

INDIGO INSURANCE (BAHAMAS) LIMITED

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

INDIGO INSURANCE (BAHAMAS) LIMITED

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Indigo Insurance (Bahamas) Limited:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Indigo Insurance (Bahamas) Limited (the “Company”), which comprise the statement of financial position as at December 31, 2024, and the statement of profit or loss and other 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 and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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



April 30, 2025

INDIGO INSURANCE (BAHAMAS) LIMITED

STATEMENT OF FINANCIAL POSITION


AS AT DECEMBER 31, 2024

(Expressed in Bahamian dollars)

	Notes	31 December 2024	31 December 2023
ASSETS			
Cash		\$ 5,570,001	\$ 5,244,234
Term deposits		502,171	502,328
Sundry receivables and prepayments		5,425	28,447
Receivable from parent	11	1,531,964	142,028
Reinsurance contract asset	6	3,299,983	2,316,789
Investments	5	3,097,053	3,056,429
Other Assets		2,890	-
TOTAL ASSETS		\$ 14,009,487	\$ 11,290,255
LIABILITIES AND EQUITY			
LIABILITIES:			
Insurance contract liabilities	6	7,287,185	5,256,215
Total liabilities		7,287,185	5,256,215
EQUITY:			
Share capital	10	4,000,000	4,000,000
Contributed surplus		3,072,603	3,072,603
Accumulated deficit		(350,301)	(1,038,563)
Total equity		6,722,302	6,034,040
TOTAL LIABILITIES AND EQUITY		\$ 14,009,487	\$ 11,290,255

See notes to financial statements.

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



Director



Director

INDIGO INSURANCE (BAHAMAS) LIMITED

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

(Expressed in Bahamian dollars)

	Notes	2024	2023
Insurance revenue	6, 7	\$ 10,807,136	\$ 7,755,265
Insurance service expenses	6, 7	(7,535,223)	(4,510,247)
Net expenses from reinsurance contracts held	6, 7	(2,424,587)	(2,184,524)
Insurance service result		<u>847,326</u>	<u>1,060,494</u>
Finance expenses from insurance contracts issued	8	(33,171)	(21,579)
Finance income from reinsurance contracts held		29,854	19,430
Net insurance finance expenses		<u>(3,317)</u>	<u>(2,149)</u>
Net investment income	8	<u>140,318</u>	<u>131,360</u>
Net insurance and investment results		<u>984,327</u>	<u>1,189,705</u>
Other expenses	9	(296,065)	(36,186)
Credit impairment losses		-	(488)
INCOME FOR THE PERIOD		<u>\$ 688,262</u>	<u>\$ 1,153,031</u>
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>\$ 688,262</u>	<u>\$ 1,153,031</u>

See notes to financial statements.

INDIGO INSURANCE (BAHAMAS) LIMITED

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

(Expressed in Bahamian dollars)

	Share <u>Capital</u>	Contributed <u>Surplus</u>	Accumulated <u>Deficit</u>	<u>Total</u>
Restated balance at December 31, 2022	\$4,000,000	\$ 3,072,603	(\$ 2,191,594)	\$ 4,881,009
Net Income for the year			1,153,031	1,153,031
Other comprehensive income for the year	-	-	-	-
Balance at December 31, 2023	<u>4,000,000</u>	<u>3,072,603</u>	<u>(1,038,563)</u>	<u>6,034,040</u>
Net Income for the year			688,262	688,262
Other comprehensive income for the year	-	-	-	-
Balance at December 31, 2024	<u>\$4,000,000</u>	<u>\$ 3,072,603</u>	<u>(\$ 350,301)</u>	<u>\$ 6,722,302</u>

See notes to financial statements.

INDIGO INSURANCE (BAHAMAS) LIMITED**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024***(Expressed in Bahamian dollars)*

	Notes	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income for the period		\$ 688,262	\$ 1,153,031
Adjustments for:			
Increase in sundry receivables and prepayments		(17,445)	(28,940)
Increase in receivable from parent		(1,389,936)	(1,730,319)
Increase in reinsurance contract assets		(983,194)	(284,243)
Increase in other assets		(2,890)	-
Increase in insurance contract liabilities		2,030,970	2,204,760
Net cash provided by operating activities		<u>325,767</u>	<u>1,314,289</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		325,767	1,314,289
CASH AND CASH EQUIVALENTS:			
BEGINNING OF PERIOD		<u>5,244,234</u>	<u>3,929,945</u>
END OF PERIOD		<u>\$ 5,570,001</u>	<u>\$ 5,244,234</u>

See notes to financial statements

INDIGO INSURANCE (BAHAMAS) LIMITED

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

(Expressed in Bahamian dollars)

1. GENERAL INFORMATION

Mint Insurance Company (Bahamas) Ltd. (“Mint”) was incorporated on July 30, 2020 under the laws of the Commonwealth of The Bahamas. Mint subsequently changed its name to Indigo Insurance (Bahamas) Limited (the “Company”) on December 18, 2020. The Company is a wholly-owned subsidiary of CPCH Bahamas Limited (“CPCH”), formerly known as Colina Corporate Services Limited (“CCSL”). On March 24, 2021, the Company became registered as a general insurer to carry on general insurance business in The Bahamas. CPCH is a wholly-owned subsidiary of Colina Holdings Bahamas Limited (“CHBL”) whose majority shareholder is AF Holdings Ltd. (“AFH”). Both CHBL and AFH are Bahamian companies and the ordinary shares of CHBL are listed on the Bahamas International Securities Exchange.

One of CHBL’s subsidiaries, Colina General Insurance Agents & Brokers Limited (“CGIAB”) acts as an insurance agent for the Company.

The Company, AFH, and the other subsidiaries of AFH are hereinafter collectively referred to in these financial statements as the “Group”. All of the Group’s companies are incorporated in The Bahamas except for Indigo Insurance (Cayman) Ltd. All significant balances and transactions with AFH and parties related to AFH are disclosed as related party transactions in these financial statements.

The registered office of the Company is located at Lex Management, Nassau, Bahamas.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements are prepared in accordance with, and comply with, International Financial Reporting Standards (IFRS).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

All amounts in these financial statements are shown in Bahamian dollars, unless otherwise stated.

NEW ACCOUNTING STANDARDS / AMENDMENTS AND INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) INTERPRETATIONS THAT ARE EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2024

In the current year, the Company has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2024. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

INDIGO INSURANCE (BAHAMAS) LIMITED

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

(Expressed in Bahamian dollars)

The following amendments and interpretations are effective for the year ended December 31, 2024.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The Company has adopted the amendments to IAS 1, published in January 2020, for the first time in the current year.

The amendments affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Amendments to IAS 1 Non-current Liabilities with Covenants

The Company has adopted the amendments to IAS 1, published in November 2022, for the first time in the current year.

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

Amendments to IFRS 16 Leases—Lease Liability in a Sale and Leaseback

The Company has adopted the amendments to IFRS 16 for the first time in the current year.

The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 Revenue from Contracts with Customers to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

INDIGO INSURANCE (BAHAMAS) LIMITED

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

(Expressed in Bahamian dollars)

The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

As part of the amendments, the IASB amended an Illustrative Example in IFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability that arises from a sale and leaseback transaction that qualifies as a sale applying IFRS 15 is a lease liability.

A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16.

NEW ACCOUNTING STANDARDS AND IFRS INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them.

Management has not assessed whether the relevant adoption of these standards and interpretations in future periods will have a material impact on the financial statements of the Company.

