance revenue. Other expenses not meeting the above categories are included in other operating expenses in the statement of comprehensive income.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

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### 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### h. *Insurance contracts (continued)*

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

The Company presents financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held, comprising the following amounts:

- (i) reinsurance expenses;
- (ii) incurred claims recovery, reduced by loss-recovery component allocations;
- (iii) other incurred directly attributable expenses;
- (iv) changes that relate to past service – changes in the FCF relating to incurred claims recovery;
- (v) effect of changes in the risk of reinsurers' non-performance; and
- (vi) amounts relating to accounting for onerous groups of underlying insurance contracts issued.

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

The Company recognises reinsurance premiums based on the same methodology used for recognising insurance revenue.

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses. Ceding commissions that are contingent on claims of the underlying contracts issued are treated as incurred claims recovery.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

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### 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

h. *Insurance contracts (continued)*

*Insurance finance income or expenses*

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

- (i) the effect of the time value of money and changes in the time value of money; and
- (ii) the effect of financial risk and changes in financial risk.

The Company does not apply the other comprehensive income (OCI) option to disaggregate insurance finance income or expenses between profit or loss and OCI. The effect of changes in the time value of money and changes in financial risk on the LIC for insurance contracts issued and reinsurance contracts held are reflected in profit or loss.

The Company does not disaggregate changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses.

- i. *Net investment income* – Interest income from on debt securities measured at amortised cost is recognised on an accrual basis, using the effective interest rate method. Dividends are recognised when the shareholders’ right to receive payment is established, which is the ex-dividend date. Income on debt securities classified as FVTOCI is recognised in interest income using the effective interest rate method, including the transaction costs.
- j. *Cash and cash equivalents* - Cash and cash equivalents consist of cash on hand, deposits with banks and debt securities maturing within ninety days from the date of acquisition.
- k. *Share capital* - Shares are classified as equity when there is no obligation to transfer cash or other assets. Share capital is comprised of common shares. When common shares are repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction in equity.

Dividends on common shares are recognised as a liability and deducted from equity when they are declared by the Company’s Board of Directors.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

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### 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

1. *Foreign currency translation:*

- (i) *Functional and presentation currency* - Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (functional currency), the Bahamian dollar. The financial statements are presented in Bahamian dollars, which is also the Company's presentation currency.
- (ii) *Transactions and balances* - Assets and liabilities denominated or accounted for in currencies other than the Bahamian dollar are translated into Bahamian dollars at the exchange rates prevailing at the statement of financial position date. Foreign currency transactions and income and expense items have been translated at the exchange rates prevailing at the date of the transaction. Gains or losses arising from transactions in foreign currencies are included in the statement of comprehensive income.

m. *Related parties* – Related parties include:

- (i) key management personnel, Directors, and close members of that person's family;
- (ii) entities that have the ability to control or exercise significant influence over the Company in making financial or operational decisions; and
- (iii) entities that are controlled, jointly controlled or significantly influenced by parties in (i) and (ii).

n. *Pension benefits* – The Company's employees participate in a defined contribution plan. Under the plan, the Company contributes a fixed percentage of annual salary that is expensed in the year. Once the contributions have been made, the Company has no further obligations. The expensed amount is included in insurance service expenses and other operating expenses in the statement of comprehensive income.

o. *Leases* - At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16, Leases.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to office premises.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

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### 3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

o. *Leases (continued)*

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- (i) fixed payments, including in-substance fixed payments;
- (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (iii) amounts expected to be payable under a residual value guarantee; and
- (iv) the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents its right-of-use asset and lease liability in the statement of financial position.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

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### 3. MATERIAL ACCOUNTING POLICY INFORMATION(CONTINUED)

o. *Leases (continued)*

*Short-term leases and leases of low-value assets*

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of Information Technology equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

- p. **Taxation** - The Company is subject to tax on taxable gross premium income at the flat rate of 3% (2023: 3%) for premium tax on all policies and at 10% (2023: 10%) for value added tax (“VAT”) on all policies except owner occupied dwellings. The Company is subject to a business license tax on non-premium turnover at a sliding scale rate ranging from 0.50% to 1.25% (2023: 0.50% to 1.25%).

VAT on premiums and premium taxes are recorded as receivables from the policyholders and payables to the government agencies in the month in which they are processed.

There are no other taxes on corporate income or capital gains levied on the Company.

- q. **Contingent liabilities** - A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably.

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that the Company will be required to settle that obligation; and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle that obligation at the reporting date and are discounted to present value.

Potential recoveries from third parties are recognised as a receivable when it is virtually certain that the recoveries will be received and the amount can be measured reliably.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

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### 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

#### a. *Methods used to measure general insurance contracts*

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the amounts that the Company will ultimately pay to settle such claims.

The liability for incurred claims is necessarily based on estimates due to the fact that ultimate disposition of claims incurred prior to the date of the statement of financial position, whether reported or not, is subject to the outcome of events that have not yet occurred. Examples of these events include, inter alia, jury decisions, court interpretations, legislative changes, and the cost of automobile and property repair materials and labour rates.

Any estimate of future costs is subject to the inherent uncertainties in predicting the course of future events. Consequently, the amounts recorded in respect of the liability for incurred claims may change significantly in the short term. Management estimates and judgments are based on the Company's claims experience, relevant circumstances and/or advice from legal counsel.

Short-tail claims, such as for automobile and property damage, are normally reported soon after the incident and are generally settled within one to three months after the claims event.

Information for long-tail claims such as casualty claims for bodily injury and general third party and employers' liability claims may not be readily available. The provision for long-tail claims is regularly evaluated by management and is based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

*(Expressed in Bahamian dollars)*

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### 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

#### a. *Methods used to measure general insurance contracts (continued)*

The ultimate undiscounted cost of claims which have occurred but not yet settled is estimated using a range of standard actuarial claims projection techniques. The Company's actuary has used a combination of actuarial methodologies to determine the estimate of the present value of undiscounted ultimate liabilities. The assumptions used in most non-life actuarial projection techniques, including future rates of claims inflation or loss ratio assumptions, are implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future in order to arrive at a point estimate for the ultimate cost of claims that represents the likely outcome, from a range of possible outcomes, taking account of all the uncertainties involved.

The Company does not establish provisions for catastrophes (such as natural disasters) in advance of the occurrence of such events. These events can cause significant volatility in the Company's level of incurred losses.

The impact of critical accounting estimates and judgments on the ultimate liability arising from claims made under insurance contracts is partially mitigated through relief arising from reinsurance contracts held.

Once estimates of the undiscounted claim liabilities are established, the projected future cash flows are estimated and then adjusted to reflect the time value of money and the risks related to those cash flows. See notes 4b, 4c and 4d for details on the derivation of future cash flows, discount rates and risk adjustment for non-financial risk respectively.

The carrying value at the statement of financial position date of insurance contract liabilities was \$63,660,069 (2023: \$61,384,592). The amount of reinsurance contract assets estimated at the statement of financial position date is \$42,295,984 (2023: \$40,858,057). Refer to note 9 for further information on reconciliations of insurance contract liabilities and reinsurance contract assets. Refer to note 10 for further information on the liability for incurred claims and claims development.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

*(Expressed in Bahamian dollars)*

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### 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

#### b. *Estimates of future cash flows to fulfil insurance contracts*

Included in the measurement of each group of contracts within the scope of IFRS 17 are all of the future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability-weighted expected future cash flows. The Company estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these estimates, the Company uses information about past events, current conditions and forecasts of future conditions. The Company's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cash flows. The probability-weighted average of the future cash flows is calculated using a deterministic scenario representing the probability-weighted mean of a range of scenarios.

Uncertainty in the estimation of future claims and benefit payments arises primarily from the severity and frequency of claims. Assumptions used to develop estimates about future cash flows are reassessed annually and adjusted where required.

Where estimates of expense-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic and rational basis. An entity can use judgement to determine which cash flows within the boundary of insurance contracts are those that relate directly to the fulfilment of the contracts. The Company performs regular expense studies and uses judgement to determine the extent to which fixed and variable overheads are directly attributable to fulfilling insurance contracts.

#### c. *Discount rates*

The top-down approach is used to derive the discount rates. Under this approach, the discount rates are determined as the yield implicit in the fair value of a reference portfolio adjusted for differences between the reference portfolio of assets and respective liability cash flows. The reference portfolio consists of Government of Bahamas fixed coupon bonds available in the market denominated in the same currency as the product being measured. The yields from the reference portfolio are adjusted to remove spread associated with credit risk. These adjustments are estimated using information from observed historical levels of default relating to the bonds included in the reference portfolio.

