# General Accident Insurance Company Jamaica Limited

## Financial Statements
## 31 December 2011

# General Accident Insurance Company Jamaica Limited
Index
**31 December 2011**

# 3. EXPRESSION OF OPINION

I have examined the financial condition and valued the policy and claims liabilities of GAICJL for its balance sheet as at December 31, 2011 and the corresponding change in the policy and claims liabilities in the statement of operations for the year then ended. I meet the appropriate qualification standards and am familiar with the valuation and solvency requirements applicable to general insurance companies in Jamaica. I have relied upon PriceWaterhouseCoopers for the substantial accuracy of the records and information concerning other liabilities, as certified in the attached statement.

The results of my valuation together with amounts carried in the Annual Return are the following:

| Claims Liabilities (J$000) | Carried in Annual Return | Actuary's Estimate |
|---|---|---|
| Direct unpaid claims and adjustment expenses: | 688,107 | 688,107 |
| Assumed unpaid claims and adjustment expenses: | 0 | 0 |
| Gross unpaid claims and adjustment expenses: | 688,107 | 688,107 |
| Ceded unpaid claims and adjustment expenses: | 126,485 | 126,485 |
| Other amounts to recover: | 0 | 0 |
| Other net liabilities: | 0 | 0 |
| Net unpaid claims and adjustment expenses: | 561,622 | 561,622 |

| Policy Liabilities (J$000) | Carried in Annual Return | Actuary's Estimate |
|---|---|---|
| Gross policy liabilities in connection with unearned premiums: | | 408,325 |
| Net policy liabilities in connection with unearned premiums: | | 353,090 |
| Gross unearned premiums: | 1,259,115 | |
| Net unearned premiums: | 414,975 | |
| Premium deficiency: | 0 | |
| Other net liabilities: | 0 | |

In my opinion:

(i) The methods and procedures used in the verification of the data are sufficient and reliable and fulfill acceptable standards of care;

(ii) The valuation of policy and claims liabilities has been made in accordance with generally accepted actuarial practice with such changes as determined and directions made by the Commission;

(iii) The methods and assumptions used to calculate the policy and claims liabilities are appropriate to the circumstances of the company and of the said policies and claims;

(iv) The amount of policy and claims liabilities represented in the balance sheet of General Accident Insurance Company Jamaica Limited makes proper provision for the future payments under the company's policies and meet the requirements of the Insurance Act and other appropriate regulations of Jamaica;

(v) A proper charge on account of these liabilities has been made in the statement of comprehensive income;

(vi) There is sufficient capital available to meet the solvency standards as established by the Commission

| Josh Worsham, FCAS, MAAA | Josh Worsham | March 26, 2012 |
|---|---|---|
| Name of Appointed Actuary | Signature of Appointed Actuary | Date |

pwc

# *Independent Auditors' Report*

To the Members of
General Accident Insurance Company Jamaica Limited

## Report on the Financial Statements

We have audited the accompanying consolidated financial statements of General Accident Insurance Company Jamaica Limited and its subsidiary (the Group), and the accompanying financial statements of General Accident Insurance Company Jamaica Limited standing alone (the Company), set out on pages 1 to 84, which comprise the consolidated and company statements of financial position as of 31 December 2011 and the consolidated and company statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Kingston, Jamaica*
*T: (876) 922 6230, F: (876) 922 7581, www.pwc.com/jm*
L A McKnight P E Williams A K Jain B L Scott B J Denning G A Reece P A Williams R S Nathan C I Bell-Wisdom G K Moore T N Smith DaSilva K D Powell

***Opinion***

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as of 31 December 2011, and of financial performance and cash flows of the Group and the Company for the year then ended, so far as concerns the members of the Company, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

**Report on Other Legal and Regulatory Requirements**

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Act, in the manner so required.

PricewaterhouseCoopers

Chartered Accountants
29 March 2012
Kingston, Jamaica

# General Accident Insurance Company Jamaica Limited

Group Statement of Comprehensive Income

**Year ended 31 December 2011**

(expressed in Jamaican dollars unless otherwise indicated)

| | Note | 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| **Gross Premiums Written** | | 3,626,395 | 2,203,074 |
| Reinsurance ceded | | (2,632,089) | (1,316,892) |
| Excess of loss reinsurance cost | | (127,793) | (101,620) |
| Net premiums written | | 866,513 | 784,562 |
| Changes in unearned premiums, net | | (47,023) | (91,477) |
| **Net Premiums Earned** | | 819,490 | 693,085 |
| Commission income | | 294,522 | 206,211 |
| Commission expense | | (231,689) | (162,168) |
| Claims expense | 10 | (420,142) | (426,624) |
| Management expenses | | (300,592) | (241,641) |
| **Underwriting Profit** | | 161,589 | 68,863 |
| Investment income | 11 | 947,972 | 113,267 |
| Other income | 12 | 193,669 | 1,186 |
| Other operating expenses | | (28,642) | (30,430) |
| **Profit before Taxation** | | 1,274,588 | 152,886 |
| Taxation | 16 | (56,662) | (30,831) |
| **Profit for the Year from Continuing Operations** | | 1,217,926 | 122,055 |
| **Discontinued Operations** | | | |
| Profit for the year from discontinued operations | 17 | 12,979 | 31,193 |
| **Profit for the Year** | 18 | 1,230,905 | 153,248 |
| **Other Comprehensive Income:** | | | |
| Unrealised gains on available-for-sale investments, net of tax | | 98,193 | 138,136 |
| Gains recycled to profit or loss on disposal and maturity of available-for-sale investments | | (847,201) | (20,807) |
| **Total Other Comprehensive Income** | 16 | (749,008) | 117,329 |
| **TOTAL COMPREHENSIVE INCOME** | | 481,897 | 270,577 |
| **Total comprehensive income attributable to equity shareholders arises from:** | | | |
| Continuing operations | | 468,918 | 239,384 |
| Discontinued operations | | 12,979 | 31,193 |
| | | 481,897 | 270,577 |
| **EARNINGS PER SHARE** | 19 | $1.38 | $0.15 |

# General Accident Insurance Company Jamaica Limited

Group Statement of Financial Position

**31 December 2011**

(expressed in Jamaican dollars unless otherwise indicated)

| | Note | 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and short term investments | 21 | 1,134,278 | 591,115 |
| Taxation recoverable | | 13,028 | 14,984 |
| Due from policyholders, brokers and agents | | 394,303 | 440,959 |
| Due from reinsurers and coinsurers | 22 | 1,022,870 | 627,038 |
| Insurance premium financing receivables | 23 | - | 66,994 |
| Deferred policy acquisition cost | | 149,587 | 141,000 |
| Other receivables | 24 | 10,304 | 13,486 |
| Due from related parties | 9 | 1,156 | - |
| Loans receivable | 25 | 236,896 | 345,514 |
| Leases receivable | 26 | 41,962 | - |
| Investment securities | 27 | 468,454 | 1,156,624 |
| Property, plant and equipment | 28 | 41,709 | 95,084 |
| Intangible assets | 29 | 26,624 | 29,914 |
| **Total assets** | | 3,541,171 | 3,522,712 |
| **LIABILITIES** | | | |
| Due to reinsurers and coinsurers | | 253,009 | 312,388 |
| Other liabilities | 30 | 81,596 | 67,441 |
| Due to related parties | 9 | - | 12,836 |
| Taxation payable | | 10,599 | 29,874 |
| Deferred tax liabilities | 31 | 12,713 | 5,521 |
| Insurance reserves | 32 | 2,042,511 | 1,511,904 |
| Borrowings | 33 | - | 258,335 |
| **Total liabilities** | | 2,400,428 | 2,198,299 |
| **SHAREHOLDER'S EQUITY** | | | |
| Share capital | 34 | 470,358 | 75,000 |
| Capital reserves | 35 | 152,030 | 129,456 |
| Fair value reserve | 36 | 110,517 | 859,525 |
| Retained earnings | 18 | 407,838 | 260,432 |
| **Total shareholders' equity** | | 1,140,743 | 1,324,413 |
| **Total liabilities and shareholders' equity** | | 3,541,171 | 3,522,712 |

**Approved by the Board of Directors on 29 March 2012 and signed on its behalf by:**

Paul Scott — Chairman

Sharon Donaldson — Director

# General Accident Insurance Company Jamaica Limited

Group Statement of Changes in Equity

**Year ended 31 December 2011**

(expressed in Jamaican dollars unless otherwise indicated)

| | Note | Share Capital $'000 | Capital Reserves $'000 | Fair Value Reserve $'000 | Retained Earnings $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Balance at 31 December 2009 | | 75,000 | 96,390 | 742,196 | 235,250 | 1,148,836 |
| **Comprehensive income :** | | | | | | |
| Net profit for the year | | - | - | - | 153,248 | 153,248 |
| Other comprehensive income | 16 | - | - | 117,329 | - | 117,329 |
| **Total comprehensive income** | | - | - | 117,329 | 153,248 | 270,577 |
| **Transactions with owners** | | | | | | |
| Dividends | 20 | | | | (95,000) | (95,000) |
| Profits capitalised – Capital distribution received | 35 | - | 33,066 | | (33,066) | - |
| **Total transactions with owners** | | - | 33,066 | - | (128,066) | (95,000) |
| **Balance at 31 December 2010** | | 75,000 | 129,456 | 859,525 | 260,432 | 1,324,413 |
| **Comprehensive income :** | | | | | | |
| Net profit for the year | | - | - | - | 1,230,905 | 1,230,905 |
| Other comprehensive income | 16 | - | - | (749,008) | - | (749,008) |
| **Total comprehensive income** | | - | - | (749,008) | 1,230,905 | 481,897 |
| **Transactions with owners** | | | | | | |
| Issue of shares | 34 | 395,358 | - | - | - | 395,358 |
| Dividends | 20 | - | - | - | (1,060,925) | (1,060,925) |
| Profits capitalised – Capital distribution received | 35 | - | 22,574 | - | (22,574) | - |
| **Total transactions with owners** | | 395,358 | 22,574 | - | (1,083,499) | (665,567) |
| **Balance at 31 December 2011** | | 470,358 | 152,030 | 110,517 | 407,838 | 1,140,743 |

# General Accident Insurance Company Jamaica Limited

Group Statement of Cash Flows

**Year ended 31 December 2011**

(expressed in Jamaican dollars unless otherwise indicated)

| | Note | 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Net profit | | 1,230,905 | 153,248 |
| Adjustments for items not affecting cash: | | | |
| Depreciation | 28 | 15,894 | 19,991 |
| Amortisation of intangible asset | 29 | 13,236 | 11,169 |
| Gain on sale of investment | 11 | (848,471) | (24,980) |
| Unrealised gain on units in unit trust fund | 11 | (7,598) | (4,356) |
| Gain on disposal of property, plant and equipment | 12 | (157,554) | (158) |
| Loss on disposal of subsidiary | 11 | 3,704 | - |
| Interest income | 11 | (111,126) | (181,664) |
| Interest expense | 13 | 14,089 | 43,836 |
| Dividend income | | - | (46) |
| Capital distribution | 11 | (22,574) | (33,066) |
| Current taxation | 16 | 53,541 | 66,460 |
| Deferred taxation | 16 | 6,637 | (19,184) |
| Foreign exchange (gains)/losses | | (4,813) | 17,965 |
| Increase in deferred policy acquisition cost | | (8,587) | (45,433) |
| Increase in insurance reserves | | 530,607 | 348,647 |
| | | 707,890 | 352,429 |
| Changes in operating assets and liabilities: | | | |
| Due from policyholders, brokers and agents | | 46,656 | (205,437) |
| Insurance premium financing receivables | | 26,593 | (5,576) |
| Loans receivable | | (258,778) | 49,153 |
| Interest received | | 44,956 | 199,902 |
| Other receivables | | 3,182 | 3,505 |
| Other liabilities | | 73,480 | (5,107) |
| Due to related parties | | (11,578) | 11,019 |
| Due from reinsurers and coinsurers, net | | (455,211) | (26,009) |
| | | (530,700) | 21,450 |
| Taxation paid | | (70,504) | (13,038) |
| Net cash provided by operating activities carried forward | | 106,686 | 360,841 |

# General Accident Insurance Company Jamaica Limited

Group Statement of Cash Flows (Continued)

**Year ended 31 December 2011**

(expressed in Jamaican dollars unless otherwise indicated)

| | Note | 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| **Net cash provided by operating activities brought forward** | | 106,686 | 360,841 |
| **Cash Flows from Investing Activities** | | | |
| Acquisition of investments | | (125,519) | (13,630) |
| Leases receivable, net | | (41,962) | - |
| Acquisition of property, plant and equipment | 28 | (9,097) | (14,178) |
| Acquisition of intangible asset | 29 | (10,732) | (10,575) |
| Proceeds from disposal of property, plant and equipment | | 12,315 | 158 |
| Proceeds from disposal and maturity of investments | | 31,271 | 65,997 |
| Disposal of subsidiary | 39 | (55,053) | - |
| Capital distribution received | 35 | 22,574 | 33,066 |
| Dividend received | | - | 46 |
| Interest received | | 70,281 | 54,427 |
| Net cash (used in)/provided by investing activities | | (105,922) | 115,311 |
| **Cash Flows from Financing Activities** | | | |
| Proceeds from issue of shares | | 395,358 | - |
| Borrowings, net | | 249,336 | (21,028) |
| Dividends paid | | (90,925) | (95,000) |
| Interest paid | | (14,341) | (80,461) |
| Net cash provided by/(used in) financing activities | | 503,428 | (196,489) |
| Increase in cash and cash equivalents | | 540,192 | 279,663 |
| Effect of exchange rate changes on cash and cash equivalents | | 2,971 | (10,428) |
| Cash and cash equivalents at beginning of year | | 591,115 | 321,880 |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR (NOTE 21)** | | 1,134,278 | 591,115 |

The principal non-cash transactions during the year were as follows:

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Dividends declared and paid | 970,000 | - |
| Proceeds from sale of available-for-sale equity investments | 887,287 | - |
| Procceds from sale of subsidiary | 66,288 | - |
| Proceeds from disposal of property, plant and equipment | 189,000 | - |
| | 2,112,575 | - |

# General Accident Insurance Company Jamaica Limited

Company Statement of Comprehensive Income

**Year ended 31 December 2011**

(expressed in Jamaican dollars unless otherwise indicated)

| | Note | 2011<br>$'000 | 2010<br>$'000 |
|---|---|---|---|
| **Gross Premiums Written** | | 3,626,395 | 2,203,074 |
| Reinsurance ceded | | (2,632,089) | (1,316,892) |
| Excess of loss reinsurance cost | | (127,793) | (101,620) |
| Net premiums written | | 866,513 | 784,562 |
| Changes in unearned premiums, net | | (47,023) | (91,477) |
| **Net Premiums Earned** | | 819,490 | 693,085 |
| Commission income | | 294,374 | 206,210 |
| Commission expense | | (231,689) | (162,168) |
| Claims expense | 10 | (420,142) | (426,624) |
| Management expenses | | (300,592) | (241,641) |
| **Underwriting Profit** | | 161,441 | 68,862 |
| Investment income | 11 | 1,015,010 | 204,565 |
| Other income | 12 | 193,669 | 1,778 |
| Other operating expenses | | (28,642) | (30,430) |
| **Profit before Taxation** | | 1,341,478 | 244,775 |
| Taxation | 16 | (56,662) | (30,831) |
| **Net Profit for the Year** | 18 | 1,284,816 | 213,944 |
| **Other Comprehensive Income:** | | | |
| Unrealised gains on available-for-sale investments, net of tax | | 98,193 | 138,136 |
| Gains recycled to profit or loss on disposal and maturity of available-for-sale investments | | (847,201) | (20,807) |
| **Total Other Comprehensive Income** | 16 | (749,008) | 117,329 |
| **TOTAL COMPREHENSIVE INCOME** | | 535,808 | 331,273 |

# General Accident Insurance Company Jamaica Limited

Company Statement of Financial Position

**31 December 2011**

(expressed in Jamaican dollars unless otherwise indicated)

| | Note | 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and short term investments | 21 | 1,134,278 | 575,494 |
| Taxation recoverable | | 13,028 | 14,984 |
| Due from policyholders, brokers and agents | | 394,303 | 440,959 |
| Due from reinsurers and coinsurers | 22 | 1,022,870 | 627,038 |
| Deferred policy acquisition cost | | 149,587 | 141,000 |
| Other receivables | 24 | 10,304 | 13,486 |
| Due from related parties | 9 | 1,156 | 33,849 |
| Loans receivable | 25 | 236,896 | 36,683 |
| Leases receivable | 26 | 41,962 | - |
| Investment securities | 27 | 468,454 | 1,152,094 |
| Investment in subsidiary | | - | 1,046 |
| Property, plant and equipment | 28 | 41,709 | 91,952 |
| Intangible assets | 29 | 26,624 | 28,971 |
| **Total assets** | | 3,541,171 | 3,157,556 |
| **LIABILITIES** | | | |
| Due to reinsurers and coinsurers | | 253,009 | 312,388 |
| Other liabilities | 30 | 81,596 | 57,614 |
| Taxation payable | | 10,599 | - |
| Deferred tax liabilities | 31 | 12,713 | 5,148 |
| Insurance reserves | 32 | 2,042,511 | 1,511,904 |
| **Total liabilities** | | 2,400,428 | 1,887,054 |
| **SHAREHOLDER'S EQUITY** | | | |
| Share capital | 34 | 470,358 | 75,000 |
| Capital reserves | 35 | 152,030 | 129,456 |
| Fair value reserve | 36 | 110,517 | 859,525 |
| Retained earnings | 18 | 407,838 | 206,521 |
| **Total shareholder's equity** | | 1,140,743 | 1,270,502 |
| **Total liabilities and shareholder's equity** | | 3,541,171 | 3,157,556 |

