

Audited Financial Statements

**AMTRUST TITLE INSURANCE COMPANY
BAHAMAS BRANCH**

Year Ended December 31, 2024 and 2023

AMTRUST TITLE INSURANCE COMPANY – BAHAMAS BRANCH

Financial Statements

Year Ended December 31, 2024 and 2023

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Board of Directors

AmTrust Title Insurance Company – Bahamas Branch
Nassau, N.P, the Bahamas

Opinion

We have audited the financial statements of AmTrust Title Insurance Company – Bahamas Branch ("the Branch"), which comprise the statement of financial position as at December 31, 2024, and the statement of comprehensive profit or loss, statement of changes in head office account and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

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 Branch in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (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.

Accounting Standard Adoption

As discussed in Note 3 to the financial statements, in 2023 the Company adopted IFRS 17, Insurance Contracts utilizing the modified retrospective approach at transition and has restated comparative financial statements as of December 31, 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management and The Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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 Branch'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 Branch or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Branch'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 Branch'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 Branch'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 Branch to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide The Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

May 30, 2025
Nassau, Bahamas


Chartered Accountants

AMTRUST TITLE INSURANCE COMPANY - BAHAMAS BRANCH
Statement of Financial Position
(Expressed in United States Dollars)

As at December 31, 2024 and 2023

	Notes	2024	2023
Assets			
Cash and cash equivalents		1,352,172	1,101,479
Investments		1,037,846	1,053,346
Reinsurance contract held assets	7	1,186,914	1,209,855
Other assets		86,835	7,296
Total assets		3,663,767	3,371,976
Liabilities			
Provisions, accruals and other liabilities		62,311	74,273
Insurance contract liabilities	6	3,976,874	4,001,473
Total liabilities		4,039,185	4,075,746
Net assets (liabilities)		(375,418)	(703,770)
Head office account			
Head office contribution		863,064	794,694
Accumulated earnings (deficit)		(1,238,482)	(1,498,464)
Total head office account		(375,418)	(703,770)

These financial statements were authorized for issue by the Directors on May 30, 2025, by the following:

 Authorized signatory

 Authorized signatory

See accompanying Notes to financial statements.

AMTRUST TITLE INSURANCE COMPANY - BAHAMAS BRANCH

Statement of Comprehensive Income (Loss) (Expressed in United States Dollars)

Years ended December 31, 2024 and 2023

	Notes	2024	2023
Insurance revenue	3	263,235	845,000
Insurance service expenses	3	(109,423)	(562,589)
Net expenses from reinsurance contracts held	3	(40,941)	(83,743)
Insurance service result	3	112,871	198,668
Net gains (losses) on financial instruments	8	784	394
Net investment income (expenses)		784	394
Finance income (expenses) from insurance contracts issued		32,536	23,513
Finance income (expenses) from reinsurance contracts held		(5,426)	(3,367)
Net insurance finance income (expenses)	8	27,110	20,146
Net insurance and investment result			
Other general and administrative expenses		(311,381)	(283,534)
Other income (expenses)		(311,381)	(283,534)
Net income (loss) and total comprehensive income (loss) for the year		(170,616)	(64,326)

See accompanying Notes to financial statements.

AMTRUST TITLE INSURANCE COMPANY - BAHAMAS BRANCH

Statement of Changes in Head Office Account (Expressed in United States Dollars)

Years ended December 31, 2024 and 2023

	Head Office Account	Accumulated Earnings (Deficit)	Total Head Office Account
Balance on December 31, 2022	736,542	(1,434,138)	(697,596)
Total comprehensive loss for the year			
Loss for the year	-	(64,326)	(64,326)
Transactions with head office (Note 3)			
Contributions from head office	347,105	-	347,105
Withdrawals by head office	(288,953)	-	(288,953)
	(58,152)	-	(58,152)
Balance on December 31, 2023	794,694	(1,498,464)	(703,770)
Total comprehensive loss for the year			
Loss for the year	-	(170,616)	(170,616)
Transactions with head office (Note 3)			
Contributions from head office	1,270,745	-	1,270,745
Withdrawals by head office	(771,777)	-	(771,777)
	498,968	-	498,968
Balance on December 31, 2024	1,293,662	(1,669,080)	(375,418)

See accompanying Notes to financial statements.

AMTRUST TITLE INSURANCE COMPANY - BAHAMAS BRANCH

Statement of Cash Flows

(Expressed in United States Dollars)

Years ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Net loss for the year	(170,616)	(64,326)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Decrease/(increase) in reinsurance contract assets and liabilities	(1,658)	(42,983)
Decrease/(increase) in premium receivable	(79,539)	16,212
Increase/(decrease) in accounts payable	(11,962)	20,838
Net cash (used for) operating activities	(263,775)	(70,259)
Cash flows from investing activities		
Proceeds from sale of investments	1,053,346	1,065,846
Purchase of investments	(1,037,846)	(1,053,346)
Net cash provided by investing activities	15,500	12,500
Cash flows from financing activities		
Contributions from head office	1,270,745	347,105
Withdrawals by head office	(771,777)	(288,953)
Net cash provided by financing activities	498,968	58,152
Net increase in Cash Equivalents	250,693	393
Cash Equivalents, beginning of the year	1,101,479	1,101,086
Cash Equivalents, end of the year	1,352,172	1,101,479

See accompanying Notes to financial statements.

AMTRUST TITLE INSURANCE COMPANY - BAHAMAS BRANCH

Notes to Financial Statements (Expressed in United States Dollars)

Years ended December 31, 2024 and 2023

1. General information and nature of operations

AmTrust Title Insurance Company (the “Head Office”) is incorporated in and organized under the laws of the State of New York, in the United States of America. AmTrust Title Insurance Company - Bahamas Branch (“the Branch”) is an overseas branch of the Head Office and is licensed under the Insurance Act 2005 (amended 2009) to conduct business in Bahamas as regulated by the Insurance Commission of The Bahamas (“ICB”). The Branch was licensed on October 26, 2017 to provide Title Liability Insurance.

The Head Office is a wholly owned subsidiary of AmTrust Financial Services, Inc. (“AFSI”) and provides title insurance for residential and commercial properties.

The Branch is not a separate legal entity and these financial statements contain only the assets and liabilities, operations and cash flows and related disclosures of the Branch. The Branch is dependent on the Head Office for information relating to transactions affecting it and entered into by the Head Office. The records of the Branch contain information of transactions received from the Head Office.