New and amended Standards		Effective for annual periods beginning on or after
Amendments to IAS 21	The Effects of Changes in Foreign Exchange Rates titled Lack of Exchangeability	January 1, 2025
IFRS 7 and IFRS 9	Amendments to the Classification and Measurement of Financial Instruments	January 1, 2026
IFRS 18	Presentation and Disclosures in Financial Statements	January 1, 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	January 1, 2027

IFRS 17 - Insurance Contracts

IFRS 17 - Insurance Contracts became effective January 1, 2023 and these financial statements reflect the changes introduced on adoption of this standard.

INDIGO INSURANCE (BAHAMAS) LIMITED

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

(Expressed in Bahamian dollars)

The standard has brought significant changes to the accounting for insurance and reinsurance contracts.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

i. Recognition, measurement and presentation of insurance contracts

Under IFRS 17, the Company's insurance contracts issued and reinsurance contracts held are all eligible to be measured by applying the premium allocation approach (PAA). The PAA simplifies the measurement of insurance contracts in comparison with the general model in IFRS 17. The measurement principles of the PAA differ from the 'earned premium approach' used by the Company under IFRS 4 Insurance Contracts (IFRS 4) in the following key areas:

The liability for remaining coverage (LRC) reflects premiums received less deferred insurance acquisition cash flows and less amounts recognized in insurance revenue.

Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of services are more than 12 months apart.

Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component.

Measurement of the liability for incurred claims (LIC) (previously claims outstanding and incurred-but-not-reported (IBNR) claims) is determined on a discounted probability weighted expected value basis, and includes an explicit risk adjustment for non-financial risk. The liability includes the Company's obligation to pay other incurred insurance expenses.

PAA will mainly be applied to short duration contracts where the policy's contract boundary is one year or less. This includes contracts, such as auto and property insurance business. Under PAA, insurance contracts are measured based on unearned premiums and the accounting is broadly similar to the Company's historical approach under IFRS 4. All contracts issued by the Company are eligible to be measured under the PAA. The Company does not issue any contracts that have direct participating features.

Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised.

2.2 Insurance Operations

Summary of material accounting policy information for insurance contracts

(a) Summary of measurement approaches

All contracts have been determined to be eligible for and will be measured using the PAA.

The company does not issue any contracts that will use the general model nor any contracts with direct participation features thus the variable fee approach will not be used.

INDIGO INSURANCE (BAHAMAS) LIMITED

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

(Expressed in Bahamian dollars)

(b) 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.

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.

In the normal course of business, the Company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all 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 measures insurance contracts issued and reinsurance contracts held applying the Premium Allocation Approach ("PAA").

(c) 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.

INDIGO INSURANCE (BAHAMAS) LIMITED

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

(Expressed in Bahamian dollars)

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 line of business level. The Company tracks internal management information reflecting historical experiences of such contracts' performance. The Company expects reinsurance contracts held to be in a net cost position without a significant possibility of a net gain arising subsequently.

(d) Recognition and derecognition

Groups of insurance contracts issued are initially recognised from the earliest of the following:

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

Reinsurance contracts held are recognised as follows:

- a group of reinsurance contracts held that provide proportionate coverage (quota share reinsurance) is recognised at the later of:
 - (i) the beginning of the coverage period of the group; and
 - (ii) the initial recognition of any underlying insurance contract;
- all other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the group of reinsurance contracts held;

Unless the Company entered into the reinsurance contract held at or before the date when an onerous group of underlying contracts is recognised prior to the beginning of the coverage period of the group of reinsurance contracts held, in which 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 extinguished, which is when the obligation specified in the contract is discharged, cancelled or expires.

INDIGO INSURANCE (BAHAMAS) LIMITED

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

(Expressed in Bahamian dollars)

(e) Measurement

Fulfilment cash flows ("FCF") and contract boundary

The FCF 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 future cash flows:

- (a) are based on a probability-weighted mean of the full range of possible outcomes;
- (b) are determined from the perspective of the Company, provided that the estimates are consistent with observable market prices for market variables; and
- (c) 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.

Contract boundary

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:

- (a) 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
- (b) both of the following criteria are satisfied:
 - i. 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
 - ii. 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, 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.

Insurance acquisition cost

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.

INDIGO INSURANCE (BAHAMAS) LIMITED

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

(Expressed in Bahamian dollars)

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:

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

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

Before a group of insurance contracts is recognised, the Company could pay for directly attributable acquisition costs to originate them. Such balances are recognised as insurance acquisition cash flows 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 flows 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 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 in other operating expenses as incurred.

Risk Adjustment

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.

(f) Initial and subsequent measurement- measured under the PAA

The Company uses the PAA for measuring contracts with a coverage period of one year or less.

INDIGO INSURANCE (BAHAMAS) LIMITED

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

(Expressed in Bahamian dollars)

For insurance contracts issued, insurance acquisition cash flows allocated to a group are deferred and recognised over the coverage period of contracts in a group. For reinsurance contracts held, broker fees are recognised over the coverage period of contracts in a group. The liability for remaining coverage (LRC) reflects premiums received less deferred insurance acquisition cash flows and less amounts recognized in insurance revenue.

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:

- (a) the LRC; and
- (b) 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:

- (a) increased for premiums received in the period, excluding amounts that relate to premium receivables included in the LIC;
- (b) decreased for insurance acquisition cash flows paid in the period;
- (c) decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period; and
- (d) 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:

- (a) the remaining coverage; and
- (b) 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:

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

The Company does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money. For LIC, the estimates of future cash flows are adjusted using the 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 rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation.

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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.

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 recognized as insurance service expenses.

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 recognized as net income from reinsurance contracts held.

(g) 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. 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:

- (a) incurred claims and benefits, reduced by loss component allocations;
- (b) 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;
- (c) insurance acquisition cash flows amortisation;
- (d) changes that relate to past service – changes in the FCF relating to the LIC; and
- (e) changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses; and
- (f) insurance acquisition cash flows assets impairment.

Amortisation of insurance acquisition cash flows is based on the passage of time. Other expenses not meeting the above categories are included in other operating expenses in the statement of profit or loss and other comprehensive income.

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(h) 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:

- (a) reinsurance expenses;
- (b) incurred claims recovery, reduced by loss-recovery component allocations;
- (c) other incurred directly attributable expenses;
- (d) changes that relate to past service – changes in the FCF relating to incurred claims recovery;
- (e) effect of changes in the risk of reinsurers' non-performance; and
- (f) amounts relating to accounting for onerous groups of underlying insurance contracts issued.

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

The Company recognises reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

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 reduce incurred claims recovery.

(i) 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:

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

The Company does not apply the Other Comprehensive Income option to disaggregate insurance finance income or expenses between profit or loss and OCI. The effect of changes in the time value of money 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.

2.3 Financial investments

(a) Classification of financial assets

Debt instruments are those that contain contractual obligations to pay the instrument holder certain cash flows. Cash balances and cash equivalents, term deposits, sundry and other receivables are classified as debt instruments.

The classification and subsequent measurement of debt instruments depend on:

- the Company's business model for managing the asset; and
- the cash flow characteristics of the asset

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Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories.

Measured at amortised cost

Debt instruments that are held to collect the contractual cash flows and that contain contractual terms that give rise, on specified dates, to cash flows that are solely payments of principal and interest, such as most loans and advances to banks and customers and some debt securities, are measured at amortised cost. In addition, most financial liabilities are measured at amortised cost. The carrying value of these financial assets at initial recognition includes any directly attributable transactions costs.

Measured at fair value through other comprehensive income (FVTOCI)

Debt instruments held for a business model that is achieved by both collecting contractual cash flows and selling and that contain contractual terms that give rise, on specified dates, to cash flows that are solely payments of principal and interest are measured at FVTOCI. These comprise primarily debt securities and money market funds.