**Approved by the Board of Directors on 29 March 2012 and signed on its behalf by:**

Paul Scott — Chairman

Sharon Donaldson — Director

# General Accident Insurance Company Jamaica Limited

Company Statement of Changes in Equity

**Year ended 31 December 2011**

(expressed in Jamaican dollars unless otherwise stated)

| | Note | Share Capital $'000 | Capital Reserves $'000 | Fair Value Reserve $'000 | Retained Earnings $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Balance at 31 December 2009 | | 75,000 | 96,390 | 742,196 | 120,643 | 1,034,229 |
| **Comprehensive income :** | | | | | | |
| Net profit for the year | | - | - | | 213,944 | 213,944 |
| Other comprehensive income | 16 | - | - | 117,329 | - | 117,329 |
| **Total comprehensive income** | | - | - | 117,329 | 213,944 | 331,273 |
| **Transactions with owners** | | | | | | |
| Dividends | 20 | - | - | - | (95,000) | (95,000) |
| Profits capitalised – Capital distribution received | 35 | - | 33,066 | - | (33,066) | - |
| **Total transactions with owners** | | - | 33,066 | - | (128,066) | (95,000) |
| **Balance at 31 December 2010** | | 75,000 | 129,456 | 859,525 | 206,521 | 1,270,502 |
| **Comprehensive income :** | | | | | | |
| Net profit for the year | | - | - | - | 1,284,816 | 1,284,816 |
| Other comprehensive income | 16 | - | - | (749,008) | - | (749,008) |
| **Total comprehensive income** | | - | | (749,008) | 1,284,816 | 535,808 |
| **Transactions with owners** | | - | | | | |
| Issue of shares | 34 | 395,358 | - | - | - | 395,358 |
| Dividends | 20 | - | - | - | (1,060,925) | (1,060,925) |
| Profits capitalised – Capital distribution received | 35 | - | 22,574 | - | (22,574) | - |
| **Total transactions with owners** | | 395,358 | 22,574 | - | (1,083,499) | (665,567) |
| **Balance at 31 December 2011** | | 470,358 | 152,030 | 110,517 | 407,838 | 1,140,743 |

# General Accident Insurance Company Jamaica Limited

Company Statement of Cash Flows
**Year ended 31 December 2011**
(expressed in Jamaican dollars unless otherwise indicated)

| | Note | 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Net profit | | 1,284,816 | 213,944 |
| Adjustments for items not affecting cash: | | | |
| Depreciation | 28 | 15,563 | 19,497 |
| Amortisation of intangible assets | 29 | 13,079 | 10,933 |
| Gain on sale of investments | 11 | (848,471) | (24,980) |
| Gain on disposal of subsidiary | 11 | (61,928) | - |
| Unrealised gain on Unit Trust Fund | 11 | (7,103) | (3,971) |
| Gain on disposal of property, plant and equipment | 12 | (157,554) | (158) |
| Interest income | 11 | (74,934) | (52,502) |
| Dividend income | 11 | - | (90,046) |
| Capital distribution received | 11 | (22,574) | (33,066) |
| Current taxation | 16 | 49,993 | 37,019 |
| Deferred taxation | 16 | 6,669 | (6,188) |
| Foreign exchange (gains)/losses | | (6,506) | 15,267 |
| Increase in deferred policy acquisition cost | | (8,587) | (45,433) |
| Increase in insurance reserves | | 530,607 | 348,647 |
| | | 713,070 | 388,963 |
| Changes in operating assets and liabilities: | | | |
| Due from policyholders, brokers and agents | | 46,656 | (205,437) |
| Other receivables | | 3,182 | 1,474 |
| Loans receivable | | (25,669) | 44,918 |
| Other liabilities | | 23,982 | (3,767) |
| Due from related parties | | 12,693 | (1,422) |
| Due from reinsurers and coinsurers, net | | (455,211) | (26,009) |
| | | (394,367) | (190,243) |
| Taxation (paid)/recovered | | (37,439) | 1,716 |
| Net cash provided by operating activities | | 281,264 | 200,436 |
| **Cash Flows from Investing Activities** | | | |
| Acquisition of investments | | (125,519) | (14,015) |
| Leases receivable, net | | (41,962) | - |
| Acquisition of property, plant and equipment | 28 | (9,081) | (13,064) |
| Acquisition of intangible asset | 29 | (10,732) | (9,396) |
| Disposal of subsidiary | 39 | (3,314) | - |
| Proceeds from disposal of property, plant and equipment | | 12,315 | 158 |
| Proceeds from disposal and maturity of investments | | 31,271 | 66,368 |
| Capital distribution received | 35 | 22,574 | 33,066 |
| Dividend received | | 20,000 | 70,046 |
| Interest received | | 72,868 | 53,350 |
| Net cash (used in)/provided by investing activities | | (31,580) | 186,513 |

# General Accident Insurance Company Jamaica Limited

Company Statement of Cash Flows (Continued)

**Year ended 31 December 2011**

(expressed in Jamaican dollars unless otherwise indicated)

| | 2011<br>$'000 | 2010<br>$'000 |
|---|---|---|
| **Net cash (used in)/provided by investing activities brought forward** | (31,580) | 186,513 |
| **Cash Flows from Financing Activities** | | |
| Proceeds from issue of shares | 395,358 | - |
| Dividends paid | (90,925) | (95,000) |
| Net cash provided by/(used in) financing activities | 304,433 | (95,000) |
| Increase in cash and cash equivalents | 554,117 | 291,949 |
| Effect of exchange rate changes on cash and cash equivalents | 4,667 | (10,300) |
| Cash and cash equivalents at beginning of year | 575,494 | 293,845 |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR (NOTE 21)** | 1,134,278 | 575,494 |

**Non- cash transactions**

The principal non-cash transactions during the year were as follows:

| | 2011<br>$'000 | 2010<br>$'000 |
|---|---|---|
| Dividends declared and paid | 970,000 | - |
| Proceeds from sale of available-for-sale equity investments | 887,287 | - |
| Procceds from sale of subsidiary | 66,288 | - |
| Proceeds from disposal of property, plant and equipment | 189,000 | - |
| | 2,112,575 | - |

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2011**

(expressed in Jamaican dollars unless otherwise indicated)

## 1. Identification and Activities

General Accident Insurance Company Jamaica Limited (the company) is incorporated and domiciled in Jamaica. On 21 September 2011, the company issued ordinary shares to the public, and became listed on the Jamaica Junior Stock Exchange. Consequent on the listing of its shares, the company became an 80% subsidiary of Musson (Jamaica) Limited (Musson), having previously been a wholly owned subsidiary of Musson. The registered office of the company is located at 58 Half-Way-Tree Road, Kingston 10. The Company's ultimate parent company, Musson, is incorporated and domiciled in Jamaica.

The company is licensed to operate as a general insurance company under the Insurance Act, 2001. Its principal activity is the underwriting of commercial and personal property and casualty insurance.

Up to 31 August 2011, the company owned and controlled a wholly owned subsidiary, Orrett and Musson Investment Company Limited (Orrett and Musson), the principal activity of which is the provision of loans and insurance premium financing. Orrett and Musson was sold to Musson during the financial year. Orrett and Musson is also incorporated and domiciled in Jamaica. The company and its former subsidiary together are referred to as 'the Group'.

## 2. Summary of Significant Accounting Policies

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

### (a) Basis of preparation

These financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) and have been prepared under the historical cost convention as modified by the revaluation of certain financial instruments carried at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Although these estimates are based on managements' best knowledge of current events and action, 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 financial statements are disclosed in Note 7.

***Accounting pronouncements effective in 2011 which are relevant to the Group's operations***

Certain new standards, amendments and interpretations to existing standards have been published that became effective during the current financial year and are relevant to the Group's operations. The adoption of these new pronouncements has impacted the Group as discussed below.

- **IAS 1 (Amendment), 'Presentation of financial statements'** (effective from 1 January 2011) This amendment requires retrospective application. The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The company has elected to continue analysis of other comprehensive income in the statement of changes in equity.

- **IAS 24 (revised), 'Related party disclosures'** (effective from 1 January 2011). The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group has adopted the revised standard effective 1 January 2011, however there has been no significant impact on its related party disclosures.

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements
**31 December 2011**
(expressed in Jamaican dollars unless otherwise indicated)

## 2. Summary of Significant Accounting Policies (Continued)

### (a) Basis of preparation (continued)

***Accounting pronouncements effective in 2011 which are relevant to the Group's operations (continued)***

- **IFRS 7, 'Financial Instruments Disclosures'** (effective from 1 January 2011) This amendment clarifies the disclosure requirement by emphasising the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. Quantitative and qualitative financial risk management policies and exposures are disclosed in Note 4.

Certain other pronouncements are mandatory for the current and future accounting periods but are not immediately relevant to the Group's operations. Their adoption has had no significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

***Accounting pronouncements that are not yet effective, and have not been early adopted***

At the date of authorisation of these financial statements, certain new standards, interpretations and amendments to existing standards have been issued which are mandatory for the Group's accounting periods beginning on or after 1 January 2011 or later periods, but were not effective at the date of the statement of financial position, and which the Group has not early adopted. The Group has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations, and has concluded as follows:

- **IAS 1 (Amendment), 'Presentation of financial statements' (effective 1 July 2012).** This amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. The amendment requires entities to separate items presented in OCI into two groups, based on whether or not they may be recycled to profit or loss in the future. The Group will adopt the amendments from 1 January 2013.

- **IFRS 7, (Amendment) 'Financial Instruments: Disclosures' (effective 1 July 2011).** This amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. The Group will adopt the amendments from 1 January 2012.

- **IFRS 9, 'Financial instruments' (effective 1 January 2015).** The standard introduces new requirements for the classification and measurement of financial assets and liabilities and is effective from 1 January 2015 with early adoption permitted. The standard divides all financial assets and liabilities that are currently in the scope of IAS 39 into two classifications – those measured at amortised cost and those measured at fair value. This standard is a work in progress and will eventually replace IAS 39 in its entirety. Management is currently assessing the impact this may have on the Group.

# General Accident Insurance Company Jamaica Limited



## 2. Summary of Significant Accounting Policies (Continued)

### (a) Basis of preparation (continued)

- **IFRS 11, 'Joint arrangements,' (effective 1 January 2013).** is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group is yet to assess IFRS 11's full impact and intends to adopt IFRS 11 no later than the accounting period beginning on or after 1 January 2013.

- **IFRS 12, 'Disclosures of interests in other entities' (effective 1 January 2013).** This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special · purpose vehicles and other off balance sheet vehicles. Management is currently assessing the impact this may have on the Group

- **IFRS 13, 'Fair Value Measurement', (effective 1 July 2013).** This standard, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group will adopt the standard from 1 January 2014.

### (b) Consolidation

Subsidiaries are all entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights.

The consolidated financial statements present the results of operations and financial position of the company and its former wholly owned subsidiary, Orrett and Musson, up to the date of its disposal.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The consideration transferred for the acquisition of a subsidiary is the fair value values of the assets transferred, the liabilities incurred to the former owners of the acquiree, and the equity interests issues by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measures initially at their fair values at the acquisition date.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. The subsidiary's accounting policies have been changed where necessary to ensure consistency with policies adopted by the Group.

## 2. Summary of Significant Accounting Policies (Continued)

### (c) Revenue and income recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Group's activities. Revenue is shown net of General Consumption Tax and is recognised as follows:

***Insurance services***

Gross premiums written are recognised on a pro-rated basis over the life of the policies written. The portion of premiums written in the current year which relates to coverage in subsequent years is deferred as unearned premiums (Note 2(r)(i)).

Commissions payable on premium income and commissions receivable on reinsurance of risks are charged and credited to profit or loss, respectively, over the life of the policies.

***Interest income***

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

***Dividend***

Dividend income for equities is recognised when the right to receive payment is established.

***Rental income***

Rental income is recognised on an accrual basis.

### (d) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which it operates (the functional currency). The financial statements are presented in Jamaican dollars which is also the company's functional currency.

(ii) *Transactions and balances*

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 the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Translation differences resulting from changes in the amortised cost of foreign currency monetary assets classified as available-for-sale are recognised in profit or loss. Other changes in the fair value of these assets are recognised in other comprehensive income. Translation differences on non-monetary financial assets classified as available-for-sale are reported as a component of the fair value gain or loss in other comprehensive income.

### (e) Financial instruments

Financial instruments carried on the statement of financial position include investments, due to and from related parties, due to and from reinsurers and coinsurers, due from policyholders, brokers and agents, insurance premium financing, loans and other receivables, cash and short term investments, other liabilities and claims liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The fair values of the Group's and the company's financial instruments are discussed in Note 6.

## 2. Summary of Significant Accounting Policies (Continued)

### (f) Cash and cash equivalents

Cash and cash equivalents are stated at cost. For purposes of the cash flow statement, cash and cash equivalents comprise balances with maturity dates of less than 90 days from the dates of acquisition including cash and bank balances and deposits held on call with banks.

### (g) Investments

Investments are classified as held-to-maturity, available-for-sale and fair value through profit or loss. Management determines the appropriate classification of investments at the time of purchase. Purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset.

*(i) Held-to-maturity financial assets*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale. Held-to-maturity investments are initially recorded at fair value and subsequently measured at amortised cost.

*(ii) Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading or designated at fair value through profit or loss at inception. The Group has designated certain of its equity securities as fair value through profit or loss as they are managed and their performance evaluated on a fair value basis. Investments classified as fair value through profit or loss, are initially recognised at fair value and transaction costs are expensed through profit or loss. Investments at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value of investments at fair value through profit or loss are presented in investment income in arriving at profit or loss.

*(iii) Available for sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale investments are initially recognised at fair value, which includes transaction costs, and subsequently carried at fair value based on quoted bid prices or amounts derived from cash flow models. Unrealised gains and losses arising from changes in fair value of available-for-sale securities are recognised in other comprehensive income.

Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments in equity at the date of disposal or impairment are reclassified to profit or loss.

*(iv) Reclassification of financial assets*

Financial assets are reclassified if; as a result of a change in intention or ability, management has determined that it is no longer appropriate to classify an investment as held-to-maturity.

**2. Summary of Significant Accounting Policies (Continued)**

**(g) Investments (continued)**

*(v) Impairment of financial assets*

A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount. The Group assesses at each date of statement of financial position whether there is objective evidence that a financial asset or group of financial assets is impaired. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The recoverable amount of a financial asset carried at fair value is the present value of expected future cash flows discounted at the current market interest rate for a similar financial asset. In the case of equity securities classified as available-for- sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in other comprehensive income – is recycled through other comprehensive income and recognised in profit or loss for the current year. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

**(h) Loans and receivables**

The Group classifies its financial assets other than investments in the loans and receivables category. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Financial assets classified as loans and receivables either meet the definition of loans and receivables at the date of acquisition, or at the date of reclassification from another category (fair value through profit or loss or available-for-sale). Insurance premium financing receivable and loans receivable have been classified as loans and receivables.

**(i) Insurance premium financing receivable**

Insurance premium financing (IPF) receivables are non-derivative financial assets with fixed or determinable payments. They are initially recorded at fair value, which is the cash given to originate the receivable including transaction costs, and subsequently measured at amortised cost less provision for impairment of these receivables.

Interest income on IPF is recognised in profit or loss using the effective yield method.

**(j) Loans receivable**

Loans are recognised when the cash is advanced to borrowers. They are initially recorded at fair value, which is the cash given to originate the loan including any transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

A provision for bad debts is established if there is objective evidence that a loan is impaired. A loan is considered impaired when management determines that it is probable that all amounts due will not be collected according to the original contractual terms. When a loan has been identified as impaired, the carrying amount of the loan is reduced by recording specific provisions for bad debt to its estimated recoverable amount, which is the present value of the expected future cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan.

## 2. Summary of Significant Accounting Policies (Continued)

### (k) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in non-current borrowings. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised in profit or loss in the period in which termination takes place

### (l) Insurance contracts

Insurance contracts are those contracts that transfer significant insurance risk. The Group's insurance contracts are classified as short-term insurance contracts which include casualty and property insurance contracts.

Casualty insurance contracts protect the Group's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employer's liability) and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property insurance contracts mainly compensate the Group's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risk at the date of the statement of financial position is reported as unearned premium in Insurance Reserves. Premiums are shown before deductible commission.

Claims and loss adjustments expenses are charged to profit or loss as incurred based on estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the date of the statement of financial position even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group. Statistical analysis is used to estimate claims incurred but not reported, as well as the expected ultimate cost of more complex claims that may be affected by external factors.