The settlement of the Company's current outstanding claims are all expected to occur within the period for which observable market information is available to determine the IFRS 17 discount rates.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

### 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

#### c. *Discount rates (continued)*

The yield curves (spot rates) that were used to discount the estimates of future cash flows are as follows:

	General Insurance (issued and reinsurance held)			
	1 year	5 years	10 years	20 years
2024	1.7%	2.4%	4.0%	4.8%
2023	1.6%	2.3%	4.0%	4.8%

#### d. *Methods used to measure the risk adjustment for non-financial risk*

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

The Company quantifies the risk adjustment at a consolidated level which is then allocated down to groups of contracts in accordance with their risk profiles. This approach reflects the diversification that occurs between groups of contracts within the Company. The confidence level method was used to derive the risk adjustment for non-financial risk.

In the confidence level method, the risk adjustment is determined by developing a loss distribution based on the Company's historical claims data and selecting a level of risk adjustment that is at least equivalent to the target confidence level. The target confidence level is 75% (2023: 75%).

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

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### 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

e. *Contracts measured under the PAA approach*

For insurance contracts issued measured under the PAA, management judgement is required to assess whether facts and circumstances indicate that a group of contracts has become onerous. Further, judgement is required to assess whether facts and circumstances indicate that any changes in the onerous group's profitability and whether any loss component remeasurement is required.

The Company sets premiums considering recent experience and future expectations with the intention of underwriting profitable contracts. As part of annual budgeting the Company quantifies the expected profits or losses for each portfolio of contracts which would be used to assess whether facts and circumstances exist that indicate that there are onerous groups of contracts. There are currently no facts or circumstances that indicate that onerous groups of contracts exist, and thus all contracts measured by the Company in 2023 and 2024 under the PAA were determined to be non-onerous.

f. *Impairment losses on financial assets*

The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgement, in particular, for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of any significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios and the relevant inputs used.

As at December 31, 2024, \$2,526,800 (2023: \$3,114,321) of investments were classified as Stage 2 with a LTECL of \$76,670 (2023: \$97,409). All other investments were classified as Stage 1 with an aggregate 12-month ECL of \$27,681 (2023: \$13,530). All broker receivables at December 31, 2024 and 2023 were classified as Stage 1. Refer to note 8 for 12-month ECL.

g. *Depreciation of property and equipment*

Depreciation is based on management's estimates of the future useful lives of property and equipment. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the depreciation charges. The Company reviews the future useful life of property and equipment periodically, taking into consideration the factors mentioned above and all other important factors. In case of significant changes in the estimated useful lives, depreciation charges are adjusted prospectively.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

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### 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

#### h. *Fair value of financial assets and liabilities*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The fair values of listed equities are based on current bid prices reported on recognised exchanges. The fair value of debt securities is based on either current bid prices reported on recognised exchanges, secondary markets or pricing data provided by internationally recognised pricing services. Mutual funds are carried at fair value based on the net asset value per share provided by the administrator of the fund. If prices are not readily available, the fair value is estimated using either dealer quotes or pricing models or discounted cash flow models or management's estimate of amounts that could be realised under current market conditions and which are based on observable market-based inputs when available.

Where fair value has been determined using data provided by a recognised pricing service, dealer quotes, pricing models or net asset value per share, the Company has obtained an understanding of the methods, models and inputs used in pricing and has controls in place that management considers sufficient to validate that prices represent fair value.

Investments for which observable market prices do not exist are reported at fair value as determined in good faith by management. Fair value is based on the best information available and is determined by reference to information including, but not limited to the following: projected income, net earnings, earnings before interest, taxes, depreciation and amortisation ("EBITDA"), book value, relevant public or private transactions, valuations for publicly traded companies, and/or other measures, and consideration of any other pertinent information including the types of securities held and restrictions on disposition. The amount determined to be fair value may incorporate management's own assumptions (including appropriate risk adjustments for non-performance and lack of marketability).

For certain financial instruments carried at cost, the carrying amounts approximate to fair value due to the short-term nature of these instruments. Such instruments include broker receivables, sundry receivables and prepayments, broker payables and sundry payables and accruals.

For long-term financial instruments carried at cost with fixed interest rates, the carrying values approximate fair values. Other long-term instruments carried at cost have rates that periodically reset to market rates minimising the exposure to fair value interest rate risk.

Refer to notes 5 and 7 for further information on the fair value of financial assets and liabilities.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

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### 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

#### i. *Land and buildings revaluations*

Land and buildings are revalued triennially based on outputs derived from an independent appraisal report. The techniques used by the appraiser involve the use of assumptions to provide a fair value estimate of land and buildings. Information about the valuation technique and inputs used in determining the fair value of the land and buildings are disclosed in notes 11 and 12.

### 5. RISK MANAGEMENT

The Company actively monitors the risks inherent in its business activities (insurance risk) and the risks associated with the management of its financial assets and liabilities (financial risk) which support the operational activities. The Board of Directors (“the Board”) has overall responsibility for the oversight of the Company’s risk management structure and has established various sub committees of the Board, including the Technical Insurance Committee, the Audit Committee, the Corporate Governance Committee and the Finance and Investment Committee to oversee the management of the risks assigned within each Committee’s respective Board approved mandate. It is management’s responsibility to adhere to the parameters established within the Board’s risk management framework. This is executed through the development of risk appetite and tolerance limits, development of appropriate policies and procedures, periodic measurement of key performance indicators, stress testing, quarterly evaluation of risk registers and the necessary controls to ensure reliable reporting and material compliance with regulatory guidelines. The Group’s Internal Auditors review the Company’s processes and controls as determined by the Audit Committee on a rotational basis and report on their findings directly to the Audit Committee. The Audit Committee oversees how management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks that face the Company. The committees report regularly to the Board of Directors on their activities.

#### **Insurance risk**

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

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims payments exceed the carrying amount of the insurance liabilities.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

*(Expressed in Bahamian dollars)*

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### 5. RISK MANAGEMENT (CONTINUED)

#### **Insurance risk (continued)**

This could occur because the frequency and/or severity of claims are greater than estimated. Insurance events are random and the actual number and amount of claims will vary from year to year from the level established using statistical techniques.

Risk factors that affect insurance are many and include the lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered. The Company insures the risks of entities within The Bahamas. Below is a discussion of insurance risks specific to the lines of coverage provided by the Company.

#### Property and casualty insurance risks

Property risks are comprised of physical damage to property. Property policies are underwritten by reference to the commercial replacement value of the properties and content insured.

Casualty risks are comprised of personal injury from motor claims, public liability, employers' liability, workmen's compensation and personal liability coverage.

For the Company's property and casualty insurance contracts, significant risk exposure arises from low frequency, high severity events such as hurricanes. Single events, such as flooding and fires may also generate significant claims.

Claim payment limits are always included to cap the amount payable on occurrence of the insured event. The key factors that influence the quantum of claim settlements are the costs of rebuilding properties and the replacement of, or indemnity for building contents.

The frequency and severity of claims can be affected by several factors with the single most significant event being a catastrophic event. The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and claims handling. Underwriting guidelines are in place to ensure appropriate risk selections. Analytics are used to look at pricing models to ensure that loss ratios remain relatively stable. The Company has a dedicated in-house claims department and uses third party loss adjusters as necessary. The Company manages and seeks pursues early settlement of claims which has been determined to reduce exposure to claims deterioration. The Company will, where necessary, appoint lawyers to act on the Company's behalf in respect of serious bodily injury or other claims.

#### Reinsurance risks

The Company follows the policy of underwriting and reinsuring contracts of insurance, which generally limit the liability for any one risk. Catastrophe deductibles are limited to a maximum of 10% of the Company's capital and reserves in the event of a series of claims arising out of a single occurrence.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

### 5. RISK MANAGEMENT (CONTINUED)

#### Insurance risk (continued)

##### Reinsurance risks (continued)

The Company is exposed to contractual disputes with its reinsurers and the possibility of default by its reinsurers. The Company is also exposed to the credit risk assumed in fronting arrangements and to potential reinsurance constraints. The Company's strategy is to select reinsurers with the best combination of financial strength, price and capacity.

In the event that the Company's reinsurers are unable to meet their obligations under the reinsurance programs in place, the Company would still be obligated to pay all claims made under the insurance policies it issues, but would only receive reimbursement to the extent that the reinsurers could meet their above mentioned obligations.

