

Cayman First Insurance Company Limited

Financial Statements

For The Year Ended December 31, 2024

Cayman First Insurance Company Limited

Financial Statements

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INDEPENDENT AUDITOR’S REPORT

To the Board of Directors of
Cayman First Insurance Company Limited:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cayman First Insurance Company Limited (the “Company”), which comprise the statement of financial position as at December 31, 2024, and the statement of comprehensive income, 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, changes in its equity 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 *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (“IESBA Code”), 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We communicate with 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 LLP

May 29, 2025

Cayman First Insurance Company Limited

Statement of Financial Position

As at December 31, 2024

(expressed in Cayman Islands dollars)

	Notes	2024	2023
Assets			
Cash and cash equivalents	6	\$ 8,858,112	\$ 14,201,644
Broker receivables, net	8	4,489,661	3,724,310
Sundry receivables and prepayments		262,665	150,412
Reinsurance contract assets	9	10,879,953	11,226,658
Investments, net	7	17,638,761	10,613,073
Intangible assets, net	11	456,412	521,081
Right-of-use asset	13	57,497	91,995
Property and equipment, net	12	10,395,603	10,637,775
Total assets		\$ 53,038,664	\$ 51,166,948
Liabilities			
Insurance contract liabilities	9	\$ 21,305,619	\$ 21,519,009
Sundry payables and accruals		338,105	109,029
Lease liabilities	13	62,839	93,955
Total liabilities		\$ 21,706,563	\$ 21,721,993
Equity			
Share capital	15	\$ 2,000,000	\$ 2,000,000
Share premium	15	6,300,092	6,300,092
General reserve	15	3,000,000	3,000,000
Revaluation reserve	16	1,283,454	1,143,389
Retained earnings		18,748,555	17,001,474
Total equity		\$ 31,332,101	\$ 29,444,955
Total liabilities and equity		\$ 53,038,664	\$ 51,166,948

The financial statements were authorized for issue by the Board of Directors on May 21, 2025.

Approved on behalf of the Board:

Director: BRYAN MURPHY	Director: ABRAHAM THOPPIL
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The accompanying notes form an integral part of these financial statements.

Cayman First Insurance Company Limited

Statement of Comprehensive Income For the year ended December 31, 2024

(expressed in Cayman Islands dollars)

	Notes	2024	2023
Insurance revenue	9	\$ 62,988,893	\$ 67,282,818
Insurance services expenses	9, 17	(43,444,660)	(48,429,358)
Net expenses from reinsurance contracts held	9	(16,925,798)	(18,990,159)
Insurance service results	23	2,618,435	(136,699)
Insurance finance expense for insurance contracts issued	9,19	(577,156)	(535,734)
Reinsurance finance income for reinsurance contracts held	9,19	234,107	377,767
Net insurance finance expense	23	(343,049)	(157,967)
Interest revenue and other income from financial assets not measured at FVTPL	18	625,233	469,830
Net credit impairment losses on financial assets	7, 8	(11,385)	(706)
Net investment income		613,848	469,124
Other operating expenses	17	(1,142,153)	(1,205,442)
Net profit/(loss) for the year	23	1,747,081	(1,030,984)
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit:</i>			
Net gains on investments in equity securities measured at FVTOCI	7	136,830	109,530
<i>Items that may be reclassified subsequently to profit:</i>			
Net gains on investments in debt securities measured at FVTOCI	7	3,235	211,273
Other comprehensive income for the year	16	140,065	320,803
Total comprehensive income/ (loss) for the year		\$ 1,887,146	\$ (710,181)

The accompanying notes form an integral part of these financial statements.

Cayman First Insurance Company Limited

Statement of Changes in Equity For the year ended December 31, 2024

(expressed in Cayman Islands dollars)

	Share Capital	Share Premium	General Reserve	Revaluation Reserve	Retained Earnings	Total
Balance at December 31, 2022	\$ 2,000,000	\$ 6,300,092	\$ 3,000,000	\$ 822,586	\$18,032,458	\$ 30,155,136
Comprehensive Loss:						
Loss for the year	-	-	-	-	(1,030,984)	(1,030,984)
Other comprehensive income	-	-	-	320,803	-	320,803
	-	-	-	320,803	(1,030,984)	(710,181)
Balance at December 31, 2023	\$ 2,000,000	\$ 6,300,092	\$ 3,000,000	\$ 1,143,389	\$17,001,474	\$ 29,444,955
Comprehensive Income:						
Profit for the year	-	-	-	-	1,747,081	1,747,081
Other comprehensive income	-	-	-	140,065	-	140,065
	-	-	-	140,065	1,747,081	1,887,146
Balance at December 31, 2024	\$ 2,000,000	\$ 6,300,092	\$ 3,000,000	\$ 1,283,454	\$18,748,555	\$ 31,332,101

The accompanying notes form an integral part of these financial statements.

Cayman First Insurance Company Limited

Statement of Cash Flows For the year ended December 31, 2024

(expressed in Cayman Islands dollars)

	Notes	2024	2023
Operating activities			
Profit/ (loss) for the year		\$ 1,747,081	\$ (1,030,984)
Adjustments for:			
Depreciation	12	315,257	333,560
Amortisation of intangible assets	11	91,954	103,879
Amortisation of right-of-use assets	13	34,498	35,191
Credit loss provision	7,8	11,385	706
Amortisation/accretion of premiums/discounts	7	14,136	41,767
Realised gain on sale of debt securities at FVTOCI	18	(2,551)	-
Interest portion of lease liability payments	13	8,012	3,661
(Increase)/decrease in broker receivables		(766,579)	2,750,305
Increase in sundry receivables and prepayments		(112,253)	(35,496)
Decrease/(increase) in reinsurance contract assets		346,705	(325,896)
Decrease in insurance contract liabilities		(213,390)	(4,154,748)
Increase in sundry payables and accruals		229,076	45,069
Net cash provided by/(used in) operating activities		1,703,331	(2,232,986)
Investing activities			
Cost of investments purchased	7	(9,880,957)	(4,443,192)
Proceeds from sale and maturity of investments	7	2,973,592	2,916,667
Cost of property and equipment purchased	12	(73,085)	(108,405)
Cost of intangible assets purchased	11	(27,285)	(153,155)
Net cash used in investing activities		(7,007,735)	(1,788,085)
Financing activities			
Lease liability cash payments	13	(39,128)	(38,602)
Net cash used in financing activities		(39,128)	(38,602)
Decrease in cash and cash equivalents		(5,343,532)	(4,059,673)
Cash and cash equivalents at beginning of year		14,201,644	18,261,317
Cash and cash equivalents at end of year	6	8,858,112	14,201,644

The accompanying notes form an integral part of these financial statements.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

1. Organisation

Cayman First Insurance Company Limited (the "Company") was incorporated as an ordinary resident company under the Companies Act of the Cayman Islands on February 20, 1984 as Cayman General Insurance Co. Ltd. The Company changed its name on August 31, 2006 to Sagicor General Insurance (Cayman) Ltd. and then to Cayman First Insurance Company Limited on August 4, 2010.

The Company is principally engaged in writing general insurance (property and casualty) and health and group life insurance in the Cayman Islands, for which it holds a Class "A" Insurer's Licence under the Insurance Act of the Cayman Islands. The Company has an A.M. Best rating of A-.