The Branch operates through its principal representative, David Johnstone, located at 3 Bayside Executive Park, West Bay Street and Blake Road, Nassau, Bahamas.

2. Statement of compliance with international financial reporting standards

The Branch’s financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”). The financial statements are presented in United States dollars (“\$”), which is the Branch’s functional and presentation currency under IFRS.

3. Summary of significant accounting policies

3.1. Presentation of financial statements

The financial statements are presented in accordance with IAS 1, *Presentation of Financial Statements* (revised 2007). The Branch has elected to present the “Statement of Comprehensive Income” in one statement.

The financial statements represent a set of **carve-out** financial statements. More specifically, they represent a set of historical financial information comprising the activities of the Branch that can be objectively distinguished from the other economic activities within the larger reporting entity, being the Head Office company establishing the branch in the Bahamas. The Branch does not have a separate legal personality from the Head Office but, for the **purpose** of financial reporting, the Branch’s activities are **presented** as a single reporting entity.

In determining the boundaries of the reporting entity, management of the Branch considered the purpose and the users of the carve-out financial statements. The Branch’s financial statements comprise assets, liabilities, income and expenses, pertaining to the Branch’s operations.

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

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Notes to Financial Statements
(Expressed in United States Dollars)

Years ended December 31, 2024 and 2023

3.2. Changes in accounting policies

Standards, amendments, and interpretations to existing standards that are not yet effective and have not been adopted early by the Branch.

At the date of these financial statements, certain new standards and amendments to existing standards have been published by the International Accounting Standards Board ("IASB") that are not yet effective and have not been adopted early by the Branch. Information on those expected to be relevant to the Branch's financial statements are provided below.

Management anticipates that all relevant pronouncements will be adopted in the Branch's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations, and amendments not either adopted or listed below are not expected to have a material impact on the Branch's financial statements.

New and revised standards that are effective for annual periods beginning on or after January 1, 2023.

In these financial statements, the Branch adopted IFRS 17, *Insurance Contracts* (IFRS 17), and IFRS 9, *Financial Instruments* (IFRS 9), effective January 1, 2023. The adoption of these standards are described below.

3.2.1. IFRS 17, Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation, and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts for annual periods beginning on or after 1 January 2023. An entity shall apply IFRS 17 retrospectively unless impracticable, in which case entities have the option of using either a modified retrospective approach or the fair value approach. The Branch has applied the modified retrospective approach at transition.. The nature of the changes in accounting policies can be summarized as follows:

Changes to recognition and measurement

IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Branch, which differ from the criteria historically applied by the Branch. The key principles of IFRS 17 that impact the Branch's measurement of insurance contracts and reinsurance contracts held are:

- Identifies insurance contracts under which the Branch accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specific uncertain future event adversely affects the policyholder.
- Identifies reinsurance contracts issued as those under which the Branch accepts significant insurance risk from another party (the cedant) by agreeing to compensate the cedant if a specified uncertain future event (the insured event) adversely affects the cedant.
- Divides the insurance contracts and reinsurance contracts held into groups it will recognize and measure.

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- Recognizes and measures groups of insurance and reinsurance contracts at:
 - A risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all available information about the fulfilment cash flows in a way that is consistent with observable market information.
 - Plus an amount representing the unearned profit in the group of contracts (the contractual service margin or CSM)
- Recognizes profit from a group of insurance contracts issued over the period the Branch provides insurance coverage, as the Branch is released from risk. If a group of contracts is expected to be onerous (i.e., lossmaking) over the remaining coverage period, the Branch recognizes the loss immediately.

The Branch's policy for recognizing and measuring insurance contracts and reinsurance contracts held is further described later in this Note.

Changes to presentation and disclosure

The Branch aggregates portfolios of insurance and reinsurance contracts in the statement of financial position and presents separately:

- Reinsurance contract held assets.
- Insurance contract liabilities

The line-item descriptions in the statement of comprehensive income have been changed significantly compared to the historical presentation. IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Net expenses from reinsurance contracts held.
- Insurance finance income or expense

The Branch provides disaggregated qualitative and quantitative information in the Notes to the financial statements about:

- The amounts recognized in its financial statements from insurance contracts issued and reinsurance contracts held.
- Significant judgements, and changes in those judgements, made when applying the standard.

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Transition

The Branch applied the modified retrospective approach for all insurance contracts and reinsurance contracts held given that the full retrospective approach was impracticable. The CSM, at initial recognition, is calculated based on assumptions at transition using some simplifications permitted under the modified retrospective approach. Incremental enhanced disclosures are presented throughout the financial statements.

Certain items such as premiums receivable, unearned premium reserve, and other insurance liabilities no longer exist under IFRS 17 but are rather included as part of the calculation of the fulfilment cash flows.

3.2.2. IFRS 9, Financial Instruments

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018. However, the Branch elected, under the amendments to IFRS 4, *Insurance Contracts*, to apply the temporary exemption from IFRS 9, deferring the initial application date of IFRS 9 to align with the initial application of IFRS 17. The Branch's investment portfolio includes a term deposit with a bank, recognized in cash equivalents and a statutory deposit recognized separately on the statement of financial position. Historically, the Branch measured the term deposit at fair value with changes recorded through the statement of comprehensive income and the statutory deposit was recognized at amortized cost.

Under IFRS 9, the Branch may irrevocably designate financial assets at fair value through profit and loss ("FVTPL") if doing so significantly reduces or eliminates mismatch created by assets and liabilities being measured on different bases. The Branch has determined that an accounting mismatch is reduced if financial assets backing insurance and reinsurance contracts issued and reinsurance contracts held are measured at FVTPL. Therefore, the Branch has applied the option to designate the term deposit and statutory deposit at fair value through the statement of comprehensive income. Given that the Branch historically recognized the term deposit at fair value and the statutory deposit carrying value approximated fair value, there is no impact as a result of the transition to IFRS 9.

3.3. Significant accounting policies

3.3.1. Recognition and measurement of insurance contracts issued and reinsurance contracts held.

Unit of Account

The Branch manages all insurance contracts together given they are all title insurance policies and are subject to similar risks. Reinsurance contracts held are managed separately based on the individual treaty, which have different risks. Therefore, the Branch determined that there is one portfolio of insurance contracts issued and two portfolios of reinsurance contracts held. 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 issued are initially recognized and measured. Such groups are not subsequently reconsidered. As of the date of the balance sheet all contract groups issued during 2024 and 2023, are determined to not be onerous.