Measured at fair value through profit and loss (FVTPL)

Debt instruments are classified in this category if they meet one or more of the criteria set out below and are so designated at inception:

- the use of the designation removes or significantly reduces an accounting mismatch;
- when the performance of a group of financial assets is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- when the debt instruments are held for trading and are acquired principally for the purpose of selling in the short-term or if they form part of a portfolio of financial assets in which there is evidence of short-term profit-taking;
- where the business model assessment supports measurement on a FVTPL basis as follows:

- Business model assessment

Business models are determined at the level which best reflects how the Company manages portfolios of assets to achieve business objectives. Judgement is used in determining business models, which is supported by relevant, objective evidence including:

- The nature of liabilities, if any, funding a portfolio of assets;
- The nature of the market of the assets in the country of origination of a portfolio of assets;
- How the Company intends to generate profits from holding a portfolio of assets;
- The historical and future expectations of asset sales within a portfolio.

- Solely payments of principal and interest (“SPPI”)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments’ cash flows represent solely payments of principal and interest.

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In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial assets are classified and measured at FVTPL.

(b) Credit risk measurement

IFRS 9 outlines a ‘three-stage’ model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in ‘Stage 1’. Financial instruments in Stage 1 have their Expected Credit Loss (“ECL”) measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months (‘12-month ECL’).
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to ‘Stage 2’ but is not yet deemed to be credit-impaired. Instruments in Stages 2 have their ECL measured based on expected credit losses on a lifetime basis (‘lifetime ECL’).
- If the financial instrument is credit-impaired, the financial instrument is then moved to ‘Stage 3’. Instruments in Stages 3 have their ECL measured based on expected credit losses on a lifetime basis.

Purchased or originated credit-impaired (POCI) financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis.

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 2.3 includes an explanation of how the Company has incorporated this in its ECL models.

For debt instruments, the Company examines the issuer’s capital adequacy, financial performance and liquidity position to assess whether the issuer has experienced significant increase in credit risk since the origination of a missed contractual payment of principal and interest . Default is defined as the miss of contractual payment of principal or interests.

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(c) Significant increase in credit risk (SICR)

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

- Short-term forbearance
- Direct debit cancellation
- Extension to the terms granted
- Previous arrears within the last 12 months

Quantitative criteria

The external credit rating grades are used as a basis for the assessment of increases in credit risk. Movements within investment grade are not construed as significant increases in credit risk; however, exceptional conditions may be taken into consideration. The number of notches required to trigger a migration to Stage 2 is two notches.

Qualitative criteria

For Corporate or Sovereign portfolios, a significant increase in credit risk is determined to have occurred if the borrower or issuer is on the Watchlist and/or the instrument meets one or more of the following criteria:

- Significant increase in credit spread;
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates;
- Actual or expected forbearance or restructuring;
- Actual or expected significant adverse change in operating results of the borrower;
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default; and
- Early signs of cashflow/liquidity problems such as delay in servicing of trade creditors/loans.

The assessment of SICR incorporates forward-looking information and is performed on an annual basis at a portfolio level for all financial instruments held by the Company. In relation to Corporate and Sovereign financial instruments, where a Watchlist is used to monitor credit risk, this assessment is performed at the counterparty level and on a periodic basis.

Backstop

Delinquency is applied as a backstop; thus, the financial instrument is considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

(d) Definition of Default and credit impaired assets

The Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- 1) The counterparty is more than 90 days past due on its contractual payments.

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- 2) The counterparty meets unlikeliness-to-pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
- The counterparty is in long-term forbearance;
 - The counterparty is deceased;
 - The counterparty is insolvent;
 - The counterparty is in breach of financial covenant(s);
 - An active market for that financial asset has disappeared because of financial difficulties;
 - Concessions have been made by the lender relating to the counterparty's financial difficulty;
 - It is becoming probable that the counterparty will enter bankruptcy;
 - Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the Company's expected credit loss calculations.

An instrument is considered to no longer be in default (i.e., default has been cured) when it no longer meets any of the default criteria for a consecutive period of three (3) months. This period of three months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

(e) Measuring ECL - Explanation of inputs, assumptions and estimation techniques

The Company assesses on a forward-looking basis the ECL associated with its debt instruments carried at amortized cost. The Company recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The Company measures credit risk using Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD").

PD represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months or over the remaining lifetime of the obligation. PD is generated based on historical default data.

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EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months or over the remaining lifetime. EAD is assessed based on contractual terms of the debt instruments.

LGD represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty and historical recovery information. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the credit.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout its lifetime. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by asset type. For amortizing assets, this is based on the contractual repayments owed by the borrower over a 12 month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment assumptions are also incorporated into the calculation. These assumptions vary by asset type based on analysis of the Company's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured assets, this is primarily based on collateral type and projected collateral values, historical discounts to market or book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured assets, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies, including contracted debt sales and price.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. The assumptions underlying the ECL calculation, such as the maturity profile of the financial instruments, performance of the portfolio, and changes in collateral values, are monitored and reviewed on an annual basis.

(f) Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Company has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

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These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the “base economic scenario”) are provided by the International Monetary Fund on a quarterly basis and provide the best-estimate view of the economy over the next five years.

To project the economic variables for the full remaining lifetime of each instrument beyond five years, a mean reversion approach is used, which means that economic variables tend to either a long run average rate (e.g., for unemployment) or a long run average growth rate (e.g., GDP) over a period of two to five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Company also assesses other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Company’s different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on an annual basis.

(g) Reclassified balances

The Company reclassifies debt instruments when and only where its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

(h) Presentation in the statements of income and other comprehensive income (OCI)

Financial instruments measured at FVTPL

Realised changes in fair value, unrealised changes in fair value, interest income and dividend income are included in other investment income.

Financial instruments measured at amortised cost

- Interest income is included in interest income earned from financial assets measured at amortised cost in the consolidated statement of income.
- Credit impairment losses are presented in the consolidated statement of income.
- Gain or loss on derecognition of debt instruments is presented in the consolidated statement of income.

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Financial instruments measured at FVTOCI

- Interest income is included in interest income earned from financial assets measured at FVTOCI in the consolidated statement of income.
- Credit impairment losses are presented in the consolidated statement of income.
- Unrealised gains and losses arising from changes in fair value are presented in OCI.
- On derecognition, the cumulative fair value gain or loss is transferred from OCI and is presented in the consolidated statement of income.

2.4 Dividend and interest income

Dividends are recognized in profit or loss when the Company's right to receive the dividend income is established. Interest income is accounted for on an accrual basis. Both are recognized in Other Income in the statement of profit or loss.

2.5 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash at bank, bank overdraft, and term deposits with banks maturing within ninety days from the date of acquisition.

2.6 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, interest bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the statement of profit or loss over the period of borrowing using the effective rate method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan and are capitalized and amortized over the period of the facility to which it relates.

2.7 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 recognized as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction in equity.

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

2.8 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (functional currency), the Bahamian dollar. The financial statements are presented in Bahamian dollars, which is also the Company's presentation currency.

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(ii) Transactions and balances

Assets and liabilities denominated or accounted for in currencies other than the Bahamian dollar are translated into Bahamian dollars at the exchange rate prevailing at the statement of financial position date. Foreign currency transactions and income and expense items have been translated at the exchange rates prevailing at the date of the transaction. Gains or losses arising from transactions in foreign currencies are included in the statement of profit or loss and other comprehensive income (loss).