The Company is 87.70% (2023: 87.70%) owned by BFH International Limited ("BFHIL"), a company incorporated in the Cayman Islands, which is in turn wholly-owned by Bahamas First Holdings Limited ("BFH"), a company incorporated in the Commonwealth of The Bahamas. The Government of the Cayman Islands owns 12% (2023: 12%) of the Company and the remaining 0.30% (2023: 0.30%) is held by 31 (2023: 31) minority shareholders. The Company, BFH and the other subsidiaries of BFH are hereinafter collectively referred to in these financial statements as the "Group".

The Company's registered office is located at the office of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

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.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

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 sole 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.

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.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

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.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands 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 as follows:

Amortised cost	FVTOCI	FVTPL
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

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands 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 debt instrument 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:

FVTOCI (without recycling of gains or losses to profit or loss on derecognition)	FVTPL
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.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

3. Material Accounting Policy Information (continued)

(b) Financial instruments (continued)

Classification and measurement (continued)

After initial recognition, financial assets are measured as follows:

Debt instruments at amortised cost	Debt instruments at FVTOCI	Equity instruments at FVTOCI
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 other comprehensive income (“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 and sundry receivables and prepayments are carried at cost, which equates to amortised cost, less provision for ECL. Sundry payables and accruals are financial liabilities which are carried at cost, which equates to amortised cost.

Recognition and derecognition

Financial assets and financial liabilities 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.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

3. Material Accounting Policy Information (continued)

(c) Broker receivables

Broker receivables are stated at cost less provision for ECL. The provision for ECL is based on management's evaluation of the portfolio, as described in note 3f.

(d) Property and equipment

Property and equipment, other than land and buildings, are carried at cost less accumulated depreciation and any 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 the 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 to 10 years
Leasehold improvements	3 to 10 years
Motor vehicles	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, 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.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

3. Material Accounting Policy Information (continued)

(e) Intangible assets

Intangible assets are comprised of acquired computer software licences.

The software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. After initial recognition, these costs are amortised using the straight-line method over the estimated useful life of the specific software, estimates of which range between 3 and 7 years, and amortisation expense is included in the statement of comprehensive income.

An intangible asset is 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 included in the statement of comprehensive income.

(f) 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.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

3. Material Accounting Policy Information (continued)

(f) Impairment (continued)

(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.

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 ECLs 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 are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying value exceeds its recoverable amount. Non-financial assets that previously suffered an impairment are 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.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

3. Material Accounting Policy Information (continued)

(g) 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 Company are as follows:

- Property and casualty (“P&C”) insurance contracts – P&C contracts are generally one year renewable contracts issued by the Company covering insurance risks over property, motor, marine, engineering and general accident.
- Health and group life (“H&L”) insurance contracts – H&L contracts are month to month renewable contracts. Health insurance contracts cover insureds for medical expenses incurred. Group life insurance contracts protect the Group’s customers from the consequences of events (such as death or disability). Guaranteed benefits paid on occurrence of the specified insurance event are fixed.

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”).

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

3. Material Accounting Policy Information (continued)

(g) Insurance contracts (continued)

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.

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.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

3. Material Accounting Policy Information (continued)

(g) 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; or
- (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; or
 - 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.

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

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

3. Material Accounting Policy Information (continued)

(g) Insurance contracts (continued)

Recognition and derecognition (continued)

- (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 a 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.

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.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

3. Material Accounting Policy Information (continued)

(g) Insurance contracts (continued)

Fulfilment cash flows and contract boundary (continued)

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.

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.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

3. Material Accounting Policy Information (continued)

(g) Insurance contracts (continued)

Fulfilment cash flows and contract boundary (continued)

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.

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 P&C insurance contracts issued, insurance acquisition cash flows allocated to a group are deferred and recognised over the coverage period of contracts in a group. H&L insurance contracts are month to month renewable contracts, insurance acquisition cash flows are expensed as incurred.

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:

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

3. Material Accounting Policy Information (continued)

(g) Insurance contracts (continued)

Measurement (continued)

- (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;
- (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 for P&C insurance 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. The Company does not adjust the cash flows for H&L insurance claims to reflect the time value of money.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

3. Material Accounting Policy Information (continued)

(g) Insurance contracts (continued)

Measurement (continued)

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.

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 profit or loss 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.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

3. Material Accounting Policy Information (continued)

(g) 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.

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.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

3. Material Accounting Policy Information (continued)

(g) Insurance contracts (continued)

Insurance service result from reinsurance contracts held (continued)

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.

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.

(h) Net investment income

Income on debt securities on instruments classified as FVTOCI is recognised in interest income using the effective interest rate method, including the amortisation of premiums earned or discounts incurred as well as transaction costs.

Dividends on equities are recognised when the shareholders' right to receive payment is established, which is the ex-dividend date.

(i) 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.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

3. Material Accounting Policy Information (continued)

(j) 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.

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

(k) Related parties

Related parties include:

- (i) key management personnel, including 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).

(l) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in Cayman Islands dollars, which is the Company's presentation and functional currency. Revenue and expense transactions denominated in currencies other than the Cayman Islands dollar have been translated using exchange rates ruling at the dates of those transactions. Assets and liabilities denominated in currencies other than the Cayman Islands dollar are translated into Cayman Islands dollar using period end foreign exchange rates. Gains or losses on foreign currency transactions are included in the statement of comprehensive income.

(m) Taxes

Under current laws of the Cayman Islands, there is no income, estate, transfer, sales or other Cayman Islands taxes payable by the Company and management believes the Company is not liable for tax in any other jurisdiction. Accordingly, no tax charges or tax liabilities are reflected in the financial statements.

(n) Stamp duty - Insurance contracts

Based on the provisions of the Stamp Duty Act (2019 Revision) (the "Act"), the Company charges policy holders a stamp duty of \$12 on each new or renewed insurance policy. Additionally, for property policies, as prescribed by the Act, the Company also charges stamp duty of 2% of the premium relating to immovable property. The Company, as required by the Act, submits the stamp duty charged to the Cayman Islands Government each month. For P&C insurance policies, the stamp duty charges are not included in the statement of comprehensive income. They are recorded as a receivable from the policyholders and a payable to the Cayman Islands Government in the month in which they are processed. For the H&L policies, the Company bears the cost on behalf of the policyholders. The charges are recognised in the statement of comprehensive income.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

3. Material Accounting Policy Information (continued)

(o) Health insurance surcharges

Based on the provisions of the Health Insurance Regulations (2017 Revision), the Company charges health policy holders, every month, \$10 for each insured person with no dependents and \$20 for each insured person with dependents. The Company, as required by the law, then submits the health insurance surcharges to the Health Insurance Commission each month to cover medical cost for indigent persons. The monthly surcharges are not included in the statement of comprehensive income. The surcharges are recorded as a receivable from the policyholders and a payable to the Health Insurance Commission in the month in which they are processed.

(p) Pension obligations

The Company's employees participate in a defined contribution plan. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no further payment obligations once the contributions have been paid. Payments to defined contribution retirement plans are charged as an expense as they fall due.

(q) 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. It is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

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 Company's incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest method.

Short-term leases

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

(r) Segment reporting

The Company operates in one geographical area, the Cayman Islands. In identifying its operating segments, management generally follows the Company's business operating activities by major product lines. The Company's two operating segments are P&C and H&L insurance. P&C insurance comprises fire, motor, marine, engineering and general accident insurance. The H&L insurance segment includes group life and medical insurance.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

3. Material Accounting Policy Information (continued)

(s) 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.