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Recognition, modification, and derecognition

Insurance and reinsurance contracts are initially recognized from the earliest of the following:

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

An insurance and reinsurance contract is derecognized when:

- i. its obligation under the contract has expired, it was cancelled, or the insurer was fully discharged from its obligation under the contract; or
- ii. when a modification of a contract results in derecognition.

Contract boundary

The Branch uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts issued and reinsurance contracts held. This assessment is reviewed every reporting period.

Cash flows are within the boundary of an insurance contract issued if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums, or the Branch has a substantive obligation to provide the policyholder with insurance contract services.

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

Measurement – Fulfilment cash flows (FCF) within contract boundary

The FCF are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Branch 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:

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

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An explicit risk adjustment for nonfinancial risk is estimated separately from the other estimates. The risk adjustment for nonfinancial risk reflects the compensation the Branch requires for bearing the uncertainty about the amount and timing of the cash flows from nonfinancial risk as the Branch fulfils insurance and reinsurance contracts. For reinsurance contracts held, the risk adjustment for nonfinancial risk represents the amount of risk being transferred by the Branch to the reinsurer. The methods and assumptions used to determine the risk adjustment for nonfinancial risk are discussed in Note 4, *Critical Accounting Estimates*.

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 issued, 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 issued requires significant judgement and estimation, which is further detailed in Note 4, *Critical Accounting Estimates*.

Insurance acquisition costs

The Branch includes the following acquisition cash flows within the contract boundary that arise from selling, underwriting, and starting a group of insurance contracts issued and reinsurance contracts held and that are:

- i. Costs directly attributable to individual contracts and groups of contracts; and
- ii. Costs directly attributable to the portfolio of contracts to which the group belongs, which are allocated on a reasonable and consistent basis to measure the group of contracts.

These costs include commissions paid to agents and premium tax.

Contract service margin (CSM)

Initial measurement

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that the Group will recognize as it provides insurance contract services in the future.

At initial recognition, the CSM is an amount that results in no income or expenses (unless a group of contracts is onerous, or insurance revenue and insurance service expenses are recognized as in (d) below) arising from:

- a. the initial recognition of the FCF;
- b. cash flows arising from the contracts in the group at that date;
- c. the derecognition of any insurance acquisition cash flows asset; and
- d. the derecognition of any other pre-recognition cash flows. Insurance revenue and insurance service expenses are recognized immediately for any such assets derecognized.

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When the above calculation results in a net outflow, the group of insurance contracts issued is onerous. A loss from onerous insurance contracts is recognized in profit or loss immediately, with no CSM recognized on the balance sheet on initial recognition, and a loss component is established in the amount of loss recognized. The Branch holds no onerous insurance contracts as of December 31, 2024 and 2023.

For groups of reinsurance contracts held, any net gain or loss at initial recognition is recognized as the CSM unless the net cost of purchasing reinsurance relates to past events, in which case the Branch recognizes the net cost immediately in profit or loss. For reinsurance contracts held, the CSM represents a deferred gain or loss that the Branch will recognize as a reinsurance expense as it receives insurance contract services from the reinsurer in the future and is calculated as the sum of:

- a. the initial recognition of the FCF; and
- b. cash flows arising from the contracts in the group at that date;
- c. the amount derecognized at the date of initial recognition of any asset or liability previously recognized for cash flows related to the group of reinsurance contracts held (other pre-recognition cash flows); and
- d. any income recognized in profit or loss when the entity recognizes a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group.

A loss-recovery component is established or adjusted within the remaining coverage for reinsurance contracts held for the amount of income recognized in (d) above. The Branch holds no onerous reinsurance contracts held as of December 31, 2024 and December 31, 2023.

Subsequent measurement

The carrying amount at the end of each reporting period of a group of insurance contracts issued is the sum of:

- a. the liability of remaining coverage (LRC), comprising:
 - i. the FCF related to future service allocated to the group at that date; and
 - ii. the CSM of the group at that date; and
- b. the liability of incurred claims (LIC), comprising the FCF related to past service allocated to the group at the reporting date.

The carrying amount at the end of each reporting period of a group of reinsurance contracts held is the sum of:

- a. the asset for remaining coverage, comprising:
 - i. the FCF related to future service allocated to the group at that date; and
 - ii. the CSM of the group at that date; and

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- b. the asset for incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

Changes in fulfilment cash flows

The FCF are updated by the Branch for current assumptions at the end of every reporting period, using the current estimates of the amount, timing and uncertainty of future cash flows and of discount rates.

The way in which the changes in estimates of the FCF are treated depends on which estimate is being updated:

- a. changes that relate to current or past service are recognized in the statement of comprehensive income; and
- b. changes that relate to future service are recognized by adjusting the CSM or the loss component within the LRC.

The following adjustments relate to future service and thus adjust the CSM:

- a. experience adjustments – arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes;
- b. changes in estimates of the present value of future cash flows in the LRC, and
- c. changes in the risk adjustment for nonfinancial risk that relate to future service.

Adjustments (a), (b) and (c) above are measured using discount rates determined on initial recognition (i.e. the locked-in discount rates).

The following adjustments do not adjust the CSM:

- a. changes in the FCF for the effect of the time value of money and the effect of financial risk and changes thereof;
- b. changes in the FCF relating to the liability for incurred claims;
- c. experience adjustments – arising from premiums received in the period that do not relate to future service and related cash flows, such as insurance acquisition cash flows and premium-based taxes; and
- d. experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows)

Changes to the contract service margin

For insurance contracts issued, at the end of each reporting period the carrying amount of the CSM is adjusted by the Branch to reflect the effect of the following changes:

- a. The effect of any new contracts added to the group.

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- b. Interest accreted on the carrying amount of the CSM.
- c. Changes in the FCF relating to future service are recognized by adjusting the CSM. Changes in the FCF are recognized in the CSM to the extent that the CSM is available. When an increase in the FCF exceeds the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognized in insurance service expenses and a loss component is **recognized** within the LRC. When the CSM is zero, changes in the FCF adjust the loss component within the LRC with correspondence to insurance service expenses. The excess of any decrease in the FCF over the loss component reduces the loss component to zero and reinstates the CSM.
- d. The effect of any currency exchange **differences**.
- e. The amount recognized as insurance revenue for insurance contract services provided during the period, determined after all other adjustments above.