Management does not anticipate that there will be any issues with the collection of amounts due from reinsurers as they become due, and is not aware of any disputes with reinsurers, overdue amounts or any specific credit issues.

The reinsurance program used by the Company is reviewed by the Technical Insurance Committee and approved by the Board on an annual basis.

##### Concentration of insurance contract assets and liabilities

The following table shows the net insurance contract assets and liabilities by major product line:

	2024			2023		
	Insurance \$	Reinsurance \$	Net \$	Insurance \$	Reinsurance \$	Net \$
Property	20,380,870	17,715,412	2,665,458	19,066,531	15,907,131	3,159,400
Motor and liability	39,155,721	20,842,421	18,313,300	38,777,814	21,856,257	16,921,557
Other	4,123,478	3,738,151	385,327	3,540,247	3,094,669	445,578
Total	<b>63,660,069</b>	<b>42,295,984</b>	<b>21,364,085</b>	<b>61,384,592</b>	<b>40,858,057</b>	<b>20,526,535</b>

#### Financial risk

The Company is exposed to financial risk through its financial assets and liabilities. The components of financial risk that may have an impact on the Company are credit risk, market risk and liquidity risk. Market risk exposure results from adverse movements in market rates and prices and as a result the Company is exposed to interest rate risk, foreign currency risk and price risk.

The risk framework combines investment policies, limits, stress tests and regular monitoring to control the nature and level of financial risk and to ensure adherence to Company and regulatory policies and guidelines.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

### 5. RISK MANAGEMENT (CONTINUED)

#### Financial risk (continued)

The following table reconciles financial assets and financial liabilities to the Company's statement of financial position:

	<b>2024</b>	<b>2023</b>
<b>Financial assets:</b>		
Cash	\$ 11,221,674	\$ 15,399,630
Investments, net:		
Debt securities at amortised cost	6,450,596	7,031,660
Equity securities at FVTOCI	9,929,364	10,989,456
Debt securities at FVTOCI	6,033,137	4,700,663
Loans and receivables:		
Broker receivables, net	16,014,480	11,296,362
Receivables from Parent	20,640,882	25,842,975
Sundry receivables*	355,748	10,885
Total financial assets	<u>70,645,881</u>	<u>75,271,631</u>
Non - financial assets	<u>56,219,056</u>	<u>55,761,444</u>
Total assets	<u>\$ 126,864,937</u>	<u>\$ 131,033,075</u>
<b>Financial liabilities:</b>		
Payables at amortised cost:		
Broker payables	\$ 538,184	\$ 513,599
Payables to related party companies	8,283,852	9,212,586
Sundry payables and accruals	500,383	980,528
Total financial liabilities	<u>9,322,419</u>	<u>10,706,713</u>
Non - financial liabilities	<u>63,660,069</u>	<u>61,384,592</u>
Total liabilities	<u>\$ 72,982,488</u>	<u>\$ 72,091,305</u>

\*excludes prepayments of \$356,601 (2023: \$423,026).

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

*(Expressed in Bahamian dollars)*

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### 5. RISK MANAGEMENT (CONTINUED)

#### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Key areas where the Company is exposed to credit risk are cash and cash equivalents, investments, reinsurance contract assets, broker receivables, receivables from Parent and sundry receivables.

The Company's investment policy permits the Company to invest in fixed income debt securities, equity securities, private placements of financial institutions and term deposits, within certain specified limits. The investment policy has a fixed limit to limit exposure to any one issuer. The Company's deposits are placed with well-known high quality financial institutions. Policies and guidelines are in place to limit the exposure faced by the Company. Any exceptions to these limits are approved by the Board.

The Company is exposed to credit risk in respect of broker receivable balances due from agents that bind insurance policies on its behalf. The Company periodically inspects the financial records of these intermediaries to proactively address any negative trends. Commissions paid to these intermediaries are also netted off against amounts receivable from them to reduce the amount at risk for default.

The Company is also exposed to credit risk with respect to reinsurance contract assets. The Company's liability as primary insurer is not discharged if a reinsurer defaults on the obligation to pay. The Technical Insurance Committee oversees the assessment by management of the creditworthiness of all reinsurers, which includes review of credit ratings as determined by independent rating agencies and other publicly available financial information.

The Company has approved limits for the maximum participation of any one reinsurer in its reinsurance program, which requires Board approval for any waiver of the limit. Reinsurance coverage is placed with a number of major international third-party reinsurers, as well as underwriting members of Lloyd's, with credit ratings of A- or higher from A.M. Best or Standard & Poor's. The concentration of credit risk is also monitored to minimise the Company's exposure to significant losses from reinsurer insolvency.

The Company, as part of the BFH Group, analyses its credit exposure to related parties and the impact this has on its credit risk. Based on the overall liquidity within the Group, there is no ECL loss on the related party balance which is due from Parent, at year end. The nature of the Company's exposure to credit risk and its objectives, policies and processes used to manage and measure the risks have not changed from the prior year.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

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### 5. RISK MANAGEMENT (CONTINUED)

#### Credit risk (continued)

The following assets of the Company are exposed to credit risk:

	2024	2023
Debt securities at amortised cost	6,546,800	7,134,321
Debt securities at FVTOCI	6,041,284	4,708,941
Broker receivables	16,018,898	11,299,870
Receivables from Parent	20,640,882	25,842,975
Sundry receivables	355,748	10,885
Reinsurance contract assets	42,295,984	40,858,057
Cash	11,221,674	15,399,630
Total	<u>\$ 103,121,270</u>	<u>\$ 105,254,679</u>

Debt securities are analysed in the table below using Standard & Poor's ("S&P") ratings or an equivalent rating when not available for S&P.

	2024	2023
Between A and A-	\$ 1,013,444	\$ 785,450
BBB or Above	3,792,013	6,102,590
Below BBB or Not rated	<u>7,782,627</u>	<u>4,955,222</u>
Total debt securities	<u>\$ 12,588,084</u>	<u>\$ 11,843,262</u>

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

### 5. RISK MANAGEMENT (CONTINUED)

#### Credit risk (continued)

Financial and other assets exposed to credit risk that are neither past due nor impaired, past due but not impaired and impaired are analysed in the table below:

<b>At December 31, 2024</b>	<b>Neither past due nor impaired</b>	<b>Past due but not impaired</b>	<b>Impaired</b>	<b>Total</b>
Debt securities at amortised cost	\$ 6,546,800	\$ -	\$ -	\$ 6,546,800
Debt Securities at FVTOCI	6,041,284	-	-	6,041,284
Broker receivables	13,757,135	2,257,345	4,418	16,018,898
Receivables from Parent	20,640,882	-	-	20,640,882
Sundry receivables	355,748	-	-	355,748
Reinsurance contract assets	42,295,984	-	-	42,295,984
Cash	11,221,674	-	-	11,221,674
<b>Total assets exposed to credit risk</b>	<b>\$ 100,859,507</b>	<b>\$ 2,257,345</b>	<b>\$ 4,418</b>	<b>\$ 103,121,270</b>

<b>At December 31, 2023</b>	<b>Neither past due nor impaired</b>	<b>Past due but not impaired</b>	<b>Impaired</b>	<b>Total</b>
Debt securities at amortised cost	\$ 7,134,321	\$ -	\$ -	\$ 7,134,321
Debt Securities at FVTOCI	4,708,941	-	-	4,708,941
Broker receivables	10,300,442	995,920	3,508	11,299,870
Receivables from Parent	25,842,975	-	-	25,842,975
Sundry receivables	10,885	-	-	10,885
Reinsurance contract assets	40,858,057	-	-	40,858,057
Cash	15,399,630	-	-	15,399,630
<b>Total assets exposed to credit risk</b>	<b>\$ 104,255,251</b>	<b>\$ 995,920</b>	<b>\$ 3,508</b>	<b>\$ 105,254,679</b>

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed above. The Company does not hold collateral as security.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

### 5. RISK MANAGEMENT (CONTINUED)

#### Credit risk (continued)

##### Concentration of exposure

The Company's gross written premium between Group and non-Group agents are as follows:

	<b>2024</b>	<b>2023</b>
Group agents and insurers	\$ 57,430,724	\$ 52,690,340
Non-Group agents	<u>70,603,563</u>	<u>66,216,305</u>
Total	<u>\$ 128,034,287</u>	<u>\$ 118,906,645</u>

The Company only underwrites risks within The Bahamas. The concentration of credit risk is regularly monitored and evaluated. Specifically for non-related agents, the Company evaluates payment history as well as its financial position on a periodic basis.

