SUMMIT INSURANCE COMPANY LIMITED

Consolidated Financial Statements
31 December 2024

Independent auditors' report

To the Shareholders of Summit Insurance Company Limited

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Summit Insurance Company Limited and its trust (together 'the Company') as at 31 December 2024, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2024;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the 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 consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

Other matter

This report, including the opinion, has been prepared for and only for the Shareholders in accordance with the terms of our engagement letter and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

Chartered Accountants
Nassau, The Bahamas

30 April 2025

Summit Insurance Company Limited
(Incorporated under the laws of the Commonwealth of The Bahamas)

Consolidated Statement of Financial Position
As at 31 December 2024
(Expressed in Bahamian dollars)

	Notes	2024	2023
		$	$
Assets			
Cash and cash equivalents		8,141,729	10,026,902
Prepayments and other assets	4	873,682	902,610
Reinsurance contract assets	8	11,564,016	9,494,566
Investment assets	5	21,336,647	20,294,566
Investment property	6	1,650,000	1,476,485
Property and equipment	7	1,632,922	1,521,228
Total Assets		**45,198,996**	**43,716,357**
Liabilities			
Insurance contract liabilities	8	17,104,404	16,150,195
Accounts payable and accrued expenses		810,715	875,418
Total Liabilities		**17,915,119**	**17,025,613**
Equity			
Share capital	13	2,284,025	2,284,025
Catastrophe reserve	14	1,000,000	1,000,000
Other reserves	15	4,144,251	4,227,506
Retained earnings		19,855,601	19,179,213
Total equities		**27,283,877**	**26,690,744**
Total liabilities and equities		**45,198,996**	**43,716,357**

APPROVED BY THE BOARD OF DIRECTORS AND SIGNED ON ITS BEHALF BY:

Director

Director

30th April, 2025
Date

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

Summit Insurance Company Limited

Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2024
(Expressed in Bahamian dollars)

	Notes	2024 $	2023 $
Insurance revenue		51,950,638	47,720,550
Insurance service expenses	11	(17,469,973)	(13,509,658)
Net expenses from reinsurance contracts held		(33,509,142)	(33,479,605)
Insurance service result		**971,523**	**731,287**
Interest revenue from financial assets not measured at FVTPL	10	595,898	570,557
Interest revenue from financial assets measured at FVTPL	10	51,040	4,000
Net gains on FVTPL investments	10	86,174	100,050
Net credit impairment recoveries	10	31,562	59,021
Net investment income		**764,674**	**733,628**
Finance income/(expense) from insurance contracts issued	10	134,931	(180,118)
Finance (expense)/income from reinsurance contracts held	10	(66,898)	184,152
Net insurance finance income		**68,033**	**4,034**
Net insurance and investment income		**1,804,230**	**1,468,949**
Rental income		60,450	54,450
Foreign exchange gains and other income		786,948	453,791
Other operating expenses	12	(1,975,240)	(1,999,825)
Net income/(loss)		**676,388**	**(22,635)**
OTHER COMPREHENSIVE INCOME			
Items that may be subsequently reclassified to net income			
Net (losses)/gains on investment assets measured at FVOCI	10	(83,255)	505,128
Total comprehensive income		**593,133**	**482,493**

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

Summit Insurance Company Limited

Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2024
(Expressed in Bahamian dollars)

	Share Capital $	Catastrophe Reserve $	Other Reserves $	Retained Earnings $	Total $
Balance at 1 January 2023	**2,284,025**	**1,000,000**	**3,722,378**	**20,022,291**	**27,028,694**
Total comprehensive income/(loss)	-	-	505,128	(22,635)	482,493
Impact of application of IFRS 9 overlay approach	-	-	-	(273,333)	(273,333)
Transactions with Owners:					
Dividends	-	-	-	(547,110)	(547,110)
Balance at 31 December 2023	**2,284,025**	**1,000,000**	**4,227,506**	**19,179,213**	**26,690,744**
Balance at 1 January 2024	**2,284,025**	**1,000,000**	**4,227,506**	**19,179,213**	**26,690,744**
Total comprehensive income	-	-	(83,255)	676,388	593,133
Transactions with Owners:					
Dividends	-	-	-	-	-
Balance at 31 December 2024	**2,284,025**	**1,000,000**	**4,144,251**	**19,855,601**	**27,283,877**

Dividends per share (Note 13): $Nil (2023: $0.12)

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

Summit Insurance Company Limited

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2024
(Expressed in Bahamian dollars)

	2024 $	2023 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income/(loss)	676,388	(22,635)
Adjustments for:		
Interest income	(392,754)	(388,519)
Dividend income	(254,184)	(186,038)
Net fair value gain on investment property	(173,515)	-
Impairment recovery of property, plant and equipment	(85,581)	-
Gain on sales of property and equipment	(23)	(477)
Depreciation and amortisation	41,586	28,815
Expected credit loss recoveries	(31,562)	(59,021)
Gain on investment assets measured at FVTPL	(86,174)	(100,050)
(Increase)/decrease in operating assets		
Reinsurance contract assets	(2,069,450)	1,648,920
Prepayments and other assets	28,928	(61,195)
Increase/(decrease) in operating liabilities		
Insurance contract liabilities	954,209	(1,383,649)
Accounts payable and accrued expenses	(64,703)	226,061
Net cash used in operating activities	**(1,456,835)**	**(297,788)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	433,889	355,330
Dividends received	252,764	173,331
Decrease in term deposits	(118,332)	(23,328)
Purchases of investment assets	(2,396,000)	(1,565,649)
Proceeds from sales/maturities of investment assets	1,467,017	687,532
Purchases of property and equipment	(67,699)	(33,417)
Proceeds from sales of property and equipment	23	477
Purchases of investment property	-	(57,475)
Net cash used in investing activities	**(428,338)**	**(463,199)**

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

Summit Insurance Company Limited

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2024
(Continued)
(Expressed in Bahamian dollars)

	2024 $	2023 $
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	-	(547,110)
Net cash used in financing activities	**-**	**(547,110)**
Net decrease in cash and cash equivalents	**(1,885,173)**	**(1,308,097)**
Cash and cash equivalents as of the beginning of the year	10,026,902	11,334,999
Cash and cash equivalents as of the end of the year	**8,141,729**	**10,026,902**

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

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
31 December 2024

1. General Information

Summit Insurance Company Limited (the Company) is incorporated under the Companies Act, 1992 of the Commonwealth of The Bahamas (The Bahamas) and is licensed to operate as a property and casualty insurance company in The Bahamas under the Insurance Act, 2005.

The Company is sole beneficiary of a trust established to comply with regulations promulgated by the Insurance Commission of The Bahamas (together the 'Company'). The Company consolidates the trust for financial reporting purposes.

The Company's registered office is at Sassoon House, Shirley Street and Victoria Avenue, Nassau, The Bahamas.

2. Material Accounting Policies

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

(a) Basis of preparation

The consolidated financial statements are prepared in accordance with IFRS Accounting Standards (IFRS) and under the historical cost convention, except as disclosed in the accounting policies below. The preparation of financial statements in accordance with IFRS requires management to exercise judgement in the process of applying the Company's accounting policies. It also requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

New standards, amendments and interpretations adopted by the Company

Standards and amendments and interpretations to published standards that became effective for the Company's financial year beginning 1 January 2024 were either not relevant or not significant to the Company's operations and accordingly did not have a material impact on the Company's accounting policies or consolidated financial statements.

New standards, amendments and interpretations not yet adopted by the Company

i. IFRS 18 *Presentation and Disclosure in Financial Statements* will replace IAS 1 *Presentation of financial statements*, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. The Company will apply the new standard from its mandatory effective date of 1 January 2027. Retrospective application is required, and so the comparative information for the financial year ending 31 December 2026 will be restated in accordance with IFRS 18. The Company is still assessing the impact of the adoption of this new standard.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

2. Material Accounting Policies (Continued)

(a) Basis of preparation (Continued)

New standards, amendments and interpretations not yet adopted by the Company (continued)

ii. Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosure* to the Classification and Measurement of Financial Instruments to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The amendments to IFRS 9 and IFRS 7 will be effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted subject to any endorsement process. The Company is still assessing the impact of the adoption of these amendments and does not expect these amendments to have a material impact on its operations or financial statements.