3.3.2. Insurance revenue

The Branch recognizes insurance revenue as it satisfies and provides services under its title insurance contracts. Insurance revenue includes:

- i. Amount of CSM recognized for services provided in the period;
- ii. Change in risk adjustment for nonfinancial risk, excluding changes recognized in CSM, changes recorded in finance income (expense) and amounts allocated to the loss component;
- iii. Claims and other directly attributable expenses incurred in the period measured at **amounts** expected at the beginning of the period, excluding amounts recognized separately; and
- iv. Insurance acquisition cash flows recovery, which is determined by allocating the portion of premiums related to the recovery of those cash flows on the basis of the passage of time over the expected coverage of a group of **contracts**.

3.3.3. Insurance service expenses

Insurance service expenses includes:

- Incurred claims and benefits;
- Other incurred directly attributable expenses;
- Insurance acquisition cash flows amortization;
- Changes that relate to past service – changes in the FCF relating to the LIC;
- Changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses; and
- Insurance acquisition cash flows assets impairment.

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Amortization of insurance acquisition cash flows is reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue.

3.3.4. Net expenses from reinsurance contracts held

The Branch presents financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held. Reinsurance expenses are recognized similarly to insurance revenue. The amount of reinsurance expenses recognized in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the Branch expects to pay in exchange for those services.

3.3.5. Insurance finance income (expense)

Insurance finance income and costs comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk and changes therein. The main amounts within insurance finance income (expense) are interest accreted on the fulfillment cash flows and contract service margin, along with the changes in interest rates.

3.3.6. Cash equivalents and investments

Cash equivalents represent fixed term deposits with original maturities of less than three months, which are subject to an insignificant risk of change in value, and are presented at FVTPL.

Investments only consist of a statutory deposit which is cash held in a trust, as required by local insurance regulations. In accordance with the Insurance Act 2005 (Amended 2009), and regulations 61 and 62 of the Insurance (General) Regulations 2010 (see Note 11).

3.3.7. Financial instruments

The Branch's financial instruments consist of cash equivalents and investments. These financial instruments are measured at fair value with changes recognized in the statement of comprehensive income. Interest income is recognized when earned and are included in net gains (losses) on financial instruments in the statement of comprehensive income.

3.3.8. Head office account

The nominal value of money invested by the Head Office in the Branch is recognized as Head Office Contributions. Funds used to pay operating expenses are recognized as withdrawals from the Head Office Account.

Accumulated earnings include all current and prior period profits and losses.

3.3.9. Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24, *Related Party Disclosures* as the "reporting entity").

- a. A person or a close member of that person's family is related to the reporting entity if that person:

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- i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b. An entity is related to the reporting entity if any of the following conditions apply:
- i. The entity and reporting entity are members of the same company (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a company of which the other entity is a member).
 - iii. Both entities are joint ventures of the same third party.
 - iv. One entity is a joint venture of a third entity, and the other entity is an associate of the third entity.
 - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi. The entity is controlled, or jointly controlled by a person identified in (a).
 - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- c. A related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Related parties include the shareholders, related companies, directors and key management personnel who have the authority and responsibility for planning, directing and controlling the activities of the Branch.

3.3.10.Foreign currency transactions

Transactions in foreign currencies are recorded at rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, assets and liabilities that are denominated in foreign currencies are re-translated at the rates prevailing on the statement of financial position date. Gains and losses arising on re-translation are included in the statement of comprehensive income.

4. Critical accounting estimates

Management's use of judgements and estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. The preparation

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of the financial statements also requires management to exercise its judgment in the process of applying the Branch's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

The estimation of insurance contract liabilities and reinsurance contract held assets is the Branch's most critical accounting estimate. There are several sources of uncertainty, described below, that need to be considered in the estimate. Refer to Note 9 for the sensitivities of key assumptions that have a significant impact on the measurement of the insurance contract liabilities and reinsurance contract held assets under IFRS 17.

Ultimate losses / fulfillment cash flows

Fulfillment cash flows, and more specifically ultimate losses, is a critical accounting estimate because it involves inherent uncertainty in estimating projected claims. The Branch's actuaries employ generally accepted actuarial methodologies to determine estimated ultimate loss reserves.

For individual claims, loss and loss adjustment expense reserves are determined on a case-by-case basis. Reserves for potential future claims are established using a two-pronged approach:

- a.) Ultimate loss and IBNR are projected. These estimates are based on Companywide data (including data for the Bahamas branch)
- b.) Using prescribed formulae, statutory reserves are computed using premiums as the base. Since AmTrust Title is domiciled in New York, these reserves are calculated using the New York formula and applied to each jurisdiction (including Bahamas)

Estimates resulting from the two processes above are compared and the higher of the two are posted as reserves for future claims. The Bahamas branch currently has no paid loss. Since the estimates resulting from b) are higher for the Title company as a whole, on a companywide and a branch basis, the reserves for future potential claims are based on the New York formula. It should be noted that, for the Bahamas branch, the booked UPR for the branch resulting from above exceeds any amounts that would have been computed using the local standards.

Discount rates

The present value of future cash flows is estimated by applying the relevant yield curves to the undiscounted cash flows. The Branch has applied the bottom-up approach in the determination of the discount rates for title insurance contracts. Under this approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows, known as illiquidity premium.

The risk-free rate being used corresponds with the daily US treasury rates. The illiquidity premium will be derived using US corporate investment grade bonds adjusted by a constant of 0.75% to reflect title insurance contracts being less liquid than corporate bonds plus a risk adjustment of 0.5%.

The yield curves that were used to discount the estimates of future cash flows that do not vary based on the returns of the underlying items are as follows:

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Product	Currency	2024				2023			
		1 year	5 years	10 years	20 years	1 year	5 years	10 years	20 years
Title Risk (insurance contracts issued and reinsurance contracts held)	US	4.78%	5.00%	5.20%	5.48%	5.57%	4.62%	4.66%	4.98%

Methods used to measure the risk adjustment for nonfinancial risk

The risk adjustment for nonfinancial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from nonfinancial risk as the insurance and reinsurance contract is fulfilled. Since the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favorable and unfavorable outcomes in a way that reflects the Branch's degree of risk aversion. The Branch estimates an adjustment for nonfinancial risk separately from all other estimates.

The Branch experiences low levels of claim activity however leverage market data that was available to support this assumption. The Branch also contemplated the risk charge associated with modeling framework for title insurance under Bermuda Economic Capital Modeling and under UK Solvency II modeling.

Due to the lack of data, we considered two alternative approaches to select a risk charge.