**2. Summary of Significant Accounting Policies (Continued)**

**(m) Receivables and payables related to insurance contracts**

Receivables and payables related to insurance contracts are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises the impairment loss in profit or loss.

**(n) Reinsurance ceded**

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group are classified as reinsurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short–term balances due from reinsurers as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

Estimated amounts of reinsurance recoverable, which represent the portion of unearned premiums ceded to the reinsurers, are included in recoverable from reinsurers on the statement of financial position.

The Group relies upon reinsurance agreements to limit the potential for losses and to increase its capacity to write insurance. Reinsurance arrangements are effected under reinsurance treaties and by negotiation on individual risks. Reinsurance does not relieve the Group from liability to its policyholders. To the extent that a reinsurer may be unable to pay losses for which it is liable under the terms of the reinsurance agreement, the Group is exposed to the risk of continued liability for such losses. However, in an effort to reduce the risk of non-payment, the Group requires all of its reinsurers to have a Standard & Poor or equivalent rating of A- or better.

The Group assesses its reinsurance assets for impairment. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss.

**(o) Deferred policy acquisition costs**

The cost of acquiring and renewing insurance contracts, including commissions, underwriting and policy issue expenses, which vary with and are directly related to the contracts, are deferred over the unexpired period of risk carried. Deferred policy acquisition costs are subject to recoverability testing at the time of policy issue and at the end of each accounting period.

**(p) Property, plant and equipment**

Land is stated at historical cost. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Depreciation is computed on the straight line method at rates estimated to write off the assets over their expected useful lives as follows:

| | |
|---|---|
| Buildings | 5% and 2.5% |
| Furniture, fixtures and equipment | 10% |
| Motor vehicles | 25% |

## 2. Summary of Significant Accounting Policies (Continued)

### (p) Property, plant and equipment (continued)

Property, plant and equipment are reviewed periodically for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

Repairs and maintenance expenses are charged to profit or loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

### (q) Intangible assets

*Computer software*

Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful life, which is between three to five years.

### (r) Impairment of long-lived assets

Long-lived assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

### (s) Insurance reserves

Under the Insurance Regulations, 2001, the Group is required to actuarially value its insurance reserves annually. Consequently, provision for claims incurred but not reported (IBNR) has been independently actuarially determined. The remaining components of the reserves are also reviewed by the actuary in determining the overall adequacy of the provision for the Group's insurance liabilities.

*(i) Provision for unearned premium*

The provision for unearned premium represents that proportion of premiums written in respect of risks to be borne subsequent to the year end, under contracts entered into on or before the date of the statement of financial position and is computed by applying the "365$^{th}$" method to gross written premiums for the period, except for marine where the unearned premium reserve is calculated as 20% of the year's gross written premiums.

*(ii) Unearned commission*

The unearned commission represents the actual commission income on premium ceded on proportional reinsurance contracts relating to the unexpired period of risk carried. The income is deferred as unearned commission reserves, and amortised over the period in which the commissions are expected to be earned. These reserves are calculated on the 365$^{th}$ method.

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements
**31 December 2011**
(expressed in Jamaican dollars unless otherwise indicated)

**2. Summary of Significant Accounting Policies (Continued)**

**(s) Insurance reserves (continued)**

*(iii) Claims outstanding*
A provision is made to cover the estimated cost of settling claims arising out of events which occurred by the year end, including claims incurred but not reported (IBNR), less amounts already paid in respect of those claims. This provision is estimated by management (insurance case reserves) and the appointed actuary (IBNR) on the basis of claims admitted and intimated.

*(iv) Claims incurred but not reported*
The reserve for IBNR claims has been calculated by an independent actuary using the Paid Loss Development method, the Incurred Loss Development method, the Bornhuetter-Ferguson Paid Loss method, the Bornhuetter-Ferguson Incurred Loss method, the Expected Loss Ratio method and the Frequency-Severity method (Note 31). This calculation is done in accordance with the Insurance Act 2001.

**(t) Accounts payable**
Payables are recognised at fair value and subsequently measured at amortised cost.

**(u) Taxation**
Taxation on the profit or loss for the year comprises current and deferred tax. Current and deferred taxes are recognised as income tax expense or benefit in net profit or loss in the statement of comprehensive income except where they relate to items recorded in other comprehensive income or equity, in which case they are also charged or credited to other comprehensive income or equity.

*(i) Current taxation*
Current tax is the expected taxation payable on the taxable income for the year, using tax rates enacted at date of the statement of financial position, and any adjustment to tax payable and tax losses in respect of the previous years.

*(ii) Deferred income taxes*
Deferred tax liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred tax assets are recognised for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on enacted rates.

**(v) Employee benefits**

*(i) Pension obligations*
The Group participates in the defined contribution pension plan of a related company, T. Geddes Grant (Distributors) Limited. A defined contribution pension plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions paid by the Group are recorded as an expense in profit or loss.

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements
**31 December 2011**
(expressed in Jamaican dollars unless otherwise indicated)

## 2. Summary of Significant Accounting Policies (Continued)

### (v) Employee benefits (continued)

*(ii) Accrued vacation*
Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of the statement of financial position.

*(iii) Termination benefits*
Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

*(iv) Profit-sharing and bonus plan*
The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

### (w) Borrowings
Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in profit or loss over the period of the borrowings using the effective yield method.

### (x) Dividend distribution
Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders.

### (y) Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

### (z) Discontinued operations
The Group presents discontinued operations in a separate line in the Group statement of comprehensive income if an entity has been disposed of or is classified as held for sale and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.

Net profit from discontinued operations includes the net total of operating profit and loss before tax from operations, including net gain or loss on sale before tax or measurement to fair value less costs to sell and discontinued operations tax expense. A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group's operations and cash flows. If an entity or a component of an entity is classified as a discontinued operation, the Group restates prior periods in the Group statement of comprehensive income.

**2. Summary of Significant Accounting Policies (Continued)**

**(z) Discontinued operations (continued)**
Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

**3. Responsibilities of the Appointed Actuary and External Auditors**

The Board of Directors, pursuant to the Insurance Act, appoints the Actuary. His responsibility is to carry out an annual valuation of the Group's claims liabilities and insurance reserves in accordance with accepted actuarial practice and regulatory requirements and report thereon to the shareholders. In performing the valuation, the Actuary analyses past experience with respect to number of claims, claims payment and changes in estimates of outstanding liabilities.

The shareholders, pursuant to the Companies Act, appoint the external auditors. Their responsibility is to conduct an independent and objective audit of the financial statements in accordance with International Standards on Auditing and report thereon to the shareholders. In carrying out their audit, the auditors also make use of the work of the appointed Actuary and his report on claims liabilities and insurance reserves.

**4. Insurance and Financial Risk Management**

**(a) Insurance risk**

The Group's activities expose it to a variety of insurance and financial risks and those activities necessitate the analysis, evaluation, control and/or acceptance of some degree of risk or combination of risks. Taking various types of risk is core to the financial services business and operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Board of Directors is ultimately responsible for the establishment and oversight of the risk management framework. The Board of Directors has established committees and departments for managing and monitoring risks, as follows:

(i) Investment and Loan Committee
The Investment and Loan Committee is responsible for monitoring and approving investment strategies for the Group.

(ii) Finance Department
The Finance Department is responsible for managing the Group's assets and liabilities and the overall financial structure. It is also primarily responsible for managing the funding and liquidity risks of the Group.

(iii) Conduct Review Committee
The Conduct Review Committee is responsible for monitoring the Group's adherence to regulatory and statutory requirements.

**4. Insurance and Financial Risk Management (Continued)**

**(a) Insurance risk (continued)**

(iv) Audit Committee
The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

(v) Remuneration Committee
The remuneration committee is responsible for reviewing and recommending for approval, the remuneration arrangements of the directors and senior officers.

In February 2010, the Group participated in the Jamaica Debt Exchange (JDX) transaction under which the Group exchanged its holdings of domestic debt instruments issued by the Government of Jamaica for new, longer-dated debt instruments available to the Group under the election options contained in the agreement. The JDX transaction resulted in a reduction in yields and an increase in the tenor of locally issued Government of Jamaica securities and, therefore, had a significant impact on financial risks.

The most important types of risk are insurance risk, reinsurance risk, credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

The Group issues contracts that transfer insurance risk. This section summarises these risks and the way the Group manages them.

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

The principal risk that the Group faces under its insurance contracts is that the actual claim payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the types of insurance risks accepted to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that increase insurance risk include lack of risk diversification in terms of type and amount of risk and geographical location.

Management maintains an appropriate balance between commercial and personal policies and type of policies based on guidelines set by the Board of Directors. Insurance risk arising from the Group's insurance contracts is, however, concentrated within Jamaica.

The Group has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. Where applicable, contracts are underwritten by reference to the commercial replacement value of the properties or other assets and contents insured. Claims payment limits are always included to cap the amount payable on occurrence of the insured event. The cost of rebuilding properties, of replacement or indemnity for other assets and contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies.

**4. Insurance and Financial Risk Management (Continued)**

**(a) Insurance risk (continued)**

Claims on insurance contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. This is however subject to the policy limit. Liability claims are settled over a long period of time and a portion of the claims provision relates to incurred but not reported (IBNR) claims. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted. The compensation paid on these contracts is the monetary awards granted for bodily injury suffered by employees (for employer's liability covers) or members of the public (for public liability covers). Such awards are lump-sum payments that are calculated as the present value of the lost earnings and rehabilitation expenses that the injured party will incur as a result of the accident.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing the claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks at the date of financial position. The amount of casualty claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. Casualty contracts are also subject to the emergence of new types of latent claims, but no allowance is included for this at the date of the statement of financial position.

In calculating the estimated cost of unpaid claims (both reported and not), the Group uses estimation techniques that are a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a particular financial year in relation to such claims) and an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes.

The initial loss-ratio estimate is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as premium rate changes, anticipated market experience and historical claims inflation. The initial estimate of the loss ratios used for the current year (before reinsurance) is analysed by type of risk for current and prior year premiums earned.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims. For casualty contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities.

In estimating the liability for the cost of reported claims not yet paid, the Group considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2011**

(expressed in Jamaican dollars unless otherwise indicated)

## 4. Insurance and Financial Risk Management (Continued)

### (a) Insurance risk (continued)

Management sets policy and retention limits based on guidelines set by the Board of Directors. The policy limit and maximum net retention of any one risk for each class of insurance for the year are as follows:

| | The Group and The Company | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| | Policy Limit '000 | Maximum Net Retention '000 | Policy Limit '000 | Maximum Net Retention '000 |
| Commercial property – | | | | |
| Fire and consequential loss | U$5, 000 | US$1,000 | U$5, 000 | US$1,000 |
| Personal property | US$5,000 | US$1,000 | US$5,000 | US$1,000 |
| Engineering | US$2,000 | US$62.50 | US$2,000 | US$50 |
| Liability | J$40,000 | J$20,000 | J$40,000 | J$20,000 |
| Marine, aviation and transport | US$500 | US$100 | US$500 | US$100 |
| Motor | J$10,000 | J$5,000 | J$10,000 | J$5,000 |
| Miscellaneous Accident – | | | | |
| All Risk | J$10,000 | J$1,000 | J$10,000 | J$1,000 |
| Burglary | J$5,000 | J$1,000 | J$5,000 | J$1,000 |
| Cash/Money | J$5,000 | J$1,000 | J$5,000 | J$1,000 |
| Fidelity | J$5,000 | J$1,000 | J$5,000 | J$1,000 |
| Bonds | J$20,000 | J$4,000 | J$5,000 | J$1,000 |
| Goods in Transit | J$5,000 | J$1,000 | J$5,000 | J$1,000 |
| Personal Accident | J$7,500 | J$1,500 | J$4,000 | J$1,000 |

**4. Insurance and Financial Risk Management (Continued)**

**(a) Insurance risk (continued)**

***Sensitivity Analysis of Actuarial Liabilities***

The determination of actuarial liabilities is sensitive to a number of assumptions, and changes in those assumptions could have a significant effect on the valuation results.

In applying the noted methodologies, the following assumptions were made:

(i) Claims inflation has remained relatively constant and there have been no material legislative changes in the Jamaican civil justice system that would cause claim inflation to increase dramatically.

(ii) There is no latent environmental or asbestos exposure embedded in the Group's loss history.

(iii) The Group's case reserving and claim payments rates have remained, and will remain, relatively constant.

(iv) The overall development of claims costs gross of reinsurance is not materially different from the development of claims costs net of reinsurance. This assumption is supported by the following:

- The majority of the Group's reinsurance program consists of proportional reinsurance agreements; and
- The Group's non-proportional reinsurance agreements consist primarily of high attachment points.

(v) Claims are expressed at their estimated ultimate undiscounted value, in accordance with the requirement of the Insurance Act, 2001.

Provision for adverse deviation assumptions

The basic assumptions made in establishing insurance reserves are best estimates for a range of possible outcomes. To recognise the uncertainty in establishing these best estimates, to allow for possible deterioration in experience and to provide greater comfort that the reserves are adequate to pay future benefits, the appointed actuary is required to include a margin for adverse deviation in each assumption.

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2011**

(expressed in Jamaican dollars unless otherwise indicated)

## 4. Insurance and Financial Risk Management (Continued)

### (a) Insurance risk (continued)

***Development Claim Liabilities***

In addition to sensitivity analysis, the development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The table below illustrates how the Group's estimate of the ultimate claims liability for accident years 2007 - 2011 has changed at successive year-ends, up to 2011. Updated unpaid claims and adjustment expenses (UCAE) and IBNR estimates in each successive year, as well as amounts paid to date are used to derive the revised amounts for the ultimate claims liability for each accident year, used in the development calculations.

| | | 2007 | 2007 and prior | 2008 | 2008 and prior | 2009 | 2009 and prior | 2010 | 2010 and prior | 2011 | 2011 and prior |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| 2007 | Paid during year | 118,030 | 200,131 | | | | | | | | |
| | UCAE, end of year | 114,103 | 224,592 | | | | | | | | |
| | IBNR, end of year | 22,163 | 44,261 | | | | | | | | |
| | Ratio: excess (deficiency) | | | | | | | | | | |
| 2008 | Paid during year | 56,592 | 78,432 | 180,368 | 258,800 | | | | | | |
| | UCAE, end of year | 47,763 | 155,452 | 150,154 | 305,606 | | | | | | |
| | IBNR, end of year | 9,553 | 28,703 | 30,030 | 58,733 | | | | | | |
| | Ratio: excess (deficiency) | 16.41% | 2.33% | | | | | | | | |
| 2009 | Paid during year | 22,207 | 63,299 | 92,444 | 155,743 | 175,935 | 331,678 | | | | |
| | UCAE, end of year | 21,638 | 61,844 | 85,910 | 147,754 | 200,976 | 348,730 | | | | |
| | IBNR, end of year | 2,709 | 4,393 | 10,644 | 15,037 | 58,042 | 73,079 | | | | |
| | Ratio: excess (deficiency) | 24.31% | 22.65% | (4.89%) | 12.57% | | | | | | |
| 2010 | Paid during year | 12,873 | 22,463 | 54,841 | 77,304 | 98,674 | 175,978 | 171,620 | 347,598 | | |
| | UCAE, end of year | 13,222 | 42,492 | 50,182 | 92,674 | 96,738 | 189,412 | 235,477 | 424,889 | | |
| | IBNR, end of year | 673 | 1,111 | 3,698 | 4,809 | 9,744 | 14,553 | 68,193 | 82,746 | | |
| | Ratio: excess (deficiency) | 22.53% | 22.71% | (11.64%) | 9.28% | 20.79% | 9.93% | | | | |
| 2011 | Paid during year | 6,608 | 22,928 | 18,688 | 41,616 | 38,747 | 80,363 | 100,861 | 181,224 | 183,148 | 364,372 |
| | UCAE, end of year | 8,729 | 21,345 | 36,714 | 58,059 | 61,664 | 119,722 | 120,936 | 240,659 | 232,245 | 472,903 |
| | IBNR, end of year | 379 | 379 | 626 | 1,005 | 6,200 | 7,205 | 15,834 | 23,039 | 65,680 | 88,719 |
| | Ratio: excess (deficiency) | 21.19% | 22.32% | (12.84%) | 8.40% | 20.75% | 9.14% | 21.75% | 12.35% | | |

(expressed in Jamaican dollars unless otherwise indicated)

## 4. Insurance and Financial Risk Management (Continued)

### (b) Reinsurance risk

To limit its exposure of potential loss on an insurance policy, the insurer may cede certain levels of risk to a reinsurer. The Group selects reinsurers which have established capability to meet their contractual obligations and which generally have high credit ratings. The credit ratings of reinsurers are monitored.

Retention limits represent the level of risk retained by the cedant insurer. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit or as agreed. The retention programs used by the Group are summarised below:

(a) Facultative reinsurance treaties are accepted on a per risk basis.

(b) The Group has treaty arrangements as follows:

(i) Property and allied perils 80%:20% Quota Share of premiums i.e. 80% ceded premiums and 20% retention.
(ii) Excess of loss treaty for motor and third party liability, which covers losses in excess of J$3,500,000 for any one loss or event.
(iii) First surplus and a quota share treaty for engineering business with retention of US$50,000.
(iv) First surplus treaty for miscellaneous accident, losses covered in excess of J$1,000,000.
(v) Catastrophe excess of loss treaty which covers losses in excess of J$40,000,000 for any one catastrophic event as defined.