(t) Management fees

The Company pays an annual management fee to Bahamas First Corporate Services Ltd. (“BFCS”), a Bahamas registered company within the BFH Group, for executive management oversight and general administrative support provided to the Company. The fee is expensed evenly over the year.

The Company also charges an annual management fee to Brac Insurance Associates (“BIA”) for executive management oversight and general administrative support provided to the Company. BIA is a company incorporated under the laws of the Cayman Islands and is a wholly-owned subsidiary of BFHIL. The fee is recognised as income evenly over the year.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

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, changes in the medical condition of claimants, changes in medical costs 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.

H&L claims are normally reported within three months of the event and are usually settled within 30 days of being reported.

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.

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 Group'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.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (continued)

(a) Methods used to measure general insurance contracts (continued)

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 \$21,305,619 (2023: \$21,519,009). The amount of reinsurance contract assets estimated at the statement of financial position date is \$10,879,953 (2023: \$11,226,658). 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.

(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.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (continued)

(c) Discount rates

The bottom-up approach is used to determine the discount rates for P&C claims. Under this approach, the discount rates are determined by adjusting a liquid risk-free yield curve to reflect the liquidity characteristics of insurance liability cash flows. However, as there are no assets traded in the Cayman Islands that can be used as a reference portfolio, the Company has determined the discount rates based on an approximation. The credit rating of the Cayman Islands government is high enough that, if it were to issue bonds, there would be very minimal credit risk, similar to more developed markets. Further, the Cayman Islands economy and currency has very close ties to the USA. Consequently, the Company has used the US Treasury Yield Curve for the bottom-up discount rate approach. The Company does not discount the outstanding claims amounts for H&L claims.

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.

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

	P&C (issued and reinsurance held)			
	1 Year	5 years	10 years	20 years
2024	4.8%	5.4%	6.2%	6.5%
2023	5.4%	4.8%	5.4%	5.8%

(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%).

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

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 there are 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, 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 and 2023 all investments and broker receivables were classified as Stage 1. Refer to Notes 7 and 8 for the 12-month ECL.

(g) Depreciation of property and equipment and amortisation of intangible assets

Depreciation and amortisation are based on management's estimates of the future useful lives of property and equipment and intangible assets. 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 and amortisation charges. The Company reviews the future useful lives of property and equipment and intangible assets periodically, taking into consideration the factors mentioned above and all other important factors. In case of significant changes in the estimated useful lives, depreciation and amortisation charges are adjusted prospectively.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

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 Company 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. 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 and sundry payables and accruals.

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

(i) Land and buildings revaluations

Land and buildings are classified as owner-occupied property and are measured using the revaluation model. Under this model, land and building are revalued triennially based on outputs derived from an independent appraisal report and are carried at fair value less subsequent depreciation and any impairment losses. 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 Note 12.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

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 a number of 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 Committees’ 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, quarterly 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 Company’s Internal Auditors review the Company’s processes and controls on a rotational basis and report on their findings directly to the Audit Committee and other appropriate Committees. 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.

5.1 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.

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 only insures the risks of entities and individuals within the Cayman Islands, and so there is a concentration of insurance risk within this territory.

Below is a discussion of insurance risks specific to the lines of coverage provided by the operating segments within the Company.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

5. Risk Management (continued)

5.1 Insurance Risk (continued)

(a) 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 contents 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 P&C insurance contracts, significant risk exposures arise from low frequency, high severity events such as hurricanes. Single events, such as flooding or 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, 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 early settlements 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 claims or other claims.

(b) Health and group life insurance risks

The most significant factors that could increase the overall frequency of claims relating to H&L insurance contracts are epidemics or widespread changes in lifestyle resulting in more claims than expected.

The Company manages these risks by way of new business underwriting which analyses each risk for acceptance and determines appropriate pricing given the risk profile. The in-force business is analysed annually to revise base rates and monthly for renewal pricing. Risks are also managed through benefit plan designs to manage frequency and severity exposures, contracted discounts with providers to manage cost, claim adjudication procedures to ensure appropriate billing and payments, and reinsurance for mitigating the risk of high-cost individual claims.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

5. Risk Management (continued)

5.1 Insurance Risk (continued)

(c) Reinsurance risk

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 Group's capital and reserves in the event of a series of claims arising out of a single occurrence.

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, however it 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.

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

(d) 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
Health	\$ 4,370,810	\$ 335,480	\$ 4,035,330	\$ 4,702,324	\$ 1,222,496	\$ 3,479,828
Property	5,621,453	2,729,200	2,892,253	5,101,467	2,624,491	2,476,976
Motor	9,535,917	6,777,495	2,758,422	9,913,813	6,468,878	3,444,935
Liability	1,777,439	1,037,778	739,661	1,801,405	910,793	890,612
Total	\$ 21,305,619	\$ 10,879,953	\$ 10,425,666	\$ 21,519,009	\$ 11,226,658	\$ 10,292,351

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

5. Risk Management (continued)

5.1 Insurance Risk (continued)

(e) Sensitivity

The following table presents information on how a 5% change in average claims severity, assuming no changes to other variables, may impact the Company's insurance service expense after risk mitigation by reinsurance contracts held.

	2024		2023	
	Average claims severity	Average claims severity	Average claims severity	Average claims severity
	+5%	-5%	+5%	-5%
Impact on profit	\$ (1,346,843)	\$ 1,346,843	\$ (1,683,357)	\$ 1,683,357
Impact on equity	\$ (1,346,843)	\$ 1,346,843	\$ (1,683,357)	\$ 1,683,357

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

5. Risk Management (continued)

5.2 Financial Risk

The Company is exposed to financial risks through its financial assets and financial 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 management 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.

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

	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 8,858,112	\$ 14,201,644
Investments, net		
- Equity securities at FVTOCI	1,914,573	734,626
- Debt securities at FVTOCI	15,724,188	9,878,447
Broker receivables, net	4,489,661	3,724,310
Sundry receivables and prepayments *	198,624	96,805
Total financial assets	31,185,158	28,635,832
Reinsurance contract assets	10,879,953	11,226,658
Non - financial assets	10,973,553	11,304,458
Total assets	\$ 53,038,664	\$ 51,166,948
Financial liabilities:		
Payables at amortised cost:		
-Sundry payables and accruals	\$ 338,105	\$ 109,029
-Lease liabilities	62,839	93,955
Total financial liabilities	400,944	202,984
Insurance contract liabilities	21,305,619	21,519,009
Total liabilities	\$ 21,706,563	\$ 21,721,993

*Excludes prepayments of \$64,041(2023: \$53,607).

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

5. Risk Management (continued)

5.2 Financial Risk (continued)

(a) 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 in cash and cash equivalents, investments, reinsurance contract assets, broker receivables and sundry receivables.

The Company's investment policy permits the Company to invest in fixed income debt securities, equity securities, and term deposits within certain specified limits. The investment policy also has a fixed limit exposure to any one issuer. All cash and cash equivalents are held with large financial institutions in the Cayman Islands and the USA which management considers to be creditworthy. Investments in debt securities expose the Company to the risk that the issuer will default on payment of interest, the principal or both. The Company seeks to mitigate credit risk on debt securities by adhering to investment guidelines established by the Board of Directors. The minimum credit grade requirement on debt securities at the time of purchase is BBB by Standard & Poor's or its equivalent. Any exceptions to the established limits and guidelines are approved by the Board.