The application of other new standards, amendments and interpretations to existing standards that have been published but are not yet effective are not expected to have a material impact on the Company's accounting policies or consolidated financial statements in the period of initial application.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

2. Material Accounting Policies (Continued)

(b) Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Company.

(c) Foreign currency translation

The consolidated financial statements are presented in Bahamian dollars, which is the Company's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from translation of monetary assets and liabilities at year-end exchange rates are recognised in the consolidated statement of comprehensive income.

(d) Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, current accounts at banks and unrestricted term deposits with original contractual maturities of three months or less.

(e) Financial assets and liabilities

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Initial recognition

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments.

Regular way purchases and sales of financial assets are recognised on the trade date, the date on which the Company commits to purchase or sell the asset. Except for financial assets and financial liabilities recorded at FVPL, transaction costs are added to this amount.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

2. Material Accounting Policies (Continued)

(e) Financial assets and liabilities (continued)

Measurement categories

The Company classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms. The categories include the following:

- Amortised cost
- FVOCI
- FVPL

Debt instruments measured at amortised cost

Debt instruments are held at amortised cost if both of the following conditions are met:

- The instruments are held within a business model with the objective of holding the instrument to collect the contractual cash flows; and
- The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Business model assessment
The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- The expected frequency, value and timing of asset sales are also important aspects of the Company's assessment.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

2. Material Accounting Policies (Continued)

(e) Financial assets and liabilities (continued)

Measurement categories (continued)

Debt instruments measured at amortised cost (continued)

Business model assessment (continued)

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test
As a second step of its classification process the Company assesses the contractual terms to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Debt instruments measured at fair value through other comprehensive income

The Company applies the new category under IFRS 9 for debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPI test.

These instruments largely comprise debt instruments that had previously been classified as available-for-sale under IAS 39. Debt instruments in this category are those that are intended to be held to collect contractual cash flows and which may be sold in response to needs for liquidity or in response to changes in market conditions.

The Company reclassifies debt investments only when 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.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

2. Material Accounting Policies (Continued)

(e) Financial assets and liabilities (continued)

Measurement categories (continued)

Financial assets measured at fair value through profit loss

Financial assets in this category are those that are managed in a fair value business model, or that have been designated by management upon initial recognition, or are mandatorily required to be measured at fair value under IFRS 9. This category includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or both to collect contractual cash flows and sell.

Subsequent measurement

Debt instruments at amortised cost

After initial measurement, debt instruments are measured at amortised cost, using the effective interest rate (EIR) method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. An Expected Credit Loss (ECL) provision is calculated on debt instruments measured at amortised cost and recognised in the consolidated statement of comprehensive income.

Debt instruments measured at fair value through other comprehensive income

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in the consolidated statement of comprehensive income in the same manner as for financial assets measured at amortised cost. Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to net income. An ECL provision is calculated on debt instruments measured at fair value through other comprehensive income and recognised in the consolidated statement of comprehensive income.

Financial assets at fair value through profit or loss

Financial assets at FVPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in net income. Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate. Interest income is recognised in the consolidated statement of comprehensive income as interest revenue from financial assets measured at FVTPL.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

2. Material Accounting Policies (Continued)

(e) Financial assets and liabilities (continued)

Impairment of financial assets

The Company recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the appropriate effective interest rate.

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

The Company considers a financial asset to be in default (credit impaired) when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

<u>The calculation of ECLs</u>
The Company calculates ECLs based on scenarios to measure the expected cash shortfalls, discounted at an appropriate EIR. A cash shortfall is the difference between the cash flows that are due to the Company in accordance with the contract and the cash flows that the entity expects to receive. When estimating the ECLs, the Company considers three scenarios (a base case, an upside, and a more extreme downside). When relevant, the assessment of multiple scenarios also incorporates the probability that the defaulted loans will cure. The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

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

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

2. Material Accounting Policies (Continued)

(e) Financial assets and liabilities (continued)

Impairment of financial assets (continued)

The Company allocates its assets subject to ECL calculations to one of these categories, determined as follows:

- 12mECL
  The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an appropriate EIR. This calculation is made for each of the three scenarios, as explained above.
- LTECL
  When an instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected losses are discounted by an appropriate EIR.

Write-offs

Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. There were no write-offs over the periods reported in these financial statements.

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either: the Company transfers substantially all the risks and rewards of ownership; or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

Financial liabilities

Financial liabilities are classified and subsequently measured at amortised cost. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Income

Interest income for all interest-bearing financial instruments are recognised using the effective interest method.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

2. Material Accounting Policies (Continued)

(f) Property and equipment

Property and equipment, other than land and buildings, are carried at historical cost less accumulated depreciation and amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of an item. Land and buildings, which comprise the Company's offices, are carried at fair value based upon periodic independent appraisals that are commissioned at intervals generally not exceeding three years, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are recognised in other comprehensive income and shown as part of 'other reserves' in equity.

Decreases that offset previous increases of the same asset are recognised in other comprehensive income against other reserves directly in equity; all other decreases are recognised in the consolidated statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset recognised in the consolidated statement of comprehensive income and depreciation based on the asset's original cost is transferred from other reserves to retained earnings.

Land and artwork are not depreciated. Depreciation and amortization on all other assets is calculated using the straight-line method to allocate the assets' costs to their residual values over their estimated useful lives, as follows:

Buildings	50 years
Energy	10 – 30 years
Computer software	3 – 5 years
Furniture and equipment	3 years
Motor vehicles	3 years

Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

2. Material Accounting Policies (Continued)

(f) Property and equipment (continued)

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised in the consolidated statement of comprehensive income. When revalued assets are sold, amounts included in other reserves are transferred directly to retained earnings.

(g) Investment property

Property held for long-term rental yields and/or capital appreciation that is not occupied by the Company, is classified as investment property. Investment property comprises residential and commercial land and buildings.

Investment property is measured initially at its cost, including related transaction costs. Subsequently, investment property is carried at fair value. Fair value is based on valuation methods using discounted cash flow analyses and comparable sales.

These valuations are periodically reviewed by an independent appraiser, who holds recognised and relevant professional qualifications and has recent experience in the category of the investment property being valued, at intervals generally not exceeding three years.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance costs are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the fair value of the property.

Changes in fair values are recognised in the consolidated statement of comprehensive income. Investment property is derecognised either when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

2. Material Accounting Policies (Continued)

(h) Classification of insurance and reinsurance contracts

Insurance contracts are those that transfer significant insurance risk, which is defined as the risk of having to pay benefits on the occurrence of a specified uncertain future event (the insured event) that significantly exceed the benefits that would be paid if the insured event did not occur. The insurance contracts issued by the Company principally comprise property and casualty insurance contracts. Property and casualty insurance contracts, which typically are one year renewable insurance contracts, compensate policyholders for damage to or loss of property; and/or compensate third parties for damage by policyholders as a result of legitimate activities.

The Company also issues and holds reinsurance contracts in the normal course of business. The Company does not issue any contracts with direct participating features.

(i) Insurance and reinsurance contracts accounting treatment

Separating components from insurance and reinsurance contracts

The Company assesses its insurance and reinsurance contracts to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Company applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Company's insurance and reinsurance contracts do not include any distinct components that require separation.

Level of aggregation

IFRS 17 requires a company to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Company identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Company makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). IFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart.

The Company has elected to group together those contracts that would fall into different groups only because law or regulation specifically constrains its practical ability to set a different price or level of benefits for policyholders with different characteristics.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

2. Material Accounting Policies (Continued)

(i) Insurance and reinsurance contracts accounting treatment (continued)

Level of aggregation (continued)

The portfolios are further divided by year of issue and profitability for recognition and measurement purposes. Hence, within each year of issue, portfolios of contracts are divided into three groups, as follows:

- A group of contracts that are onerous at initial recognition (if any)
- A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any)
- A group of the remaining contracts in the portfolio (if any)

The profitability of groups of contracts is assessed by valuation models that take into consideration existing and new business. The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognised
- Environmental factors, e.g., a change in market experience or regulations

The Company divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition.