2.9 Related parties

Related parties are entities or individuals where there is effective control or significant influence by the Company, its directors, AFH or its shareholders. All significant balances and transactions with related parties, are disclosed in these financial statements as being with related parties.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, being the Officers and Directors.

Close family members include the spouse of Key and Non-Key Management Personnel and the children and dependents of Key and Non-Key Management Personnel.

2.10 Pension benefits

The Company's employees participate in a defined contribution plan. Under the plan, the Company contributes a fixed percentage of annual salary that is expensed in the year. Once the contributions have been made, the Company has no further obligations. The expensed amount is included in salaries, benefits and bonuses in the statement of profit or loss.

2.11 Taxation

The Company is subject to premium tax on taxable gross premiums at the flat rate of 3%. The Company is also subject to Value Added Tax ("VAT") on taxable supplies at the standard rate of 10% (2023: 10%). There are no other taxes on corporate income or capital gains levied on the Company.

2.12 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 recognized 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 recognized because it cannot be measured reliably.

Provisions are recognized 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.

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The development of estimates and the exercise of judgment in applying accounting policies may have a material impact on the Company's reported assets, liabilities, income and other comprehensive income. The items which may have the most effect on the Company's financial statements are set out below.

3.1 Insurance and reinsurance contracts

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur. The Company disaggregates information to disclose insurance contracts issued and reinsurance contracts issued separately. This disaggregation has been determined based on how the group is managed.

3.1.1 Areas of judgement

Areas of judgement which broadly impact the Company's reporting include definition and classification of insurance contracts, the unit of account identified in which insurance contracts are assessed, and the level of aggregation applied for measurement and reporting purposes. Specific areas of judgement and estimates impacting contracts measured under PAA are described below.

Areas of potential judgement	Applicable to the Company
For insurance contracts with a coverage period of more than one year and for which the entity applies the PAA, the eligibility assessment might involve significant judgement. The assessment of the likelihood of adverse changes in applicable facts and circumstances is also an area of judgement.	All contracts measured by the Company have a coverage period of one year or less. Thus, no assessment for the PAA is separately required and no judgement was involved.
For insurance contracts issued measured under the PAA, management judgement might be required to assess whether facts and circumstances indicate that a group of contracts has become onerous. Further, judgement is required to assess whether facts and circumstances indicate that any changes in the onerous group's profitability and whether any loss component remeasurement is required.	This area of judgement is potentially applicable to the Company. The Company sets premiums considering recent experience. There are no recent circumstances where there have been onerous contracts. In 2023 and 2024, the Company reviewed gross combined ratios which indicated that contracts are expected to be profitable.

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	All contracts measured by the Company in 2023 and 2024 under the PAA were determined to be non-onerous on initial recognition.
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.

3.1.2 Methods used and judgements applied in determining the IFRS 17 transition amounts

The Company has adopted IFRS 17 retrospectively. The full retrospective approach was applied to the insurance contracts in force at the transition date, including insurance acquisition cash flow asset. The Company has: identified, recognised and measured each group of insurance contracts and each insurance acquisition cash flows asset in this category as if IFRS 17 had always applied; derecognised any existing balances that would not exist if IFRS 17 had always applied; and recognised any resulting net difference in equity.

3.1.3 Estimates and assumptions

This note provides an overview of items that are more likely to be materially adjusted due to changes in estimates and assumptions in subsequent periods. Detailed information about each of these estimates is included in the notes below, together with information about the basis of calculation for each affected line item in the consolidated financial statements.

In applying IFRS 17 measurement requirements, the following inputs and methods were used that include significant estimates. The present value of future cash flows is estimated using deterministic scenarios. The assumptions used in the deterministic scenarios are derived to approximate the probability-weighted mean of a full range of scenarios.

3.1.4 Discount rates

The top-down approach was used to derive the discount rates. Under this approach, the discount rate is determined as the yield implicit in the fair value of a reference portfolio adjusted for differences between the reference portfolio of assets and respective liability cash flows. The reference portfolio comprises Central Bank of Bahamas bonds. The assets were selected in order to match the liability cash flows. The yield from the reference portfolio was adjusted to remove both expected and unexpected credit risk. These adjustments were estimated using information from observed historical levels of default relating to the bonds included in the reference portfolio.

Future cash flows are not expected to exceed 10 years, over which observable market prices are consistently available.

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

	2024			2023		
Product	1 year	5 years	10 years	1 year	5 years	10 years
General insurance (issued and reinsurance held)	3.26%	5.07%	7.46%	3.10%	4.76%	6.92%

3.1.5 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 expectations, 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.

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 basis, such as the activity-based costing method. The Company has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature.

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 at each reporting date and adjusted where required.

The Company projects estimates of future expenses relating to fulfilment of contracts using current expense levels adjusted for inflation. Expenses comprise expenses directly attributable to the groups of contracts, including an allocation of fixed and variable overheads. In addition, under certain methods used to assess claims incurred for the general insurance contracts, estimates of future claim payments are adjusted for inflation.

3.1.6 Methods used to measure insurance contracts

The Company engages an Appointed Actuary annually to perform a valuation of Indigo's insurance liabilities. The insurance liabilities consist of a provision for unpaid claims and loss adjustment expenses arising from events that have occurred up to the date of the statement of financial position (liability for incurred claims), and a provision for future obligations on the unexpired portion of policies (liability for remaining coverage). The valuation is in accordance with generally accepted actuarial practice, including the selection of appropriate methods and assumptions. The Company discounts its liability for incurred claims. Liabilities for incurred claims are estimated using the input of assessments for individual cases reported to the Company. Statistical analysis is used to estimate claim incurred but not reported ("IBNR") as well as the expected ultimate cost of more complex claims that may be affected by external factors.

INDIGO INSURANCE (BAHAMAS) LIMITED

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The carrying value at the statement of financial position date of insurance contract liabilities was \$7,287,185 (2023: \$5,256,215). The amount of reinsurance contract assets estimated at the statement of financial position date is \$3,299,983 (2023: \$2,316,789).

3.1.7 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 does not consider the effect of reinsurance in the risk adjustment for non-financial risk of the underlying insurance contracts.

The risk adjustment was calculated at the business line level and then allocated down to each group of contracts in accordance with their risk profiles. The quantile method was used to derive the risk adjustment for non-financial risk.

In the quantile approach, historical claims data for all accident years has been used to derive the loss distribution. The following risks have been considered in the quantification of the risk adjustment:

- Claims development: Uncertainty in the final amount of insurance claims that will be paid on known/reported claims
- Claims incidence: Uncertainty in the amount of claims that have been incurred but not yet reported (IBNR)
- Expense risk: Uncertainty in the expenses (inclusive of expense inflation) that will be required to settle incurred claims

The model has been applied separately for Motor, Property, and Other portfolios, where the Other portfolios are grouped due to limited data. The net loss distribution, net of reinsurance recoveries, is used to reflect the compensation that the Company requires, as pricing is determined based on net insurance benefits.

The resulting amount of the calculated risk adjustment corresponds to the confidence level of 75% (2023: 75%). The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed in 2024.

3.2 Impairment of financial assets

In determining ECL (defined in note 2.3 (c)), management is required to exercise judgement in defining what is considered a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. Further information about the judgements involved is included in note 2.3 under sections 'Measurement' and 'Forward-looking information'.

(a) Establishing staging for debt securities and deposits

The Company's internal credit rating model is a 10-point scale which allows for distinctions in risk characteristics and is referenced to the rating scale of international credit rating agencies.

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The scale is set out in the following table.