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 sets guidelines for approved reinsurers. Management implements the guidelines, including the assessment of the creditworthiness of all reinsurers. The Company assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information, to ensure they are within acceptable limits of the Company's reinsurance policy. Any exceptions to the reinsurance policy must be reviewed by the Technical Insurance Committee and approved by the Board.

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 ("S&P") equivalent. The concentration of credit risk is also monitored to minimize the Company's exposure to significant losses from reinsurer insolvency.

The Company is exposed to credit risk in respect of broker receivable balances due from intermediaries. Commissions paid to these intermediaries are netted off against amounts due from them to reduce the amount at risk for default.

The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company.

Information reported to management, for both brokers and individual receivable balances, includes details of any uncertain or long outstanding amounts due. Where necessary, management will institute legal proceedings against debtors with long outstanding amounts due to the Company.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

5. Risk Management (continued)

5.2 Financial Risk (continued)

(a) Credit risk (continued)

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

	<u>2024</u>	<u>2023</u>
Investments:		
Debt securities FVTOCI	\$ 15,743,279	\$ 9,887,381
Broker receivables	4,491,587	3,725,008
Sundry receivables and prepayments	262,665	150,412
Reinsurance contract assets	10,879,953	11,226,658
Cash and cash equivalents	8,858,112	14,201,644
Total	\$ 40,235,596	\$ 39,191,103

Debt securities are analysed in the table below using S&P ratings (or an equivalent rating when not available from S&P).

	<u>2024</u>	<u>2023</u>
A- or above	\$ 6,023,109	\$ 4,877,992
BBB	8,976,380	4,992,723
Below BBB or not rated	743,790	16,666
Total debt securities	\$ 15,743,279	\$ 9,887,381

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

5. Risk Management (continued)

5.2 Financial Risk (continued)

(a) 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.

At December 31, 2024	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Debt Securities at FVTOCI	\$ 15,724,188	\$ -	\$ 19,091	\$ 15,743,279
Broker receivables	2,851,341	1,638,320	1,926	4,491,587
Sundry receivables and prepayments	262,665	-	-	262,665
Reinsurance contract assets	10,879,953	-	-	10,879,953
Cash and cash equivalents	8,858,112	-	-	8,858,112
Total assets exposed to credit risk	\$ 38,576,259	\$ 1,638,320	\$ 21,017	\$ 40,235,596

At December 31, 2023	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Debt Securities at FVTOCI	\$ 9,878,447	\$ -	\$ 8,934	\$ 9,887,381
Broker receivables	2,455,087	1,269,223	698	3,725,008
Sundry receivables and prepayments	150,412	-	-	150,412
Reinsurance contract assets	11,226,658	-	-	11,226,658
Cash and cash equivalents	14,201,644	-	-	14,201,644
Total assets exposed to credit risk	\$ 37,912,248	\$ 1,269,223	\$ 9,632	\$ 39,191,103

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.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

5. Risk Management (continued)

5.2 Financial Risk (continued)

(b) 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 1.05% to 9.00% (2023: 1.05% to 9.00%) per annum at the statement of financial position date.

The average interest yield of investments held during the year is as follows:

Debt securities	4.58% (2023: 4.37%)
Cash and cash equivalents and term deposits	1.54% (2023: 0.88%)

The Company's LIC and Asset for Incurred Claims ("AIC") are subject to interest rate risk. The net equivalent single rate used to discount the P&C claims liabilities is 4.23% (2023: 4.31%).

Sensitivity

The impact of hypothetical 1% change in interest rates, assuming no changes to other variables, is as shown below.

	2024		2023	
	Interest rates +1%	Interest rates -1%	Interest rates +1%	Interest rates -1%
<u>Change in debt securities</u>				
Impact on Profit	\$ -	\$ -	\$ -	\$ -
Impact on Equity	\$ 503,428	\$ (528,613)	\$ (192,806)	\$ 198,353
<u>Change in LIC net of AIC</u>				
Impact on Profit	\$ 61,318	\$ (72,030)	\$ 89,585	\$ (100,525)
Impact on Equity	\$ 61,318	\$ (72,030)	\$ 89,585	\$ (100,525)

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

5. Risk Management (continued)

5.2 Financial Risk (continued)

(c) Foreign currency risk

Foreign currency risk exists when a financial transaction is denominated in a currency other than the Company's functional currency. The Company is not directly exposed to foreign currency risk, as all investments are denominated in US dollars, which is fixed to the Cayman Islands dollar at the following rate: CI\$1=US\$1.20. All underlying assets and liabilities are denominated in either Cayman Islands dollars or US dollars.

(d) 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.

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 is set out below.

	Carrying value	Effect on profit and equity +10%	Effect on profit and equity -10%
December 31, 2024			
Equity securities	\$ 1,914,573	\$ 191,457	\$ (191,457)
Debt securities	15,724,188	1,572,419	(1,572,419)
Total	\$ 17,638,761	\$ 1,763,876	\$ (1,763,876)
December 31, 2023			
Equity securities	\$ 734,626	\$ 73,463	\$ (73,463)
Debt securities	9,878,447	987,845	(987,845)
Total	\$ 10,613,073	\$ 1,061,308	\$ (1,061,308)

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

5. Risk Management (continued)

5.2 Financial Risk (continued)

(e) 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 its obligations as they become due.

The Company's liquidity risk primarily relates to its insurance contract liabilities, which mostly fall due within one year. The Company mitigates this risk by reinsuring a substantial portion of insurance liabilities and by maintaining significant holdings of cash and cash equivalents and investments that mature in the near future or are highly liquid.

The following tables indicate the estimated timing of undiscounted cash flows arising from financial liabilities as of 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
Financial liabilities				
Sundry payables and accruals	\$ 338,105	\$ 338,105	\$ -	\$ -
Lease liabilities	62,839	36,012	26,827	-
Insurance contract liabilities	21,305,619	16,724,347	3,549,279	1,031,993
Less: reinsurance contract assets	(10,879,953)	(8,180,558)	(2,042,534)	(656,861)
Total undiscounted cash flows	\$ 10,826,610	\$ 8,917,906	\$ 1,533,572	\$ 375,132

2023	Cash flows			
	Total	< 1 year	1 - 5 years	> 5 years
Financial liabilities				
Sundry payables and accruals	\$ 109,029	\$ 109,029	\$ -	\$ -
Lease liabilities	93,955	31,116	62,839	-
Insurance contract liabilities	21,519,009	16,033,260	3,924,837	1,560,912
Less: reinsurance contract assets	(11,226,658)	(8,029,137)	(2,311,895)	(885,626)
Total undiscounted cash flows	\$ 10,495,335	\$ 8,144,268	\$ 1,675,781	\$ 675,286

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

5. Risk Management (continued)

5.3 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 the insurance capital requirements stipulated within the Cayman Islands Insurance Act (Revised) and with the Insurance (Capital and Solvency) (Class A Insurers) Regulations, 2012 mandated by the Cayman Islands Monetary Authority ("CIMA");

The Company considers as capital, the total equity as presented on the statement of financial position.