Recognition

The Company recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

2. Material Accounting Policies (Continued)

(i) Insurance and reinsurance contracts accounting treatment (continued)

Recognition (continued)

The Company recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. (However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held; and
- The date the Company recognises an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

Contract Boundary

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- Both of the following criteria are satisfied:
    - The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
    - The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

2. Material Accounting Policies (Continued)

(i) Insurance and reinsurance contracts accounting treatment (continued)

Insurance contracts – initial measurement

The Company applies the PAA to all the insurance and reinsurance contracts that it issues and reinsurance contracts that it holds, as:

- The coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary; or
- For contracts longer than one year, the Company has assessed that the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Company has also considered qualitative factors such as the nature of the risk and types of its lines of business.

The coverage period for property, engineering, motor, liability, general accident, marine and losses occurring from excess of loss treaties is one year or less and so qualifies automatically for the PAA. Bond and mortgage indemnity direct policies and risk attaching to reinsurance quota share treaties are comprised of contracts with coverage periods greater than one year, however, there is no material difference in the measurement of the liability for remaining coverage between PAA and the general model, therefore, these qualify for PAA.

The Company does not apply the PAA if, at the inception of the group of contracts, it expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for the remaining coverage during the period before a claim is incurred.

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for remaining coverage as:

- The premiums, if any, received at initial recognition
- Minus any insurance acquisition cash flows at that date
- Plus or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows and
- Any other asset or liability previously recognised for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts is recognised.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

2. Material Accounting Policies (Continued)

(i) Insurance and reinsurance contracts accounting treatment (continued)

Insurance contracts – initial measurement (continued)

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised.

Reinsurance contracts held – initial measurement

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance and reinsurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance and reinsurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The Company uses a systematic and rational method to determine the portion of losses recognised on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held. The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

2. Material Accounting Policies (Continued)

(i) Insurance and reinsurance contracts accounting treatment (continued)

Insurance contracts – subsequent measurement

The Company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus premiums received in the period
- Minus insurance acquisition cash flows
- Plus any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period for the group
- Minus the amount recognised as insurance revenue for the services provided in the period

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company, and include an explicit adjustment for non-financial risk (the risk adjustment). The Company does not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected to be paid within one year of being incurred.

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised.

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held. Where the Company has established a loss-recovery component, the Company subsequently reduces the loss recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss- recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

2. Material Accounting Policies (Continued)

(i) Insurance and reinsurance contracts accounting treatment (continued)

Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. The Company uses a systematic and rational method to allocate:

(a) Insurance acquisition cash flows that are directly attributable to a group of insurance contracts:
  (i) to that group; and
  (ii) to groups that include insurance contracts that are expected to arise from the renewals of the insurance contracts in that group.
(b) Insurance acquisition cash flows directly attributable to a portfolio of insurance contracts that are not directly attributable to a group of contracts, to groups in the portfolio.

Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognised in the consolidated statement of financial position, a separate asset for insurance acquisition cash flows is recognised for each related group. The asset for insurance acquisition cash flow is derecognised from the consolidated statement of financial position when the insurance acquisition cash flows are included in the initial measurement of the related group of insurance contracts. The time bands when the Company expects to derecognise the above asset for insurance acquisition cash flows will be disclosed, if applicable.

At the end of each reporting period, the Company revises amounts of insurance acquisition cash flows allocated to groups of insurance contracts not yet recognised, to reflect changes in assumptions related to the method of allocation used.

After any re-allocation, the Company assesses the recoverability of the asset for insurance acquisition cash flows, if facts and circumstances indicate the asset may be impaired. When assessing the recoverability, the Company applies:

- An impairment test at the level of an existing or future group of insurance contracts; and
- An additional impairment test specifically covering the insurance acquisition cash flows allocated to expected future contract renewals.

If an impairment loss is recognised, the carrying amount of the asset is adjusted and an impairment loss is recognised in the consolidated statement of comprehensive income. The Company recognises in the consolidated statement of comprehensive income a reversal of some or all of an impairment loss previously recognised and increases the carrying amount of the asset, to the extent that the impairment conditions no longer exist or have improved.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

2. Material Accounting Policies (Continued)

(i) Insurance and reinsurance contracts accounting treatment (continued)

Insurance contracts – modification and derecognition

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired); or
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

Presentation

The Company has presented separately, in the consolidated statement of financial position, the carrying amount of portfolios of insurance and reinsurance contracts issued that are assets, portfolios of insurance and reinsurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities. Any assets for insurance acquisition cash flows recognised before the corresponding insurance contracts are included in the carrying amount of the related groups of insurance contracts are allocated to the carrying amount of the portfolios of insurance contracts that they relate to. The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses. The Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate. For the periods presented, all revenue has been recognised on the basis of the passage of time.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

2. Material Accounting Policies (Continued)

(i) Insurance and reinsurance contracts accounting treatment (continued)

Loss components

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group.

Loss-recovery components

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses.

A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

Insurance finance income and expense

The Company does not disaggregate insurance finance income and expenses between net income and OCI.

Net income or expense from reinsurance contracts held

The Company presents as a single amount on the face of the consolidated statement of income, the amounts expected to be recovered from reinsurers, less an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held, and excludes investment components and commissions from an allocation of reinsurance premiums.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

2. Material Accounting Policies (Continued)

(j) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds. Where the Company acquires its own equity shares (treasury shares), the consideration paid including any directly attributable incremental costs is deducted from equity until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received net of any directly attributable incremental costs is included in equity. No gain or loss is recognised in the consolidated statements of comprehensive income on treasury share transactions.

Dividends are recognised in equity in the financial period in which they are approved by the Company's Directors. Dividends declared after the balance sheet date but before the consolidated financial statements are issued, are disclosed within the subsequent events note.

(k) Taxation

Premium tax is incurred at a rate of 3.00% of premiums written in The Bahamas, and value added tax is levied on premiums written in The Bahamas. The proportion for premiums ceded is recovered from reinsurers.

Under the current laws of The Bahamas, the country of domicile of the Company, there are no income, capital gains or other corporate taxes imposed. The Company's operations do not subject it to taxation in any other jurisdiction.

(l) Leases

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Assets leased out by the Company under operating leases are included in investment property in the consolidated balance sheet. Rental income is recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the lease.

(m) Employee benefits

The Company has a defined contribution pension plan, combined with that of a related party, for its eligible employees, whereby the Company makes fixed contributions to a privately administered pension plan. The Company has no legal or constructive obligations to pay further contributions if the plan does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods. The Company and employees make contributions based on eligible earnings, and the Company's contributions to the defined contribution pension plan are recognised in the consolidated statement of comprehensive income in the financial period to which they relate.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

3. Critical accounting estimates and judgements

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 described 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.

Valuation of investments

Fair values are based on quoted market prices for the specific instrument, comparisons with other highly similar financial instruments, or the use of valuation models. Establishing valuations where there are no quoted market prices inherently involves the use of judgement and applying judgement in establishing reserves against indicated valuations for aged positions, deteriorating economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity, model risk itself and other factors.

Liability for remaining coverage
For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows. Any loss-recovery component is determined with reference to the loss component recognised on underlying contracts and the recovery expected on such claims from reinsurance contracts held.

Liability for incurred claims
The estimation of the ultimate liability from claims made under general insurance contracts is an accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Company will ultimately pay for those claims.

Estimates must be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. It can take a significant period of time before the ultimate claim costs can be established with certainty. The primary technique adopted by management in estimating the cost of notified and IBNR claims is that of using past claim settlement trends to predict future claims settlement estimates. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

3. Critical accounting estimates and judgements (Continued)

Discount rates
The Company used a blend of the bottom-up and top-down approach to derive the discount rate. The risk-free rate is based on the bottom-up approach, and the illiquidity premium is based on the top-down approach. This hybrid methodology is fundamentally the bottom-up approach, but using a reference portfolio to derive a liquidity premium curve incorporates certain important features of a top-down approach. The risk-free rate was derived using The Bahamas Government yield curve. The illiquidity premium was derived based on the observation of illiquidity premiums for similar companies in Canada and the Caribbean.