(c) The Group reinsures with several reinsurers. Of significance are Munich Reinsurance Company, Munich, Federal Republic of Germany and Swiss Reinsurance Company, Ontario, Canada. All other reinsurers carry lines under 10%. The Group's business model supports the placement of specialty risk directly in the overseas market on a per risk basis. In keeping with the Group's risk policy, placement of these risks are with several reinsures. Of significance are Munich Reinsurance Company, Swiss Reinsurance Company and Lloyds of London. At 31 December, the A. M. Best ratings for the major reinsurers are as follows:

| | 2011 | 2010 |
|---|---|---|
| Munich Reinsurance Company | $A^+$ | $A^+$ |
| Swiss Reinsurance Company | A | A |
| Lloyds of London | A | A |

**4. Insurance and Financial Risk Management (Continued)**

**(b) Reinsurance risk (continued)**

(d) The amount of reinsurance recoveries recognised during the period is as follows:

| | The Group and The Company | |
|---|---|---|
| | **2011** | **2010** |
| | **$'000** | **$'000** |
| Property | 31,632 | 25,197 |
| Motor | 2,138 | 7,987 |
| Marine | 800 | 1,307 |
| Liability | 1,918 | 271 |
| Burglary | 235 | 3,027 |
| Miscellaneous Accidents | 32,983 | 12,119 |
| | 69,706 | 49,908 |

**(c) Financial risk**

The Group is exposed to financial risk through its financial assets, reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are interest rate risk, market risk, cash flow risk, currency risk, price risk and credit risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Group primarily faces due to the nature of its investments and liabilities are credit risk, interest rate risk and market risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the Group's financial performance.

**(i) Credit risk**

The Group takes on exposure to credit risk, which is the risk that its reinsurers, brokers, customers, clients or counterparties will cause a financial loss for the Group by failing to discharge their contractual obligations. Credit risk is an important risk for the Group's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from the amounts due from reinsurers, amounts due from insurance contract holders and insurance brokers and investment contracts and loans receivable.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties.

**4. Insurance and Financial Risk Management (Continued)**

**(c) Financial risk (continued)**

**(i) Credit risk (continued)**

***Credit review process***

The Group's senior management meets on a monthly basis to discuss the ability of customers and other counterparties to meet repayment obligations.

(i) Reinsurance

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. The Group's senior management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information.

(ii) Premium receivables

The Group's senior management examines the payment history for significant contract holders with whom they conduct regular business. Management information reported to the Group includes details of provisions for impairment on premium receivables and subsequent write-offs. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency. Where significant exposure to individual policyholders or homogenous groups of policyholders exists, a financial analysis is carried out by senior management and where necessary cancellation of policies is effected for amounts deemed uncollectible.

(iii) Insurance premium financing, and other loans receivable

The Group's management of exposure to IPF and loans receivable is influenced mainly by the individual characteristics of each customer. Management has established a credit policy under which each customer is analysed individually for creditworthiness prior to the Group offering credit facilities. Customers are required to provide a letter of guarantee and proof of collateral to be held as security.

(iv) Investments

The Group limits its exposure to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality and Government of Jamaica securities. Accordingly, management does not expect any counterparty to fail to meet its obligations.

## 4. Insurance and Financial Risk Management (Continued)

### (c) Financial risk (continued)

#### (i) Credit risk (continued)

***Maximum exposure to credit risk***

The maximum exposure to credit risk, of the group and the company, equal the respective carrying amounts on the balance sheets, for all financial assets which are subject to credit risk.

*Ageing analysis of premium receivables past due but not impaired:*
Premium receivables that are less than forty-five (45) days old are not considered impaired. At year end, premium receivables of $136,841,000 (2010 - $123,167,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

| | The Group and Company | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| 46 to 60 days | 32,550 | 63,178 |
| 61 to 90 days | 86,009 | 55,601 |
| More than 90 days | 18,282 | 4,388 |
| | 136,841 | 123,167 |

There are no premium receivables balances that are considered impaired.

*Premium receivables*
The following table summarises the Group's credit exposure for premium receivables at their carrying amounts, as categorised by brokers and direct business:

| | The Group and Company | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Brokers | 261,794 | 308,438 |
| Direct | 132,509 | 132,521 |
| | 394,303 | 440,959 |

All premium receivables are receivable from policyholders, brokers and agents in Jamaica.

**4. Insurance and Financial Risk Management (Continued)**

**(c) Financial risk (continued)**

**(i) Credit risk (continued)**

*Insurance premium financing receivables*

IPF receivables that are less than 90 days past due and for which the related insurance policies are still in force, are not considered impaired. The ageing analysis of IPF receivables that are past due but not considered impaired is as follows:

| | The Group | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Over 90 days | - | 5,563 |

In the prior year, IPF receivables of $8,090,000 were impaired and were fully provided for. These receivables were in arrears for over 90 days and the related insurance policies had expired.

The movement on the provision for impairment of IPF Receivables was as follows:

| | The Group | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| At 1 January | 8,090 | 4,722 |
| Provision for doubtful debts | - | 7,361 |
| Bad debts written off | - | (3,993) |
| Disposal of subsidiary | (8,090) | - |
| At 31 December | - | 8,090 |

The creation and release of provision for impaired receivables have been included in expenses in the statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

*Loans receivable*

Loans receivables that are less than 90 days past due and those for which adequate collateral is in place, are not considered impaired. The ageing analysis of loans receivable that is past due but not considered impaired is as follows:

| | The Group | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Over 90 days | - | 5,768 |

**4. Insurance and Financial Risk Management (Continued)**

**(c) Financial risk (continued)**

**(i) Credit risk (continued)**

*Loans receivable (continued)*
As of 31 December 2011, loans receivable of Nil (2010 - $13,288,000) were considered to be impaired and are fully provided for. These receivables were all aged over 90 days.

*Debt securities*
The following table summarises the Group's and the company's credit exposure for debt securities at their carrying amounts, as categorised by issuer:

| | The Group and The Company | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Government of Jamaica | 312,499 | 199,943 |

**(ii) Liquidity risk**
Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to fulfil claims and other liabilities incurred.

***Liquidity risk management process***
The Group's liquidity management process, as carried out within the Group and monitored by the Board of Directors, includes:

(i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required;

## 4. Insurance and Financial Risk Management (Continued)

### (c) Financial risk (continued)

#### (ii) Liquidity risk (continued)

***Liquidity risk management process (continued)***

(ii) Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruptions to cash flow;

(iii) Optimising cash returns on investments;

(iv) Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and

(v) Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for companies ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

# General Accident Insurance Company Jamaica Limited
Notes to the Financial Statements
**31 December 2011**
(expressed in Jamaican dollars unless otherwise indicated)

## 4. Insurance and Financial Risk Management (Continued)

### (c) Financial risk (continued)

#### (ii) Liquidity risk (continued)

***Liquidity risk management process (continued)***

Financial assets and financial liabilities cash flows
The tables below present the undiscounted cash flows of the Group's and company's financial assets and liabilities based on contractual repayment obligations:

| | The Group and The Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Within 1 Month $'000 | Within 3 Months $'000 | 3 to 12 Months $'000 | 1 to 5 Years $'000 | Over 5 Years $'000 | No Specific Maturity $'000 | Total $'000 |
| **At 31 December 2011:** | | | | | | | |
| Cash and short term investments | 638,964 | 499,230 | - | - | - | - | 1,138,194 |
| Due from policyholders, brokers and agents | 139,213 | 255,090 | - | - | - | - | 394,303 |
| Due from reinsurers and coinsurers | - | 178,730 | - | - | - | - | 178,730 |
| Loans receivable | 1,922 | 66,043 | 17,297 | 92,250 | 340,172 | - | 517,684 |
| Leases receivable | 1,882 | 3,764 | 16,940 | 28,310 | - | - | 50,896 |
| Other receivables | 563 | - | - | - | - | 6,746 | 7,309 |
| Investment securities | 1,844 | 18,529 | 10,611 | 221,665 | 105,543 | 155,955 | 514,147 |
| Total financial assets | 784,388 | 1,021,386 | 44,848 | 342,225 | 445,715 | 162,701 | 2,801,263 |
| Due to reinsurers and coinsurers | - | 253,009 | - | - | - | - | 253,009 |
| Other liabilities | 32,252 | 9,268 | 37,000 | - | - | - | 78,520 |
| Claims liabilities | 41,009 | 117,028 | 371,737 | 158,333 | - | - | 688,107 |
| Total financial liabilities | 73,261 | 379,305 | 408,737 | 158,333 | - | - | 1,017,208 |
| **Net Liquidity Gap** | 711,127 | 642,081 | (363,889) | 183,892 | 445,715 | 162,701 | 1,781,627 |
| **Cumulative gap** | 711,127 | 1,353,208 | 989,319 | 1,173,211 | 1,618,926 | 1,781,627 | - |

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements
**31 December 2011**
(expressed in Jamaican dollars unless otherwise indicated)

## 4. Insurance and Financial Risk Management (Continued)

### (c) Financial risk (continued)

#### (ii) Liquidity risk (continued)

Financial assets and financial liabilities cash flows (continued)

| | The Group | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Within 1 Month $'000** | **Within 3 Months $'000** | **3 to 12 Months $'000** | **1 to 5 Years $'000** | **Over 5 Years $'000** | **No Specific Maturity $'000** | **Total $'000** |
| **At 31 December 2010:** | | | | | | | |
| Cash and short term investments | 200,673 | 392,721 | - | - | - | - | 593,394 |
| Due from policyholders, brokers and agents | 117,875 | 323,084 | - | - | - | - | 440,959 |
| Due from reinsurers and coinsurers | - | 153,687 | - | - | - | - | 153,687 |
| Insurance premium financing receivables | 22,129 | 35,215 | 20,607 | - | - | - | 77,951 |
| Loans receivable | 20,187 | 15,873 | 52,561 | 340,953 | | - | 429,574 |
| Other receivables | 8,868 | - | - | - | - | 1,550 | 10,418 |
| Investment securities | 893 | 18,098 | 8,259 | 184,431 | 60,030 | 956,681 | 1,228,392 |
| Total financial assets | 370,625 | 938,678 | 81,427 | 525,384 | 60,030 | 958,231 | 2,934,375 |
| Due to reinsurers and coinsurers | - | 312,388 | - | - | - | - | 312,388 |
| Other liabilities | 19,000 | 6,562 | 39,418 | - | - | - | 64,980 |
| Due to related parties | 12,836 | - | - | - | - | - | 12,836 |
| Claims liabilities | 35,625 | 100,938 | 320,625 | 136,469 | - | - | 593,657 |
| Borrowings | 1,932 | 3,864 | 17,387 | 271,758 | - | 500 | 295,441 |
| Total financial liabilities | 69,393 | 423,752 | 377,430 | 408,227 | - | 500 | 1,279,302 |
| **Net Liquidity Gap** | 301,232 | 514,926 | (296,003) | 117,157 | 60,030 | 957,731 | 1,655,073 |
| **Cumulative gap** | 301,232 | 816,158 | 520,155 | 637,312 | 697,342 | 1,655,073 | - |

# General Accident Insurance Company Jamaica Limited
Notes to the Financial Statements
**31 December 2011**
(expressed in Jamaican dollars unless otherwise indicated)

## 4. Insurance and Financial Risk Management (Continued)

### (c) Financial risk (continued)

#### (ii) Liquidity risk (continued)

Financial asset and financial liabilities cash flows (continued)

| | The Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Within 1 Month | Within 3 Months | 3 to 12 Months | 1 to 5 Years | Over 5 Years | No Specific Maturity | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **At 31 December 2010:** | | | | | | | |
| Cash and short term investments | 195,052 | 382,593 | - | - | - | - | 577,645 |
| Due from policyholders, brokers and agents | 117,875 | 323,084 | - | - | - | - | 440,959 |
| Due from reinsurers and coinsurers | - | 153,687 | - | - | - | - | 153,687 |
| Due from related parties | 33,849 | - | - | - | - | - | 33,849 |
| Loans receivable | 36,683 | - | - | - | - | - | 36,683 |
| Other receivables | 8,868 | - | - | - | - | 1,550 | 10,418 |
| Investment securities | 893 | 18,098 | 8,259 | 184,431 | 60,030 | 952,151 | 1,223,862 |
| Total financial assets | 393,220 | 877,462 | 8,259 | 184,431 | 60,030 | 953,701 | 2,477,103 |
| Due to reinsurers and coinsurers | - | 312,388 | - | - | - | - | 312,388 |
| Other liabilities | 13,747 | 5,001 | 36,405 | - | - | - | 55,153 |
| Claims liabilities | 35,625 | 100,938 | 320,625 | 136,469 | - | - | 593,657 |
| Total financial liabilities | 49,372 | 418,327 | 357,030 | 136,469 | - | - | 961,198 |
| **Net Liquidity Gap** | 343,848 | 459,135 | (348,771) | 47,962 | 60,030 | 953,701 | 1,515,905 |
| **Cumulative gap** | 343,848 | 802,983 | 454,212 | 502,174 | 562,204 | 1,515,905 | - |

Assets available to meet all of the liabilities and to cover financial liabilities include cash and bank balances and investment securities. The Group is also able to meet unexpected net cash outflows by selling securities and accessing additional funding sources from its parent company and other financial institutions.

#### (iii) Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates, interest rates and prices of quoted equities. Market risk is monitored by the finance department which carries out research and monitors the price movement of financial assets on the local and international markets.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

## 4. Insurance and Financial Risk Management (Continued)

### (c) Financial risk (continued)

#### (iii) Market risk (continued)

**Currency risk**
Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions.

The Group also has transactional currency exposure. Such exposure arises from having financial assets in currencies other than those in which financial liabilities are expected to settle. The Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign assets to address short term imbalances.

***Concentrations of currency risk***

The tables below summarise the Group's and company's exposure to foreign currency exchange rate risk at 31 December.

| | The Group and The Company | | | |
|---|---|---|---|---|
| | Jamaican$ J$'000 | US$ J$'000 | GBP J$'000 | Total J$'000 |
| **At 31 December 2011:** | | | | |
| **Financial Assets** | | | | |
| Cash and short term investments | 468,035 | 666,137 | 106 | 1,134,278 |
| Due from policyholders, brokers and agents | 237,709 | 150,225 | 6,369 | 394,303 |
| Due from reinsurers and coinsurers | 163,331 | 15,399 | - | 178,730 |
| Due from related parties | 1,156 | - | - | 1,156 |
| Leases receivable | 41,962 | - | - | 41,962 |
| Loans receivable | 236,896 | - | - | 236,896 |
| Other receivables | 7,309 | - | - | 7,309 |
| Investment securities | 420,576 | 47,878 | - | 468,454 |
| Total financial assets | 1,576,974 | 879,639 | 6,475 | 2,463,088 |
| **Financial Liabilities** | | | | |
| Due to reinsurers and coinsurers | 126,564 | 126,445 | - | 253,009 |
| Other liabilities | 78,520 | - | - | 78,520 |
| Claims liabilities | 641,431 | 46,676 | - | 688,107 |
| Total financial liabilities | 846,515 | 173,121 | - | 1,019,636 |
| **Net financial position** | 730,459 | 706,518 | 6,475 | 1,443,452 |

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements
**31 December 2011**
(expressed in Jamaican dollars unless otherwise indicated)

**4. Insurance and Financial Risk Management (Continued)**

**(c) Financial risk (continued)**

**(iii) Market risk (continued)**

**Currency risk (continued)**

***Concentrations of currency risk (continued)***

| | The Group | | | |
|---|---|---|---|---|
| | Jamaican$ J$'000 | US$ J$'000 | GBP J$'000 | Total J$'000 |
| **At 31 December 2010:** | | | | |
| **Financial Assets** | | | | |
| Cash and short term investments | 231,611 | 357,672 | 1,832 | 591,115 |
| Due from policyholders, brokers and agents | 231,828 | 209,131 | - | 440,959 |
| Due from reinsurers and coinsurers | 136,623 | 17,064 | - | 153,687 |
| Insurance premium financing receivables | 53,042 | 13,952 | | 66,994 |
| Loans receivable | 170,453 | 175,061 | | 345,514 |
| Other receivables | 10,418 | - | - | 10,418 |
| Investment securities | 1,135,080 | 21,544 | - | 1,156,624 |
| Total financial assets | 1,969,055 | 794,424 | 1,832 | 2,765,311 |
| **Financial Liabilities** | | | | |
| Due to reinsurers and coinsurers | 144,539 | 167,849 | - | 312,388 |
| Other liabilities | 64,980 | - | - | 64,980 |
| Due to related parties | 12,836 | - | - | 12,836 |
| Claims liabilities | 556,233 | 37,424 | - | 593,657 |
| Borrowings | - | 258,335 | - | 258,335 |
| Total financial liabilities | 778,588 | 463,608 | - | 1,242,196 |
| **Net financial position** | 1,190,467 | 330,816 | 1,832 | 1,523,115 |