There were no changes to the Company's capital management objectives, capital requirements or what the Company considers as capital during the year ended December 31, 2024.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

6. Cash and Cash Equivalents

	2024	2023
Bank balances	\$ 4,785,201	\$ 8,335,220
Cash at broker	33,229	477,626
Money market fund	3,207,602	2,867,259
Short-term government securities	832,080	2,521,539
Total cash and cash equivalents	\$ 8,858,112	\$ 14,201,644

7. Investments, net

	2024	2023
Fixed income debt securities, at FVTOCI		
Amortised cost \$16,104,963 (2023: \$10,252,302)	\$ 15,743,279	\$ 9,887,381
ECL provision	(19,091)	(8,934)
Total debt securities at FVTOCI, net	15,724,188	9,878,447
Equity securities at FVTOCI	1,914,573	734,626
Total equities securities at FVTOCI	1,914,573	734,626
Total investments, net	\$ 17,638,761	\$ 10,613,073

The amortised cost and fair value of fixed income debt securities held at December 31, 2024 and 2023 by contractual maturity are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to repay obligations early without repayment penalties.

	2024		2023	
	Amortised cost	Fair Value	Amortised cost	Fair Value
Fixed income debt securities, at FVTOCI				
Due in less than one year	\$ 3,921,440	\$ 3,897,939	\$ 2,494,617	\$ 2,478,235
Due after one year through five years	6,937,598	6,730,627	7,741,018	7,392,479
Due after five years	5,245,925	5,114,713	16,667	16,667
Total	\$ 16,104,963	\$ 15,743,279	\$ 10,252,302	\$ 9,887,381

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

7. Investments, net (continued)

	2024	2023
Fixed income debt securities, at FVTOCI comprise:		
Corporate debt securities	\$ 15,726,612	\$ 9,870,714
Other debt securities	16,667	16,667
ECL provision	(19,091)	(8,934)
Total	\$ 15,724,188	\$ 9,878,447

The geographical locations of the Company's debt securities are as follows:

	2024	%	2023	%
USA	\$ 14,643,715	93%	\$ 8,564,126	87%
Europe	677,272	4%	-	0%
UK	405,625	3%	392,613	4%
Cayman Islands	16,667	0%	16,667	0%
Australia	-	0%	415,478	4%
Asia	-	0%	415,150	4%
Canada	-	0%	83,347	1%
	15,743,279	100%	9,887,381	100%
ECL Provision	(19,091)		(8,934)	
Total	\$ 15,724,188	100%	\$ 9,878,447	100%

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

7. Investments, net (continued)

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

	Debt securities at FVTOCI	Equity Securities at FVTOCI	Total
Balance at December 31, 2022	\$ 8,810,623	\$ -	\$ 8,810,623
Cost of investments purchased	3,818,096	625,096	4,443,192
Proceeds from sale and maturity of investments	(2,916,667)	-	(2,916,667)
Amortisation / accretion of premiums / discounts on bonds	(41,767)	-	(41,767)
ECL provision	(3,111)	-	(3,111)
Unrealised gains on investments through other comprehensive income (Note 16)	211,273	109,530	320,803
Balance at December 31, 2023	\$ 9,878,447	\$ 734,626	\$ 10,613,073
Cost of investments purchased	8,837,840	1,043,117	9,880,957
Proceeds from sale and maturity of investments	(2,973,592)	-	(2,973,592)
Realised gain through profit and loss	2,551	-	2,551
Amortisation / accretion of premiums / discounts on bonds	(14,136)	-	(14,136)
ECL provision	(10,157)	-	(10,157)
Unrealised gains on investments through other comprehensive income (Note 16)	3,235	136,830	140,065
Balance at December 31, 2024	\$ 15,724,188	\$ 1,914,573	\$ 17,638,761

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

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 disclosure on 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.

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

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

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.

At December 31, 2024	Level 1	Level 2	Level 3	Total balance
Financial assets designated at FVTOCI				
Debt securities	\$ 15,707,521	-	\$ 16,667	\$ 15,724,188
Equity securities	1,914,573	-	-	1,914,573
Total assets measured at fair value	\$ 17,622,094	-	\$ 16,667	\$ 17,638,761

At December 31, 2023	Level 1	Level 2	Level 3	Total balance
Financial assets designated at FVTOCI				
Debt securities	\$ 9,861,780	\$ -	\$ 16,667	\$ 9,878,447
Equity securities	734,626	-	-	734,626
Total assets measured at fair value	\$ 10,596,406	\$ -	\$ 16,667	\$ 10,613,073

There were no changes to Level 3 instruments and there were no transfers into and out of Level 3 instruments during 2024 and 2023. In addition, there were no transfers into and out of Level 1 and Level 2 instruments.

8. Broker Receivables, net

Broker receivables, which is shown net of provision for ECL, is comprised of amounts receivable from insurance brokers that have signed broker agreements with the Company.

	2024	2023
Broker receivables	\$ 4,491,587	\$ 3,725,008
<i>ECL provision:</i>		
Balance at beginning of year	698	3,103
Increase/(decrease)/ in the provision	1,228	(2,405)
Balance at end of year	1,926	698
Broker receivables, net	\$ 4,489,661	\$ 3,724,310

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

8. Broker Receivables, net (continued)

Ageing of broker receivables, net, is as follows:

	2024	2023
Less than 3 months	\$ 2,851,341	\$ 2,455,087
3 - 6 months	1,236,041	886,976
6 months - 1 year	402,279	382,247
	\$ 4,489,661	\$ 3,724,310

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:

	2024	2023
Liability for remaining coverage - premiums	\$ 11,736,698	\$ 10,550,147
Liability for remaining coverage - acquisition cash flows	(2,514,453)	(2,291,131)
Liability for incurred claims	12,083,374	13,259,993
Total insurance contract liabilities	\$ 21,305,619	\$ 21,519,009

	2024	2023
Asset for remaining coverage - premiums	\$ 1,473,101	\$ 1,527,690
Asset for incurred claims	9,406,852	9,698,968
Total reinsurance contract assets	\$ 10,879,953	\$ 11,226,658

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

9. Reconciliation of insurance and reinsurance contracts (continued)

	Liability for Remaining Coverage	Liability for Incurred Claims		Total
	Excl Loss Component	Future Cash Flows	Risk Adjustment	
Insurance contract liability at December 31, 2023	\$ 8,259,016	\$ 12,658,869	\$ 601,124	\$ 21,519,009
Insurance revenue	(62,988,893)	-	-	(62,988,893)
<u>Insurance service expenses:</u>				
Incurred claims and other directly attributable expenses	-	34,149,871	247,696	34,397,567
Changes that relate to past service	-	(191,069)	(443,032)	(634,101)
Insurance acquisition cash flows amortisation	9,681,194	-	-	9,681,194
Insurance service expenses	9,681,194	33,958,802	(195,336)	43,444,660
Insurance finance expense for insurance contracts issued	-	577,156	-	577,156
<u>Net cash flows:</u>				
Premiums received	64,175,444	-	-	64,175,444
Claims and other directly attributable expenses paid	-	(35,517,241)	-	(35,517,241)
Insurance acquisition cash flows	(9,904,516)	-	-	(9,904,516)
Net cash flows	54,270,928	(35,517,241)	-	18,753,687
Insurance contract liability at December 31, 2024	\$ 9,222,245	\$ 11,677,586	\$ 405,788	\$ 21,305,619

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

9. Reconciliation of insurance and reinsurance contracts (continued)

	Asset for Remaining Coverage	Asset for Incurred Claims Risk Adjustment		Total
	Excl Loss Recovery Component	Future Cash Flows	Risk Adjustment	
Reinsurance contract asset at December 31, 2023	\$ (1,527,690)	\$ (9,453,525)	\$ (245,443)	\$ (11,226,658)
<u>Net expenses (income) from reinsurance contracts held</u>				
Reinsurance expenses from recoveries and other directly attributable expenses	23,752,402	(7,392,502)	76,303	16,436,203
Changes that relate to past service	-	488,482	1,113	489,595
Net expenses (income) from reinsurance contracts held	23,752,402	(6,904,020)	77,416	16,925,798
Reinsurance finance income for reinsurance contracts held	-	(234,107)	-	(234,107)
<u>Net cash flows</u>				
Premiums paid net of ceding commissions	(23,697,813)	-	-	(23,697,813)
Recoveries from reinsurance and other directly attributable expenses paid	-	7,352,827	-	7,352,827
Net cash flows	(23,697,813)	7,352,827	-	(16,344,986)
Reinsurance contract asset at December 31, 2024	\$ (1,473,101)	\$ (9,238,825)	\$ (168,027)	\$ (10,879,953)

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands 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 and net reinsurance basis as at 31 December 2024.