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

2024			2023		
1 year	**5 years**	**10 years**	**1 year**	**5 years**	**10 years**
3.91%	4.86%	6.36%	3.58%	4.51%	5.14%

Risk adjustment for non-financial risk
The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach between the 70th and 75th percentile. That is, the Company has assessed its indifference to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 70th to 75th percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

4. Prepayments and Other Assets

	As at 31 December 2024 $	As at 31 December 2023 $
VAT receivable	57,162	72,415
Prepayments	87,626	83,125
Other receivables	728,894	747,070
	873,682	**902,610**

5. Investment Assets

	As at 31 December 2024 $	As at 31 December 2023 $
Financial assets designated at fair value through profit or loss:		
Mutual funds	1,749,044	1,362,890
	1,749,044	**1,362,890**
Financial assets at fair value through other comprehensive income:		
Preference shares (no fixed maturity)	814,127	812,687
Ordinary shares	6,708,121	6,791,376
	7,522,248	**7,604,063**
Financial assets at amortised cost:		
Bonds	4,758,377	4,512,789
Term deposits	6,065,401	5,999,291
Preference shares (fixed maturity)	1,424,329	1,029,848
Allowance for expected credit losses	(182,752)	(214,315)
	12,065,355	**11,327,613**
Total investment assets	**21,336,647**	**20,294,566**

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

5. Investments Assets (Continued)

Investments measured at fair value

The Company ranks its investments in securities measured at fair value based on the hierarchy of valuation techniques required by IFRS, which is determined based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs lead to the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset.

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from the exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)
(Expressed in Bahamian dollars)

5. Investment Assets (Continued)

Investments measured at fair value (continued)

Financial instruments classified within Level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments include unlisted securities that have significant unobservable components, including investment entities and equity securities. The valuation techniques used for Level 3 investments in securities include net asset values based on audited financial statements and interim financial statements, latest trade information and discounted cash flow analyses.

As at 31 December 2024, the cost of financial assets at fair value totaled $4,941,866 (2023: $4,641,866), of which $1,040,000 (2023: $1,040,000) represented Level 3 securities.

	As at 31 December	
	2024	**2023**
	$	**$**
Level 2		
Equity securities (FVOCI)	5,668,122	5,751,376
Preference shares (FVOCI)	814,126	812,687
Mutual funds (FVTPL)	1,749,044	1,362,890
	8,231,292	**7,926,953**
Level 3		
Equity securities (FVOCI)	1,040,000	1,040,000
	1,040,000	**1,040,000**
Total	**9,271,292**	**8,966,953**

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

5. Investment Assets (Continued)

Investments measured at fair value (continued)

Movements in investment assets measured at fair value securities comprise:

	Level 1 $	Level 2 $	Level 3 $	Total $
Balance as at 1 January 2024	–	7,926,953	1,040,000	8,966,953
Purchases	–	301,420	–	301,420
Net unrealised losses on investment assets measured at FVOCI	–	(83,255)	–	(83,255)
Net gain on investment assets measured at FVPTL	–	86,174	–	86,174
Balance as at 31 December 2024	**–**	**8,231,292**	**1,040,000**	**9,271,292**

Movements in securities measured at fair value securities comprise:

	Level 1 $	Level 2 $	Level 3 $	Total $
Balance as at 1 January 2023	–	7,046,748	300,000	7,346,748
Purchases	–	275,027	740,000	1,015,027
Net unrealised gains on investment assets measured at FVOCI	–	505,128	–	505,128
Net gain on investment assets measured at FVPTL	–	100,050	–	100,050
Balance as at 31 December 2023	–	7,926,953	1,040,000	8,966,953

There were no changes during the year in levels.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

5. Investment Assets (Continued)

Investments measured at amortised cost

	Interest Rate	Maturity	As at 31 December 2024 $	2023 $
Commonwealth Bank Term Deposits	.045% to 1.30%	16/01/2025 to 23/08/2027	3,523,729	3,424,021
Finco Term Deposit	0.75%	05/09/2025	2,495,139	2,476,514
The Government of The Bahamas Government registered stocks	Prime + 0.06% to 0.72%; 4.35% to 6.95%	04/05/2025 to 14/12/2052	3,219,677	3,234,706
Bahamas Government treasury note	2.50% to 2.99%	01/02/2025 to 22/06/2025	613,640	550,649
Clifton Heritage Authority bonds	Prime + 0.50% to + 0.75%	20/05/2025 to 20/05/2035	232,300	232,300
Bridge Authority bonds	Prime + 1.63%	24/03/2029	11,600	11,600
Public Hospitals Authority Series A redeemable term notes	Prime + 1.25%	30/09/2033	23,684	26,316
The College of The Bahamas redeemable term notes	7.00%	30/06/2026	14,286	21,429
PPP Investments & Construction Co. bond	8.00%	31/12/2028	125,000	125,000
Nassau Cruise Port Limited Bond	6.00%	30/06/2040	250,000	250,000
Bahamas Grid Company Limited Bond	8.00%	31/07/2044	200,000	-
Focol Holdings Series D preference share	6.00%	30/06/2030	100,000	100,000
Cable Bahamas Limited Series 15 preference shares	5.50%	30/06/2032	475,000	475,000
Abaco Beach Resort & Boat Harbour Ltd preference shares	8.00%	27/11/2025	45,639	54,847
Sunshine Holdings Ltd. Preference shares	6.25%	25/07/2028	-	200,000
Sunshine Holdings Ltd. Preference shares	6.25%	24/07/2039	350,000	-
Aliv Series 1 Preference shares	8.00%	31/12/2026	-	200,000
Aliv Series II Preference shares	8.00%	31/10/2034	200,000	-
Titan Fixed Income Properties Preference shares	7.00%	30/06/2029	250,000	-
			12,129,694	11,382,382
Accrued interest			118,413	159,546
			12,248,107	11,541,928
Allowance for expected credit losses			(182,752)	(214,315)
Total			**12,065,355**	**11,327,613**

As at 31 December 2024, investment assets includes $1,000,000 that is held in a restricted trust and cannot be distributed without the permission of the Insurance Commission of The Bahamas.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

6. Investment Property

The Company owns property located in Sears Hill, New Providence, Bahamas which is classified as investment property. The latest independent appraisals were performed for the year ended 31 December 2024.

The fair value hierarchy for non-financial assets is similar to the hierarchy for financial assets disclosed in Note 5. Investment property is classified as Level 3 as inputs are generally unobservable. The valuation techniques used were discounted cash flow analyses and comparable sales, based on knowledge of transactions involving similar properties in the vicinity.

	As at 31 December	
Year ended 31 December	**2024**	**2023**
	$	**$**
Opening net book value	1,476,485	1,419,010
Additions	–	57,475
Net fair value gain/(loss)	173,515	–
Closing net book value	**1,650,000**	**1,476,485**

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

Estimate/Assumption	Change	Impact on fair value
Rental revenue	+5.00%/-5.00%	$69,909/$(69,909)
Vacancy rates	+5.00%/-5.00%	$(3,570)/$3,570
Discount rate	+1.00%/-1.00%	$(150,012)/$192,872

Included in rental income is $60,450 (2023: $54,450) earned on the investment property.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

7. Property and Equipment

	Land & Buildings $	Computer Software $	Furniture & Equipment $	Motor Vehicles $	Energy	Total $
Year ended 31 December 2024						
Opening net book value	826,280	427,016	119,795	–	148,137	1,521,228
Additions	–	7,374	57,575	–	2,750	67,699
Revaluation	85,581	–	–	–	–	85,581
Disposals						
Cost	–	–	(21,280)	–	–	(21,280)
Accumulated depreciation/ amortisation	–	–	21,280	–	–	21,280
Transfers	–	–	–	–	–	–
Depreciation/amortisation	(11,861))	(1,960)	(21,743)	–	(6,022)	(41,586)
Closing net book value	**900,000**	**432,430**	**155,627**	**–**	**144,865**	**1,632,922**
As at 31 December 2024						
Cost	1,044,209	1,367,154	581,573	50,158	174,181	3,217,275
Accumulated depreciation/ amortisation	(144,209)	(934,724)	(425,946)	(50,158)	(29,316)	(1,584,353)
Net book value	**900,000**	**432,430**	**155,627**	**–**	**144,865**	**1,632,922**