The geographical locations of the Company's portfolio of investments are as follows:

	<b>2024</b>	<b>%</b>	<b>2023</b>	<b>%</b>
Bahamas	16,476,164	73%	18,123,777	79%
USA	<u>6,041,284</u>	<u>27%</u>	<u>4,708,941</u>	<u>21%</u>
Total	<u>22,517,448</u>	<u>100%</u>	<u>22,832,718</u>	<u>100%</u>

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cashflows of a financial instrument, insurance or reinsurance contract will fluctuate due to changes in market interest rates. Variable rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest rate risk. The Company's investment in debt securities and cash and cash equivalents are all subject to interest rate risk.

The coupon rates associated with the fixed interest rate debt instruments held by the Company range from 1.20% to 7.00% (2023: 1.20% to 7.00%) per annum at the date of the statement of financial position.

The variable interest rate instruments are tied to B\$ prime, with interest rates of 4.41% to 6.00% (2023: 4.41% to 6.00%) per annum at the date of the statement of financial position.

The Group's LIC and Asset for Incurred Claims ("AIC") are subject to interest rate risk. The net equivalent single rate used to discount the Bahamas' P&C claim liabilities is 2.77% (2023: 2.71%).

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

### 5. RISK MANAGEMENT (CONTINUED)

#### Foreign currency risk

Foreign currency risk relates to the Company operating in different currencies and converting non-Bahamian earnings at different foreign exchange levels when adverse changes in foreign currency exchange rates occur. The Bahamian dollar is fixed to the US dollar at the following rate: B\$1 = US\$1 (2023: B\$1 = US\$1) at the date of the statement of financial position. All underlying assets and liabilities of the Company are denominated in Bahamian dollars or US dollars.

#### Price risk

The Company is subject to price risk on its investments due to fluctuations in fair value as a result of changes in market prices. One of the primary objectives of the Company's risk management policy is to mitigate potential adverse impacts of market movements. Price risk arises primarily from changes in the value of equity investments and debt securities in the event that these are required to be sold to meet liquidity needs or if there is a significant deterioration in the market price.

Trading levels in The Bahamas, whether on BISX or over-the-counter markets, are generally low and therefore, the ability of the Company to liquidate large positions may be difficult and prices received may be severely impacted. The Central Bank has created a secondary market for certain debt securities issued by the Government of The Bahamas, and prices currently being observed in this market and over-the-counter approximate the face values of such securities.

Securities are managed in accordance with the benchmarks set out in the Company's statement of investment policy and guidelines. The effect of a 10% (2023: 10%) change in prices at the date of the statement of financial position are set out below:

	<b>Carrying value</b>	<b>Effect on profit and equity +10%</b>	<b>Effect on profit and equity -10%</b>
<b>At December 31, 2024</b>			
Listed equity securities	\$ 9,929,364	\$ 992,936	\$ (992,936)
Listed debt securities	7,591,284	759,128	(759,128)
Unlisted debt securities	<u>4,996,800</u>	<u>499,680</u>	<u>(499,680)</u>
Total	<u>\$ 22,517,448</u>	<u>\$ 2,251,744</u>	<u>\$ (2,251,744)</u>
<b>At December 31, 2023</b>			
Listed equity securities	\$ 10,989,456	\$ 1,098,946	\$ (1,098,946)
Listed debt securities	6,258,941	625,894	(625,894)
Unlisted debt securities	<u>5,584,321</u>	<u>558,432</u>	<u>(558,432)</u>
Total	<u>\$ 22,832,718</u>	<u>\$ 2,283,272</u>	<u>\$ (2,283,272)</u>

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

### 5. RISK MANAGEMENT (CONTINUED)

#### Liquidity risk

Liquidity risk is the risk that the Company may have difficulty liquidating its positions due to existing or unforeseen market constraints to meet obligations associated with financial instruments. In respect of catastrophic events the Company is exposed to a liquidity risk associated with the timing differences between cash flows and expected reinsurance recoveries to meet its insurance liability obligation. Some of the Company's investments are either in a market that is not highly active or are not publicly traded and therefore may not be readily realisable. As a result, the Company may not be able to quickly liquidate its investments at an amount close to their fair value in order to meet liquidity requirements. The Company mitigates this risk by maintaining significant holdings in cash and cash equivalents and also ensures that there are set guidelines for asset allocations, portfolio limit structures and maturity profiles of investments. The statement of financial position presents assets and liabilities in order of liquidity. The carrying value of investment assets with contractual maturities of less than one year at the statement of financial position date was \$185,522 (2023: \$185,522). Except for the net insurance contract liabilities shown below, receivables from related companies, investment property, property and equipment and intangible assets, all assets are current assets.

The following tables indicate the timing of undiscounted cash flows arising from financial liabilities as at December 31, 2024 and 2023. The analysis also includes discounted cash flows arising from non-financial liabilities for insurance contract liabilities and the matching cash flows for reinsurance contract assets.

2024	Cash flows			
	Total	< 1 year	1 - 5 years	> 5 years
<b>Financial liabilities</b>				
Broker payables	\$ 538,184	\$ 538,184	\$ -	\$ -
Payables to related party companies	8,283,852	8,283,852	-	-
Insurance contract liabilities	63,660,069	42,188,996	14,010,637	7,460,436
Less: Reinsurance contract assets	(42,295,984)	(29,183,186)	(8,703,620)	(4,409,178)
Total cash flows	<u>\$ 30,186,121</u>	<u>\$ 21,827,846</u>	<u>\$ 5,307,017</u>	<u>\$ 3,051,258</u>

2023	Cash flows			
	Total	< 1 year	1 - 5 years	> 5 years
<b>Financial liabilities</b>				
Broker payables	\$ 513,599	\$ 513,599	\$ -	\$ -
Payables to related party companies	9,212,586	9,212,586	-	-
Insurance contract liabilities	61,384,592	40,526,528	13,632,843	7,225,221
Less: Reinsurance contract assets	(40,858,057)	(27,115,258)	(9,061,550)	(4,681,249)
Total cash flows	<u>\$ 30,252,720</u>	<u>\$ 23,137,455</u>	<u>\$ 4,571,293</u>	<u>\$ 2,543,972</u>

All other liabilities are anticipated to be settled within one year.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

### 5. RISK MANAGEMENT (CONTINUED)

#### Sensitivity analysis

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

Sensitivity factor		Description of sensitivity factor applied				
Interest rates		The impact of a change in market interest rates by 1%				
Insurance service expenses		The impact of a change in insurance service expenses by 5%				
Other operating expenses		The impact of a change in other expenses by 5%				
December 31, 2024	Interest rates		Insurance service expenses		Other operating expenses	
	+1%	-1%	+5%	-5%	+5%	-5%
Impact on profit	431,673	(465,904)	(2,210,372)	2,210,372	(129,078)	129,078
Impact on equity	310,436	(344,667)	(2,210,372)	2,210,372	(129,078)	129,078
December 31, 2023	Interest rates		Insurance service expenses		Other operating expenses	
	+1%	-1%	+5%	-5%	+5%	-5%
Impact on profit	398,286	(429,802)	(2,316,324)	2,316,324	(132,917)	132,917
Impact on equity	312,427	(343,943)	(2,316,324)	2,316,324	(132,917)	132,917

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

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### 5. RISK MANAGEMENT (CONTINUED)

#### Capital management

The Company has a Capital management Policy that has been established to ensure that the Company has adequate capital to support its business operations and strategy and that it meets the following objectives:

- To safeguard the Company's ability to continue as a going concern through prudent and sustainable growth, so that it can continue to provide returns for shareholders and benefits for other stakeholders and maintain optimum capital structure;
- To ensure that it maintains a strong credit rating (minimum AM Best rating of A-Excellent) and appropriate capital ratios in order to support its business objectives; and
- To comply with regulatory capital requirements stipulated in the jurisdiction in which the Company operates.

The minimum capital requirements applicable to the Company is \$7,400,000. The minimum solvency ratio is 150%. The Company has complied with all of the externally imposed capital requirements to which it is subject.