Category	Indigo Risk Rating	Classification	S&P	Moody's	Fitch	AM Best
Investment Grade	1	Minimal risk	AAA, AA	Aaa, Aa	AAA, AA	aaa, aa
	2	Low risk	A	A	A	a
	3	Moderate risk	BBB	Baa	BBB	bbb
Non-investment grade	4	Acceptable risk	BB	Ba	BB	bb
	5	Average risk	B	B	B	b
	6	Higher risk	CCC, CC	Caa, Ca	CCC, CC	ccc, cc
Non-default Watch	7	Special mention	C	C	C	c
	8	Substandard			DDD	
Default	9	Doubtful	D	C	DD	d
	10	Loss			D	

The Company uses its internal credit rating model to determine in which of the three stages an asset is to be categorised for the purposes of ECL.

Once the asset has experienced a significant increase in credit risk, the investment will move from Stage 1 to Stage 2. The Company has assumed that the credit risk of a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial asset that is investment grade or has the Company's risk rating of 1-3 is considered low credit risk.

Stage 1 investments are rated (i) investment grade, or (ii) below investment grade at origination and have not been downgraded more than 2 notches since origination. Stage 2 investments are assets which (i) have been downgraded from investment grade to below investment grade, or (ii) are rated below investment grade at origination and have been downgraded more than 2 notches since origination. Stage 3 investments are assets in default.

(b) Establishing staging for other assets measured at amortised cost – sundry and other receivables

Exposures are considered to have resulted in a significant increase in credit risk and are moved to stage 2 when:

Qualitative test

- accounts that meet the portfolio's 'high risk' criteria and are subject to closer credit monitoring.

Backstop criteria

- accounts that are 30 calendar days or more past due. The 30 days past due criteria is a backstop rather than a primary driver of moving exposures into stage 2.

INDIGO INSURANCE (BAHAMAS) LIMITED

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(c) Forward-looking information

When management determines the macro-economic factors that impact the portfolios of financial assets, they first determine all readily available information within the relevant market. Portfolios of financial assets are segregated based on product type and historical performance and homogenous sovereign or corporate exposures. There is often limited timely macro-economic data for The Bahamas. Management assesses data sources from the local government, International Monetary Fund (IMF) and other reputable data sources. A regression analysis is performed to determine which factors are most closely correlated with the credit losses for each portfolio. Where projections are available, these are used to look into the future up to three years and subsequently the expected performance is then used for the remaining life of the instrument. These projections are re-assessed on an annual basis.

4. RISK MANAGEMENT

The Company is concerned about the risks inherent in its business activities (insurance risk) and the risks associated with the management of the financial assets and liabilities (financial risk) which support the operational activities. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management structure. Internal Audit reviews the risk management policies and processes and reports directly to the Audit Committee. The Audit Committee oversees how management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks that face the Company. The committees report regularly to the Board of Directors on their activities.

The Company has exposures to risks that may develop in each class of business and could have a material impact upon the Company's financial position.

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.

Risk factors that affect insurance are many and include the lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered. The Company insures the risks of entities within The Bahamas.

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

Property and casualty insurance risks

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

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

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

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(Expressed in Bahamian dollars)

Claim payment limits are always included to cap the amount payable on occurrence of the insured event. The costs of rebuilding properties, replacement or indemnity for contents are the key factors that influence the level of claims under these policies.

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 this risk through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. Underwriting limits are in place to enforce appropriate risk selection criteria. The Company actively manages and pursues early settlement of all claims to reduce its exposure to unpredictable developments. It has a dedicated in-house claims department and uses third party loss adjusters as necessary. The Company will, where necessary, appoint lawyers to act on the Company's behalf in respect of serious bodily injury claims thus ensuring settlements and avoiding claims development.

The Company follows the policy of underwriting and reinsuring contracts of insurance, which generally limit the liability for any one risk. In addition, catastrophe reinsurance is obtained to limit liability to a maximum of 10% of the Company's capital and reserves in the event of a series of claims arising out of a single occurrence.

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

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

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

Claims development

Claims development information is disclosed in order to illustrate the insurance risk inherent in the Company. The top part of the table shows how the estimates of total claims for each accident year develop over time. The estimates are increased or decreased as losses are paid and more information becomes known about the severity of unpaid claims. The lower part of the table provides a reconciliation of the total provision included in the statement of financial position and the estimate of cumulative claims.

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

CLAIMS DEVELOPMENT:

<i>Gross claims development:</i> Actual claims payments are compared with previous estimates of the undiscounted amounts of the claims	Accident year				Total
	2021	2022	2023	2024	
Estimate of ultimate claim costs (gross of reinsurance, undiscounted, inclusive)					
At end of accident year	160,000	2,020,000	2,813,658	4,380,200	
1 year later	130,000	1,699,606	3,493,506		
2 years later	371,506	1,923,627			
3 years later	118,609				
4 years later					
5 years later					
Cumulative gross claims and other directly attributable expenses paid	(118,609)	(1,923,627)	(3,292,586)	(3,072,886)	(8,407,708)
Gross cumulative claims liabilities - accident years from 2018-2023	0	(0)	200,920	1,307,314	1,508,234
Gross cumulative claims liabilities – prior accident years					-
Effect of discounting					(77,818)
Effect of the risk adjustment margin for non-financial risk					343,106
Non-actuarial balances included in LIC					207,441
Gross LIC for the contracts originated					1,980,963

<i>Net claims development:</i> Actual claims payments are compared with previous estimates of the undiscounted amounts of the claims	Accident year				Total
	2021	2022	2023	2024	
Estimate of ultimate claim costs (net of reinsurance, undiscounted, inclusive of)					
At end of accident year	16,000	202,000	286,366	437,466	
1 year later	13,000	169,961	353,742		
2 years later	37,151	192,363			
3 years later	11,861				
4 years later					
5 years later					
Cumulative net claims and other directly attributable expenses paid	(11,861)	(192,363)	(333,795)	(307,289)	(845,308)
Net cumulative claims liabilities - accident years from 2018-2023	0	0	19,947	130,177	150,124
Net cumulative claims liabilities – prior accident years					-
Effect of discounting					(7,739)
Effect of the risk adjustment margin for non-financial risk					34,311
Non-actuarial balances included in LIC					209,871
Net LIC for the contracts originated					386,567

FINANCIAL RISK

The Company is exposed to financial risk through its financial assets and liabilities. The components of financial risk that 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.

Financial risk is a significant risk for the Company's operations. The risk framework combines investment policies, limits, stress tests and regular monitoring to control the nature and level of financial risk and to ensure adherence to Company and regulatory policies and guidelines.

INDIGO INSURANCE (BAHAMAS) LIMITED

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

(Expressed in Bahamian dollars)

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

	2024	2023
Financial assets:		
Cash	5,570,001	5,244,234
Term deposits	502,171	502,328
FVTPL investments	3,097,053	3,056,429
Sundry receivables and prepayments	5,425	28,447
Receivable from Parent	1,531,964	142,028
Total financial assets	<u>10,706,614</u>	<u>8,973,466</u>
Non - financial assets	<u>3,302,873</u>	<u>2,316,789</u>
Total assets	<u>14,009,487</u>	<u>11,290,255</u>

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 the investment portfolios, reinsurance receivables, premiums receivable, and other receivables.

The Company's investment policy requires the Company to invest in fixed income securities, equity securities, private placements of financial institutions, term deposits, and to limit exposure to any one issuer. The Company's deposits are placed with well-known high quality financial institutions. Policies and guidelines are in place to limit the exposure faced by the Company.

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognized. The gross carrying amount of financial assets below also represents the Company's maximum exposure to credit risk on these assets.