- a) Consider the grouping of Title insurance in the Solvency II modelling framework in the UK and the risk charge associated with Title insurance in this framework. There are three important differences that must be considered in using this approach.
 - i.) Under Solvency II, other risks besides reserve risks are included in the risk charge and should be removed. Under IFRS 17, there are separate risks for a pre-claim period and a post-claim period.
 - ii.) Under Solvency II, the cost of capital is 6%. Cost of capital rate under IFRS 17 is not given and should reflect internal company-view model.
 - iii.) Solvency II risk charge is for a one year runoff period of the reserves, whereas IFRS 17 risk charge needs to reflect complete runoff of the reserves. Title reserves would take multiple years to runoff

For the Solvency II framework in the UK, Title insurance is categorized as Third Party Liability. The associated risk charge is 9.6%.

- b) Consider the low level of loss activity and rapid reporting of Title claims and the certainty of loss estimates once a title default is known.

The low level of loss activity and the certainty of established loss estimates would suggest a very low risk charge would be appropriate for the exposure.

Confidence Level for Risk Adjustment

For Period ending in December 31, 2024 the risk adjustment for non-financial risk has been determined as 10% of the mean expected value of future cashflows. This calculation is based on industry ULR benchmarks over a 9-year period. The data was fitted to a log normal distribution, and the corresponding mean and standard deviation was calculated resulting in a confidence level of 65%. The 65% confidence level is reasonable considering the absence of historical losses and projected variability of future cashflows.

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Based on the above considerations, we have selected 10% as the risk charge for the title exposure in ATIC Bahamas.

5. Insurance revenue and expenses

An analysis of insurance revenue, insurance service expenses and net expenses from insurance contracts issued and reinsurance contracts held by product line for 2024 and 2023 is included in the following tables:

	2024	2023
Insurance revenue		
CSM recognized for services provided	109,196	235,609
Change in risk adjustment for nonfinancial risk for risk expired	4,056	4,755
Expected insurance service expenses incurred		
Expected incurred claims	40,560	47,547
Recovery of insurance acquisition cash flows	109,423	557,089
Total revenue from contracts	263,235	845,000
Total insurance revenue	263,235	845,000
Insurance service expenses		
Incurred claims and other directly attributable expenses	-	(5,500)
Amortization of insurance acquisition cash flows	(109,423)	(557,089)
Total insurance service expenses	(109,423)	(562,589)
Net expenses from reinsurance contracts held	(40,941)	(83,743)
Total net expenses from reinsurance contracts held	(40,941)	(83,743)
Total insurance service result	112,871	198,668

Expected recognition of the CSM

An analysis of the expected recognition of the CSM remaining at the end of the reporting period in profit or loss is provided in the following table.

	Insurance Contracts Issued	Reinsurance Contracts Held
Number of years until expected to be recognized	Title Insurance	Title Reinsurance
As of December 31, 2024		
Less than 1 year	56,146	(17,292)
1 to 5 years	674,326	(207,666)
5 to 10 years	356,987	(109,916)
More than 10 years	2,925,057	(899,189)
Total	4,012,516	(1,234,063)

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	Insurance Contracts Issued	Reinsurance Contracts Held
Number of years until expected to be recognized	Title Insurance	Title Reinsurance
As of December 31, 2023		
Less than 1 year	222,355	(69,930)
1 to 5 years	771,196	(242,550)
5 to 10 years	743,892	(233,986)
More than 10 years	2,220,202	(698,701)
Total	3,957,645	(1,245,167)

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6. Insurance risk

Insurance contracts issued

Reconciliation of liability for remaining coverage and the liability for incurred claims

A reconciliation from the opening to the closing balances of the LRC and LIC related to insurance contracts issued for the 2024 and 2023 year is shown in the following tables.

	As of Year Ended December 31, 2024			
	Liabilities for Remaining Coverage		Liabilities for	
	Excluding Loss Component	Loss Component	Incurred Claims	Total
Opening insurance contract assets	-	-	-	
Opening insurance contract liabilities	3,995,973	-	5,500	4,001,473
Net opening balance	3,995,973	-	5,500	4,001,473
Insurance revenue				
CSM recognized for services provided	(109,196)	-	-	(109,196)
Change in risk adjustment for nonfinancial risk for risk expired	(4,056)	-	-	(4,056)
Expected insurance service expenses incurred:	(40,560)	-	-	(40,560)
Recovery of insurance acquisition cash flows	(109,423)	-	-	(109,423)
Total insurance revenue	(263,235)	-	-	(263,235)
Insurance service expenses				
Incurred insurance service expenses:				
Expenses	-	-	-	-
Amortization of insurance acquisition cash flows	109,423	-	-	109,423
Total insurance service expenses	109,423	-	-	109,423
Total Insurance service result	(153,812)	-	-	(153,812)
Insurance finance income or expense				-
The effect of and changes in time of time value of money and financial risk	(32,536)	-	-	(32,536)
Total insurance finance income or expense	(32,536)	-	-	(32,536)
Total changes in the statement of financial performance	(186,348)	-	-	(186,348)
Cash flows (Actual cashflows in the period)				-
Premiums and premium tax received	571,025	-	-	571,025
Insurance acquisition cash flows	(409,276)	-	-	(409,276)
Total cash flows	161,749	-	-	161,749
Net closing balance	3,971,374	-	5,500	3,976,874
Closing insurance contract assets	-	-	-	-
Closing insurance contract liabilities	3,971,974	-	5,500	3,976,874
Net closing balance	3,971,974	-	5,500	3,976,874

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	As of Year Ended December 31, 2023			Total
	Liabilities for Remaining Coverage Excluding Loss Component	Loss Component	Liabilities for Incurred Claims	
Opening insurance contract liabilities	4,120,599	-	-	4,120,599
Net opening balance	4,120,599	-	-	4,120,599
Insurance revenue				
CSM recognized for services provided	(235,609)	-	-	(235,609)
Change in risk adjustment for nonfinancial risk for risk expired	(4,755)	-	-	(4,755)
Expected insurance service expenses incurred:	(47,547)	-	-	(47,547)
Recovery of insurance acquisition cash flows	(557,089)	-	-	(557,089)
Total insurance revenue	(845,000)	-	-	(845,000)
Insurance service expenses				
Incurred insurance service expenses:				
Expenses	-	-	5,500	5,500
Amortization of insurance acquisition cash flows	557,089	-	-	557,089
Total insurance service expenses	557,089	-	5,500	562,589
Total insurance service result	(287,911)	-	5,500	(282,411)
Insurance finance income or expense				
The effect of and changes in time of time value of money and financial risk	(25,513)	-	-	(25,513)
Total insurance finance income or expense	(25,513)	-	-	(25,513)
Total changes in the statement of financial performance	(311,424)	-	5,500	(305,924)
Cash flows (actual cashflows in the period)				
Premiums and premium tax received	762,325	-	-	762,325
Insurance acquisition cash flows	(575,487)	-	-	(575,487)
Total cash flows	186,838	-	-	186,838
Net closing balance	3,995,973	-	5,500	4,001,473
Closing insurance contract liabilities	3,995,973	-	5,500	4,001,473
Net closing balance	3,995,973	-	5,500	4,001,473