H&L (\$)

<u>December 31, 2024</u>	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Gross											
Estimate of undiscounted gross cumulative Claims:	14,878,119	15,532,493	16,371,438	16,455,880	17,581,621	20,050,809	24,735,738	33,100,131	29,200,000	23,950,000	211,856,229
<u>Revised Estimates</u>											
One year later	15,137,334	14,979,130	15,441,213	16,157,044	17,407,410	19,662,965	24,508,481	34,170,000	28,900,000		
Two year later	15,137,334	14,979,130	15,441,213	16,157,044	17,407,410	19,662,965	24,508,481	33,664,473			
Current estimate of ultimate claims incurred	15,137,334	14,979,130	15,441,213	16,157,044	17,407,410	19,662,965	24,508,481	33,664,473	28,900,000	23,950,000	209,808,050
Cumulative payments to date	(15,137,334)	(14,979,130)	(15,441,213)	(16,157,044)	(17,407,410)	(19,662,965)	(24,508,481)	(33,653,253)	(28,545,181)	(20,820,607)	(206,312,618)
Undiscounted unpaid claims	-	-	-	-	-	-	-	11,220	354,819	3,129,393	3,495,432
Undiscounted reserve for prior years*											40,667
Unallocated loss adjustment expenses											180,000
Effect of the risk adjustment for non-financial risk											130,063
Other liabilities included within the LIC											48,277
Gross liability for incurred claims											<u>3,894,439</u>
Net											
Estimate of undiscounted gross cumulative Claims:	14,116,325	15,289,340	16,155,840	16,355,880	17,381,621	18,832,059	24,481,639	32,500,130	28,700,000	23,700,000	207,512,834
<u>Revised Estimates</u>											
One year later	14,288,008	14,918,675	15,425,525	16,157,044	17,370,428	18,591,481	24,291,242	33,130,000	28,290,000	-	
Two year later	14,288,008	14,918,675	15,425,525	16,157,044	17,370,428	18,591,481	24,291,242	32,703,595	-	-	
Current estimate of ultimate claims incurred	14,288,008	14,918,675	15,425,525	16,157,044	17,370,428	18,591,481	24,291,242	32,703,595	28,290,000	23,700,000	205,735,998
Cumulative payments to date	(14,288,008)	(14,918,675)	(15,425,525)	(16,157,044)	(17,370,428)	(18,591,481)	(24,291,242)	(32,697,985)	(27,946,598)	(20,796,885)	(202,483,871)
Undiscounted unpaid claims	-	-	-	-	-	-	-	5,610	343,402	2,903,115	3,252,127
Undiscounted reserve for prior years*											8,332
Unallocated loss adjustment expenses											180,000
Effect of the risk adjustment for non-financial risk											120,416
Other recoveries included within the LIC											(712,880)
Net liability for incurred claims											<u>2,847,995</u>

* This relates to liabilities for years before 2015.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

10. Claims Development (continued)

P&C (\$)

<u>December 31, 2024</u>	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Gross											
Estimate of undiscounted gross cumulative Claims:	3,476,804	3,237,275	2,723,785	3,804,395	3,883,828	3,803,039	6,351,130	4,303,571	5,039,670	6,869,407	43,492,904
<u>Revised Estimates</u>											
One year later	3,362,977	3,119,237	2,538,340	3,798,441	3,780,831	3,440,976	5,156,000	4,420,000	5,245,000		
Two years later	3,443,803	3,175,178	2,946,837	3,768,249	3,598,871	3,641,000	5,245,000	4,710,000			
Three years later	3,217,854	2,761,602	2,952,801	3,620,449	3,742,732	3,746,370	5,144,683				
Four years later	2,706,973	2,757,582	2,893,912	3,656,878	3,887,732	4,536,370					
Five years later	3,281,308	2,713,807	3,445,326	3,561,878	3,717,732						
Six years later	3,524,078	2,772,673	3,375,326	3,119,968							
Seven years later	3,506,280	2,737,673	3,285,326	-							
Eight years later	3,471,280	2,702,673	-	-							
Nine years later	3,366,280	-	-	-							
Current estimate	3,366,280	2,702,673	3,285,326	3,119,968	3,717,732	4,536,370	5,144,683	4,710,000	5,245,000	6,869,407	42,697,439
Cumulative payments to date	(3,164,667)	(2,601,094)	(2,684,630)	(3,020,442)	(3,495,892)	(4,124,495)	(4,489,717)	(3,642,725)	(3,654,715)	(4,097,506)	(34,975,883)
Undiscounted unpaid claims	201,613	101,579	600,696	99,526	221,840	411,875	654,966	1,067,275	1,590,285	2,771,901	7,721,556
Undiscounted reserve for prior years*											756,683
Unallocated loss adjustment expenses											430,000
Effect of discounting											(1,030,406)
Effect of the risk adjustment for non-financial risk											275,724
Other liabilities included within the LIC											35,378
Gross liability for incurred claims											8,188,935

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

10. Claims Development (continued)

<u>December 31, 2024</u>	P&C (\$)										
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	Total
<u>Net</u>											
Estimate of undiscounted gross cumulative Claims:	1,597,510	1,232,623	1,085,149	1,505,488	1,564,137	1,483,129	2,070,007	2,033,094	2,394,865	2,400,600	17,366,602
<u>Revised Estimates</u>											
One year later	1,510,391	1,167,859	1,022,891	1,526,410	1,554,340	1,343,253	1,953,000	2,035,000	2,453,500	-	
Two years later	1,549,785	1,161,784	1,209,282	1,526,751	1,506,666	1,425,807	1,957,000	2,170,500	-	-	
Three years later	1,422,281	1,034,159	1,216,411	1,490,215	1,575,623	1,478,554	1,922,421	-	-	-	
Four years later	1,247,262	1,033,295	1,201,445	1,491,654	1,636,623	1,481,554	-	-	-	-	
Five years later	1,325,794	1,015,827	1,343,888	1,472,654	1,576,623	-	-	-	-	-	
Six years later	1,312,003	1,031,209	1,318,888	1,372,655	-	-	-	-	-	-	
Seven years later	1,346,299	1,026,209	1,304,888	-	-	-	-	-	-	-	
Eight years later	1,333,299	1,003,209	-	-	-	-	-	-	-	-	
Nine years later	1,282,299	-	-	-	-	-	-	-	-	-	
Current estimate	1,282,299	1,003,209	1,304,888	1,372,655	1,576,623	1,481,554	1,922,421	2,170,500	2,453,500	2,400,600	16,968,249
Cumulative payments to date	<u>(1,243,263)</u>	<u>(965,659)</u>	<u>(1,104,481)</u>	<u>(1,310,567)</u>	<u>(1,484,617)</u>	<u>(1,391,237)</u>	<u>(1,669,314)</u>	<u>(1,680,990)</u>	<u>(1,778,628)</u>	<u>(1,299,271)</u>	<u>(13,928,027)</u>
Undiscounted unpaid claims	39,036	37,550	200,407	62,088	92,006	90,317	253,107	489,510	674,872	1,101,329	3,040,222
Undiscounted reserve for prior years*											284,308
Unallocated loss adjustment expenses											430,000
Effect of discounting											(401,835)
Effect of the risk adjustment for non-financial risk											117,343
Other recoveries included within the LIC											<u>(3,641,511)</u>
Net liability for incurred claims											<u>(171,473)</u>