### 6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	2024	2023
Cash on hand	\$ 2,200	\$ 2,200
Cash at bank	10,440,270	14,069,340
Cash at investment broker	779,204	1,328,090
	<u>\$ 11,221,674</u>	<u>\$ 15,399,630</u>

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

### 7. INVESTMENTS, NET

	2024	2023
Debt securities at amortised cost		
Bahamas Government Registered Stock		
Unrestricted - Fair value: \$777,100 (2023: \$1,179,100)	\$ 777,100	\$ 1,179,100
Restricted - Fair value: \$1,000,000 (2023: \$1,000,000)	1,000,000	1,000,000
Other fixed income debt securities		
- Fair value \$4,769,700 (2023: \$4,955,221)	<u>4,769,700</u>	<u>4,955,221</u>
Total debt securities at amortised cost, gross	<u>6,546,800</u>	<u>7,134,321</u>
ECL provision	<u>(96,204)</u>	<u>(102,661)</u>
Total debt securities at amortised cost, net	<u>6,450,596</u>	<u>7,031,660</u>
Equity securities at fair value through other comprehensive income:		
Commonwealth Bank Limited		
1,970,112 (2023: 2,016,414) common shares		
Cost \$812,753 (2023: \$831,854)	<u>9,929,364</u>	<u>10,989,456</u>
Total equity securities at fair value through other comprehensive income	<u>9,929,364</u>	<u>10,989,456</u>
Debt securities at fair value through other comprehensive income:		
Fixed income debt securities		
Cost \$6,182,106 (2023: \$5,002,467)	<u>6,041,284</u>	<u>4,708,941</u>
Total debt securities at fair value through other comprehensive income, gross	<u>6,041,284</u>	<u>4,708,941</u>
ECL provision	<u>(8,147)</u>	<u>(8,278)</u>
Total debt securities at fair value through other comprehensive income, net	<u>6,033,137</u>	<u>4,700,663</u>
Total investments, net	<u>\$ 22,413,097</u>	<u>\$ 22,721,779</u>

In 2011, in accordance with the Insurance Act 2005 (Amended 2009), and regulations 61 and 62 of the Insurance (General) Regulations 2010, the Company established a Trust Account (the "BFG Trust") in which \$1,000,000 of the Bahamas Government Registered Stocks have been placed in Trust. This amount is restricted for regulatory purposes but the interest income accrues to the Company.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

### 7. INVESTMENTS, NET (CONTINUED)

As at December 31, 2024, the investment in Commonwealth Bank Limited (the “Bank”) was valued at \$5.04 (2023: \$5.45) per share which was the quoted price by the Bahamas International Securities Exchange (“BISX”). The Group sold 99,302 (2023: 500,000) shares during the year which resulted in realised gains of \$231,660 (2023: \$1,562,074). The Company recorded an unrealised loss of \$1,040,991 (2023: unrealised gain of 2,186,965) on the investment for the year then ended.

Reconciliation of movements in the balance of investments is provided below:

	<b>Debt Securities at amortised cost</b>	<b>Equity Securities at FVTOCI</b>	<b>Debt Securities at FVTOCI</b>	<b>Total</b>
Balance at January 1, 2023	\$ 7,198,407	\$ 9,008,762	\$ 4,633,502	\$ 20,840,671
Sales and maturities	(185,522)	(1,768,345)	-	\$ (1,953,867)
Amortisation of discounts on bonds (Note 19)	-	-	(120,936)	\$ (120,936)
Realised gains on sales of investments	-	1,562,074	-	\$ 1,562,074
Expected credit loss recovery	18,775	-	1,551	\$ 20,326
Unrealised gain on investments	-	2,186,965	186,546	\$ 2,373,511
Balance at December 31, 2023	7,031,660	10,989,456	4,700,663	22,721,779
Cost of investments purchased	-	-	1,438,675	1,438,675
Sales and maturities	(587,521)	(250,761)	(144,384)	(982,666)
Amortisation of discounts on bonds (Note 19)	-	-	(114,652)	(114,652)
Realised gains on sales of investments	-	231,660	-	231,660
Expected credit loss recovery	6,457	-	130	6,587
Unrealised (loss)/gain on investments	-	(1,040,991)	152,705	(888,286)
At December 31, 2024	<u>\$ 6,450,596</u>	<u>\$ 9,929,364</u>	<u>\$ 6,033,137</u>	<u>\$ 22,413,097</u>

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

*(Expressed in Bahamian dollars)*

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### 7. INVESTMENTS, NET (CONTINUED)

#### Fair value measurement

In accordance with IFRS 13 Financial Instruments: Disclosure, fair value measurements are classified as Level 1, 2 or 3 based on the degree to which fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and are actively traded on recognised exchanges;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In addition to the measurement hierarchy, financial instruments which have significant unobservable inputs (classified as Level 3) require disclosures of the transfers into and out of Level 3, a reconciliation of the opening and closing balances, total gains and losses for the period split between those recognised in other comprehensive income, purchases, sales, issues and settlements, and sensitivity analysis of reasonably possible changes in assumptions, if material. Disclosure is also required of the movements between different levels of the fair value hierarchy and the reason for those movements.

Specific valuation techniques used to fair value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments
- Other techniques, such as discounted cash flow analyses, are used to determine fair value for the remaining financial instruments.

Significant unobservable inputs for a discounted cash flow analysis are cashflows and the discount rate.

The fair value of the debt security investments measured at amortised cost have been disclosed earlier in the note. These approximate fair values were derived from secondary market prices and accordingly would be classified as Level 2 in the fair value hierarchy.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

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### 7. INVESTMENTS, NET (CONTINUED)

#### Fair value measurement (continued)

The following table presents the Company's financial assets measured at fair value at December 31, 2024, by the level in the fair value hierarchy into which the fair value measurement is categorised.

<b>2024</b>	<b>Level 1</b>	<b>Total</b>
Financial assets designated at fair value through other comprehensive income		
Equity securities	\$ 9,929,364	\$ 9,929,364
Debt securities	<u>6,041,284</u>	<u>6,041,284</u>
Total financial assets measured at fair value	<u>\$ 15,970,648</u>	<u>\$ 15,970,648</u>

There were no transfers between the various levels during 2024 and 2023. There were no level 3 investments during 2024 and 2023.

The following table presents the Company's financial assets measured at fair value at December 31, 2023 by the level in the fair value hierarchy into which the fair value measurement is categorised.

<b>2023</b>	<b>Level 1</b>	<b>Total</b>
Financial assets designated at fair value through other comprehensive income		
Equity securities	\$ 10,989,456	\$ 10,989,456
Debt securities	<u>4,708,941</u>	<u>4,708,941</u>
Total financial assets measured at fair value	<u>\$ 15,698,397</u>	<u>\$ 15,698,397</u>

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

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### 8. BROKER RECEIVABLES, NET

Broker receivables, which are shown net of provision for expected credit losses, is comprised of amounts receivable from insurance agents that have signed agency agreements with the Company.

	<b>2024</b>	<b>2023</b>
Broker receivables, gross	\$ 16,018,898	\$ 11,299,870
ECL provision:		
Balance at January 1	3,508	3,929
Increase/(decrease) in provision for the year	<u>910</u>	<u>(421)</u>
Balance at December 31	<u>4,418</u>	<u>3,508</u>
Broker receivables, net	<u>\$ 16,014,480</u>	<u>\$ 11,296,362</u>

Ageing of broker receivables, net is as follows:

	<b>2024</b>	<b>2023</b>
Less than 3 months	\$ 13,757,135	\$ 10,300,442
3-6 months	<u>2,257,345</u>	<u>995,920</u>
	<u>\$ 16,014,480</u>	<u>\$ 11,296,362</u>

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

*(Expressed in Bahamian dollars)*

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### 9. RECONCILIATION OF INSURANCE AND REINSURANCE CONTRACTS

The following tables present reconciliations of insurance contract liabilities and reinsurance contract assets excluding insurance acquisition cash flows assets and other pre-recognition cash flows cash flows:

	2024	2023
Liability for remaining coverage - premiums	\$ 36,843,341	\$ 32,414,149
Liability for remaining coverage - acquisition cash flows	(9,269,225)	(8,380,273)
Liability for incurred claims	<u>36,085,953</u>	<u>37,350,716</u>
Total insurance contract liabilities	<u>\$ 63,660,069</u>	<u>\$ 61,384,592</u>
	<b>2024</b>	<b>2023</b>
Asset for remaining coverage	\$ 16,499,619	\$ 14,353,662
Asset for incurred claims	<u>25,796,365</u>	<u>26,504,395</u>
Total reinsurance contract assets	<u>\$ 42,295,984</u>	<u>\$ 40,858,057</u>