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Reconciliation of the measurement components of contract balances

A reconciliation from the opening to the closing balances showing the changes of the estimates of present value of future cash flows, risk-adjustment for nonfinancial risk, and CSM related to insurance contracts issued for the 2024 and 2023 year is shown in the following tables.

	As of Year Ended 2024			
	Estimates of Present Value of Future Cash Flows	Risk Adjustment For Nonfinancial Risk	CSM	Total
Opening insurance contract liabilities	7,010	36,819	3,957,643	4,001,472
Net opening balance	7,010	36,819	3,957,643	4,001,472
Changes that relate to current services	(40,560)	(4,056)	(109,196)	(153,812)
CSM recognized for services provided	-	-	(109,196)	(109,196)
Change in risk adjustment for nonfinancial risk for risk expired	-	(4,056)	-	(4,056)
Experience adjustments not related to future service	(40,560)	-	-	(40,560)
Changes that relate to future services	(169,018)	4,951	164,067	-
Contracts initially recognized in the year	(228,895)	1,733	227,162	-
Changes in estimates that adjust the CSM	59,877	3,218	(63,095)	-
Total insurance service result	(209,578)	895	54,871	(153,812)
Insurance finance income or expense				
The effect of and changes in time of time value of money and financial risk	(36,151)	3,615	-	(32,536)
Total insurance finance income or expense	(36,151)	3,615	-	(32,536)
Total changes in the statement of financial performance	(245,729)	4,510	54,871	(186,348)
Cash flows (actual cashflows in the period)				
Premiums and premium tax received	571,025	-	-	571,025
Insurance acquisition cash flows	(409,275)	-	-	(409,275)
Total cash flows	161,750	-	-	161,750
Net closing balance	(76,969)	41,329	4,012,514	3,976,874
Closing insurance contract liabilities	(76,969)	41,329	4,012,514	3,976,874
Net closing balance	(76,969)	41,329	4,012,514	3,976,874

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	As of Year Ended 2023			
	Estimates of Present Value of Future Cash Flows	Risk Adjustment For Nonfinancial Risk	CSM	Total
Opening insurance contract liabilities	113,020	30,939	3,976,600	4,120,559
Net opening balance	113,020	30,939	3,976,600	4,120,559
Changes that relate to current services	(42,547)	(4,255)	(235,609)	(282,411)
CSM recognized for services provided	-	-	(235,609)	(235,609)
Change in risk adjustment for nonfinancial risk for risk expired	-	(4,255)	-	(4,255)
Experience adjustments not related to future service	(42,547)	-	-	(42,547)
Changes that relate to future services	(214,876)	6,526	208,350	-
Contracts initially recognized in the year	(177,725)	2,811	174,914	-
Changes in estimates that adjust the CSM	(37,151)	3,715	33,436	-
Total insurance service result	(257,423)	2,271	(27,259)	(282,411)
Insurance finance income or expense				
The effect of and changes in time of time value of money and financial risk	(35,425)	3,609	8,303	(23,513)
Total insurance finance income or expense	(35,425)	3,609	8,303	(23,513)
Total changes in the statement of financial performance	(292,848)	5,880	(18,956)	(305,924)
Cash flows (actual cashflows in the period)				
Premiums and premium tax received	762,325	-	-	762,325
Insurance acquisition cash flows	(575,487)	-	-	(575,487)
Total cash flows	186,838	-	-	186,838
Net closing balance	7,010	36,819	3,957,644	4,001,473
Closing insurance contract liabilities	7,010	36,819	3,957,644	4,001,473
Net closing balance	7,010	36,819	3,957,644	4,001,473

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Impact of contracts recognized in the year

The tables presented below for years 2024 and 2023 reflect the impact of contracts recognized in the year for non-onerous and onerous contracts associated with insurance contracts issue.

	As of Year Ended 2024	
	Non-onerous groups of contracts	
	Other Contracts	Total
Insurance contracts issued initially recognized in the period		
Estimates of the present value of future cash outflows:	248,824	248,824
Insurance acquisition cash flows	231,490	231,490
Claims and other cash outflows	17,334	17,334
Estimates of the present value of future cash inflows	(477,719)	(477,719)
Risk adjustment for nonfinancial risk	1,733	1,733
Contractual service margin	227,162	227,162
Increase in insurance contract liabilities from contracts recognized in the period	-	-

	As of Year Ended 2023	
	Nononerous Groups of Contracts	
	Other Contracts	Total
Insurance contracts issued initially recognized in the period		
Estimates of the present value of future cash outflows:	584,600	584,600
Insurance acquisition cash flows	556,486	556,486
Claims and other cash outflows	28,114	27,347
Estimates of the present value of future cash inflows	(762,325)	(762,325)
Risk adjustment for nonfinancial risk	2,811	2,811
Contractual service margin	174,914	174,914
Increase in insurance contract liabilities from contracts recognized in the period	-	-

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7. Reinsurance Contracts Held

Reconciliation of the measurement components of contract balances

A reconciliation from the opening to the closing balances showing the changes of the estimates of present value of future cash flows, risk-adjustment for nonfinancial risk, and CSM related to reinsurance contracts held for the 2024 and 2023 year is shown in the following tables. These tables represent remaining coverage of the reinsurance contract held assets excluding loss recovery.