	Land & Buildings $	Computer Software $	Furniture & Equipment $	Motor Vehicles $	Energy	Total $
Year ended 31 December 2023						
Opening net book value	838,140	427,048	251,438	–	–	1,516,626
Additions	–	1,245	32,172	–	–	33,417
Disposals						
Cost	–	–	(27,448)	–	–	(27,448)
Accumulated depreciation/ amortisation	–	–	27,448	–	–	27,448
Transfers	–	–	(154,090)	–	154,090	–
Depreciation/amortisation	(11,860)	(1,277)	(9,725)	–	(5,953)	(28,815)
Closing net book value	**826,280**	**427,016**	**119,795**	**–**	**148,137**	**1,521,228**
As at 31 December 2023						
Cost	958,627	1,359,780	538,007	50,158	171,431	3,078,003
Accumulated depreciation/ amortisation	(132,347)	(932,764)	(418,212)	(50,158)	(23,294)	(1,556,775)
Net book value	**826,280**	**427,016**	**119,795**	**–**	**148,137**	**1,521,228**

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

7. Property and Equipment (Continued)

Land and buildings comprise a commercial building complex on Sears Hill, New Providence, Bahamas. In prior years, the portion of the commercial building complex that is not occupied by the Company and held for long-term rental yields and/or capital appreciation was transferred to investment property (Note 6). The portion of the commercial building complex occupied by the Company continues to be recognised in property and equipment.

The fair value hierarchy for non-financial assets is similar to the hierarchy for financial assets disclosed in Note 5. Land and buildings are classified as Level 3 as inputs are generally unobservable.

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

Estimate/Assumption	**Change**	**Impact on fair value**
Rental revenue	+5.00%/-5.00%	$46,313/$(46,313)
Vacancy rates	+5.00%/-5.00%	$(2,316)/$2,316
Discount rate	+1.00%/-1.00%	$(97,360)/$125,177

Land and buildings were revalued by independent appraisers as at 31 December 2024.

If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2024	**2023**
	$	**$**
Cost – Land	320,000	320,000
Cost – Building	1,158,225	1,158,225
Accumulated depreciation – Building	(246,012)	(222,689)
	1,232,213	**1,255,536**

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

8. Insurance and reinsurance contracts

The following tables present the reconciliation of insurance contract liabilities and reinsurance contract assets:

Insurance contracts issued

	Liabilities for Remaining Coverage		Liabilities for Incurred Claims		
	Excluding loss component $	Loss component $	Estimates of the present value of future cash flows $	Risk adjustment $	Total $
Insurance contract liabilities as at 1 January 2024	8,016,930	–	7,297,828	835,437	16,150,195
Insurance contract assets as at 1 January 2024	–	–	–	–	–
Net insurance contract liabilities as at 1 January 2024	**8,016,930**	**–**	**7,297,828**	**835,437**	**16,150,195**
Insurance revenue	(51,950,638)	–	–	–	(51,950,638)
Insurance service expenses					
Incurred claims and other directly attributable expenses	–	–	6,090,709	697,249	6,787,958
Amortisation of insurance acquisition cash flows	9,964,566	–	–	–	9,964,566
Changes to liabilities for incurred claims	–	–	1,346,553	(629,104)	717,449
	9,964,566	–	7,437,262	68,145	17,469,973
Insurance service result	(41,986,072)	–	7,437,262	68,145	(34,480,665)
Insurance finance income	–	–	(134,931)	–	(134,931)
Total amounts recognised in comprehensive income	**(41,986,072)**	**–**	**7,302,331**	**68,145**	**(34,615,596)**
Cash flows					
Premiums received less premium taxes received	51,731,349	–	–	–	51,731,349
Claims and other directly attributable expenses paid	–	–	(6,273,513)	–	(6,273,513)
Insurance acquisition cash flows	(9,888,031)	–	–	–	(9,888,031)
Total cash flows	**41,843,318**	**–**	**(6,273,513)**	**–**	**35,569,805**
Insurance contract liabilities as at 31 December 2024	7,874,176	–	8,326,646	903,582	17,104,404
Insurance contract assets as at 31 December 2024	–	–	–	–	–
Net insurance contract liabilities as at 31 December 2024	**7,874,176**		**8,326,646**	**903,582**	**17,104,404**

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)
(Expressed in Bahamian dollars)

8. Insurance and reinsurance contracts (Continued)

Insurance contracts issued (continued)

	Liabilities for Remaining Coverage		Liabilities for Incurred Claims		
	Excluding loss component $	Loss component $	Estimates of the present value of future cash flows $	Risk adjustment $	Total $
Insurance contract liabilities as at 1 January 2023	6,058,341	-	10,434,276	1,041,227	17,533,844
Insurance contract assets as at 1 January 2023	-	-	-	-	-
Net insurance contract liabilities as at 1 January 2023	**6,058,341**	**-**	**10,434,276**	**1,041,227**	**17,533,844**
Insurance revenue	(47,720,550)	-	-	-	(47,720,550)
Insurance service expenses					
Incurred claims and other directly attributable expenses	-	-	4,970,827	496,034	5,466,861
Amortisation of insurance acquisition cash flows	9,818,231	-	-	-	9,818,231
Changes to liabilities for incurred claims	-	-	(1,073,610)	(701,824)	(1,775,434)
	9,818,231	-	3,897,217	(205,790)	13,509,658
Insurance service result	(37,902,319)	-	3,897,217	(205,790)	(34,210,892)
Insurance finance expenses	-	-	180,118	-	180,118
Total amounts recognised in comprehensive income	**(37,902,319)**	**-**	**4,077,335**	**(205,790)**	**(34,030,774)**
Cash flows					
Premiums received less premium tax received	49,935,600	-	-	-	49,935,600
Claims and other directly attributable expenses paid	-	-	(7,213,783)	-	(7,213,783)
Insurance acquisition cash flows	(10,074,692)	-	-	-	(10,074,692)
Total cash flows	**39,860,908**	**-**	**(7,213,783)**	**-**	**32,647,125**
Insurance contract liabilities as at 31 December 2023	8,016,930	-	7,297,828	835,437	16,150,195
Insurance contract assets as at 31 December 2023	-	-	-	-	-
Net insurance contract liabilities as at 31 December 2023	**8,016,930**	**-**	**7,297,828**	**835,437**	**16,150,195**

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

8. Insurance and reinsurance contracts (Continued)

Reinsurance contracts held

	Asset for Remaining Coverage		**Asset for Incurred Claims**		
	Excluding loss recovery component	**Loss recovery component**	**Estimates of the present value of future cash flows**	**Risk adjustment**	**Total**
	$	**$**	**$**	**$**	**$**
Reinsurance contract assets as at 1 January 2024	(7,255,581)	–	(2,022,025)	(216,960)	(9,494,566)
Reinsurance contract liabilities as at 1 January 2024	–	–	–	–	–
Net insurance contract assets as at 1 January 2024	**(7,255,581)**	**–**	**(2,022,025)**	**(216,960)**	**(9,494,566)**
Net expenses from reinsurance contracts held					
Allocation of reinsurance premiums	36,592,329	–	–	–	36,592,329
Amounts recoverable for incurred claims and other expenses	–	–	(1,939,552)	(208,111)	(2,147,663)
Changes to amounts recoverable for incurred claims	–	–	(1,084,002)	144,096	(939,906)
Effects of changes in non-performance of reinsurers	–	–	4,382	–	4,382
	36,592,329	–	(3,019,172)	(64,015)	33,509,142
Reinsurance finance expenses	–	–	(66,898)	–	(66,898)
Total amounts recognised in comprehensive income	**36,592,329**	**–**	**(3,086,070)**	**(64,015)**	**33,442,244**
Cash flows					
Premiums paid, net of commission	(37,826,365)	–	–	–	(37,826,365)
Amounts received	–	–	2,314,671	–	2,314,671
Total cash flows	**(37,826,365)**	**–**	**2,314,671**	**–**	**(35,511,694)**
Reinsurance contract assets as at 31 December 2024	(8,489,617)	–	(2,793,424)	(280,975)	(11,564,016)
Reinsurance contract liabilities as at 31 December 2024	–	–	–	–	–
Net reinsurance contract assets as at 31 December 2024	**(8,489,617)**		**(2,793,424)**	**(280,975)**	(11,564,016)