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

### 9. RECONCILIATION OF INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

	<u>Liability Remaining</u>		<u>Liability for Incurred Claims</u>		Total
	<u>Coverage</u>		<u>Future Cash</u>	<u>Risk</u>	
	Excl Loss Component	Flows	Adjustment		
<b>Insurance contract liability/(asset) at December 31, 2023</b>	\$ 24,033,876	\$ 35,708,413	\$ 1,642,303	\$	<b>61,384,592</b>
<b>Insurance revenue</b>	(118,477,924)	-	-		<b>(118,477,924)</b>
<u>Insurance service expenses</u>					
Incurred claims and other directly attributable expenses	-	27,505,596	449,870		27,955,466
Changes that relate to past service	-	(5,374,999)	(621,331)		(5,996,330)
Insurance acquisition cash flows amortisation	22,248,305	-	-		22,248,305
<b>Insurance service expenses</b>	<b>22,248,305</b>	<b>22,130,597</b>	<b>(171,461)</b>		<b>44,207,441</b>
<b>Insurance finance expense for insurance contracts issued</b>	-	<b>362,423</b>	-		<b>362,423</b>
<u>Net cash flows</u>					
Premiums received	122,907,116	-	-		122,907,116
Claims and other directly attributable expenses paid	-	(23,586,322)	-		(23,586,322)
Insurance acquisition cash flows	(23,137,257)	-	-		(23,137,257)
<b>Net cash flows</b>	<b>99,769,859</b>	<b>(23,586,322)</b>	-		<b>76,183,537</b>
<b>Insurance contract liability/(asset) at December 31, 2024</b>	<b>\$ 27,574,116</b>	<b>\$ 34,615,111</b>	<b>\$ 1,470,842</b>	<b>\$</b>	<b>63,660,069</b>

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

### 9. RECONCILIATION OF INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

	<u>Liability Remaining</u>		<u>Liability for Incurred Claims</u>		Total
	<u>Coverage</u>		<u>Future Cash</u>	<u>Risk</u>	
	Excl Loss Component		Flows	Adjustment	
<b>Insurance contract liability/(asset) at December 31, 2022</b>	\$ 19,903,064	\$ 34,186,085	\$ 1,651,819	\$ 55,740,968	
<b>Insurance revenue</b>	(110,306,683)	-	-	(110,306,683)	
<u>Insurance service expenses</u>					
Incurred claims and other directly attributable expenses	-	25,706,363	488,280	26,194,643	
Changes that relate to past service	-	(905,422)	(497,796)	(1,403,218)	
Insurance acquisition cash flows amortisation	21,535,048	-	-	21,535,048	
<b>Insurance service expenses</b>	<b>21,535,048</b>	<b>24,800,941</b>	<b>(9,516)</b>	<b>46,326,473</b>	
<b>Insurance finance expense for insurance contracts issued</b>	-	<b>361,720</b>	-	<b>361,720</b>	
<u>Net cash flows</u>					
Premiums received	115,296,533	-	-	115,296,533	
Claims and other directly attributable expenses paid	-	(23,640,333)	-	(23,640,333)	
Insurance acquisition cash flows	(22,394,086)	-	-	(22,394,086)	
<b>Net cash flows</b>	<b>92,902,447</b>	<b>(23,640,333)</b>	<b>-</b>	<b>69,262,114</b>	
<b>Insurance contract liability/(asset) at December 31, 2023</b>	<b>\$ 24,033,876</b>	<b>\$ 35,708,413</b>	<b>\$ 1,642,303</b>	<b>\$ 61,384,592</b>	

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

### 9. RECONCILIATION OF INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

	<u>Asset for Remaining Coverage</u>		<u>Asset for Incurred Claims</u>		Total
	Excluding Loss Recovery Component	Future Cash Flows	Risk Adjustment		
<b>Reinsurance contract (asset)/liability at December 31, 2023</b>	\$ (14,353,662)	\$ (25,433,753)	\$ (1,070,642)	\$	<b>(40,858,057)</b>
<u>Net expenses (income) from reinsurance contracts held</u>					
Reinsurance expenses from recoveries and other directly attributable expenses	80,119,580	(14,366,987)	(206,040)		65,546,553
Changes that relate to past service	-	2,522,995	365,256		2,888,251
<b>Net expenses (income) from reinsurance contracts held</b>	<b>80,119,580</b>	<b>(11,843,992)</b>	<b>159,216</b>		<b>68,434,804</b>
<b>Reinsurance finance income</b>	-	(241,709)	-		<b>(241,709)</b>
<u>Net cash flows</u>					
Premiums paid net of ceding commissions	(82,265,537)	-	-		(82,265,537)
Recoveries from reinsurance and other directly attributable expenses paid	-	12,634,515	-		12,634,515
<b>Net cash flows</b>	<b>(82,265,537)</b>	<b>12,634,515</b>	<b>-</b>		<b>(69,631,022)</b>
<b>Reinsurance contract (asset)/liability at December 31, 2024</b>	<b>\$ (16,499,619)</b>	<b>\$ (24,884,939)</b>	<b>\$ (911,426)</b>	<b>\$</b>	<b>(42,295,984)</b>

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED) (Expressed in Bahamian dollars)

### 9. RECONCILIATION OF INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

	<u>Asset for Remaining Coverage</u>		<u>Asset for Incurred Claims</u>		Total
	Excluding Loss Recovery Component	Future Cash Flows	Risk Adjustment		
<b>Reinsurance contract (asset)/liability at December 31, 2022</b>	\$ (12,009,112)	\$ (24,253,149)	\$ (1,124,820)	\$	\$ (37,387,081)
<u>Net expenses (income) from reinsurance contracts held</u>					
Reinsurance expenses from recoveries and other directly attributable expenses	73,600,138	(14,479,490)	(237,325)		58,883,323
Changes that relate to past service	-	1,226,605	291,503		1,518,108
<b>Net expenses (income) from reinsurance contracts held</b>	<b>73,600,138</b>	<b>(13,252,885)</b>	<b>54,178</b>		<b>60,401,431</b>
<b>Reinsurance finance income</b>	-	(247,054)	-		(247,054)
<u>Net cash flows</u>					
Premiums paid net of ceding commissions	(75,944,688)	-	-		(75,944,688)
Recoveries from reinsurance and other directly attributable expenses paid	-	12,319,336	-		12,319,336
<b>Net cash flows</b>	<b>(75,944,688)</b>	<b>12,319,336</b>	<b>-</b>		<b>(63,625,353)</b>
<b>Reinsurance contract (asset)/liability at December 31, 2023</b>	<b>\$ (14,353,662)</b>	<b>\$ (25,433,753)</b>	<b>\$ (1,070,642)</b>	<b>\$</b>	<b>\$ (40,858,057)</b>

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

### 10. CLAIMS DEVELOPMENT

Actual claims payments are compared with previous estimates of the undiscounted amounts of the claims in the claims development disclosure below on a gross of reinsurance basis as at 31 December 2024.

	Accident Years										Total
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	
Estimates of undiscounted gross cumulative claims	\$ 26,210,000	\$ 109,630,183	\$ 19,650,250	\$ 28,081,559	\$ 386,866,239	\$ 16,447,047	\$ 16,785,000	\$ 17,461,000	\$ 17,570,000	\$ 21,451,000	
<u>Revised estimates</u>											
One year later	25,383,189	103,764,574	25,141,482	31,391,660	374,893,583	15,917,000	14,670,000	17,335,000	15,420,000		
Two years later	23,466,145	103,537,802	27,542,140	28,275,731	375,735,000	15,818,000	13,917,000	16,375,000			
Three years later	24,491,321	103,824,048	27,226,360	28,339,778	376,810,000	15,325,713	13,630,089				
Four years later	24,763,457	103,494,091	27,205,268	28,049,778	377,045,000	15,200,266					
Five years later	24,332,132	103,947,389	27,081,268	27,861,778	375,945,211						
Six years later	25,622,893	104,192,546	27,528,242	27,483,929							
Seven years later	25,887,156	103,874,565	26,974,579								
Eight years later	26,061,156	103,998,565									
Nine years later	25,779,675										
Current estimate	25,779,675	103,998,565	26,974,579	27,483,929	375,945,211	15,200,266	13,630,089	16,375,000	15,420,000	21,451,000	642,258,314
Cumulative payments to date	(24,983,433)	(102,283,837)	(25,357,980)	(25,033,690)	(373,174,768)	(14,027,005)	(11,607,593)	(13,671,429)	(10,717,693)	(9,613,732)	(610,471,160)
Undiscounted reserves	\$ 796,242	\$ 1,714,728	\$ 1,616,599	\$ 2,450,239	\$ 2,770,443	\$ 1,173,261	\$ 2,022,496	\$ 2,703,571	\$ 4,702,307	\$ 11,837,268	\$ 31,787,154
Undiscounted reserves for prior years											\$ 4,363,903
Unallocated loss adjustment expenses											561,600
Effect of discounting											(4,027,271)
Effect of the risk adjustment for non-financial risk											1,470,842
Other liabilities included within the LIC											1,929,725
Gross liability for incurred claims											\$ 36,085,953