# General Accident Insurance Company Jamaica Limited
Notes to the Financial Statements
**31 December 2011**
(expressed in Jamaican dollars unless otherwise indicated)

## 4. Insurance and Financial Risk Management (Continued)

### (c) Financial risk (continued)

#### (iii) Market risk (continued)

**Currency risk (continued)**

***Concentrations of currency risk (continued)***

| | The Company | | | |
|---|---|---|---|---|
| | Jamaican$ J$'000 | US$ J$'000 | GBP J$'000 | Total J$'000 |
| **At 31 December 2010:** | | | | |
| **Financial Assets** | | | | |
| Cash and short term investments | 217,560 | 356,102 | 1,832 | 575,494 |
| Due from policyholders, brokers and agents | 231,828 | 209,131 | - | 440,959 |
| Due from reinsurers and coinsurers | 136,623 | 17,064 | - | 153,687 |
| Due from related parties | 33,849 | - | - | 33,849 |
| Loans receivable | 36,683 | - | - | 36,683 |
| Other receivables | 10,418 | | - | 10,418 |
| Investment securities | 1,130,550 | 21,544 | - | 1,152,094 |
| Total financial assets | 1,797,511 | 603,841 | 1,832 | 2,403,184 |
| **Financial Liabilities** | | | | |
| Due to reinsurers and coinsurers | 144,539 | 167,849 | - | 312,388 |
| Other liabilities | 55,153 | - | - | 55,153 |
| Claims liabilities | 556,233 | 37,424 | - | 593,657 |
| Total financial liabilities | 755,925 | 205,273 | - | 961,198 |
| **Net financial position** | 1,041,586 | 398,568 | 1,832 | 1,441,986 |

## 4. Insurance and Financial Risk Management (Continued)

### (c) Financial risk (continued)

#### (iii) Market risk (continued)

**Currency risk (continued)**

***Foreign currency sensitivity***

The following tables indicate the currencies to which the Group and company had significant exposure on its monetary assets and liabilities and its forecast cash flows. The change in currency rates below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis shows the impact of translating outstanding foreign currency denominated monetary items, assuming changes in currency rates shown in the table below. The sensitivity analysis includes cash and short term deposits, investment securities, premium and other receivables, claims liabilities and US-dollar denominated borrowings. The percentage change in the currency rate will impact each financial asset/liability included in the sensitivity analysis differently. Consequently, individual sensitivity analyses were performed. The effect on pre-tax profit below is the total of the individual sensitivities done for each of the assets/liabilities. There was no impact on the other components of equity.

| | The Group | | | |
|---|---|---|---|---|
| | % Change in Currency Rate | Effect on Pre-tax Profit | % Change in Currency Rate | Effect on Pre-tax Profit |
| | 2011 | 2011 $'000 | 2010 | 2010 $'000 |
| USD – J$Revaluation | 0.5% | (35,326) | 5% | (16,540) |
| USD – J$Devaluation | 0.5% | 35,326 | 5% | 16,540 |

| | The Company | | | |
|---|---|---|---|---|
| | % Change in Currency Rate | Effect on Pre-tax Profit | % Change in Currency Rate | Effect on Pre-tax Profit |
| | 2011 | 2011 $'000 | 2010 | 2010 $'000 |
| USD – J$Revaluation | 0.5% | (35,326) | 5% | (19,928) |
| USD – J$Devaluation | 0.5% | 35,326 | 5% | 19,928 |

# General Accident Insurance Company Jamaica Limited
Notes to the Financial Statements
**31 December 2011**
(expressed in Jamaican dollars unless otherwise indicated)

## 4. Insurance and Financial Risk Management (Continued)

### (c) Financial risk (continued)

#### (iii) Market risk (continued)

**Interest rate risk**
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities.

The following tables summarise the Group's and the company's exposure to interest rate risk. It includes the Group's and company's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

| | The Group and The Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Within 1 Month $'000 | Within 3 Months $'000 | 3 to 12 Months $'000 | 1 to 5 Years $'000 | Over 5 Years $'000 | Non-Interest Bearing $'000 | Total $'000 |
| **At 31 December 2011:** | | | | | | | |
| Cash and short term investments | 547,882 | 586,396 | - | - | - | - | 1,134,278 |
| Due from policyholders, brokers and agents | - | - | - | - | - | 394,303 | 394,303 |
| Due from reinsurers and coinsurers | - | - | - | - | - | 178,730 | 178,730 |
| Due from related parties | | | | | | 1,156 | 1,156 |
| Leases receivable | 1,041 | 2,152 | 10,954 | 27,815 | - | | 41,962 |
| Loans receivable | 182 | 62,568 | 1,755 | 12,541 | 159,850 | - | 236,896 |
| Other receivables | - | - | - | - | - | 7,309 | 7,309 |
| Investment securities | 39 | 102,445 | | 134,763 | 75,252 | 155,955 | 468,454 |
| Total financial assets | 547,921 | 751,317 | - | 176,725 | 249,672 | 737,453 | 2,463,088 |
| Due to reinsurers and coinsurers | - | - | - | - | - | 253,009 | 253,009 |
| Other liabilities | - | - | - | - | - | 81,596 | 81,596 |
| Claims liabilities | - | - | - | - | - | 688,107 | 688,107 |
| Total financial liabilities | - | - | - | - | - | 1,022,712 | 1,022,712 |
| **Total interest repricing gap** | 547,921 | 751,317 | - | 176,725 | 249,672 | (285,259) | 1,440,376 |
| **Cumulative gap** | 547,921 | 1,299,238 | 1,299,238 | 1,475,963 | 1,725,635 | 1,440,376 | - |

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2011**

(expressed in Jamaican dollars unless otherwise indicated)

## 4. Insurance and Financial Risk Management (Continued)

### (c) Financial risk (continued)

#### (iii) Market risk (continued)

**Interest rate risk (continued)**

| | The Group | | | | | | |
|---|---|---|---|---|---|---|---|
| | Within 1 Month | Within 3 Months | 3 to 12 Months | 1 to 5 Years | Over 5 Years | Non-Interest Bearing | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **At 31 December 2010:** | | | | | | | |
| Cash and short term investments | 199,074 | 392,041 | - | - | - | - | 591,115 |
| Due from policyholders, brokers and agents | - | - | - | - | - | 440,959 | 440,959 |
| Due from reinsurers and coinsurers | - | - | - | - | - | 153,687 | 153,687 |
| Insurance premium financing receivables | 18,606 | 30,525 | 17,863 | - | - | - | 66,994 |
| Loans receivable | 15,597 | 9,843 | 26,359 | 293,715 | - | - | 345,514 |
| Other receivables | - | - | - | - | - | 10,418 | 10,418 |
| Investment securities | - | - | 10,500 | 136,070 | 53,373 | 956,681 | 1,156,624 |
| Total financial assets | 233,277 | 432,409 | 54,722 | 429,785 | 53,373 | 1,561,745 | 2,765,311 |
| Due to reinsurers and coinsurers | - | - | - | - | - | 312,388 | 312,388 |
| Other liabilities | - | - | - | - | - | 67,441 | 67,441 |
| Due to related parties | - | - | - | - | - | 12,836 | 12,836 |
| Claims liabilities | - | - | - | - | - | 593,657 | 593,657 |
| Borrowings | - | - | - | 258,335 | - | - | 258,335 |
| Total financial liabilities | - | - | - | 258,335 | - | 986,322 | 1,244,657 |
| **Total interest repricing gap** | 233,277 | 432,409 | 54,722 | 171,450 | 53,373 | 575,423 | 1,520,654 |
| **Cumulative gap** | 233,277 | 665,686 | 720,408 | 891,858 | 945,231 | 1,520,654 | - |

# General Accident Insurance Company Jamaica Limited
Notes to the Financial Statements
**31 December 2011**
(expressed in Jamaican dollars unless otherwise indicated)

## 4. Insurance and Financial Risk Management (Continued)

### (c) Financial risk (continued)

#### (iii) Market risk (continued)

**Interest rate risk (continued)**

| | The Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Within 1 Month $'000 | Within 3 Months $'000 | 3 to 12 Months $'000 | 1 to 5 Years $'000 | Over 5 Years $'000 | Non-Interest Bearing $'000 | Total $'000 |
| **At 31 December 2010:** | | | | | | | |
| Cash and short term investments | 193,453 | 382,041 | - | - | - | - | 575,494 |
| Due from policyholders, brokers and agents | - | - | - | - | - | 440,959 | 440,959 |
| Due from reinsurers and coinsurers | - | - | - | - | - | 153,687 | 153,687 |
| Due from related parties | - | - | - | - | - | 33,849 | 33,849 |
| Loans receivable | | | | | | 36,683 | 36,683 |
| Other receivables | - | - | - | - | - | 10,418 | 10,418 |
| Investment securities | - | 10,500 | - | 136,070 | 53,373 | 952,151 | 1,152,094 |
| Total financial assets | 193,453 | 392,541 | - | 136,070 | 53,373 | 1,627,747 | 2,403,184 |
| Due to reinsurers and coinsurers | - | - | - | - | - | 312,388 | 312,388 |
| Other liabilities | - | - | - | - | - | 57,614 | 57,614 |
| Claims liabilities | - | - | - | - | - | 593,657 | 593,657 |
| Total financial liabilities | - | - | - | - | - | 963,659 | 963,659 |
| **Total interest repricing gap** | 193,453 | 392,541 | - | 136,070 | 53,373 | 664,088 | 1,439,525 |
| **Cumulative gap** | 193,453 | 585,994 | 585,994 | 722,064 | 775,437 | 1,439,525 | - |

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2011**

(expressed in Jamaican dollars unless otherwise indicated)

## 4. Insurance and Financial Risk Management (Continued)

### (c) Financial risk (continued)

#### (iii) Market risk (continued)

**Interest rate risk (continued)**

***Interest rate sensitivity***

The following table indicates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Group's and company's profit or loss and shareholders' equity.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on income based on the floating rate non-trading financial assets and financial liabilities. The sensitivity of other components of equity is calculated by revaluing fixed rate financial assets and liabilities for the effects of the assumed changes in interest rates. The change in the interest rates will impact the financial assets and liabilities differently. Consequently, individual analyses were performed. The effect on pre-tax profit and other components of equity below is the total of the individual sensitivities done for each of the assets and liabilities. It should be noted that the changes in the pre-tax profit and other components of equity as shown in the analysis are non-linear.

**The Group and the Company**

| Change in Basis points: 2011 JMD/USD | Effect on Profit before Taxation 2011 $'000 | Effect on Other Components of Equity 2011 $'000 | Change in Basis points: 2010 JMD/USD | Effect on Profit before Taxation 2010 $'000 | Effect on Other Components of Equity 2010 $'000 |
|---|---|---|---|---|---|
| -50/-50 | - | (413) | -100/-50 | - | 772 |
| +50/+50 | - | 387 | +200/+50 | - | (737) |

# General Accident Insurance Company Jamaica Limited
Notes to the Financial Statements
**31 December 2011**
(expressed in Jamaican dollars unless otherwise indicated)

## 4. Insurance and Financial Risk Management (Continued)

### (c) Financial risk (continued)

#### (iii) Market risk (continued)

**Price risk**
The Group and the company are exposed to equity securities price risk because of investments held by the Group and the company. These investments are classified on the statement of financial position as available-for-sale and fair value through profit or loss.

The table below summarises the impact of increases/decreases on the Group's and the company's pre-tax profit for the year and on equity. The analysis is based on the assumption that the equity prices had increased/decreased by 10% (2010 - 20%) with all other variables held constant.

| | The Group | | | |
|---|---|---|---|---|
| | Effect on Profit before Taxation | Effect on Other Components of Equity | Effect on Profit before Taxation | Effect on Other Components of Equity |
| | 2011 $'000 | 2011 $'000 | 2010 $'000 | 2010 $'000 |
| **Change in index:** | | | | |
| - 10% (2010 -20%) | (5,817) | (9,782) | (11,120) | (180,216) |
| + 10% (2010 + 20%) | 5,817 | 9,782 | 11,120 | 180,216 |

| | The Company | | | |
|---|---|---|---|---|
| | Effect on Profit before Taxation | Effect on Other Components of Equity | Effect on Profit before Taxation | Effect on Other Components of Equity |
| | 2011 $'000 | 2011 $'000 | 2010 $'000 | 2010 $'000 |
| **Change in index:** | | | | |
| -10% (2010 -20%) | (5,817) | (9,782) | (10,214) | (180,216) |
| +10% (2010 + 20%) | 5,817 | 9,782 | 10,214 | 180,216 |

(expressed in Jamaican dollars unless otherwise indicated)

## 5. Capital Management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

(a) To comply with the capital requirements set by the regulators of the insurance markets where the Group operates;

(b) To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits for other stakeholders; and

(c) To maintain a strong capital base to support the development of its business.

During the year, the Minimum Adequacy Test (MAT) was replaced by a Minimum Capital Test (MCT) as a measure of capital. The required MCT ratio was initially set at 200% and will be gradually increased to 250%. The MCT for the company for the year ended 31 December 2011 is as follows:

| | Actual | Required | Actual |
|---|---|---|---|
| | 2011 | 2011 | 2010 |
| MCT | 226% | 200% | 260% |

## 6. Fair Value Estimation

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

In accordance with IFRS 7, the Group and company disclose fair value measurements for items carried on the statement of financial position at fair value, by level of the following fair value measurement hierarchy:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities are disclosed as Level 1.
(b) 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) are disclosed as Level 2.
(c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) are disclosed as Level 3.

## 6. Fair Value Estimation (Continued)

The following table presents the Group's and the company's assets that are measured at fair value. There are no liabilities that are measured at fair value at the year end, and the Group had no instruments classified in Level 3 during the year.

| | The Group | | |
|---|---|---|---|
| | Level 1 | Level 2 | Total balance |
| **At 31 December 2011** | **$'000** | **$'000** | **$'000** |
| **Assets** | | | |
| Financial assets at fair value through profit or loss – | | | |
| Equity securities | - | 58,174 | 58,174 |
| Available-for-sale financial assets – | | | |
| Equity securities | 97,781 | - | 97,781 |
| Debt securities | - | 292,445 | 292,445 |
| Total assets measured at fair value | 97,781 | 350,619 | 448,400 |

| | The Group | | |
|---|---|---|---|
| | Level 1 | Level 2 | Total balance |
| **At 31 December 2010** | **$'000** | **$'000** | **$'000** |
| **Assets** | | | |
| Financial assets at fair value through profit or loss – | | | |
| Equity securities | - | 55,601 | 55,601 |
| Available-for-sale financial assets – | | | |
| Equity securities | 901,080 | - | 901,080 |
| Debt securities | - | 21,544 | 21,544 |
| Total assets measured at fair value | 901,080 | 77,145 | 978,225 |

## 6. Fair Value Estimation (Continued)

| | The Company | | |
|---|---|---|---|
| | Level 1 | Level 2 | Total balance |
| **At 31 December 2011** | $'000 | $'000 | $'000 |
| **Assets** | | | |
| Financial assets at fair value through profit or loss – | | | |
| Equity securities | - | 58,174 | 58,174 |
| Available-for-sale financial assets – | | | |
| Equity securities | 97,781 | - | 97,781 |
| Debt securities | - | 292,445 | 292,445 |
| Total assets measured at fair value | 97,781 | 350,619 | 448,400 |

| | The Company | | |
|---|---|---|---|
| | Level 1 | Level 2 | Total balance |
| **At 31 December 2010** | $'000 | $'000 | $'000 |
| **Assets** | | | |
| Financial assets at fair value through profit or loss – | | | |
| Equity securities | - | 51,071 | 51,071 |
| Available-for-sale financial assets – | | | |
| Equity securities | 901,080 | - | 901,080 |
| Debt securities | - | 21,544 | 21,544 |
| Total assets measured at fair value | 901,080 | 72,615 | 973,695 |

Market price is used to determine fair value where an active market (such as a recognised stock exchange) exists as it is the best evidence of the fair value of a financial instrument. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

However, market prices are not available for all financial assets held by the Group. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The following methods have been used to value financial instruments:

(a) Investment securities classified as available-for-sale and fair value through profit or loss are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques;

**6. Fair Value Estimation (Continued)**

(b) Investment securities classified as held-to-maturity are carried at amortised cost. No investment securities were classified as held-to-maturity at year end. The fair value of these securities at 31 December 2010 was $183,046,000. The fair value is determined by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques;

(c) The fair value of short-term assets and liabilities maturing within one year is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;

(d) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts, as these instruments are expected to reprice at the prevailing market rates;

(e) Insurance premium financing and other loans are carried at amortised cost which is assumed to approximate fair value as loans are issued at terms and conditions available in the market for similar transactions; and

(f) The carrying value of the borrowings from affiliated company, Seprod Limited (Note 32) is assumed to approximate fair value as these borrowings were acquired at terms and conditions available in the market for similar transactions. The fair value of other borrowings could not be reliably measured as there are no fixed repayment terms.