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)
(Expressed in Bahamian dollars)

8. Insurance and reinsurance contracts (Continued)

Reinsurance contracts held (continued)

	Asset for Remaining Coverage		Asset for Incurred Claims		
	Excluding loss recovery component $	Loss recovery component $	Estimates of the present value of future cash flows $	Risk adjustment $	Total $
Reinsurance contract assets as at 1 January 2023	(5,696,522)	-	(4,950,102)	(496,862)	(11,143,486)
Reinsurance contract liabilities as at 1 January 2023	-	-	-	-	-
Net insurance contract assets as at 1 January 2023	**(5,696,522)**	**-**	**(4,950,102)**	**(496,862)**	**(11,143,486)**
Net expenses from reinsurance contracts held					
Allocation of reinsurance premiums	33,476,388	-	-	-	33,476,388
Amounts recoverable for incurred claims and other expenses	-	-	(1,292,455)	(129,729)	(1,422,184)
Changes to amounts recoverable for incurred claims	-	-	992,132	409,631	1,401,763
Effects of changes in non-performance of reinsurers	-	-	23,638	-	23,638
	33,476,388	-	(276,685)	279,902	33,479,605
Reinsurance finance income	-	-	184,152	-	184,152
Total amounts recognised in comprehensive income	**33,476,388**	**-**	**(92,533)**	**279,902**	**33,663,757**
Cash flows					
Premiums paid, net of commission	(35,035,447)	-	-	-	(35,035,447)
Amounts received	-	-	3,020,610	-	3,020,610
Total cash flows	**(35,035,447)**	**-**	**3,020,610**	**-**	**(32,014,837)**
Reinsurance contract assets as at 31 December 2023	(7,255,581)	-	(2,022,025)	(216,960)	(9,494,566)
Reinsurance contract liabilities as at 31 December 2023	-	-	-	-	-
Net reinsurance contract assets as at 31 December 2023	**(7,255,581)**	**-**	**(2,022,025)**	**(216,960)**	**(9,494,566)**

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)
(Expressed in Bahamian dollars)

9. Claims Development

Insurance claims – Gross

Movements in outstanding claims reserve, based on the policy year to which claims relate, can be analysed as follows:

Accident year	**2020** **$**	**2021** **$**	**2022** **$**	**2023** **$**	**2024** **$**	**Total** **$**
Estimate of ultimate claims cost:						
At end of accident year	4,115,451	3,955,828	4,996,052	4,802,007	5,871,110	23,740,448
One year later	4,510,294	4,390,625	4,792,667	6,017,800	-	-
Two years later	4,543,270	4,556,437	5,030,895	-	-	-
Three years later	4,426,849	5,231,263	-	-	-	-
Four years later	4,260,816	-	-	-	-	-
Current estimate of cumulative claims	4,260,816	5,231,263	5,030,895	6,017,800	5,871,110	26,411,884
Cumulative payments to date	(4,092,934)	(4,938,803)	(4,203,982)	(4,527,381)	(2,951,101)	(20,714,201)
Liability included in gross provision of claims	167,882	292,460	826,913	1,490,419	2,920,009	5,697,683
Liability in respect of prior years						1,700,758
Provision for claims incurred but not reported						129,492
Gross undiscounted liabilities for incurred claims						7,527,933
Near settlement claims						1,411,032
Effect of discounting						(612,319)
Effect of risk adjustment for non-financial risk						903,582
Gross LIC for contracts originated (See Note 8)						**9,230,228**

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)
(Expressed in Bahamian dollars)

9. Claims Development (Continued)

Insurance claims – Net

Accident year	**2020** **$**	**2021** **$**	**2022** **$**	**2023** **$**	**2024** **$**	**Total** **$**
Estimate of ultimate claims cost:						
At end of accident year	2,377,038	2,765,654	2,926,250	3,546,169	3,893,760	15,508,871
One year later	2,559,182	2,927,010	2,980,933	3,953,169	-	-
Two years later	2,582,549	2,967,848	3,149,830	-	-	-
Three years later	2,593,085	3,071,963	-	-	-	-
Four years later	2,462,718	-	-	-	-	-
Current estimate of cumulative claims	2,462,718	3,071,963	3,149,830	3,953,169	3,893,760	16,531,440
Cumulative payments to date	(2,315,821)	(2,860,841)	(2,506,812)	(2,705,103)	(2,182,244)	(12,570,821)
Liability included in gross provision of claims	146,897	211,122	643,018	1,248,066	1,711,516	3,960,619
Liability in respect of prior years						1,270,473
Provision for claims incurred but not reported						105,705
Net undiscounted liabilities for incurred claims						5,336,797
Near settlement claims						639,463
Effect of discounting						(463,460)
Effect of risk adjustment for non-financial risk						643,029
Net LIC for contracts originated (See Note 8)						**6,155,829**

10. Investment Income and Insurance Finance Expense

An analysis of net investment income and net insurance finance expenses is presented below:

Investment income	**2024** **$**	**2023** **$**
Interest revenue from financial assets not measured at FVTPL	595,898	570,557
Interest revenue from financial assets measured at FVTPL	51,040	4,000
Net gains on investments at FVTPL	86,174	100,050
Net credit impairment recoveries	31,562	59,021
Net investment income	764,674	733,628
Amounts recognised in other comprehensive income	(83,255)	505,128
Total investment income	**681,419**	**1,238,756**

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

10. Investment Income and Insurance Finance Expense (Continued)

	2024 $	2023 $
Finance expenses from insurance contracts issued		
Interest accreted	612,320	477,389
Effect of changes in interest rates and other financial assumptions	(477,389)	(657,507)
Finance income/(expenses) from insurance contracts issued	**134,931**	**(180,118)**
Finance income from reinsurance contracts held		
Interest accreted	(148,859)	(81,961)
Effect of changes in interest rates and other financial assumptions	81,961	266,113
Finance (expenses)/income from reinsurance contracts held	**(66,898)**	**184,152**
Net insurance finance income	**68,033**	**4,034**

11. Insurance Service Expenses

	2024 $	2023 $
Incurred claims and other directly attributable expenses	7,505,407	3,691,427
Amortisation of insurance acquisition cash flows	9,964,566	9,818,231
Insurance service expense	**17,469,973**	**13,509,658**

12. Operating Expenses

An analysis of the expenses incurred by the Company is included in the table below:

31 December 2024	**Acquisition cash flows** **$**	**Other directly attributable expenses** **$**	**Other operating expenses** **$**	**Total** **$**
Personnel costs (Note 16)	209,794	109,476	972,591	1,291,861
Audit fees	669	24,947	85,754	111,370
General and administrative	6,823	254,642	875,309	1,136,774
Depreciation and amortisation	-	-	41,586	41,586
	217,286	**389,065**	**1,975,240**	**2,581,591**

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

12. Operating Expenses (Continued)

31 December 2023	Acquisition cash flows $	Other directly attributable expenses $	Other operating expenses $	Total $
Personnel costs (Note 16)	228,212	116,279	908,800	1,253,291
Audit fees	576	20,991	130,833	152,400
General and administrative	4,100	149,435	931,377	1,084,912
Depreciation and amortisation	-	-	28,815	28,815
	232,888	**286,705**	**1,999,825**	**2,519,418**

Included in 'audit fees' above, are audit fees for the year ended 31 December 2024 totaled $111,370 (2023: $152,400). There were no other fees paid to the auditor (and related network firms) for non-assurance services (2023: $Nil).

13. Share Capital

The Company has authorised share capital of $10,000,000 comprised of 10,000,000 ordinary shares with a par value of $1.00 each. The Company originally issued 5,000,000 ordinary shares with a par value of $1.00 each. During 2021, the Company acquired 340,750 of its ordinary shares directly from a shareholder for $1,805,975. In prior years, the Company acquired 350,000 of its ordinary shares directly from a shareholder for $910,000, and it has the right to reissue these shares at a later date; accordingly, these shares are classified as treasury shares. Treasury shares are not in issue and are therefore deducted from the total number of issued shares.