Debt instruments – amortised cost	2024					2023
	ECL Staging					Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased ECL credit-	Total	
	\$	\$	\$	\$	\$	\$
Credit grade:						
Investment grade	6,072,172	-	-	-	6,072,172	5,746,562
Non-investment grade	-	-	-	-	-	-
Watch	-	-	-	-	-	-
Default	-	-	-	-	-	-
Gross carrying amount	6,072,172	-	-	-	6,072,172	5,746,562
Loss allowance	(10,644)	-	-	-	(10,644)	(10,644)
Carrying amount	<u>6,061,528</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,061,528</u>	<u>5,735,918</u>

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(a) Loss allowances

The allowance for ECL is recognized in each reporting period and is impacted by a variety of factors, as described below:

- Transfers between stages due to financial assets experiencing significant movement in credit risk or becoming credit-impaired during the period;
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments de-recognized in the period;
- Impact on the measurement of ECL due to inputs used in the calculation including the movement between 12-month and life-time ECL;
- Impacts on the measurement of ECL due to changes made to models and model assumptions; and
- Foreign exchange retranslations for assets denominated in foreign currencies.

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
Debt instruments – amortised cost					
Loss Allowance as at January 01, 2024	\$ 10,644	\$ -	\$ -	\$ -	\$ 10,644
Transfers between stages	-	-	-	-	-
New financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognized during the period	-	-	-	-	-
Changes to inputs used in ECL calculation	-	-	-	-	-
Foreign exchange adjustment	-	-	-	-	-
Loss Allowance as at December 31, 2024	\$ 10,644	\$ -	\$ -	\$ -	\$ 10,644

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(b) IFRS 9 carrying values

The following tables explain the changes in the carrying value between the beginning and the end of the period due to these factors. The gross carrying amounts of investments below represent the Company's maximum exposure to credit risk on these assets.

	Stage 1	Stage 2	Stage 3	Purchased	Total
	12-month	Lifetime	Lifetime	credit-	
	ECL	ECL	ECL	impaired	
	\$	\$	\$	\$	\$
Debt instruments – amortised cost					
Gross carrying amount as at January 01, 2024	5,746,562	-	-	-	5,746,562
Transfers between stages	-	-	-	-	-
New financial assets originated or purchased	-	-	-	-	-
Financial assets fully derecognized during the period	-	-	-	-	-
Changes in principal and interest	314,966	-	-	-	314,966
Foreign exchange adjustment	-	-	-	-	-
Gross carrying amount as at December 31, 2024	6,061,528	-	-	-	6,061,528

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INTEREST RATE RISK

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. This is primarily a concern with fixed and fluctuating interest rate investments, which the Company intends to hold for the long-term.

The Company's fixed income debt securities, and cash and cash equivalents are all subject to interest rate risk. Fluctuations in interest rates impact the level of gains and losses on the Company's interest bearing investments.

	10% increase in interest rates				10% decrease in interest rates			
	Impact on:				Impact on:			
	Net insurance contracts balance	Investment assets	Profit or loss	Equity	Net insurance contracts balance	Investment assets	Profit or loss	Equity
31-Dec-24	(703)	(14,032)	14,735	14,735	715	14,032	(14,747)	(14,747)
31-Dec-23	(315)	(13,137)	13,452	13,452	309	13,137	(13,446)	(13,446)

FOREIGN CURRENCY RISK

The Company is not directly exposed to foreign currency risk, as investments are denominated in Bahamian dollars ("B\$"), which is fixed to the US dollar at the following rate: B\$1 = US\$1.

PRICE RISK

The Company is subject to price risk on its equity securities due to changes in market values. One of the primary objectives of the Company's risk management policy is to mitigate potential adverse impacts of market movements.

LIQUIDITY RISK

Liquidity risk is the risk that the Company may have difficulty liquidating its positions due to existing or unforeseen market constraints to meet obligations associated with financial instruments. In respect of catastrophic events the Company is exposed to a liquidity risk associated with the timing differences between cash flows and expected reinsurance recoveries to meet its insurance liability obligation. The Company's investments are either in a market that is not highly active or do not have a market and therefore may not be readily realizable. As a result, the Company may not be able to quickly liquidate its investments at an amount close to their fair value in order to meet liquidity requirements. The Company mitigates this risk by maintaining significant holdings in cash and cash equivalents and also ensures that there are set guidelines for asset allocations, portfolio limit structures and maturity profiles of investments.

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(Expressed in Bahamian dollars)

The following tables indicate the timing of undiscounted cash flows arising from financial liabilities as at December 31, 2024 and December 31, 2023.

2024 Financial liabilities	Cash flows			
	Total	< 1 year	1 - 5 years	> 5 years
Insurance Contract Liabilities	\$ 1,508,230	\$ 825,455	\$ 645,579	\$ 37,196
Reinsurance Contract Assets	\$ 1,358,106	\$ 743,223	\$ 581,387	\$ 33,496
Total undiscounted cash flows	\$ 150,124	\$ 82,232	\$ 64,192	\$ 3,700

2023 Financial liabilities	Cash flows			
	Total	< 1 year	1 - 5 years	> 5 years
Insurance Contract Liabilities	\$ 661,101	\$ 355,621	\$ 289,072	\$ 16,408
Reinsurance Contract Assets	\$ 594,222	\$ 319,293	\$ 260,165	\$ 14,764
Total undiscounted cash flows	\$ 66,879	\$ 36,328	\$ 28,907	\$ 1,644

SENSITIVITY ANALYSIS

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

	2024				2023			
	LIC as at 31 December	Impact on LIC	Impact on profit before income tax	Impact on equity	LIC as at 31 December	Impact on LIC	Impact on profit before income tax	Impact on equity
Insurance contract liabilities	(1,352,555)				(1,352,555)			
Reinsurance contract assets	912,905				912,905			
Net insurance contract liabilities	(439,650)				(439,650)			
Unpaid claims and expenses –10% increase								
Insurance contract liabilities		(150,823)	(150,823)	(150,823)		(66,110)	(66,110)	(66,110)
Reinsurance contract assets		135,811	135,811	135,811		59,422	59,422	59,422
Net insurance contract liabilities		(15,012)	(15,012)	(15,012)		(6,688)	(6,688)	(6,688)
Expenses – 10% increase								
Insurance contract liabilities		6,477	(8,041)	(8,041)		1,122	(8,041)	(8,041)
Reinsurance contract assets		-	(2,827)	(2,827)		-	(2,827)	(2,827)
Net insurance contract liabilities		6,477	(10,868)	(10,868)		1,122	(10,868)	(10,868)
Unpaid claims and expenses –10% decrease								
Insurance contract liabilities		150,823	150,823	150,823		66,110	66,110	66,110
Reinsurance contract assets		(135,811)	(135,811)	(135,811)		(59,422)	(59,422)	(59,422)
Net insurance contract liabilities		15,012	15,012	15,012		6,688	6,688	6,688
Expenses – 10% decrease								
Insurance contract liabilities		(6,477)	8,041	8,041		(1,122)	8,041	8,041
Reinsurance contract assets		-	2,827	2,827		-	2,827	2,827
Net insurance contract liabilities		(6,477)	10,868	10,868		(1,122)	10,868	10,868

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

(Expressed in Bahamian dollars)

CAPITAL MANAGEMENT

The Company's objectives when managing capital are as follows:

- To safeguard the Company's ability to continue as a going concern through prudent and sustainable growth, so that it can continue to maximize returns for shareholders;
- To ensure that it maintains healthy capital ratios in order to support its business objectives; and
- To comply with regulatory capital requirements stipulated in the jurisdiction in which the Company operates, which is currently a prescribed capital ratio of 150%.