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

### 10. CLAIMS DEVELOPMENT (CONTINUED)

Actual claims payments are compared with previous estimates of the undiscounted amounts of the claims in the claims development disclosure below on a net of reinsurance basis as at 31 December 2024. Estimates of undiscounted net cumulative property claims are not reflected in the development table below:

	Accident Years										Total
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	
Estimates of undiscounted net cumulative claims	\$ 8,126,076	\$ 7,844,000	\$ 8,255,000	\$ 8,280,000	\$ 11,490,000	\$ 3,878,000	\$ 5,921,000	\$ 5,886,000	\$ 6,578,000	\$ 8,217,000	
<u>Revised estimates</u>											
One year later	7,725,513	7,422,830	8,132,515	8,397,588	10,933,000	4,257,000	4,762,500	6,140,000	6,530,000		
Two years later	8,001,138	7,544,539	8,371,955	8,780,149	10,775,000	4,368,000	4,997,000	5,590,000			
Three years later	8,222,939	7,402,338	8,614,670	9,127,813	11,043,870	4,380,243	4,875,000				
Four years later	8,243,214	7,313,074	7,432,254	8,423,993	11,292,870	4,121,743					
Five years later	8,343,664	7,237,423	8,772,754	8,394,956	10,934,433						
Six years later	8,283,264	7,474,455	8,999,552	8,309,013							
Seven years later	8,576,115	7,237,455	8,784,552								
Eight years later	8,654,115	7,268,455									
Nine years later	8,558,542										
Current estimate	8,558,542	7,268,455	8,784,552	8,309,013	10,934,433	4,121,743	4,875,000	5,590,000	6,530,000	8,217,000	73,188,738
Cumulative payments to date	(8,171,059)	(6,743,434)	(8,212,644)	(7,479,582)	(10,271,179)	(3,891,843)	(4,170,776)	(4,448,393)	(4,457,981)	(3,476,550)	(61,323,441)
Undiscounted reserves	\$ 387,483	\$ 525,021	\$ 571,908	\$ 829,431	\$ 663,254	\$ 229,900	\$ 704,224	\$ 1,141,607	\$ 2,072,019	\$ 4,740,450	\$ 11,865,297
Undiscounted reserves for property and prior years											\$ 1,950,297
Unallocated loss adjustment expenses											280,800
Effect of discounting											(1,664,960)
Effect of the risk adjustment for non-financial risk											559,414
Other recoveries included within the LIC											(2,701,260)
Net liability for incurred claims											\$ 10,289,588

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

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### 11. INVESTMENT PROPERTY

The movement of investment property for the year is as follows:

	<b>Income generating property</b>
Balance at December 31, 2023	\$ 2,300,000
Balance at December 31, 2024	\$ 2,300,000

In September 2022, the investment property was revalued to fair value based on a valuation performed by an independent appraiser for financial statement purposes. The fair value of the investment property are derived from capitalised income projections based on its net market income adjusted for vacancies, and a discount rate derived from an analysis of market evidence. There has been no change in the valuation technique used in the 2022 valuation from the prior valuation. Assumptions around the projected rental revenue changed from a range of \$27/sq. ft. in the prior valuation to \$29/sq. ft. in the 2022 valuation. Updated assumptions are noted in the table below. The fair value measurement of the Company's investment is classified as Level 3 in the fair value hierarchy as inputs are generally unobservable.

The following table illustrates the impact of changes in estimates and assumptions in determination of fair values of the investment property.

<b>Estimate/Assumption</b>	<b>Change</b>	<b>Impact on fair value</b>
Rental Revenue (\$29/sq. ft.)	5.00%/-5.00%	\$115,986/(\$115,986)
Vacancy rates (5%)	5.00%/-5.00%	(\$122,090)/\$122,090
Discount rate (9%)	1.00%/-1.00%	(\$228,603)/\$285,754

Rental income of \$208,949 (2023: \$208,949) derived from investment property is recognised in other income in the statement of comprehensive income.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

### 12. PROPERTY AND EQUIPMENT

The movement of property and equipment for the year is as follows:

<b>2024</b>	<b>Land &amp; Buildings</b>	<b>Leasehold Improvements, Furniture and Equipment</b>	<b>Total</b>
At January 1, 2024			
Cost/Valuation	\$ 9,599,476	\$ 1,035,259	\$ 10,634,735
Accumulated depreciation	<u>(1,343,737)</u>	<u>(509,584)</u>	<u>(1,853,321)</u>
Net book amount	<u>\$ 8,255,739</u>	<u>\$ 525,675</u>	<u>\$ 8,781,414</u>
Year ended December 31, 2024			
Opening net book amount	\$ 8,255,739	\$ 525,675	\$ 8,781,414
Additions	-	80,816	80,816
Charge for the year	<u>(211,634)</u>	<u>(61,279)</u>	<u>(272,913)</u>
At December 31, 2024	<u><u>\$ 8,044,105</u></u>	<u><u>\$ 545,212</u></u>	<u><u>\$ 8,589,317</u></u>
<b>2023</b>	<b>Land &amp; Buildings</b>	<b>Leasehold Improvements, Furniture and Equipment</b>	<b>Total</b>
At January 1, 2023			
Cost/Valuation	\$ 9,599,476	\$ 878,235	\$ 10,477,711
Accumulated depreciation	<u>(1,011,061)</u>	<u>(449,537)</u>	<u>(1,460,598)</u>
Net book amount	<u>\$ 8,588,415</u>	<u>\$ 428,698</u>	<u>\$ 9,017,113</u>
Year ended December 31, 2023			
Opening net book amount	\$ 8,588,415	\$ 428,698	\$ 9,017,113
Additions	-	157,024	157,024
Charge for the year	<u>(332,676)</u>	<u>(60,047)</u>	<u>(392,723)</u>
At December 31, 2023	<u><u>\$ 8,255,739</u></u>	<u><u>\$ 525,675</u></u>	<u><u>\$ 8,781,414</u></u>

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

*(Expressed in Bahamian dollars)*

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### 12. PROPERTY AND EQUIPMENT (CONTINUED)

In September 2022, the land and buildings were revalued to fair market value based on a valuation performed by an independent appraiser for financial statement purposes. The fair value of the land and buildings are derived from capitalised income projections based on a property's estimated net market income adjusted for vacancies, and a discount rate derived from an analysis of market evidence. There has been no change in the valuation technique used in the 2022 valuation from the prior valuation. Assumptions around the projected rental revenue changed from a range of \$27/sq. ft. in the prior valuation to \$29/sq. ft. in the 2022 valuation. Updated assumptions are noted in the table below. The fair value measurement of the Company's land and building is classified as Level 3 in the fair value hierarchy as inputs are generally unobservable.

There were no transfers between the various levels during the year.

The following table illustrates the impact of changes in estimates and assumptions in determination of fair values of land and buildings.

<b>Estimate/Assumption</b>	<b>Change</b>	<b>Impact on fair value</b>
Rental Revenue (\$29/sq. ft.)	5.00%/-5.00%	\$453,014/(\$453,014)
Vacancy rates (5%)	5.00%/-5.00%	(\$476,857)/\$476,857
Discount rate (9%)	1.00%/-1.00%	(\$892,873)/\$1,116,092

The net book value of the land and buildings, excluding effects of revaluations would have been \$1,995,000 and \$4,402,039 (2023: \$1,995,000 and \$4,553,834) respectively.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

### 13. LEASES

The Company leases an office space. The lease was agreed for a period of five years. Lease payments are renegotiated every three to five years to reflect market rentals. Information about leases for which the Company is a lessee is presented below:

#### Right-of-use assets

	<b>Office premises</b>
<b>2024</b>	
Balance at 1 January	\$ 26,613
Depreciation charge for the year	(21,290)
<b>Balance at 31 December</b>	<b>\$ 5,323</b>
	<b>Office premises</b>
<b>2023</b>	
Balance at 1 January	\$ 47,904
Depreciation charge for the year	(21,291)
<b>Balance at 31 December</b>	<b>\$ 26,613</b>

The depreciation charge attributable to the right of use asset is presented within insurance service expenses and other operating expenses within the statement of comprehensive income.