	Number of Issued Shares	Share Capital $	Treasury Shares $	Total $
Balance as at 31 December 2024	4,309,250	5,000,000	(2,715,975)	**2,284,025**
Balance as at 31 December 2023	4,309,250	5,000,000	(2,715,975)	**2,284,025**

Included in issued share capital are 1,000,000 ordinary shares designated as founder shares that entitle the holder to the right as regards to dividends and retained earnings as though he were the holder of 1.25 ordinary shares for each founder share. During 2024, the Company declared dividends of $Nil (2023: $0.12).

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

14. Catastrophe Reserve

In the prior years, $600,000 of the general reserve was released to the consolidated statement of income due to the impact of Hurricane Dorian to mitigate the financial impact of catastrophe losses. In 2021, $400,000 was transferred to the catastrophe reserve. Distributions from the catastrophe reserve can only be made following the approval of the Board of Directors.

15. Other Reserves

	Fair Value Reserve $	Revaluation Reserve $	Total $
Balance as at 1 January 2024	4,084,855	142,651	4,227,506
Net unrealised gain in investment assets	(83,255)	-	(83,255)
Balance as at 31 December 2024	**4,001,600**	**142,651**	**4,144,251**

	Fair Value Reserve $	Revaluation Reserve $	Total $
Balance as at 1 January 2023	3,579,727	142,651	3,722,378
Net unrealised gain in investment assets	505,128	–	505,128
Balance as at 31 December 2023	**4,084,855**	**142,651**	**4,227,506**

16. Employee Benefits

The pension costs recognised in personnel costs in the consolidated statement of income total $44,581 (2023: $42,177). The Company's contributions to the pension plan vest 50% with the employee upon completion of 5 years of employment, incrementally vesting annually, with full vesting upon completion of 10 years of employment.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

17. Related Party Balances and Transactions

Related parties comprise significant shareholders, directors and key management personnel, and entities these parties control or over which they exercise significant influence. Of the premiums written during the year, 93% (2023: 93%) were generated by an insurance agency whose principal is a director of the Company and owns 23% of the Company's shares in issue.

The consolidated financial statements include the following balances and transactions with related parties, not otherwise disclosed:

	2024 $	2023 $
Consolidated Statement of Financial Position		
Insurance contract liabilities (related parties)	10,658,291	11,169,406
Consolidated Statement of Income		
Insurance revenue from related parties	2,371,582	1,549,158
Insurance revenue from agent	51,304,747	49,652,314
Commission paid to agents, including profit commissions	9,627,755	9,757,632
General and administrative expense – directors' fees	30,000	30,000

During the year, personnel costs for key management personnel totaled $646,071 (2023: $650,840), which included $29,331 (2023: $29,927) in pension benefits.

18. Commitments and Contingent Liabilities

Contingent liabilities

The Company is a party to several legal actions involving claims. Management believes that the resolution of these matters will not have a material impact on the Company's consolidated financial statements and adequate provision has been made in the outstanding claims reserve.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

19. Risk Management

The Company engages in transactions that expose it to insurance risk, credit risk, liquidity risk, interest rate risk, price risk and currency risk in the normal course of business. The Company's financial performance is affected by its capability to understand and effectively manage these risks, and its challenge is not only to measure and monitor these risks but also to manage them as profit opportunities.

(a) Insurance risk

Insurance risk is the risk under insurance contracts that the insured event occurs and the amount of the resulting claim is uncertain. By the very nature of an insurance contract, the risk is random and therefore unpredictable.

The frequency and severity of claims can be affected by several factors with the single most significant event being a catastrophic event. The Company has outsourced its claims department to a related party insurance agency and has an internal claims technical officer who works closely with the insurance agency to actively manage and pursue early settlement of claims to reduce the Company's exposure to unpredictable developments. The Company also uses external loss adjusters, as necessary. In respect of serious bodily injury claims and complex claim disputes, the Company will appoint legal counsel to act on its behalf, where necessary, to ensure settlements and avoid claims development. However, the severity of claims can be affected by an increasing level of awards of the courts and inflation.

In the normal course of business, the Company seeks to limit its exposure to losses that may arise from any single occurrence through the use of reinsurance arrangements. Reinsurance is primarily placed using a combination of proportional, facultative and excess of loss treaties. The Company has reinsurance coverage in place to limit the impact of claims in any one year, with such coverage designed to limit the impact of claims related to any single event and/or catastrophe to approximately 10% of total equity.

Obtaining reinsurance does not, however, relieve the Company of its primary obligations to the policyholders; therefore, the Company is exposed to the risk that the reinsurers may be unable to fulfil their obligations under the contracts. The Company seeks to mitigate this risk by placing its reinsurance coverage with large multi-national insurers and as at 31 December 2024, the Company's principal reinsurers have a minimum A.M. Best Financial Strength Rating of A- (Excellent) or equivalent rating with alternate rating agencies. The Company does not anticipate 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.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

19. Risk Management (Continued)

(a) Insurance risk (continued)

Property insurance risks

Property insurance contracts provide compensation for loss or damage to property and business interruption insurance contracts provide compensation for loss of profits following damage to the insured property. Such insurance contracts cover property, motor and marine risks, and are underwritten by reference to the commercial replacement value of the property and contents insured.

For property insurance contracts, climatic changes are giving rise to more frequent severe extreme weather events (for example, hurricanes, tropical storms and storm surges) and resulting damages. The Company has: the right to re-price each individual risk on renewal; the ability to impose or increase deductibles; and payment limits to cap the amount payable on occurrence of the insured event. The costs of repairing or rebuilding properties, the cost of providing replacement or indemnity for damaged or stolen contents, and time taken to restart business operations are the key factors that influence the level of claims under these policies. The most likely cause of major loss under property insurance contracts arises from a hurricane event or other serious weather related event. Single events, such as fires and collisions, may also generate significant claims.

As property claims generally have short settlement periods, these claims can be estimated with greater reliability.

Casualty insurance risks

Casualty insurance contracts provide compensation for personal injury from motor claims, public liability, employers' liability, workmen's compensation and personal liability coverage.

The Company manages these risks through conservative underwriting and reinsurance strategies and the adoption of proactive claims management. Underwriting policies and procedures enforce appropriate risk selection criteria, and include the right not to renew individual insurance contracts and the right to reject the payment of a fraudulent claim. The frequency and severity of claims can be affected by several factors, including inflation, the level of awards of the courts and length of time to settle the claims.

Claims on casualty insurance contracts are payable on a claims-occurrence basis. The Company is liable for all insured events that occur during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a longer period of time. Given the uncertainty in establishing reserves for such claims, it is possible that the final cost of a claim will vary significantly from the initial reserve. In calculating the estimated cost of outstanding claims, the Company uses various industry standard loss estimation techniques and the experience of the Company in settling similar claims. All of the Company's insurance premiums are written in The Bahamas.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

19. Risk Management (Continued)

(a) Insurance risk (continued)

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

	2024		**2023**	
	$	**$**	**$**	**$**
Ultimate claims 5% increase or decrease	**Net Income**	**Equity**	**Net Income**	**Equity**
Net insurance contract liabilities	461,511	461,511	406,663	406,663
Net reinsurance contract assets	153,720	153,720	111,949	111,949

(b) Credit risk

Credit risk arises from the potential failure of a counterparty to perform according to the terms of the contract. The Company's exposure to credit risk includes the majority of its assets. To mitigate this risk, the Company places cash and term deposits with financial institutions in good standing with the Central Bank of The Bahamas; monitors the payment history of its agents before continuing to do business with them; places reinsurance coverage as noted in (a) above; and invests in debt securities of financially sound companies.

As at 31 December 2024, amounts due from reinsurers and agents are current.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

19. Risk Management (Continued)

(b) Credit risk (continued)

The Company's internal rating process

The credit quality of financial assets can be assessed by reference to external credit ratings if available, or to a rating assigned by the Company's finance team. The table below sets out the credit quality analysis of financial assets measured at amortised cost.