* This relates to liabilities for years before 2015.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

11. Intangible Assets

	Computer Software Licences
Cost/Valuation	
At January 1, 2024	\$ 806,739
Additions	27,285
At December 31, 2024	\$ 834,024
Accumulated amortisation	
At January 1, 2024	\$ 285,658
Amortisation charge through income	91,954
At December 31, 2024	\$ 377,612
Net Book Value	
At December 31, 2024	\$ 456,412
At December 31, 2023	\$ 521,081

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

12. Property and Equipment, net

	Land and Building	Leasehold Improvements and Furnishings	Computer and Office Equipment	Motor Vehicles	Total
Cost/Valuation					
At January 1, 2024	\$ 10,409,999	\$ 707,214	\$ 751,845	\$ 121,569	\$ 11,990,627
Additions	-	59,945	13,140	-	73,085
At December 31, 2024	\$ 10,409,999	\$ 767,159	\$ 764,985	\$ 121,569	\$ 12,063,712
Accumulated amortisation					
At January 1, 2024	\$ 196,056	\$ 402,317	\$ 659,826	\$ 94,653	\$ 1,352,852
Charge for the year	196,056	71,220	42,506	5,475	315,257
At December 31, 2024	\$ 392,112	\$ 473,537	\$ 702,332	\$ 100,128	\$ 1,668,109
Net Book Value					
At December 31, 2024	\$ 10,017,887	\$ 293,622	\$ 62,653	\$ 21,441	\$ 10,395,603
At December 31, 2023	\$ 10,213,943	\$ 304,897	\$ 92,019	\$ 26,916	\$ 10,637,775

In accordance with the Group policy, land and building are revalued triennially. In 2022, the land and building 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 building is 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 was 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 \$49/sq. ft. in the prior valuation to \$54/sq. ft. for 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. Land and building are classified as Level 3 as inputs are generally unobservable. There were no transfers between the various levels during the year.

The following table presents information on how reasonably possible changes in assumptions made by the Company may impact the estimates of fair values of the land and buildings in the 2022 valuation.

Estimate/Assumption	Change	Impact on fair value
Rental income (\$54/sq. ft)	5.00% / -5.00%	\$472,997/ (\$472,997)
Vacancy rates (5%)	5.00% / -5.00%	(\$497,892) / \$497,892
Discount rate (8.25%)	1.00% / -1.00%	(\$1,022,696) / \$1,304,819

The net book value of the land and building, ignoring effects of revaluations would have been \$2,051,221 (2023: \$2,051,221) and \$6,901,785 (2023: \$7,127,415) respectively.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

13. Leases

The Company has a renewable three-year lease expiring on August 31, 2026 for its branch. The lease is under normal commercial terms with an unrelated party.

(a) Right-of-use asset

	<u>2024</u>	<u>2023</u>
Balance at beginning of year	\$ 91,995	\$ 23,692
Additions	-	103,494
Depreciation charge for the year	(34,498)	(35,191)
Balance at end of year	<u>\$ 57,497</u>	<u>\$ 91,995</u>

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) Maturity analysis - Discounted cashflows

	<u>2024</u>	<u>2023</u>
Less than one year	\$ 36,012	\$ 31,116
Between one and five years	26,827	62,839
Total lease liabilities as at December 31	<u>\$ 62,839</u>	<u>\$ 93,955</u>

Lease payments are presented within the financing section of the statement of cash flows.

Interest expense on the lease liability for the year ended December 31, 2024 amounted to \$8,012 (2023: \$3,661) and is presented within insurance service expenses and other operating expenses in the statement of comprehensive income.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

14. Insurance Revenue

Based on the provision of the Stamp Duty Act (2019 Revision) and the Health Insurance Regulations (2017 Revision), the gross amounts billed to clients include stamp duties and health insurance surcharges, which the Company then submits to the Cayman Islands Government and the Health Insurance Commission respectively.

Below are the stamp duties and health insurance surcharges billed to the clients. As noted in Note 3, these charges have not been included on the statement of comprehensive income. They are recorded as a receivable from the policyholders and a payable to the Cayman Islands Government in the month in which they are processed.

	<u>2024</u>	<u>2023</u>
Government stamp duties/health insurance surcharges billed to clients	\$ 1,420,555	\$ 1,542,807

15. Share Capital

(a) Share Capital

	<u>2024</u>	<u>2023</u>
Authorised:		
4,000,000 (2023: 4,000,000) ordinary shares of \$1 each	\$ 4,000,000	\$ 4,000,000
1,000,000 (2023: 1,000,000) preference shares of \$1 each	1,000,000	1,000,000
	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Issued and fully paid:		
2,000,000 (2023: 2,000,000) ordinary shares of \$1 each	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>

(b) Share Premium

The Company has completed two rights issues of 500,000 ordinary shares each (during 2014 and 2011). The share premium of \$6,300,092 (2023: \$6,300,092) represents the value by which the rights issue price exceeded the par value of shares issued.

(c) General Reserve

The general reserve of \$3,000,000 (2023: \$3,000,000) represents amounts appropriated by the directors from retained earnings and is considered to be non-distributable.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

16. Revaluation Reserve

	Land	Investments	Total
At January 1, 2024	\$ 1,398,780	\$ (255,391)	\$ 1,143,389
Investments fair value reserve net gains (Note 7)	-	140,065	140,065
At December 31, 2024	\$ 1,398,780	\$ (115,326)	\$ 1,283,454

	Land	Investments	Total
At January 1, 2023	\$ 1,398,780	\$ (576,194)	\$ 822,586
Investments fair value reserve net losses (Note 7)	-	320,803	320,803
At December 31, 2023	\$ 1,398,780	\$ (255,391)	\$ 1,143,389

17. 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 within the statement of comprehensive income.