**7. Critical Accounting Estimates and Judgements in Applying Accounting Policies**

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities in the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

***(a) Liabilities arising from claims made under insurance contracts***

The determination of the liabilities under insurance contracts represents the liability for future claims payable by the Group based on contracts for the insurance business in force at the date of the statement of financial position using several methods, including the Paid Loss Development method, the Incurred Loss Development method, the Bornhuetter-Ferguson Paid Loss method, the Bornhuetter-Ferguson Incurred Loss method and the Frequency-Severity method. These liabilities represent the amounts that will, in the opinion of the actuary, be sufficient to pay future claims relating to contracts of insurance in force, as well as meet the other expenses incurred in connection with such contracts. A margin for risk or uncertainty (adverse deviations) in these assumptions is added to the liability. The assumptions are examined each year in order to determine their validity in light of current best estimates or to reflect emerging trends in the Group's experience.

Claims are analysed separately between those arising from damage to insured property and consequential losses. Claims arising from damage to insured property can be estimated with greater reliability, and the Group's estimation processes reflect all the factors that influence the amount and timing of cash flows from these contracts. The shorter settlement period for these claims, allows the Group to achieve a higher degree of certainty about the estimated cost of claims, and relatively little IBNR is held at year-end. However, the longer time needed to assess the emergence of claims arising from consequential losses makes the estimation process more uncertain for these claims.

**7. Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)**

***(b) Income taxes***
There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

***(c) Fair value of financial assets determines using valuation techniques***
As described in Note 6, where the fair values of financial assets recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of discounted cash flows model and/or mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values.

For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk free interest rates and credit risk.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

**8. Segment Information**

Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions. All operating segments used by management meet the definition of a reportable segment under IFRS 8.

The Company is organised into seven operating segments. These segments represent the different types of risks that are written by the entity through various forms of brokers, agents and direct marketing programmes, which are all loated in Jamaica. Management identifies its reportable operating segments by product line consistent with the reports used by the board of directors. These segments and their respective operations are as follows:

(a) Fire and allied perils - Loss, damage or destruction to insured property as specified on the policy schedule.

(b) Homeowners - Loss, damage or destruction to insured property used for residential purposes as specified on the policy schedule, resulting from fire and allied perils, burglary, theft, or accidental damage. Includes liability to third parties and domestic employees

(c) Marine - Loss or damage to goods from the perils of the seas and other perils whilst in transit from destination to destination by sea, air or by land and from warehouse to warehouse.

(d) Liability - Legal liability of the insured to third parties for accidental bodily injury, death and/or loss of or damage to property occurring in connection with the insured's business, subject to a limit of indemnity. In the case of an employee liability this is legal liability of the insured to pay compensation to its employees in respect of death, injury or disease sustained during and in the course of their employment, subject to a limit of indemnity

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2011**

(expressed in Jamaican dollars unless otherwise indicated)

**8. Segment Information (Continued)**

(e) Burglary - Loss of or damage to the insured's property involving forcible and/or violent entry into or exit from the building including damage to the premises.

(f) Miscellanous Accidents - This operating segment covers the following policies:

- Fidelity Guarantee - Loss of money or goods owned by the insured (or for which the insured is responsible) as a result of fraud or dishonesty by an employee.
- Goods in Transit - Loss, destruction or damage to insured goods by fire and allied perils, including loss or damage from accidental collision or overturning and whilst in, on or being loaded or unloaded from any road vehicle or whilst temporarily housed overnight during the ordinary course of transit.
- Engineering and machinery breakdown - Loss or damage by fire and allied perils including burglary, theft and accidental damage to specified equipment, including loss or damage resulting from electrical and mechanical breakdown subject to maintenance.
- Loss of money - Loss, damage or destruction of money including hold-up on premises during and out of business hours and in transit.
- Plate glass - Accident breakage to plate glass windows and doors of buildings.
- Personal accident - Compensation for bodily injury caused by violent, visible, external and accidental means, which injury shall solely and independently of any other cause result in death or dismemberment within 12 months of such injury. Subject to the limits specified on the policy schedule.

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2011**

(expressed in Jamaican dollars unless otherwise indicated)

## 8. Segment Information (Continued)

The segment information provided to the board of directors for the reportable segments for the year ended 31 December 2011 is as follows:

| 2011 | Fire $'000 | Homeowners $'000 | Motor $'000 | Marine $'000 | Liability $'000 | Burglary $'000 | Misellaneous Accident $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **Gross Premiums Written** | 2,147,158 | 102,972 | 715,659 | 141,396 | 279,758 | 9,286 | 230,166 | 3,626,395 |
| Reinsurance ceded | (2,058,611) | (82,509) | (25,786) | (118,113) | (159,060) | (5,593) | (182,417) | (2,632,089) |
| Excess of loss reinsurance cost | (76,868) | (21,248) | (21,930) | - | (7,747) | - | - | (127,793) |
| Net premiums written | 11,679 | (785) | 667,943 | 23,283 | 112,951 | 3,693 | 47,749 | 866,513 |
| Changes in unearned premiums, net | (4,689) | 88 | (45,058) | (114) | (1,891) | (133) | 4,774 | (47,023) |
| **Net Premiums Earned** | 6,990 | (697) | 622,885 | 23,169 | 111,060 | 3,560 | 52,523 | 819,490 |
| Commission income | 198,314 | 19,709 | 2,737 | 27,904 | 12,726 | 1,354 | 31,778 | 294,522 |
| Commission expense | (113,093) | (11,948) | ( 63,298) | (2,595) | (14,111) | ( 536) | (26,108) | (231,689) |
| Claims expense | (1,947) | ( 4,300) | (313,549) | (210) | (83,744) | (2,176) | (14,216) | (420,142) |
| Management expenses | (26,768) | (6,186) | (208,558) | (7,038) | (36,488) | (1,118) | (14,436) | (300,592) |
| **Segment results** | 63,496 | (3,422) | 40,217 | 41,230 | (10,557) | 1,084 | 29,541 | 161,589 |
| Unallocated income | | | | | | | | 1,137,937 |
| Unallocated expenses | | | | | | | | (28,642) |
| Profit before tax | | | | | | | | 1,270,884 |
| Taxation | | | | | | | | (56,662) |
| Net profit | | | | | | | | 1,214,222 |

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2011**

(expressed in Jamaican dollars unless otherwise indicated)

## 8. Segment Information (Continued)

| 2010 | Fire $'000 | Homeowners $'000 | Motor $'000 | Marine $'000 | Liability $'000 | Burglary $'000 | Misellaneous Accident $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **Gross Premiums Written** | 854,277 | 112,179 | 620,207 | 117,967 | 258,462 | 8,703 | 231,279 | 2,203,074 |
| Reinsurance ceded | (776,856) | (89,879) | (19,425) | ( 94,169) | (152,970) | (5,705) | (177,888) | (1,316,892) |
| Excess of loss reinsurance cost | (66,763) | (19,817) | (12,504) | - | (2,536) | - | - | (101,620) |
| Net premiums written | 10,658 | 2,483 | 588,278 | 23,798 | 102,956 | 2,998 | 53,391 | 784,562 |
| Changes in unearned premiums, net | (3,407) | (211) | (75,563) | (409) | (3,524) | 23 | (8,386) | (91,477) |
| **Net Premiums Earned** | 7,251 | 2,272 | 512,715 | 23,389 | 99,432 | 3,021 | 45,005 | 693,085 |
| Commission income | 123,242 | 19,953 | 1,583 | 22,249 | 11,089 | 1,421 | 26,674 | 206,211 |
| Commission expense | (69,209) | (13,994) | (31,422) | (1,382) | (20,419) | (239) | (25,503) | (162,168) |
| Claims expense | ( 6,053) | (1,370) | (352,810) | 319 | (60,247) | (2,511) | (3,952) | (426,624 ) |
| Management expenses | (21,759) | (6,228) | (162,751) | (6,698) | (28,630) | (830) | (14,745) | (241,641) |
| **Segment results** | 33,472 | 633 | (32,685) | 37,877 | 1,225 | 862 | 27,479 | 68,863 |
| Unallocated income | | | | | | | | 114,453 |
| Unallocated expenses | | | | | | | | (30,430) |
| Profit before tax | | | | | | | | 152,886 |
| Taxation | | | | | | | | (30,831) |
| Net profit | | | | | | | | 122,055 |

Profit from the reportable segments is reconciled to the Group's profit before taxation as follows:

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Profit from reportable segments | 161,589 | 68,863 |
| Unallocated income | | |
| Investment income | 944,268 | 113,268 |
| Other income | 193,669 | 1,186 |
| | 1,137,937 | 114,453 |
| Unallocated expenses | | |
| Depreciation and amortisation | (28,642) | (30,430) |
| | 1,270,884 | 152,886 |

## 8. Segment Information (Continued)

Total capital expenditure was as follows:

| | 2011 | 2010 |
|---|---|---|
| | $'000 | $'000 |
| Property, plant and equipment | 9,081 | 13,064 |
| Intangible assets | 10,372 | 9,396 |
| | 19,453 | 22,460 |

Assets, liabilities and capital expenditure are not reported by segment to the board of directors.

# General Accident Insurance Company Jamaica Limited
Notes to the Financial Statements
**31 December 2011**
(expressed in Jamaican dollars unless otherwise indicated)

## 9. Related Party Transactions and Balances

(a) Related party transactions are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 |
| Dividend income - | | | | |
| Subsidiary (Note 11) | - | 46 | - | 90,046 |
| Interest income - | | | | |
| Key management | 576 | 674 | - | - |
| Parent company | - | 3,852 | - | - |
| Fellow subsidiary (Note 11) | 6,907 | 4,967 | 6,907 | - |
| Subsidiary (Note 11) | - | - | 5,110 | 1,298 |
| | 7,483 | 9,493 | 12,017 | 1,298 |
| Rental and maintenance income - | | | | |
| Fellow subsidiary | 429 | 816 | 429 | 816 |
| Subsidiary | - | - | 455 | 1,007 |
| | 429 | 816 | 884 | 1,823 |
| Rental expense | | | | |
| Fellow subsidiary | 3,056 | - | 3,056 | - |
| Capital distribution received - | | | | |
| Other related parties (Note 11) | 22,574 | 33,066 | 22,574 | 33,066 |
| Premium income - | | | | |
| Key management | 2,506 | 2,753 | 2,506 | 2,753 |
| Parent company | 17,562 | 37,032 | 17,562 | 37,032 |
| Fellow subsidiaries | 226,554 | 197,949 | 226,554 | 197,949 |
| Affiliates | 65 | 530 | 65 | 530 |
| | 246,687 | 238,264 | 246,687 | 238,264 |
| Claims expense - | | | | |
| Key management | 41 | 111 | 41 | 111 |
| Parent company | 3,910 | 2,061 | 3,910 | 2,061 |
| Fellow subsidiaries | 7,456 | 5,113 | 7,456 | 5,113 |
| Affiliates | - | 5,673 | - | 5,673 |
| | 11,407 | 12,958 | 11,407 | 12,958 |

# General Accident Insurance Company Jamaica Limited
Notes to the Financial Statements
**31 December 2011**
(expressed in Jamaican dollars unless otherwise indicated)

## 9. Related Party Transactions and Balances (Continued)

(a) Related party transactions (continued)

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2011 $'000** | **2010 $'000** | **2011 $'000** | **2010 $'000** |
| Gain on sale of investment - | | | | |
| Parent company (Note 11) | 847,200 | 23,952 | 847,200 | 23,952 |
| (Loss)/gain on disposal of subsidiary - | | | | |
| Parent company (Note 39) | (3,704) | - | 61,928 | - |
| Gain on disposal of property, plant and equipment | | | | |
| Fellow subsidiary | 157,554 | - | 157,554 | - |
| Dividends declared - | | | | |
| Parent company | 1,054,750 | 95,000 | 1,054,750 | 95,000 |
| Interest expense (Note 13) - | | | | |
| Other related parties | 14,089 | 255 | - | - |
| Parent company | - | 43,581 | - | - |
| | 14,089 | 43,836 | - | - |
| Key management compensation - | | | | |
| Salaries and other short term benefits | 37,371 | 37,368 | 37,371 | 37,368 |
| Directors emoluments | | | | |
| Directors' fees (included above) | 1,840 | 1,560 | 1,840 | 1,510 |

(b) The statement of financial position includes the following balances with group companies:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2011 $'000** | **2010 $'000** | **2011 $'000** | **2010 $'000** |
| Due from related parties - | | | | |
| Receivables - | | | | |
| Subsidiary | - | - | - | 13,849 |
| Fellow subsidiary | 1,156 | - | 1,156 | - |
| Dividend receivable - | | | | |
| Subsidiary | - | - | - | 20,000 |
| | 1,156 | - | 1,156 | 33,849 |

## 9. Related Party Transactions and Balances (Continued)

(b) Balances with group companies (continued)

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2011 $'000** | **2010 $'000** | **2011 $'000** | **2010 $'000** |
| Due to related parties - | | | | |
| Payable - | | | | |
| Parent company | - | 1,816 | - | - |
| Fellow subsidiary | - | 11,020 | - | - |
| | - | 12,836 | - | - |
| Loans due to parent company (Note 33) - | | | | |
| Balance at the beginning of year | - | 312,904 | - | - |
| Loans received | - | - | - | - |
| Interest charged | - | 42,947 | - | - |
| Repayments | - | (355,851) | - | - |
| Balance at end of year | - | - | - | - |
| Loan due to fellow subsidiary (Note 33) - | | | | |
| Balance at beginning of year | 500 | 500 | - | - |
| Repayments | - | - | - | - |
| Sale of subsidiary | (500) | - | - | - |
| Balance at end of year | - | 500 | - | - |
| Loans due to affiliated company (Note 33) - | | | | |
| Balance at the beginning of year | 257,835 | - | - | - |
| Loans received | - | 257,583 | - | - |
| Interest charged | 15,148 | 889 | - | - |
| Repayments | (15,148) | (637) | - | - |
| Sale of subsidiary | (257,835) | - | - | - |
| | - | 257,835 | - | - |

# General Accident Insurance Company Jamaica Limited
Notes to the Financial Statements
**31 December 2011**
(expressed in Jamaican dollars unless otherwise indicated)

**9. Related Party Transactions and Balances (Continued)**

(b) Balances with group companies (continued)

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 |
| Due from policyholders, brokers and agents - | | | | |
| Fellow subsidiary | 43,034 | 34,873 | 43,034 | 34,873 |
| Parent company | 1,796 | 4,085 | 1,796 | 4,085 |
| Key management | 1,638 | - | 1,638 | - |
| | 46,468 | 38,958 | 46,468 | 38,958 |
| Insurance premium financing receivables - | | | | |
| Fellow subsidiary (Note 23) | - | 15,763 | - | - |
| Loans receivable - | | | | |
| Subsidiary (Note 25) | - | - | - | 36,683 |
| Fellow subsidiary (Note 25) | 236,896 | 262,884 | 236,896 | - |
| Key management | - | 10,939 | - | - |
| | 236,896 | 273,823 | 236,896 | 36,683 |
| Investment securities - | | | | |
| Shares in affiliated entity (Note 27) | 97,781 | 901,080 | 97,781 | 901,080 |
| Claims liabilities | | | | |
| Affiliated company | - | - | 6,422 | 6,422 |
| Fellow subsidiary | 2,421 | 2,421 | 4,538 | 4,538 |

The subsidiary loans were due and receivable from a former wholly owned subsidiary. The loans included an amount denominated in United States dollars (US$ 221,000) with a tenure of 8 months and were interest free.This loan was repaid in February 2011.

Loans receivable from key management attracted interest at an average rate of 11.67% and had varying repayment terms.

Included in the investments of the company are shares in a related party. At 31 December 2011, these shares represented 2.76% of the total assets (2010 - 28.54 %). In the prior year, this was above the maximum allowable investment limits stipulated by the Insurance Regulations, 2001. This issue was remediated during the year by disposal of the shares to the parent company.

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2011**

(expressed in Jamaican dollars unless otherwise indicated)

## 10. Claims Expense

| | The Group and The Company | |
|---|---|---|
| | **2011** **$'000** | **2010** **$'000** |
| Gross claims expense | 489,848 | 476,532 |
| Reinsurers share of claims expense | (69,706) | (49,908) |
| Net claims expense | 420,142 | 426,624 |

## 11. Investment Income

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2011** **$'000** | **2010** **$'000** | **2011** **$'000** | **2010** **$'000** |
| Interest income - | | | | |
| Insurance premium financing | 13,840 | 23,692 | - | - |
| Leases receivable | 2,226 | - | 2,226 | - |
| Loans receivable | 26,908 | 99,426 | - | - |
| Loan due from fellow subsidiary (Note 9(a)) | 6,907 | 4,967 | 6,907 | - |
| Loan due from subsidiary (Note 9(a)) | - | - | 5,110 | 1,298 |
| Cash and deposits and investment securities | 61,245 | 53,579 | 60,691 | 51,204 |
| | 111,126 | 181,664 | 74,934 | 52,502 |
| Capital distribution | 22,574 | 33,066 | 22,574 | 33,066 |
| (Loss)/gain on disposal of subsidiary (Note 39) | - | - | 61,928 | - |
| Gain on sale of investments | 848,471 | 24,980 | 848,471 | 24,980 |
| Dividend income (Note 9 (a)) | - | 46 | - | 90,046 |
| Unrealised gain on Unit Trust Fund | 7,598 | 4,356 | 7,103 | 3,971 |
| | 989,769 | 244,112 | 1,015,010 | 204,565 |

Included in gain on sale of investments is the gain on sale of shares to the the parent company totalling $847,200 (2010 - $23,952).