	As of Year Ended 2024			
	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Nonfinancial Risk	CSM	Total
Opening reinsurance contract held assets	(41,862)	6,550	1,245,167	1,209,855
Net opening balance	(41,862)	6,550	1,245,167	1,209,855
Changes that relate to current services	(6,665)	(667)	(33,610)	(40,942)
CSM recognized for services received	-	-	(33,610)	(33,610)
Change in risk adjustment for nonfinancial risk for risk expired	-	(667)	-	(667)
Experience adjustments not related to future service	(6,665)	-	-	(6,665)
Changes that relate to future services	(27,947)	621	22,506	(4,820)
Contracts initially recognized in the year	(22,591)	85	22,506	-
Changes in estimates that adjust the CSM	(5,356)	536	4,821	1
Total net expenses from reinsurance	(34,612)	(46)	(6,283)	(40,941)
Insurance finance income or expense				
The effect of and changes in time of time value of money and financial risk	(6,029)	603	-	(5,426)
Total insurance finance income or expense	(6,029)	603	-	(5,426)
Total changes in the statement of financial performance	(40,641)	557	(6,283)	(46,367)
Cash flows				
Premiums and premium tax paid	23,426	-	-	23,426
Total cash flows	23,426	-	-	23,426
Net closing balance	(59,077)	7,107	1,238,884	1,186,914
Closing reinsurance contract held assets	(59,077)	7,107	1,238,884	1,186,914
Net closing balance	(59,077)	7,107	1,238,884	1,186,914

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	As of Year Ended 2023			
	Estimates of Present Value of Future Cash Flows	Risk Adjustment for Nonfinancial Risk	CSM	Total
Opening reinsurance contract held assets	11,926	5,887	1,268,146	1,285,959
Net opening balance	11,926	5,887	1,268,146	1,285,959
Changes that relate to current services	(8,770)	(877)	(74,096)	(83,743)
CSM recognized for services received	-	-	(74,096)	(74,096)
Change in risk adjustment for nonfinancial risk for risk expired	-	(877)	-	(877)
Experience adjustments not related to future service	(8,770)	-	-	(8,770)
Changes that relate to future services	(49,345)	861	48,484	-
Contracts initially recognized in the year	(42,387)	162	42,225	-
Changes in estimates that adjust the CSM	(6,958)	699	6,259	-
Total net expenses from reinsurance	(58,115)	(16)	(25,612)	(83,743)
Insurance finance income or expense				
The effect of and changes in time of time value of money and financial risk	(6,679)	678	2,633	(3,367)
Total insurance finance income or expense	(6,679)	678	2,633	(3,367)
Total changes in the statement of financial performance	(64,794)	662	(22,979)	(87,110)
Cash flows				
Premiums and premium tax paid	11,006	-	-	11,006
Total cash flows	11,006	-	-	11,006
Net closing balance	(41,862)	6,550	1,245,167	1,209,855
Closing reinsurance contract held assets	(41,862)	6,550	1,245,167	1,209,855
Net closing balance	(41,862)	6,550	1,245,167	1,209,855

Impact of reinsurance contracts recognized in the year

The tables presented below for years 2024 and 2023 reflect the impact of contracts recognized in the year for nononerous and onerous contracts associated with reinsurance contracts held.

	As of Year Ended December 31, 2024		
	Contracts Initiated		Total
	Without Loss- Recovery Component	With Loss- Recovery Component	
Reinsurance contracts held initially recognized in the period			
Estimates of the present value of future cash inflows	23,441	-	23,441
Estimates of the present value of future cash outflows	(851)	-	(851)
Risk adjustment for nonfinancial risk	(85)	-	(85)
Contractual service margin	22,505	-	22,505

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	As of Year Ended December 31, 2023		
	Contracts Initiated		Total
	Without Loss-Recovery Component	With Loss-Recovery Component	
Reinsurance contracts held initially recognized in the period			
Estimates of the present value of future cash inflows	44,011	-	44,011
Estimates of the present value of future cash outflows	(1,623)	-	(1,623)
Risk adjustment for nonfinancial risk	(162)	-	(162)
Contractual service margin	42,226	-	42,226

8. Net gain (losses) on financial instruments and insurance finance income (expenses)

The components of Net gain (losses) on financial instruments and insurance finance income (expenses) are detailed below.

	For Year Ended December 31, 2024	For Year Ended December 31, 2023
Fixed term deposit interest	784	393
Gross investment income	784	393
Less:		
Investment expenses	-	-
Net investment income	784	393

	For Year Ended December 31, 2024	For Year Ended December 31, 2023
Finance income (expenses) from insurance contract issued		
Interest accreted	-	(8,368)
Effects of changes in interest rates and other financial assumptions	32,536	31,881
Finance income (expenses) from insurance contracts issued	32,536	23,513
Finance income (expenses) from reinsurance contracts held		
Interest accreted	-	2,631
Effect of changes in interest rates and other financial assumptions	(5,426)	(5,998)
Finance income from reinsurance contracts held	(5,426)	(3,367)
Net insurance finance expenses	27,110	20,146

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9. Insurance and financial risk management

Risk management objectives and policies for mitigating insurance risk

The Branch's management of insurance risk is a critical aspect of the business.

The primary insurance activity carried out by the Branch is the transfer of risk from persons or entities that are directly subject to the risk, by means of the sale of insurance policies. As such, the Branch is exposed to uncertainty surrounding the timing, frequency and severity of claims under these policies.

The only type of policy written by the Branch is title indemnity insurance.

The Head Office manages the Branch's insurance risk through its underwriting policy, which includes, inter alia, authority limits, approval procedures for transactions that exceed set limits, pricing guidelines and the centralized management of reinsurance.

The Head Office actively monitors insurance risk exposures primarily for individual type of risks.

Underwriting strategy

The Branch seeks to underwrite a portfolio of risks at rates and terms that will produce an underwriting result consistent with its long-term objectives. The Head Office approves the underwriting strategy and management is responsible for the attainment of the strategy.

Reinsurance strategy

The Branch reinsures a portion of the risks it underwrites in order to protect capital resources and to limit its exposure to variations in the projected frequency and severity of losses.

Ceded reinsurance includes credit risks, and the Head Office monitors the financial condition of re-insurers on an on-going basis and reviews its reinsurance agreements periodically. Credit risk on reinsurance is discussed in more detail in Note 9.

Risk exposure and concentrations of risk

Due to the nature of title insurance, the frequency and severity of claims are controlled through the underwriting criteria. As a result of the Branch's applications of the standards, it is successful at mitigating title defects by either excluding them from coverage or providing a limited scope of coverage after analysis of the likelihood of a claim.

Claims on title indemnity contracts are payable on a claims-occurrence basis. The Branch is liable for all insured losses that occur during the life of the policy.