	Acquisition cash flows	Other directly attributable expenses	Other operating expenses	Total
2024				
Salaries, benefits and bonuses	\$ 3,271,576	\$ 1,955,268	\$ 359,132	\$ 5,585,976
Management fees	188,775	244,303	304,222	737,300
Depreciation and amortisation	253,229	160,655	27,825	441,709
General and administrative expenses	1,718,295	1,850,255	450,974	4,019,524
Total	\$ 5,431,875	\$ 4,210,481	\$ 1,142,153	\$ 10,784,509

	Acquisition cash flows	Other directly attributable expenses	Other operating expenses	Total
2023				
Salaries, benefits and bonuses	\$ 3,126,972	\$ 1,688,234	\$ 271,255	\$ 5,086,461
Management fees	190,790	207,437	288,878	687,105
Depreciation and amortisation	284,263	163,708	24,659	472,630
General and administrative expenses	1,608,888	2,361,690	620,650	4,591,228
Total	\$ 5,210,913	\$ 4,421,069	\$ 1,205,442	\$ 10,837,424

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

18. Interest revenue and other income from financial assets not measured at FVTPL

	2024	2023
Debt securities		
Interest income	\$ 364,843	\$ 354,423
Amortisation/accretion of premiums/discounts	(14,136)	(41,767)
Realised gains	2,551	-
Investment management fees	(64,895)	(41,453)
Total	\$ 288,363	\$ 271,203
 Equities		
Dividend income	\$ 16,697	\$ 9,412
Total	\$ 16,697	\$ 9,412
 Cash and cash equivalents:		
Interest income	\$ 177,878	\$ 143,342
Amortization/accretion of premiums/discounts	142,295	45,873
Total	\$ 320,173	\$ 189,215
 Total interest revenue and other income from financial assets not measured at FVTPL	\$ 625,233	\$ 469,830

19. Net insurance finance expense

	2024	2023
Finance expenses from insurance contracts issued		
Interest accreted	\$ (494,949)	\$ (426,142)
Effects of changes in interest rate and other financial assumptions	(82,207)	(109,592)
	\$ (577,156)	\$ (535,734)
 Finance income from reinsurance contracts held		
Interest accreted	\$ 301,641	\$ 245,110
Effects of changes in interest rate and other financial assumptions	(67,534)	132,657
	234,107	377,767
 Net insurance finance expenses	\$ (343,049)	\$ (157,967)

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

20. Related party balances and transactions

In the normal course of business, the Company writes insurance for some of its directors, employees and minority shareholders. The Company grants reduced insurance rates to directors and employees.

Included in the statement of comprehensive income, is the net amount of the management fee paid to BFCS and management fee received from BIA for executive management oversight and general administrative support. The breakdown of the management fees are as follows:

	<u>2024</u>	<u>2023</u>
Management fee expense to BFCS	\$ 749,300	\$ 699,105
Management fee income from BIA	<u>(12,000)</u>	<u>(12,000)</u>
	<u><u>\$ 737,300</u></u>	<u><u>\$ 687,105</u></u>

Although BIA is licensed as an insurance broker, it solicits and produces non-life business exclusively on behalf of the Company under an agency agreement. Below is a summary of transactions and balances between BIA and the Company:

Statement of Comprehensive Income	<u>2024</u>	<u>2023</u>
Gross premiums written	\$ 3,067,930	\$ 2,921,252
Commission expense	386,108	371,178
General and administrative expenses (development/expenses allowance)	-	30,000
Management fees	12,000	12,000

Included in the statement of financial position, under sundry payables and accruals, is an amount of \$41,420 (2023: \$Nil) due to BIA.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

20. Related party balances and transactions (continued)

Included in the statement of financial position, under sundry payables and accruals, is an amount of \$237,736 (2023: \$96,898) due to BFHIL for expenses paid on behalf of the Company.

During 2020, the Group implemented a new system to manage the P&C line of business. The software is owned by Bahamas First General (“BFG”), a Bahamas registered company within the Group. Below is a summary of transactions and balances between BFG and the Company, in relation to the software:

Statement of Comprehensive Income	2024	2023
Insurance service expenses and other operating expenses (information technology)	\$ 326,897	\$ 261,665

Salaries and other short-term employee benefits for key management (being those executives with the authority to direct the Company’s operating policies) included in salaries, benefits and bonuses expense are as follows:

	2024	2023
Salaries and other benefits	\$ 759,901	\$ 429,169
Post-employment benefits	32,375	18,849
Total remuneration for key management personnel	\$ 792,276	\$ 448,018
Receivables from key management personnel	\$ 6,427	\$ 749

At December 31, 2024, the Company had a total of 7 directors (2023: 6), of whom 1 (2023: 1) was an executive officer of BFH. For the year ended December 31, 2024, the aggregate compensation for directors’ services was \$159,799 (2023: \$145,341).

21. Pension fund

The Company participates in The Verdant Isle Pension Plan (Formerly “Cayman National Pension Fund”), a defined contribution plan approved under the National Pensions Act of the Cayman Islands and administered by a previously affiliated Company. Membership is mandatory for all employees between the ages of 18 and 60 with contributions from both employer and employees. Included in insurance service expenses and other operating expenses is an amount of \$228,713 (2023: \$195,346) representing the Company’s portion of contributions required under the plan. The Company employed 68 employees at year-end (2023: 67 employees).

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

22. Contingencies and credit facilities

(a) Contingencies

In the normal course of its business, the Company is involved in various legal proceedings incidental to its operations. Based on legal advice and the Company's assessment of the facts, management does not believe that these proceedings give rise to any present obligation requiring a separate provision under IAS 37. Any expected insurance-related cash outflows arising from such matters are included in the measurement of insurance contract liabilities in accordance with IFRS 17. Accordingly, no separate provision has been recognized.

(b) Credit facilities

The Company has a credit card facility with a limit of \$45,833 (2023: \$45,833). Charges incurred but not settled at December 31, 2024 have been included in the statement of financial position under liabilities.

23. Segmented Information

The Company's operations are segmented into the operating segments of P&C and H&L insurance.

The Company conducts business in the Cayman Islands only and as a result there is no disclosure required by geographical segment.

The segment results for the year ended December 31, 2024 and 2023 are as follows:

	P&C	H&L	Total
2024			
Insurance service result	\$ 3,405,098	\$ (786,663)	\$ 2,618,435
Depreciation and amortization	171,380	270,329	441,709
Net insurance finance expense	(343,049)	-	(343,049)
Segment profit/(loss)	2,802,604	(1,055,523)	1,747,081
	P&C	H&L	Total
2023			
Insurance service result	\$ 3,591,642	\$ (3,728,341)	\$ (136,699)
Depreciation and amortization	184,376	288,254	472,630
Net insurance finance expense	(157,967)	-	(157,967)
Segment profit/(loss)	3,065,516	(4,096,500)	(1,030,984)

Management has pro-rated the Company's expenses based on the estimated amount of resources utilized by each segment, which is generally 49% (2023: 50%) for the P&C segment and 51% (2023: 50%) for the H&L segment.

Cayman First Insurance Company Limited

Notes to Financial Statements For the year ended December 31, 2024 (expressed in Cayman Islands dollars)

23. Segmented Information (continued)

The segment assets and liabilities and capital expenditure at December 31, 2024 and 2023 are as follows:

	<u>P&C</u>	<u>H&L</u>	<u>Total</u>
2024			
Total segment assets	\$ 33,743,913	\$ 19,294,751	\$ 53,038,664
Total segment liabilities	17,135,281	4,571,282	21,706,563
Capital expenditure (Notes 11 and 12)	36,543	63,827	100,370
	<u>P&C</u>	<u>H&L</u>	<u>Total</u>
2023			
Total segment assets	\$ 31,186,716	\$ 19,980,232	\$ 51,166,948
Total segment liabilities	16,918,177	4,803,816	21,721,993
Capital expenditure (Notes 11 and 12)	54,203	207,357	261,560

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