Investment income is attributable to:

| | The Group | |
|---|---|---|
| | **2011** **$'000** | **2010** **$'000** |
| Continuing operations | 947,972 | 113,267 |
| Discontinued operations (Note 17) | 41,797 | 130,845 |
| | 989,769 | 244,112 |

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2011**

(expressed in Jamaican dollars unless otherwise indicated)

## 12. Other Income

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Foreign exchange (losses)/gains | 28,020 | (11,955) | 28,020 | (7,715) |
| Rental income | 6,133 | 7,842 | 6,715 | 8,435 |
| Gain on disposal of property, plant and equipment | 157,554 | 158 | 157,554 | 158 |
| Miscellaneous income | 4,014 | 4,201 | 1,380 | 900 |
| | 195,721 | 246 | 193,669 | 1,778 |

Other income is attributable to:

| | The Group | |
|---|---|---|
| | **2011** | **2010** |
| | **$'000** | **$'000** |
| Continuing operations | 193,669 | 1,186 |
| Discontinued operations (Note 17) | 2,052 | (940) |
| | 195,721 | 246 |

## 13. Finance Costs

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Interest expense (Note 9(a)) | 14,089 | 43,836 | - | - |

Finance costs are attributable to:

| | The Group | |
|---|---|---|
| | **2011** | **2010** |
| | **$'000** | **$'000** |
| Continuing operations | - | - |
| Discontinued operations (Note 17) | 14,089 | 43,836 |
| | 14,089 | 43,836 |

# General Accident Insurance Company Jamaica Limited
Notes to the Financial Statements
**31 December 2011**
(expressed in Jamaican dollars unless otherwise indicated)

## 14. Expenses by Nature

Management and other expenses by nature are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 |
| Advertising costs | 16,551 | 15,074 | 16,093 | 14,133 |
| Audit fees | 4,298 | 4,000 | 3,920 | 3,500 |
| Bad debt expense | 4,741 | 20,649 | 4,741 | - |
| Computer expenses | 6,694 | 5,612 | 6,619 | 5,612 |
| Directors fees | 1,880 | 1,560 | 1,840 | 1,510 |
| Depreciation and amortisation | 29,130 | 31,160 | 28,642 | 30,430 |
| Insurance | 6,139 | 4,146 | 6,118 | 4,146 |
| Professional fees | 8,430 | 9,924 | 8,207 | 9,691 |
| Printing and stationery | 5,111 | 4,202 | 4,757 | 3,349 |
| Registration fees | 11,015 | 9,614 | 11,015 | 9,614 |
| Rent | 3,056 | - | 3,056 | - |
| Repairs and maintenance | 14,973 | 16,705 | 14,677 | 16,129 |
| Staff costs (Note 15) | 188,951 | 152,979 | 182,518 | 140,337 |
| Transportation expenses | 5,692 | 4,906 | 5,637 | 4,840 |
| Utilities | 13,498 | 11,768 | 13,149 | 11,216 |
| Other operating expenses | 18,636 | 18,202 | 18,245 | 17,564 |
| | 338,795 | 310,501 | 329,234 | 272,071 |

Expenses by nature are attributable to:

| | The Group | |
|---|---|---|
| | 2011 $'000 | 2010 $'000 |
| Continuing operations | 329,234 | 272,071 |
| Discontinued operations (Note 17) | 9,561 | 38,430 |
| | 338,795 | 310,501 |

# General Accident Insurance Company Jamaica Limited
Notes to the Financial Statements
**31 December 2011**
(expressed in Jamaican dollars unless otherwise indicated)

## 15. Staff Costs

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 | 2010 $'000 | 2011 $'000 | 2010 $'000 |
| Wages and salaries | 143,757 | 116,291 | 138,488 | 104,807 |
| Statutory contributions | 9,833 | 8,545 | 9,461 | 7,934 |
| Pension costs | 3,101 | 3,047 | 3,002 | 2,919 |
| Other | 32,260 | 25,096 | 31,567 | 24,677 |
| | 188,951 | 152,979 | 182,518 | 140,337 |

Staff costs are attributable to:

| | The Group | |
|---|---|---|
| | 2011 $'000 | 2010 $'000 |
| Continuing operations | 182,518 | 140,337 |
| Discontinued operations | 6,433 | 12,642 |
| | 188,951 | 152,979 |

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2011**

(expressed in Jamaican dollars unless otherwise indicated)

## 16. Taxation

(a) The company's shares were listed on the Junior Market of the Jamaica Stock Exchange, effective 21 September 2010. Consequently, the company is entitled to a remission of tax for ten (10) years in the proportions set out below, provided the shares remain listed for at least 15 years:

| | |
|---|---|
| Years 1 to 5 | 100% |
| Years 6 to 10 | 50% |

The financial statements have been prepared on the basis that the company will have the full benefit of the tax remissions. Subject to agreement with the Minister of Finance and Planning, the income tax payable for which remission has been granted is $33,112,000.

(b) Taxation is based on the profit for the year adjusted for taxation purposes and represents income tax at 33 1/3%:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2011 $'000** | **2010 $'000** | **2011 $'000** | **2010 $'000** |
| Current income taxes: | | | | |
| Income tax charge | 50,146 | 65,227 | 46,598 | 37,019 |
| Prior year income tax adjustment | 3,395 | 1,233 | 3,395 | - |
| | 53,541 | 66,460 | 49,993 | 37,019 |
| Deferred income taxes (Note 31) | 6,637 | (19,184) | 6,669 | (6,188) |
| | 60,178 | 47,276 | 56,662 | 30,831 |

(c) The tax charge on the Group's and the company's profit differs from the theoretical amount that would arise using the statutory tax rate as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2011 $'000** | **2010 $'000** | **2011 $'000** | **2010 $'000** |
| Profit before tax | 1,291,083 | 200,524 | 1,341,478 | 244,775 |
| Tax calculated at a rate of 33 1/3% | 430,361 | 66,841 | 447,160 | 81,592 |
| Adjusted for the effects of: | | | | |
| Income not subject to tax | (385,231) | (21,450) | (406,701) | (51,322) |
| Expenses not deductible for tax | 12,608 | 283 | 12,608 | 200 |
| Prior year income tax adjustment | 3,395 | 1,233 | 3,395 | - |
| Net effect of other charges and allowances | (955) | 369 | 200 | 361 |
| | 60,178 | 42,276 | 56,662 | 30,831 |

### 16. Taxation (Continued)

(d) Profit before taxes are attributable to:

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Parent company | 1,341,478 | 244,775 |
| Less dividends received from former subsidiary | - | (90,000) |
| Eliminations on consolidation | (70,594) | (1,889) |
| | 1,270,884 | 152,886 |
| Discontinued operations - | | |
| Subsidiary | 20,199 | 47,638 |
| | 1,291,083 | 200,524 |

(e) Taxation expenses are attributable to:

| | The Group | |
|---|---|---|
| | 2011 $'000 | 2010 $'000 |
| Continuing operations | 56,662 | 30,831 |
| Discontinued operations (Note 17) | 3,516 | 16,445 |
| | 60,178 | 42,276 |

(f) The tax charge/credit relating to components of other comprehensive income is as follows:

| | The Group and The Company | |
|---|---|---|
| | 2011 $'000 | 2010 $'000 |
| Fair value reserve - | | |
| Available-for-sale investments - | | |
| Unrealised gains on available-for-sale investments, before tax | 99,089 | 140,561 |
| Unrealised gains on available-for-sale investments, tax charge (Note 31) | (896) | (2,425) |
| Unrealised gains on available-for-sale investments, after tax | 98,193 | 138,136 |
| Gains recycled to profit or loss on disposal and maturity of available-for-sale investments | (847,201) | (20,807) |
| | (749,008) | 117,329 |

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2011**

(expressed in Jamaican dollars unless otherwise indicated)

## 17. Discontinued Operations

In August 2011, the Group disposed of Orrett and Musson Investment Company Limited (Note 39). The amounts recognised as discontinued operations were as follows:

| | The Group | |
|---|---|---|
| | **2011** | **2010** |
| | **$'000** | **$'000** |
| **Net Investment Income** | | |
| Interest income | 41,302 | 130,459 |
| Interest expense | (14,089) | (43,836) |
| **Net interest income** | 27,213 | 86,623 |
| Unrealised gain on revaluation of Unit Trust Fund | 495 | 385 |
| **Net investment income** | 27,708 | 87,008 |
| Other operating income/(expense) | 2,052 | (940) |
| Administrative expenses | (9,561) | (38,430) |
| **Profit before Taxation** | 20,199 | 47,638 |
| Taxation | (3,516) | (16,445) |
| **Net Profit, being Total Comprehensive Income for the Year** | 16,683 | 31,193 |
| Loss on disposal of subsidiary (Note 39) | (3,704) | - |
| **Profit for the Year from Discontinued Operations** | 12,979 | 31,193 |

| | **2011** | **2010** |
|---|---|---|
| | **$'000** | **$'000** |
| **Cash flows from discontinued operations:** | | |
| Cash flows flows from operating activities | (176,389) | 101,965 |
| Cash flows from financing activities | 212,652 | (111,957) |
| Cash flows from investing activities | 16 | (2,293) |

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2011**

(expressed in Jamaican dollars unless otherwise indicated)

## 18. Net Profit and Retained Earnings

(a) The net profit is dealt with in the financial statements as follows:

| | 2011<br>$'000 | 2010<br>$'000 |
|---|---|---|
| Parent company | 1,284,816 | 213,944 |
| Less dividends received from former subsidiary | - | (90,000) |
| Loss on disposal of subsidiary | 3,704 | - |
| Eliminations on consolidation | (70,594) | (1,889) |
| | 1,217,926 | 122,055 |
| Discontinued operations - | | |
| Subsidiary | 12,979 | 31,193 |
| | 1,230,905 | 153,248 |

(b) The retained earnings are dealt with in the financial statements as follows:

| | 2011<br>$'000 | 2010<br>$'000 |
|---|---|---|
| Parent company | 404,134 | 206,521 |
| Subsidiary | - | 53,911 |
| | 404,134 | 260,432 |

## 19. Earnings Per Share

The calculation of earnings per share is based on the net profit for the year from continuing operations and 882,071,000 (2010 - 825,000,000) ordinary shares in issue.

| | The Group | |
|---|---|---|
| | 2011 | 2010 |
| Net profit from continuing operations ($'000) | 1,217,926 | 122,055 |
| Weighted average number of ordinary shares in issue ('000) | 882,071 | 825,000 |
| Earnings per share ($) | 1.38 | 0.15 |

## 20. Dividends per Share

The dividends paid in 2011 and 2010 were as follows:

| | The Company and The Group | |
|---|---|---|
| | **2011** | **2010** |
| Interim dividends:- | | |
| 27 cent per stock unit – February 2010 | - | 20,000 |
| 33 cent per stock unit – April 2010 | - | 25,000 |
| 33 cent per stock unit – July 2010 | - | 25,000 |
| 33 cent per stock unit – November 2010 | - | 25,000 |
| 27 cent per stock unit – April 2011 | 20,000 | - |
| 53 cents per stock unit – July 2011 | 40,000 | - |
| 1,293 cent per stock unit – August 2011 | 970,000 | - |
| 2.8 cents per stock unit – December 2011 | 30,925 | - |
| | 1,060,925 | 95,000 |

## 21. Cash and Cash Equivalents

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2011 $'000** | **2010 $'000** | **2011 $'000** | **2010 $'000** |
| Cash and bank balances | 90,776 | 37,528 | 90,776 | 31,907 |
| Short term deposits | 1,043,502 | 548,554 | 1,043,502 | 538,554 |
| Short term investments | - | 5,033 | - | 5,033 |
| | 1,134,278 | 591,115 | 1,134,278 | 575,494 |

Short term deposits comprise term deposits and repurchase agreements with an average maturity of 67 days (2010 – 77 days), and include interest receivable of $3,308,000 (2010 – $1,546,000) for the Group and the company.

In the prior year, short term investments comprised Treasury Bills with an original maturity of 28 days, and included interest receivable of $14,000.

## 21. Cash and Cash Equivaluents (Continued)

The weighted average effective interest rate on short term investments and deposits were as follows:

| | 2011 % | 2010 % |
|---|---|---|
| J$ | 6.7% | 7.1% |
| US$ | 3.9% | 3.9% |

The weighted average effective interest rates on cash balances for the year were as follows:

| | 2011 % | 2010 % |
|---|---|---|
| J$ | 1.5% | 2.5% |
| US$ | 0,8% | 0.9% |
| GBP | 0.1% | 0.1% |

## 22. Due from Reinsurers and Coinsurers

| | The Group and The Company | |
|---|---|---|
| | 2011 $'000 | 2010 $'000 |
| Reinsurers' portion of unearned premium (Note 32) | 844,140 | 473,351 |
| Reinsurers' portion of claims liabilities (Note 32) | 126,485 | 86,022 |
| Other amounts recoverable from reinsurers and coinsurers | 52,245 | 67,665 |
| | 1,022,870 | 627,038 |

## 23. Insurance Premium Financing

| | The Group | |
|---|---|---|
| | 2011 $'000 | 2010 $'000 |
| IPF loans receivable from fellow subsidiary (Note 9) | - | 15,763 |
| IPF loans receivable from external customers | - | 70,278 |
| Unearned interest | - | (10,957) |
| | - | 75,084 |
| Less: Provision for doubtful debts | - | (8,090) |
| | - | 66,994 |

# General Accident Insurance Company Jamaica Limited
Notes to the Financial Statements
**31 December 2011**
(expressed in Jamaican dollars unless otherwise indicated)

## 24. Other Receivables

| | The Group and The Company | |
|---|---|---|
| | **2011** | **2010** |
| | **$'000** | **$'000** |
| Prepayments | 2,995 | 3,068 |
| Other receivables | 7,309 | 10,418 |
| | 10,304 | 13,486 |

## 25. Loans Receivable

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Mortgage receivable from fellow subsidiary (Note 9) | 174,420 | - | 174,420 | - |
| Loans receivable from fellow subsidiary (Note 9) | 62,476 | 262,884 | 62,476 | - |
| Loans receivable from subsidiary (Note 9) | - | - | - | 36,683 |
| Loans receivable from external customers | - | 95,918 | - | - |
| | 236,896 | 358,802 | 236,896 | 36,683 |
| Less: Provision for doubtful debts | - | (13,288) | | - |
| | 236,896 | 345,514 | 236,896 | 36,683 |

Mortgage receivable represents a loan extended by the company to a fellow subsidiary for land and building sold to that fellow subsidiary during the year. The loan attracts an interest of 12% per annum and has tenure of 30 years.

Loans receivable represents loan financing extended by the Group and included interest receivable of $4,657,000 in the prior year. These loans attract interest an average rate of 18% and have average tenures of 2 years.

Loans receivable from external customers for the Group included an amount of $8,391,000 factored by the company to the subsidiary. The loan has been fully provided for by the subsidiary.

## 26. Lease Receivables

| | The Group and The Company | |
|---|---|---|
| | **2011** | **2010** |
| | **$'000** | **$'000** |
| Gross investment in finance leases – | | |
| Not later than one year | 22,586 | - |
| Later than one year and not later than five years | 30,192 | - |
| | 52,778 | |
| Less: Unearned income | (10,816) | - |
| | 41,962 | |
| Net investment in finance leases may be classified as follows: | | - |
| Not later than one year | 14,147 | - |
| Later than one year and not later than five years | 27,815 | - |
| | 41,962 | |

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2011**

(expressed in Jamaican dollars unless otherwise indicated)

## 27. Investment Securities

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Debt securities - | | | | |
| Available for sale – at fair value | | | | |
| Government of Jamaica Securities | | | | |
| Benchmark Investment Notes | 221,552 | - | 221,552 | - |
| United States Dollar Benchmark Notes | 5,871 | - | 5,871 | - |
| United States Dollar Bonds (2011 – 2022) | 57,105 | 21,544 | 57,105 | 21,544 |
| Treasury Bills (180 days) | 20,054 | - | 20,054 | - |
| | 304,582 | 21,544 | 304,582 | 21,544 |
| Interest receivable | 7,917 | - | 7,917 | - |
| | 312,499 | 21,544 | 312,499 | 21,544 |
| Held to maturity – at amortised cost | | | | |
| Government of Jamaica Securities - | | | | |
| Benchmark Investment Notes | - | 165,586 | - | 165,586 |
| United States Dollar Benchmark Notes | - | 4,993 | - | 4,993 |
| | - | 170,579 | - | 170,579 |
| Interest receivable | - | 7,820 | - | 7,820 |
| | - | 199,943 | - | 199,943 |
| Equity securities - | | | | |
| Fair value through profit or loss | | | | |
| Units in Unit Trust Funds | 58,174 | 55,601 | 58,174 | 51,071 |
| Available for sale, at fair value – | | | | |
| Quoted shares | 97,781 | 901,080 | 97,781 | 901,080 |
| Available for sale, at cost – | | | | |
| Unquoted shares | 16,990 | 16,990 | 16,990 | 16,990 |
| Less: Provision for diminution in value | (16,990) | (16,990) | (16,990) | (16,990) |
| | - | - | - | - |
| | 155,955 | 956,681 | 155,955 | 952,151 |
| | 468,454 | 1,156,624 | 468,454 | 1,152,094 |

**27. Investment Securities (Continued)**

Weighted average effective interest rate:

| | 2011 % | 2010 % |
|---|---|---|
| Government of Jamaica Securities – | | |
| Benchmark Investment Notes | 10.81 | 12.42 |
| United States Dollars Benchmark Notes | 6.88 | 6.9 |
| United States Dollar Bonds | 10.21 | 11.63 |

| | The Company | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | $'000 | $'000 | $'000 | $'000 |
| Investment securities - | | | | |
| Available-for-sale - | | | | |
| Debt securities | 304,582 | 304,582 | 21,544 | 21,544 |
| Equity securities | 97,781 | 97,781 | 901,080 | 901,080 |
| | 402,363 | 402,363 | 922,624 | 922,624 |
| Held to maturity | - | - | 170,579 | 183,046 |
| Fair value through profit or loss | 58,174 | 58,174 | 51,071 | 51,071 |
| | 460,537 | 460,537 | 1,144,274 | 1,156,741 |

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2011**

(expressed in Jamaican dollars unless otherwise indicated)

## 27. Investment Securities (Continued)

Included in investments, are Units Trust Funds valued at $50,000,000 (2010 – 45,000,000) which have been pledged with the FSC, pursuant to Section 8(1)(b) of the Insurance Regulations, 2001.