At December 31, 2024, the future minimum lease payments under non-cancellable operating leases were payable as follows:

	<b>2024</b>	<b>2023</b>
<b>Maturity analysis – Contractual undiscounted cash flows</b>		
Less than one year	\$ 5,700	\$ 22,800
Between one and five years	-	5,700
<b>Total undiscounted lease liabilities at 31 December</b>	<b>\$ 5,700</b>	<b>\$ 28,500</b>

The right-of-use asset and the lease liability are presented within sundry receivables and prepayments and sundry payables and accruals, respectively, in the statement of financial position. Lease payments are presented with the financing section of the statement of cash flows. Interest expense on the lease liability for the year ended December 31, 2023 amounted to \$765 (2023: \$1,761) and is presented within insurance service expenses and other operating expenses in the statement of comprehensive income.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

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### 13. LEASES (CONTINUED)

#### Extension options

Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control. These extensions have been factored in the lease term in determining the lease liability in the statement of financial position.

### 14. INTANGIBLE ASSETS

	2024	2023
<b>Computer Software</b>		
At January 1,		
Cost	\$ 4,402,549	\$ 2,900,000
Accumulated amortisation	<u>(1,003,602)</u>	<u>(478,571)</u>
Net book amount	<u>\$ 3,398,947</u>	<u>\$ 2,421,429</u>
Year ended December 31,		
Opening Net book amount	\$ 3,398,947	\$ 2,421,429
Additions	-	1,502,549
Amortisation	<u>(721,793)</u>	<u>(525,031)</u>
Balance at December 31,	<u>\$ 2,677,154</u>	<u>\$ 3,398,947</u>

### 15. SHARE CAPITAL

The authorised share capital is 10,000,000 shares (2023: 10,000,000) with a par value of \$1.00 each while issued and fully paid is 7,500,000 shares (2023: 7,500,000).

Dividends are accounted for in the period in which they are declared by the Company's Board of Directors. During the year dividends of \$1.19 per common share (total dividends \$8,941,770) were declared and paid, by reducing the Company's receivables from Parent. No dividends were declared or paid during 2023.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

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### 16. GENERAL RESERVE

The Company has established a general reserve from retained earnings in the amount of \$3,500,000 (2023: \$3,500,000), which the Board of Directors has determined is not available for distribution.

### 17. REVALUATION RESERVE

The movement in the revaluation reserve is as follows:

	<b>Land &amp; Buildings</b>	<b>Investments</b>	<b>Total</b>
Restated balance at December 31, 2022	\$ 2,737,749	\$ 9,452,411	\$ 12,190,160
Increase in fair value of OCI Investments	<u>-</u>	<u>3,935,585</u>	<u>3,935,585</u>
Other comprehensive loss	<u>-</u>	<u>3,935,585</u>	<u>3,935,585</u>
Balance at December 31, 2023	\$ 2,737,749	\$ 13,387,996	\$ 16,125,745
Decrease in fair value of OCI Investments	<u>-</u>	<u>(656,626)</u>	<u>(656,626)</u>
Other comprehensive loss	<u>-</u>	<u>(656,626)</u>	<u>(656,626)</u>
Balance at December 31, 2024	<u>\$ 2,737,749</u>	<u>\$ 12,731,370</u>	<u>\$ 15,469,119</u>

In accordance with the Company's accounting policy, freehold land and buildings are subject to a revaluation exercise that is performed by an independent professional appraiser every three years. Freehold land and buildings were independently valued in September, 2022. The next appraisal is due in 2025 or when the fair value of a revalued asset differs materially from its carrying amount due to the current economic condition, whichever is earlier.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

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### 18. EXPENSES

An analysis of the expenses incurred by the Company in the reporting period is included in the table below. Acquisition cash flows and other directly attributable expenses are included in insurance service expenses and net expenses from reinsurance contracts held, respectively, within the statement of comprehensive income.

<b>2024</b>	<b>Acquisition cash flows</b>	<b>Other directly attributable expenses</b>	<b>Other operating expenses</b>	<b>Total</b>
Salaries, benefits and bonuses	1,060,854	1,101,900	90,051	2,252,805
Management fees	1,050,545	1,329,844	1,729,307	4,109,696
Depreciation and amortisation	438,248	500,797	76,952	1,015,997
General and administrative expenses	878,862	814,381	685,253	2,378,496
<b>Total</b>	<b>3,428,509</b>	<b>3,746,922</b>	<b>2,581,563</b>	<b>9,756,994</b>

<b>2023</b>	<b>Acquisition cash flows</b>	<b>Other directly attributable expenses</b>	<b>Other operating expenses</b>	<b>Total</b>
Salaries, benefits and bonuses	1,141,704	1,299,868	128,830	2,570,402
Management fees	1,038,934	1,182,511	1,627,952	3,849,397
Depreciation and amortisation	215,002	404,327	319,716	939,045
General and administrative expenses	946,504	936,790	581,835	2,465,129
<b>Total</b>	<b>3,342,144</b>	<b>3,823,496</b>	<b>2,658,333</b>	<b>9,823,973</b>

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

### 19. OTHER INCOME AND NET INSURANCE FINANCE RESULT

The table below provides a breakdown of the components included in the other income caption:

	2024	2023
Rental income (Note 21)	\$ 319,445	\$ 319,445
Amortisation of discounts on bonds (Note 7)	(114,652)	(120,936)
Other income	<u>258,116</u>	<u>178,424</u>
	<u>\$ 462,909</u>	<u>\$ 376,933</u>

An analysis of the net insurance finance result is presented below:

<u>Finance income (expenses) from insurance contracts issued</u>	2024	2023
Interest accreted	\$ (453,918)	\$ (435,578)
Effect of changes in interest rates and other financial assumptions	<u>91,495</u>	<u>73,858</u>
<b>Finance expenses from insurance contracts issued</b>	<b><u>\$ (362,423)</u></b>	<b><u>\$ (361,720)</u></b>
<u>Finance income (expenses) from reinsurance contracts held</u>		
Interest accreted	\$ 304,226	\$ 296,078
Effect of changes in interest rates and other financial assumptions	<u>(62,517)</u>	<u>(49,024)</u>
<b>Finance income from reinsurance contracts held</b>	<b><u>241,709</u></b>	<b><u>247,054</u></b>
<b>Net insurance finance result</b>	<b><u>\$ (120,714)</u></b>	<b><u>\$ (114,666)</u></b>

### 20. PENSION PLAN

The majority of the Company's employees participate in a defined contribution pension plan into which the Company contributes 3% to 5% per annum of base salary. The Company paid contributions for the year amounting to \$81,087 (2023: \$89,181), which is included in insurance service expenses and other operating expenses in the statement of comprehensive income.

# BAHAMAS FIRST GENERAL INSURANCE COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (CONTINUED)

(Expressed in Bahamian dollars)

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### 21. RELATED PARTY BALANCES AND TRANSACTIONS

Within the statement of comprehensive income, related party transactions for gross premiums written were reported within insurance revenue, commission expense paid were reported within insurance service expenses and management fees were reported within insurance service expenses and other operating expenses, as follows:

	2024	2023
Gross premiums written for the year	\$ 57,430,724	\$ 52,690,340
Commission expense paid for the year	\$ 9,933,664	\$ 10,278,026
Management fees paid to Bahamas First Corporate Services Ltd.	\$ 4,109,696	\$ 3,849,397
Rental income received from NUA and FRL (Note 19)	\$ 319,445	\$ 319,445

Within the statement of financial position, related party balances are reported as assets or liabilities as follows:

	2024	2023
Receivables from Parent	\$ 20,640,882	\$ 25,842,975
Payables to related party companies	\$ 8,283,852	\$ 9,212,586

Key management personnel include members of the Company's management team having authority and responsibility for planning, directing and controlling the activities of the Company's operations. Compensation to key management personnel and compensation to directors is included in insurance service expenses and other operating expenses within the statement of comprehensive income as follows:

	2024	2023
Short-term benefits	\$ 539,705	\$ 665,652
Post retirement benefits	29,293	37,446
	<u>\$ 568,998</u>	<u>\$ 703,098</u>

### 22. CONTINGENCIES

In the normal course of its business, the Company is involved in various legal proceedings arising out of and incidental to its operations. The Company is of the opinion that litigation arising from these legal proceedings will not have a significant impact on the financial position, results of operations or cashflows of the Company.

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