	31 December		Total
	Investment Grade	Non-Investment Grade	
As at 31 December 2024	**$**	**$**	**$**
Cash and due from banks	8,141,729	-	8,141,729
Other assets	816,520	57,162	873,682
Reinsurance contract assets	11,564,016	-	11,564,016
Investment assets	8,754,395	3,310,960	12,065,355
	29,276,660	**3,368,122**	**32,644,782**
As at 31 December 2023			
Cash and due from banks	10,026,902	-	10,026,902
Other assets	830,195	72,415	902,610
Reinsurance contract assets	9,494,566	-	9,494,566
Investment assets	8,020,898	3,306,715	11,327,613
	28,372,561	**3,379,130**	**31,751,691**

Model for expected credit loss

The Company applies the 'three-stage' model for impairment of financial assets based on changes in credit quality since initial recognition as summarised below:

Stage 1 – financial assets that have not experienced a significant increase in credit risk since initial recognition
Stage 2 – significant increase in credit risk since initial recognition but not yet deemed to be credit-impaired
Stage 3 – credit-impaired on payment default

Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of the lifetime expected credit losses that result from default events possible within the next twelve (12) months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. The Company's policy for recognition of the ECL is set out in Note 2(e).

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

19. Risk Management (Continued)

(b) Credit risk (continued)

Model for expected credit loss (continued)

Significant increase in credit risk
The Company assesses at each reporting date whether there has been a significant increase in credit risk since initial recognition. The Company considers that there has been a significant increase in credit risk when any contractual payments are more than 30 days past due or when there has been a two notch downgrade in external credit ratings.

In 2022, Moody's downgraded the credit rating of The Bahamas to "B1", which is considered non-investment grade. As a result, this lead to a significant increase in credit risk and the impairment provision for Bahamian sovereign debt issued prior to the downgrade will fall under "Lifetime ECL." None of the Company's financial assets in the scope of ECL provisions were assessed as credit impaired at initial recognition.

Forward looking information
In its ECL models, the Company relies on a broad range of forward-looking information as economic inputs in The Bahamas including The Bahamas gross domestic product growth rate; and the Central Bank of The Bahamas base rates.

Definition of default

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

Loss allowance
The following tables show reconciliations from the opening to the closing balance of the gross balance and loss allowance for investment assets at amortised cost. Reconciling items include:

- New assets originated or purchased
- Assets derecognised
- Net transfer to/(from) 12 month ECL and lifetime ECL
- Remeasurements which comprise the impact of model inputs or assumptions including forward looking macroeconomic conditions, changes in the measurement following a transfer between 12 month ECL and lifetime ECL and unwinding of the time value discount due to the passage of time.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

19. Risk Management (Continued)

(b) Credit risk (Continued)

Model for expected credit loss (continued)

Loss allowance (continued)

Gross carrying amount	**12mECL $**	**LTECL $**	**Total $**
Balance as at 1 January 2024	7,703,779	3,838,149	11,541,928
New assets originated or purchased	1,863,731	-	1,863,731
Derecognition of assets	(521,236)	(595,181)	(1,116,417)
Transfers	(134,550)	134,550	-
Change in principal and accrued interest	(48,302)	7,167	(41,135)
Balance as at 31 December 2024	**8,863,422**	**3,384,685**	**12,248,107**

Allowance for expected credit losses	**12mECL $**	**LTECL $**	**Total $**
Balance as at 1 January 2024	25,355	188,960	214,315
New assets originated or purchased	3,611	-	3,611
Derecognition of assets	(1,618)	(8,242)	(9,860)
Transfers	(450)	450	-
Remeasurements	(15,323)	(9,991)	(25,314)
Balance as at 31 December 2024	**11,575**	**171,177**	**182,752**

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

19. Risk Management (Continued)

(b) Credit risk (Continued)

Model for expected credit loss (continued)

Loss allowance (continued)

Gross carrying amount	**12mECL $**	**LTECL $**	**Total $**
Balance as at 1 January 2023	7,648,784	3,960,827	11,609,611
New assets originated or purchased	23,328	-	23,328
Derecognition of assets	(16,353)	(120,532)	(136,885)
Change in principal and accrued interest	48,020	(2,146)	45,874
Balance as at 31 December 2023	**7,703,779**	**3,838,149**	**11,541,928**

Allowance for expected credit losses	**12mECL $**	**LTECL $**	**Total $**
Balance as at 1 January 2023	-	-	-
Impact of restatement of IFRS 9	25,576	247,757	273,333
New assets originated or purchased	-	-	-
Derecognition of assets	-	(34,997)	(34,997)
Remeasurements	(221)	(23,800)	(24,021)
Balance as at 31 December 2023	**25,355**	**188,960**	**214,315**

(c) Liquidity risk

Liquidity risk is the risk that the Company may not have the necessary financial resources to honor all of its financial commitments including claims. All ‘other liabilities’ are due on demand and claims are payable on the occurrence of the claims, which principally results in short-term cash outflows. The remaining general insurance liabilities could result in cash outflows within one year.

The Company manages its liquidity risk by maintaining an appropriate level of liquid assets (principally cash at banks and term deposits), which mature or could be sold immediately to meet cash requirements for normal operating purposes. Except for certain investments in securities (Note 5), investment property and property, plant and equipment, all other assets could result in cash inflows within one year.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

19. Risk Management (Continued)

(d) Interest rate risk

Interest rate risk is the risk that the fair values or cash flows of financial instruments may fluctuate significantly as a result of changes in market interest rates. The Company's exposure to fair value interest rate risk is considered minimal as its interest-bearing financial instruments for the most part have short terms to maturity or interest rates that periodically reset to market rates. The resulting cash flow interest rate risk is not considered significant, accordingly, the risk is not hedged and considered a profit opportunity.

(e) Price risk

Price risk is the risk that the fair values and/or amounts realised on sale of financial instruments may fluctuate significantly as a result of changes in market prices. The securities measured at fair value expose the Company to price risk. The Company invests in private equity securities of companies demonstrating profit potential generally accompanying underlying assets with fair values in excess of the entity's equity. Investments are also made in exchange traded securities of companies that the Directors of the Company, with the advice of investment managers, consider to have income and/or capital gains potential.

For the year ended 31 December 2024, the All Share Index of the Bahamas International Securities Exchange experienced a return of 5.49%. The carrying amount of the Company's securities measured at fair value would increase/(decrease) by $741,717/($741,717), if these investments in securities experienced returns of +10% and -10%, respectively.

(f) Currency risk

Currency risk is the risk that the fair values and/or amounts realised on settlement of financial instruments, and settlements of foreign currency transactions, will fluctuate due to changes in foreign currency rates. Currency risk arises when future commercial transactions and recognised monetary assets and liabilities are denominated in currencies other than the Company's functional currency. The Company is not subject to significant currency risk as its foreign currency transactions and monetary assets and liabilities are denominated in currencies with foreign exchange rates currently fixed against the Company's functional currency.

Summit Insurance Company Limited

Notes to the Consolidated Financial Statements
For the Year Ended 31 December 2024
(Continued)

20. Capital Management

The Company's objectives when managing capital, which consists of total equity on the consolidated balance sheet, are:

- To comply with the capital requirements imposed by the Insurance Commission of The Bahamas and other regulators of the insurance markets in which the Company operates;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide adequate returns to shareholders by pricing insurance contracts commensurate with the level of risk.

The Insurance Commission of The Bahamas specifies the minimum amount and type of capital that must be held and solvency ratio that must be maintained.

The minimum capital requirement applicable to the Company is $2,000,000. The Company has complied with all of the externally imposed capital requirements to which it is subject.

21. Fair Value of Financial Instruments

Financial instruments utilised by the Company are limited to the recorded financial assets and liabilities in the consolidated statement of financial position. These financial instruments are carried at fair value, are relatively short-term in nature or have interest rates that periodically reset to market interest rates, and accordingly, the estimated fair values are not significantly different from the carrying value as reported in the consolidated statement of financial position. For financial assets, other than those recognised at fair value, the fair value hierarchy is principally Level 2.