Included in investments are shares in Seprod Limited, a related party, with a fair value of approximately $97,781,000 (2010 - $901,080,000). The company is the beneficial owner of these shares, which are held in trust by the company's parent, Musson Jamaica Limited, which is the registered owner.

On 3 November 2011, the Group disposed of certain investment securities, previously classified as held-to-maturity. Consistent with the requirements of IAS 39, the remaining securities, previously classified as held-to-maturity were reclassified to available-for- sale, with the fair value gains/(losses) recognized on reclassification being recorded in other comprehensive income. The financial assets reclassified primarily consist of Government of Jamaica debt instruments.

At the time of reclassification, the average effective rate of interest on US dollar denominated instruments within the portfolio was 6.9%, and 12.5% on Jamaican dollar denominated instruments. During the year, there was no fair value adjustment to reclassified instruments which were recognised in the income statement. Since 3 November 2011, the Group recognised pre tax fair value adjustments of $15,556,000 directly in other comprehensive income. Had the reclassification not taken place, fair value adjustments would have been recognised neither in the income statement, nor in other comprehensive income. The income statement includes interest income of $19,647,000 for the year. No realised capital gains were recognised after 3 November 2011.

The following table shows details about the financial assets reclassified:

| | 3 November 2011 | 31 December 2011 | |
|---|---|---|---|
| | Amortised cost $'000 | Amortised cost $'000 | Carrying value $'000 |
| Financial assets held-to-maturity reclassified to available-for-sale | 140,650 | 140,650 | 156,681 |

# General Accident Insurance Company Jamaica Limited
Notes to the Financial Statements
**31 December 2011**
(expressed in Jamaican dollars unless otherwise indicated)

## 28. Property, Plant and Equipment

| | The Group | | | | |
|---|---|---|---|---|---|
| | **Land $'000** | **Buildings $'000** | **Furniture, Fixtures & Equipment $'000** | **Motor Vehicles $'000** | **Total $'000** |
| At Cost - | | | | | |
| At 1 January 2010 | 4,569 | 76,159 | 48,163 | 43,245 | 172,136 |
| Additions | - | 4,101 | 6,730 | 3,347 | 14,178 |
| Disposals | - | - | (914) | - | (914) |
| At 31 December 2010 | 4,569 | 80,260 | 53,979 | 46,592 | 185,400 |
| Additions | - | 1,392 | 7,288 | 417 | 9,097 |
| Disposals | (4,569) | (65,222) | (1,124) | (6,805) | (77,720) |
| Disposal of subsidiary | - | - | (3,055) | (950) | (4,005) |
| At 31 December 2011 | - | 16,430 | 57,088 | 39,254 | 112,772 |
| Depreciation - | | | | | |
| At 1 January 2010 | - | 27,982 | 19,927 | 23,330 | 71,239 |
| Charge for the year | - | 3,978 | 6,663 | 9,350 | 19,991 |
| On disposals | - | - | (914) | - | (914) |
| At 31 December 2010 | - | 31,960 | 25,676 | 32,680 | 90,316 |
| Charge for the year | - | 890 | 6,238 | 8,766 | 15,894 |
| On disposals | - | (26,785) | (728) | (6,447) | (33,960) |
| Disposal of subsidiary | - | - | (680) | (507) | (1,187) |
| At 31 December 2011 | - | 6,065 | 30,506 | 34,492 | 71,063 |
| Net Book Value - | | | | | |
| 31 December 2011 | - | 10,365 | 26,582 | 4,762 | 41,709 |
| 31 December 2010 | 4,569 | 48,300 | 28,303 | 13,912 | 95,084 |

# General Accident Insurance Company Jamaica Limited
Notes to the Financial Statements
**31 December 2011**
(expressed in Jamaican dollars unless otherwise indicated)

**28. Property, Plant and Equipment (Continued)**

| | The Company | | | | |
|---|---|---|---|---|---|
| | Land $'000 | Buildings $'000 | Furniture, Fixtures & Equipment $'000 | Motor Vehicles $'000 | Total $'000 |
| At Cost - | | | | | |
| At 1 January 2010 | 4,569 | 76,159 | 46,239 | 42,295 | 169,262 |
| Additions | - | 4,101 | 5,616 | 3,347 | 13,064 |
| Disposals | - | - | (914) | - | (914) |
| At 31 December 2010 | 4,569 | 80,260 | 50,941 | 45,642 | 181,412 |
| Additions | - | 1,392 | 7,272 | 417 | 9,081 |
| Disposals | (4,569) | (65,222) | (1,124) | (6,805) | (77,720) |
| At 31 December 2011 | - | 16,430 | 57,088 | 39,254 | 112,772 |
| Depreciation - | | | | | |
| At 1 January 2010 | - | 27,982 | 19,755 | 23,140 | 70,877 |
| Charge for the year | - | 3,978 | 6,359 | 9,160 | 19,497 |
| On disposals | - | - | (914) | - | (914) |
| At 31 December 2010 | - | 31,960 | 25,200 | 32,300 | 89,460 |
| Charge for the year | - | 890 | 6,034 | 8,639 | 15,563 |
| On disposals | | (26,785) | (728) | (6,447) | (33,960) |
| At 31 December 2011 | - | 6,065 | 30,506 | 34,492 | 71,063 |
| Net Book Value - | | | | | |
| 31 December 2011 | - | 10,365 | 26,582 | 4,762 | 41,709 |
| 31 December 2010 | 4,569 | 48,300 | 25,741 | 13,342 | 91,952 |

## 29. Intangible Assets

| | The Group Computer Software $'000 | The Company Computer Software $'000 |
|---|---|---|
| At Cost - | | |
| At 1 January 2010 | 45,269 | 45,269 |
| Additions | 10,575 | 9,396 |
| At 31 December 2010 | 55,844 | 54,665 |
| Additions | 10,732 | 10,732 |
| Disposal of subsidiary | (1,179) | - |
| At 31 December 2011 | 65,397 | 65,397 |
| Amortisation - | | |
| At 1 January 2010 | 14,761 | 14,761 |
| Charge for the year | 11,169 | 10,933 |
| At 31 December 2010 | 25,930 | 25,694 |
| Charge for the year | 13,236 | 13,079 |
| Disposal of subsidiary | (393) | - |
| At 31 December 2011 | 38,773 | 38,773 |
| Net Book Value - | | |
| 31 December 2011 | 26,624 | 26,624 |
| 31 December 2010 | 29,914 | 28,971 |

## 30. Other Liabilities

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 |
| Statutory contributions payable | 3,076 | 2,461 | 3,076 | 2,461 |
| Accrued expenses | 52,811 | 34,143 | 52,811 | 29,842 |
| Other payables | 25,709 | 30,837 | 25,709 | 25,311 |
| | 81,596 | 67,441 | 81,596 | 57,614 |

# General Accident Insurance Company Jamaica Limited
Notes to the Financial Statements
**31 December 2011**
(expressed in Jamaican dollars unless otherwise indicated)

## 31. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 33⅓%.

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 |
| Deferred income tax assets | - | 3,571 | - | 1,989 |
| Deferred income tax liabilities | (12,713) | (9,092) | (12,713) | (7,137) |
| Net liabilities | (12,713) | (5,521) | (12,713) | (5,148) |

The net movement on the deferred income tax account is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 |
| Balance as at 1 January | (5,521) | (22,280) | (5,148) | (8,911) |
| (Charged)/credited to profit or loss (Note 16) | (6,637) | 19,184 | (6,669) | 6,188 |
| (Charged)/credited to other comprehensive income (Note 16) | (896) | (2,425) | (896) | (2,425) |
| Disposal of subsidiary | 341 | - | - | - |
| Balance as at 31 December | (12,713) | (5,521) | (12,713) | (5,148) |

Deferred income tax assets and liabilities are attributable to the following items:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 |
| **Deferred income tax assets** | | | | |
| Accrued vacation | - | 1,171 | - | 1,087 |
| Interest payable | - | 84 | - | - |
| Unrealised foreign exchange losses | - | 2,316 | - | 902 |
| | - | 3,571 | - | 1,989 |
| **Deferred income tax liabilities** | | | | |
| Accelerated tax depreciation | (10,295) | (3,163) | (10,295) | (2,761) |
| Interest receivable | - | (4,407) | - | (2,854) |
| Unrealised foreign exchange gains | - | - | - | - |
| Unrealised fair value gains | (2,418) | (1,522) | (2,418) | (1,522) |
| | (12,713) | (9,092) | (12,713) | (7,137) |

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements
**31 December 2011**
(expressed in Jamaican dollars unless otherwise indicated)

## 32. Insurance Reserves

(a) These reserves are as follows:

| | The Group and The Company | |
|---|---|---|
| | **2011** **$'000** | **2010** **$'000** |
| Gross - | | |
| Unearned premiums | 1,259,115 | 841,105 |
| Claims liabilities | 688,107 | 593,657 |
| Unearned commission | 95,289 | 77,142 |
| | 2,042,511 | 1,511,904 |
| Recoverable from reinsurers - | | |
| Reinsurers' portion of unearned premiums (Note 22) | (844,140) | (473,351) |
| Reinsurers' portion of claims liabilities (Note 22) | (126,485) | (86,022) |
| | (970,625) | (559,373) |
| Net - | | |
| Unearned premiums | 414,975 | 367,754 |
| Claims liabilities | 561,622 | 507,635 |
| Unearned commission | 95,289 | 77,142 |
| | 1,071,886 | 952,531 |

(b) Claims liabilities comprise:

| | The Group and The Company | |
|---|---|---|
| | **2011** **$'000** | **2010** **$'000** |
| Gross - | | |
| Outstanding claims | 532,840 | 485,632 |
| IBNR | 147,719 | 101,644 |
| Unallocated loss adjustment expense | 7,548 | 6,381 |
| | 688,107 | 593,657 |
| Recoverable from reinsurers - | | |
| Outstanding claims | 67,485 | 67,124 |
| IBNR | 59,000 | 18,898 |
| | 126,485 | 86,022 |
| Net - | | |
| Outstanding claims | 465,355 | 418,508 |
| IBNR | 88,719 | 82,746 |
| Unallocated loss adjustment expense | 7,548 | 6,381 |
| | 561,622 | 507,635 |

## 32. Insurance Reserves (Continued)

(c) The gross unearned premium reserve by class of business is as follows:

| | The Group and The Company | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Fire, consequential loss and liability | 817,776 | 435,224 |
| Motor | 325,400 | 277,060 |
| Marine | 10,798 | 6,386 |
| Accident | 105,141 | 122,435 |
| | 1,259,115 | 841,105 |

## 33. Borrowings

| | The Group | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| **Current** | | |
| (a) Short term loans | - | 500 |
| (b) Current portion of long term loan | - | 252 |
| | | 752 |
| **Non - Current** | | |
| (b) Long term loan | - | 257,835 |
| | - | 258,587 |

(a) Short term loans (Note 9(b))

| | The Group | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| (i) Fellow subsidiary | - | 500 |
| | - | 500 |

(i) The loan granted by fellow subsidiary, Facey Commodity Limited, to the subsidiary, Orrett and Musson Investment Company Limited, did not attract interest, was unsecured and has no set repayment date.

## 33. Borrowings (Continued)

(b) Long term loan (Note 9(b))

| | The Group | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Affiliated company | - | 257,583 |
| Interest payable | - | 252 |
| | - | 257,835 |
| Less: current portion | - | (252) |
| | - | 257,583 |

This represented a US$3million loan from an affiliated company, to the former subsidiary, Orrett and Musson. The proceeds of this loan were used to issue loans to the subsidiary's customers in the normal course of business. The loan was received in December 2010, is unsecured and attracts interest at a rate of 9% per annum, payable monthly. The principal loan amount is due for payment in June 2012.

## 34. Share Capital

| | 2011 | 2010 |
|---|---|---|
| | $'000 | $'000 |
| Authorised - | | |
| 1,100,000,000 (2010 – 75,000,000) Ordinary shares of no par | | |
| Issued and fully paid - | | |
| 1,031,250,000 (2010 – 75,000,000) Ordinary shares of no par | 470,358 | 75,000 |

During the year, the company issued 750,000,000 ordinary shares to its existing shareholders by way of an 11:1 stock split. The Company issued 206,250,000 shares on 21 September 2011 (20% of the total ordinary share capital issued) to the public.The shares issued have the same rights as the other shares in issue. The fair value of the shares issued amounted to $416,625,000 ($2.02 per share). The related transaction costs amounting to $21,267,000 have been deducted from the proceeds of the share issue.

### 35. Capital Reserves

| | The Group and The Company | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| At beginning of year | 129,456 | 96,390 |
| Movement during the year - | | |
| Capital distribution income transferred from retained earnings | 22,574 | 33,066 |
| At end of year | 152,030 | 129,456 |

The capital reserves at year end represent realised surpluses.

### 36. Fair Value Reserve

This represents the unrealised surplus, net of tax, on the revaluation of available-for-sale investments at the year end.

### 37. Pension Scheme

Employees participate in a defined contribution pension scheme operated by a related company, T. Geddes Grant (Distributors) Limited. The scheme is open to all permanent employees, as well as the employees of certain related companies. The scheme is funded by employees' compulsory contribution of 5% of earnings and voluntary contributions up to a further 5%, as well as employer's contribution of 5% of employees' earnings. The scheme is valued triennially by independent actuaries. The results of the most recent actuarial valuation, as at 31 December 2008, indicated that the scheme was adequately funded at that date.

Pension contributions for the period totalled $3,101,000 (2010 – $3,047,000) and $3,002,000 (2010 – $2,919,000) for the Group and the company, respectively, and are included in staff costs (Note 15).

### 38. Contingency

The Group is involved in certain legal proceedings incidental to the normal conduct of business. Management believes that none of these legal proceedings, individually or in the aggregate, will have a material effect on the Group

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2011**

(expressed in Jamaican dollars unless otherwise indicated)

## 39. Disposal of Subsidiary

In August 2011, the company sold its 100% interest in Orrett and Musson for $66,288,000 to its parent company. The net assets disposed of and the loss on disposal for the Group was as follows:

| | Carrying Value $'000 |
|---|---|
| Cash and short term investments | 51,739 |
| IPF receivables | 40,401 |
| Loans receivable | 532,902 |
| Interest receivabble | 449 |
| Investment securities | 5,025 |
| Property, plant and equipment | 2,818 |
| Intangible assets | 786 |
| Taxation payable | (357) |
| Long term loans | (507,419) |
| Payables | (59,325) |
| Deferred tax liabilities | (341) |
| Net assets disposed | 66,678 |
| Purchase consideration: | |
| Promissory note | 66,288 |
| Disposal costs | (3,314) |
| | 62,974 |
| Net assets disposed | (66,678) |
| Loss on disposal (Note 11) | (3,704) |
| Net cash outlay on disposal | |
| Cash and short term investments | 51,739 |
| Disposal costs | 3,314 |
| | 55,053 |

The gain on disposal for the company was as follows:

| | $'000 |
|---|---|
| Purchase consideration: | |
| Promissory note | 66,288 |
| Disposal costs | (3,314) |
| | 62,974 |
| Investment in subsidiary | (1,046) |
| Gain on disposal (Note 11) | 61,928 |

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements
**31 December 2011**
(expressed in Jamaican dollars unless otherwise indicated)

## 40. Commitments

***Operating lease commitments***
The company leases its office situated at 58 Half Way Tree Road from fellow subsidiary Unity Capital Incorporated under non-cancellable operating lease agreement.

The lease is for a term of five (5) years, and is renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows

| | The Company | |
|---|---|---|
| | 2011 US$'000 | 2010 US$'000 |
| No later than 1 year | 142 | - |
| Later than 1 year and no later than | 530 | - |
| Later than 5 years | - | - |
| | 672 | - |