Insurance risks

Insurance risk includes underwriting risk (the risk of loss arising on underwriting activity due to underwriting decisions and prices being inappropriately determined or due to inadequate assessment and management of concentration exposures) and reserving risk (the risk of loss or adverse change in the value of insurance liabilities due to inadequate provisions). Underwriting risk is managed at the Branch level on a gross and net of reinsurance level against a defined risk appetite. Internal controls implemented at a company level manage reserving risk, including adherence to and monitoring of reserving policies.

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The following table presents information on how reasonably possible changes in assumptions made by the Branch with regard to underwriting risk variables impact insurance contract liabilities and after risk mitigation by reinsurance contracts held. The two sensitivities presented below were performed independent of each other. Refer to the table below for the Branch's sensitivity analysis related to underwriting risk.

Incurred claims – adjusted loss ratio

The uncertainty in estimated liability for incurred claims may be due to a number of factors, which include variation in the mix of risks insured and changes in social and legal environments, which affect the final settlement costs of unsettled claims. To quantify the uncertainty, a sensitivity analysis was carried based on changes in selected ultimate loss ratios. The ultimate loss ratios are increased by 2.0% to each year. The following table shows the sensitivities to the changes in assumptions.

Discount rate

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. To quantify the impact of the discount rate selected, a sensitivity analysis was performed based on reasonably possible changes in the discount rate.

	As at December 31,			
	2024		2023	
	Impact on Profit Before Income Tax	Impact on Equity	Impact on Profit Before Income Tax	Impact on Equity
Discount rate + [1%]	0.1%	0.1%	0.1%	0.1%
Discount rate - [1%]	(0.1%)	(0.1%)	(0.1%)	(0.1%)
Loss adjusted ratio + [2%]	(1.3%)	(1.3%)	(1.6%)	(1.6%)
Loss adjusted ratio - [2%]	1.3%	1.3%	1.6%	1.6%

10. Risk management

The Branch has exposure to the following financial risks from its use of financial instruments and its insurance contracts:

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

This Note presents information about the Branch's exposure to each of the above risks as well as the Branch's objectives, policies and processes for measuring and managing risk.

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The Board of Directors has overall responsibility for the establishment and oversight of the Branch's financial risk management framework. The focus of financial risk management for the Branch is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance contracts.

The asset/liability matching process is largely influenced by estimates of the timing of payments required in terms of insurance. The estimates are re-evaluated on a regular basis.

There are also criteria for ensuring the matching of assets and liabilities as investment markets change.

The risk is managed through the use of reinsurance. The Head Office arranges reinsurance at the risk level. The Head Office assesses the reinsurance program on a regular basis.

Credit risk

Credit risk is the risk of financial loss to the Branch if a counterparty fails to meet its contractual obligations. The Branch's key area of exposure to credit risk includes cash equivalents and investments.

Management of credit risk

The impact of reinsurer default is considered regularly as part of the Head Office's review of counterparty risks. The Branch maintains required regulatory balances with licensed financial institutions approved by the Insurance Commission of The Bahamas ("ICB"); refer to Note 11. In addition, the Branch maintains cash equivalents and the aforementioned statutory deposit, under investments, with highly reputable financial institutions in The Bahamas with low credit risk. The Branch conducts business through multiple agents to minimize counterparty exposures.

The Branch's maximum credit exposure, that is, the total amount of loss the Branch would suffer if every counterparty to the Branch's financial assets were to default at once, is represented by the carrying amount of the financial assets shown in the statement of financial position. The carrying amount of cash equivalents, statutory deposit, and premium receivables do not include any amounts that are impaired. The Branch does not hold any collateral as security or any credit enhancements, credit derivatives or netting arrangements that do not qualify for offset.

Liquidity risk

Liquidity risk is the risk that the Branch will encounter difficulty in meeting obligations from its financial and insurance liabilities. Liquidity risk may arise from a number of potential areas, such as a duration mismatch between assets and liabilities and unexpectedly high level of claims.

Management of liquidity risk

The Branch's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. Banking arrangements are managed by the Head Office which ensures liquidity for the Branch to meet its liabilities.

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Market risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and equity prices will affect the value of the Branch's assets, the amount of its liabilities and/or the Branch's income. The Branch is exposed to market risk on all of its financial assets. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Management of market risk

The Head Office's Investment Committee manages market risk in accordance with its asset/ liability management framework. The Committee reports regularly to the Board of Directors on its activities. For each of the major components of market risk, the Head Office has policies and procedures in place which cover the Branch and detail how each risk should be managed and monitored. The management of each of these major components of risk is addressed below.

i. Interest rate risk

The Branch invests in short-term term deposits which are subject to an insignificant risk of change in value with original maturities of less than three months.

ii. Currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in the foreign exchange rates. The Branch is not directly exposed to foreign currency risk, as cash equivalents and investments are denominated in Bahamian dollars ("B\$"), which is fixed to the US dollar at the following rate: B\$ 1 = US\$ 1).

iii. Price risk

Price risk is the risk that the value of the financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all financial instruments traded in the market. The Branch is not exposed to price risk as it does not invest in any equity securities.

Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Branch's processes, personnel, technology and infrastructure, and from external factors other than financial risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The Branch's objective is to manage operational risk in order to balance the avoidance of financial losses and damage to its reputation with overall cost effectiveness.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Head Office's senior management team.

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11. Capital risk management

Externally imposed capital requirements are set by the ICB. These requirements are put in place to ensure sufficient solvency margins.

The Branch is required to maintain a statutory deposit against its insurance business in The Bahamas, such deposit to be held in trust pursuant to Section 43(2) of the Act and regulation 62 of the Insurance (General) Regulations, 2010 ("the Regulations"). In 2017, the Branch established a Statutory Deposit Trust ("the Trust") in the sum of \$1,030,000 with a recognized financial institution appointed as trustees of the Trust and the ICB as the protectors of the Trust.

Solvency ratios are established on the basis of risk assessment for each particular entity. The Branch is required to meet a minimum margin of solvency. The Act defines insolvency as the inability of the Branch to pay its debts if, at any time, the value of its admissible assets does not exceed its liabilities by such amount as the ICB may prescribe of the value of admissible assets, at least 75% must be in the form of qualifying assets, as defined in Section 70 of the Regulations.

12. Subsequent events

The Branch has evaluated subsequent events from the reporting date through May 30, 2025, the date at which the financial statements were available to be issued and determined that there were no adjusting and nonadjusting subsequent events that need to be disclosed or reflected in the financial statements.