The Company actively monitors its capital requirements and is in compliance with all relevant laws, rules and regulations.

5. INVESTMENTS

Investments are comprised of the following:

	FVTPL
	<u>2024</u>
Balance as at 1 January	\$ 3,056,429
Increase in fair value of investments	<u>40,624</u>
At December 31, 2024	<u>\$ 3,097,053</u>

	FVTPL
	<u>2023</u>
Balance as at 1 January	\$ 3,024,187
Increase in fair value of investments	<u>32,242</u>
At December 31, 2023	<u>\$ 3,056,429</u>

The debt securities classified as fair value through profit and loss are comprised of variable-rate bonds tied to the Bahamian \$ Prime Rate issued by The Bahamas Government. These securities have interest rates ranging from 4.3% to 4.4% per annum and scheduled maturities between 2030 and 2032. These debt securities are restricted balances held in favour of The Mint Insurance (Bahamas) Trust which was established by The Company in accordance with the Insurance Act, 2005 and Insurance (General) Regulations 2010 (as amended) which require that certain assets be deposited in favour of the Insurance Commission of The Bahamas by registered insurers in respect of entities which propose to carry on general insurance business.

Management believes that there is no objective evidence of impairment of its investment portfolio as there has not been a significant or prolonged decline in the fair value of any of its securities.

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FAIR VALUE MEASUREMENT

In accordance with IFRS 13 Fair Value Measurement: 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 recognized 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 the disclosures 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 recognized in other comprehensive income (loss), 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.

As at December 31, 2024, the Company's fair value through profit and loss financial assets totaling \$3,097,053 (2023 \$3,056,429) are classified as Level 2 in the fair value hierarchy.

6. INSURANCE AND REINSURANCE CONTRACT ASSETS AND LIABILITIES

6.1 Movements in insurance and reinsurance contract balances

Movement in insurance contract balances

Carrying amounts at January 1, 2024	2,939,426
Premiums received	5,363,080
Claims and expenses paid	(1,229,224)
Acquisition cash flows	(2,242,071)
Insurance revenue	(3,918,388)
Insurance service expenses	3,071,062
Insurance finance expenses	3,317
Currency and other changes	-
Carrying amounts at December 31, 2024	3,987,202

The reconciliations in the following tables show how the net carrying amounts of insurance and reinsurance contracts changed during the year as a result of cash flows and amounts recognised in the statement of profit or loss and OCI.

INDIGO INSURANCE (BAHAMAS) LIMITED

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

The Company presents a table that separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the statement of profit or loss and OCI.

(i) Insurance contracts issued

Analysis by remaining coverage and incurred claims

Insurance contracts issued	LRC		LIC		2024
	Excluding loss comp.	Loss comp.	Present value of future cash flows	Risk adj. for non-fin. risk	Total
Insurance contract liabilities as at 1 January	3,903,660	-	1,201,804	150,751	5,256,215
Insurance revenue	(10,807,136)	-	-	-	(10,807,136)
Incurred claims and other directly attributable expenses	-	-	5,444,626	192,357	5,636,983
Other pre-recognition cash flows assets derecognised at the date of initial recognition	-	-	-	-	-
Changes that relate to past service – changes in the FCF relating to the LIC	-	-	-	-	-
Losses on onerous contracts and reversals of those losses	-	-	-	-	-
Insurance acquisition cash flows amortisation	1,898,240	-	-	-	1,898,240
Insurance service expenses	1,898,240	-	5,444,626	192,357	7,535,223
Insurance service result	(8,908,896)	-	5,444,626	192,357	(3,271,913)
Finance expenses from insurance contracts issued recognised in profit or loss	-	-	33,171	-	33,171
Finance expenses from insurance contracts issued recognised in OCI	-	-	-	-	-
Total amounts recognised in comprehensive income	-	-	33,171	-	33,171
Investment components	-	-	-	-	-
Insurance acquisition cash flows asset derecognised	-	-	-	-	-
Other pre-recognition cash flows derecognised and other changes	-	-	-	-	-
Cash flows	-	-	-	-	-
Premiums received	12,553,529	-	-	-	12,553,529
Claims and other directly attributable expenses paid	-	-	(5,041,746)	-	(5,041,746)
Insurance acquisition cash flows	(2,242,071)	-	-	-	(2,242,071)
Total cash flows	10,311,458	-	(5,041,746)	-	5,269,712
Insurance contract liabilities as at 31 December	5,306,222	-	1,637,855	343,108	7,287,185

INDIGO INSURANCE (BAHAMAS) LIMITED

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

(i) Insurance contracts issued

Analysis by remaining coverage and incurred claims

Insurance contracts issued	LRC		LIC		2023
	Excluding loss comp.	Loss comp.	Present value of future cash flows	Risk adj. for non-fin. risk	Total
Insurance contract liabilities as at 1 January	1,896,869	-	973,584	181,002	3,051,455
Insurance revenue	(7,755,265)	-	-	-	(7,755,265)
Incurred claims and other directly attributable expenses	-	-	3,113,713	(30,251)	3,083,462
Other pre-recognition cash flows assets derecognised at the date of initial recognition	-	-	-	-	-
Changes that relate to past service – changes in the FCF relating to the LIC	-	-	-	-	-
Losses on onerous contracts and reversals of those losses	-	-	-	-	-
Insurance acquisition cash flows amortisation	1,426,785	-	-	-	1,426,785
Insurance service expenses	1,426,785	-	3,113,713	(30,251)	4,510,247
Insurance service result	(6,328,480)	-	3,113,713	(30,251)	(3,245,018)
Finance expenses from insurance contracts issued recognised in profit or loss	-	-	21,579	-	21,579
Finance expenses from insurance contracts issued recognised in OCI	-	-	-	-	-
Total amounts recognised in comprehensive income	-	-	21,579	-	21,579
Investment components	-	-	-	-	-
Insurance acquisition cash flows asset derecognised	-	-	-	-	-
Other pre-recognition cash flows derecognised and other changes	-	-	-	-	-
Cash flows	-	-	-	-	-
Premiums received	10,016,148	-	-	-	10,016,148
Claims and other directly attributable expenses paid	-	-	(2,907,072)	-	(2,907,072)
Insurance acquisition cash flows	(1,680,877)	-	-	-	(1,680,877)
Total cash flows	8,335,271	-	(2,907,072)	-	5,428,199
Insurance contract liabilities as at 31 December	3,903,660	-	1,201,804	150,751	5,256,215

INDIGO INSURANCE (BAHAMAS) LIMITED
**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**
(Expressed in Bahamian dollars)
(ii) Reinsurance contracts held
Analysis by remaining coverage and incurred claims

Reinsurance contracts held	Remaining coverage		Incurred claims		2024
	Excluding loss-recovery comp.	Loss-recovery comp.	Present value of future cash flows	Risk adj. for non-fin. risk	Total
Reinsurance contract assets as at 1 January	1,403,885	-	777,229	135,675	2,316,789
Reinsurance expenses	(6,888,748)	-	-	-	(6,888,748)
Incurred directly attributable expenses	-	-	(72,455)	-	(72,455)
Incurred claims recovery	-	-	4,363,495	173,121	4,536,616
Changes that relate to past service – changes in the FCF relating to incurred claims recovery	-	-	-	-	-
Income on initial recognition of onerous underlying contracts and adjustments to loss-recovery component	-	-	-	-	-
Effect of changes in the risk of reinsurers' non-performance	-	-	-	-	-
Net income (expenses) from reinsurance contracts held	(6,888,748)	-	4,291,040	173,121	(2,424,587)
Finance income from reinsurance contracts held recognised in profit or loss	-	-	29,854	-	29,854
Finance income from reinsurance contracts held recognised in OCI	-	-	-	-	-
Total amounts recognised in comprehensive income	-	-	29,854	-	29,854
Pre-recognition cash flows derecognised and other changes	-	-	-	-	-
Cash flows					-
Premiums paid net of ceding commissions and other directly attributable expenses paid	7,190,449	-	-	-	7,190,449
Recoveries from reinsurance	-	-	(3,812,522)	-	(3,812,522)
Total cash flows	7,190,449	-	(3,812,522)	-	3,377,927
Reinsurance contract assets as at 31 December	1,705,586	-	1,285,601	308,796	3,299,983

INDIGO INSURANCE (BAHAMAS) LIMITED

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

(ii) Reinsurance contracts held

Analysis by remaining coverage and incurred claims

Reinsurance contracts held	Remaining coverage		Incurred claims		2023
	Excluding loss-recovery comp.	Loss comp.	Present value of future cash flows	Risk adj. for non-fin. risk	Total
Reinsurance contract assets as at 1 January	1,191,661	-	677,984	162,901	2,032,546
Reinsurance expenses	(4,868,354)	-	-	-	(4,868,354)
Incurred directly attributable expenses	-	-	(28,271)	-	(28,271)
Incurred claims recovery	-	-	2,739,327	(27,226)	2,712,101
Changes that relate to past service – changes in the FCF relating to incurred claims recovery	-	-	-	-	-
Income on initial recognition of onerous underlying contracts and adjustments to loss-recovery component	-	-	-	-	-
Effect of changes in the risk of reinsurers' non-performance	-	-	-	-	-
Net income (expenses) from reinsurance contracts held	(4,868,354)	-	2,711,056	(27,226)	(2,184,524)
Finance income from reinsurance contracts held recognised in profit or loss	-	-	19,430	-	19,430
Finance income from reinsurance contracts held recognised in OCI	-	-	-	-	-
Total amounts recognised in comprehensive income	-	-	19,430	-	19,430
Pre-recognition cash flows derecognised and other changes	-	-	-	-	-
Cash flows					-
Premiums paid net of ceding commissions and other directly attributable expenses paid	5,080,578	-	-	-	5,080,578
Recoveries from reinsurance	-	-	(2,631,241)	-	(2,631,241)
Total cash flows	5,080,578	-	(2,631,241)	-	2,449,337
Reinsurance contract assets as at 31 December	1,403,885	-	777,229	135,675	2,316,789

INDIGO INSURANCE (BAHAMAS) LIMITED**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024**
*(Expressed in Bahamian dollars)***7. INSURANCE REVENUE AND SERVICE EXPENSES***Analysis of the insurance service result*

	2024	2023
Insurance revenue	10,807,136	7,755,265
Insurance service expenses:		
Incurred claims and other directly attributable expenses	(5,636,983)	(3,083,462)
Changes that relate to past service – changes in the FCF relating to the LIC	-	-
Losses on onerous contracts and reversal of those losses	-	-
Insurance acquisition cash flows amortisation	(1,898,240)	(1,426,785)
Insurance acquisition cash flows assets impairment	-	-
Total insurance service expenses	(7,535,223)	(4,510,247)
Net income (expenses) from reinsurance contracts held		
Reinsurance expenses	(6,888,748)	(4,868,354)
Other incurred directly attributable expenses	(72,455)	(28,271)
Effect of changes in the risk of reinsurers' non-performance	-	-
Incurred claims recovery	4,536,616	2,712,101
Changes that relate to past service – changes in the FCF relating to incurred claims recovery	-	-
Income on initial recognition of onerous underlying contracts	-	-
Total net expenses from reinsurance contracts held	(2,424,587)	(2,184,524)
Total insurance service result	847,326	1,060,494

INDIGO INSURANCE (BAHAMAS) LIMITED

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

8. INVESTMENT INCOME AND INSURANCE FINANCE EXPENSES

Analysis of investment income and insurance finance expenses

Net investment income (expenses)	2024	2023
Interest revenue from financial assets not measured at FVTPL	140,318	131,360
Net gains on FVTPL investments	-	-
Net credit impairment losses	-	-
Net investment income	140,318	131,360

Finance income (expenses) from insurance contracts issued:		
Interest accreted	(33,625)	(25,943)
Effect of changes in interest rates and other financial assumptions	454	4,364
Foreign exchange differences		
Finance expenses from insurance contracts issued	(33,171)	(21,579)
Finance income (expenses) from reinsurance contracts held:		
Interest accreted	30,262	23,348
Effect of changes in interest rates and other financial assumptions	(408)	(3,918)
Finance income from reinsurance contracts held	29,854	19,430
Net insurance finance expenses	(3,317)	(2,149)

Summary of the amounts recognised in profit or loss:		
Net investment income	140,318	131,360
Net insurance finance expenses	(3,317)	(2,149)
Summary of the amounts recognised in OCI:		
Net investment income	-	-
Net insurance finance expenses	-	-
Summary of the amounts recognised:		
Insurance service result	847,326	1,060,494
Net investment income	140,318	131,360
Net insurance finance expenses	(3,317)	(2,149)
Net insurance and investment result	984,327	1,189,705

INDIGO INSURANCE (BAHAMAS) LIMITED

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

9. EXPENSES BY NATURE

An analysis of the expense incurred by the Company in the reporting period is included in the below table:

	2024			
	Acquisition cash flows	Other directly attributable expenses	Other operation expenses	Total
Administrative and Consultancy Expenses	38,931	393,635	108,141	540,707
Other General Expenses	32,663	272,091	187,924	492,678
Total	71,594	665,726	296,065	1,033,385

	2023			
	Acquisition cash flows	Other directly attributable expenses	Other operation expenses	Total
Administrative and Consultancy Expenses	6,505	21,045	64,080	91,630
Other General Expenses	9,535	82,814	(27,894)	64,455
Total	16,040	103,859	36,186	156,085

10. SHARE CAPITAL

The authorized, issued and fully paid share capital is 4,000,000 shares with a par value of \$1.00 each.

Dividends are accounted for in the period in which they are declared by the Company's Board of Directors. During the period there were no dividends declared.

During the period, CPCH has contributed additional capital of \$0 (2023: \$0).

INDIGO INSURANCE (BAHAMAS) LIMITED

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

(Expressed in Bahamian dollars)

11. RELATED PARTY BALANCES AND TRANSACTIONS

Related party balances and transactions are as follows:

	2024	2023
Gross premiums written for the period	<u>\$ 453,195</u>	<u>\$ 420,240</u>
Commission expense paid for the period	<u>\$ 2,170,477</u>	<u>\$ 1,664,836</u>
Trade accounts receivable from CGIA	<u>\$ 96,318</u>	<u>\$ 98,958</u>
	2024	2023
Receivable from parent	<u>\$ 1,531,964</u>	<u>\$ 142,028</u>

Receivables from related companies are interest free and unsecured with no fixed terms of repayment.

12. COMMITMENTS AND CONTINGENCIES

Commitments

The Company had no commitments as at December 31, 2024 (2023: \$0).

Contingencies

In the course of its business, the Company may become involved in various legal proceedings arising out of and incidental to its operations. Management of the Company does not anticipate that the losses, if any, incurred as a result of any legal proceedings will materially affect the financial position of the Company.

13. SUBSEQUENT EVENTS

The Company has completed its subsequent events evaluation for the period subsequent to the balance sheet date of December 31, 2024 through April 30th, 2025, the date the financial statements were available to be issued, and concluded that there are no subsequent events requiring recognition or disclosure.

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