General Accident Insurance Company Jamaica Limited
Annual Report 2012

Building on solid foundations

General Accident 2012
Annual Report

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PEACE OF MIND

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THE YEAR AT A GLANCE

14

Consecutive years of premium growth

$3.8

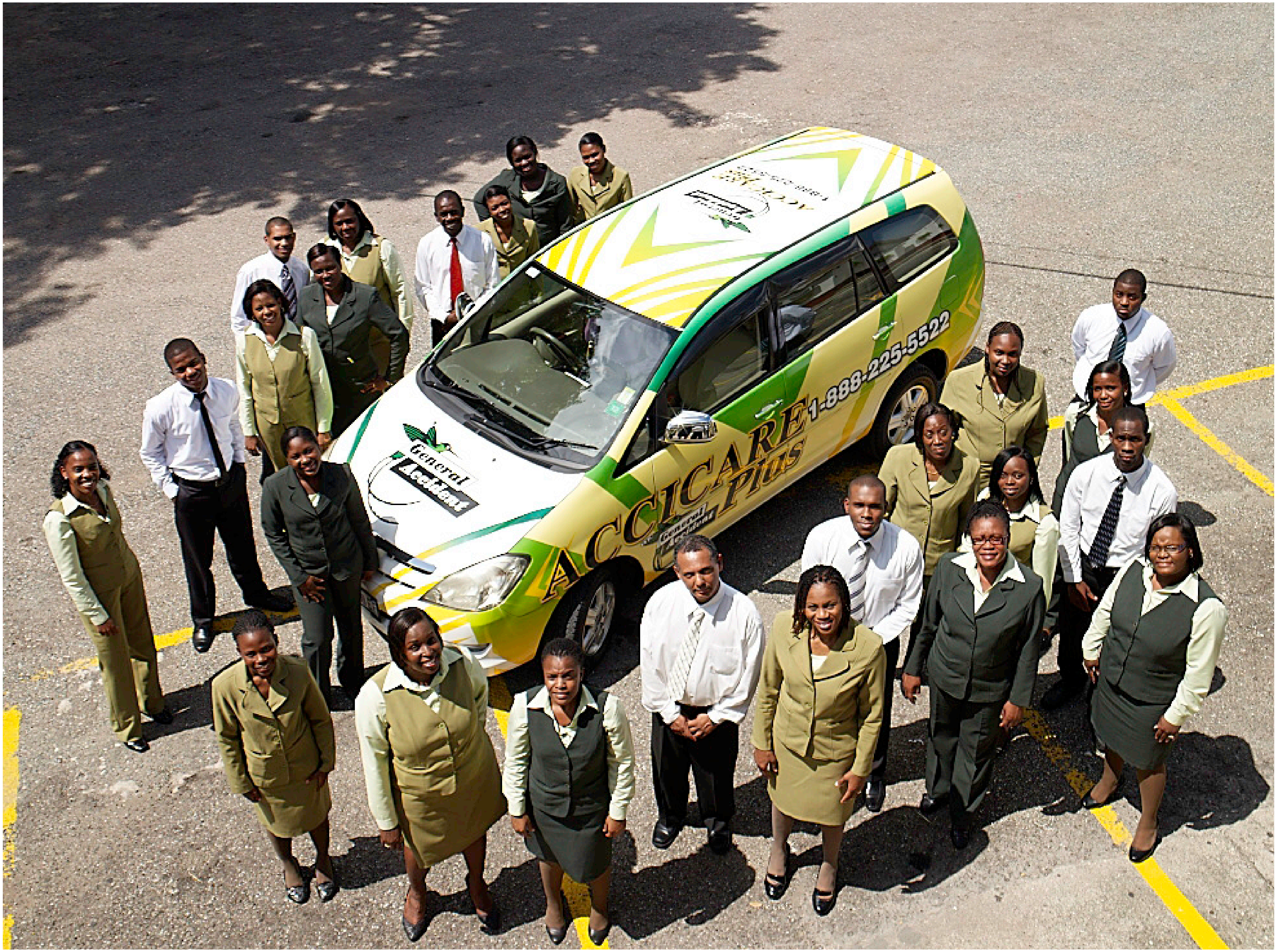
Billion in gross written premiums

$291

Million in net profit

24%

Return on average equity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Statement of the Chairman

General Accident had another strong year in 2012. In many ways, our financial performance this year was a testimony to the resilience of our business. We faced several negative headwinds, among them: a recession, a hurricane and record low interest rates. Nevertheless, General Accident recorded the highest level of premiums and profits in our history. This was made possible because of our adherence to the principles that have served us well throughout the years: disciplined underwriting, conservative risk management and a focus on serving the needs of our customers.

Operating performance

General Accident recorded a net profit of $290.5 million in 2012. If non-recurring gains are excluded from last year's results, our core profitability increased 32%. Importantly, we continued to underwrite profitably this year. We have now made an underwriting profit in five of the last six years, outperforming the industry by a significant margin over this period. This enviable record is directly attributable to the skill, judgment and prudence of our underwriting team.

We also improved the management of our insurance float this year. Despite the lowest interest rates in decades and regulations that greatly limit our investment flexibility, last year we increased our investment income by 39%. I am also pleased to report that the direct impact of the JDX on our portfolio was inconsequential or less than 0.1% of our capital.

Underwriting profitably and investing our insurance float wisely are the two most important drivers of our business. Unsurprisingly, in years like 2012 when we were fortunate enough to do both well, our business was very profitable.

Capital management

General Accident writes some of the largest and most complicated commercial property, engineering and marine risks in Jamaica. Our capacity to do so is a function or our own resources as well as the support of our international reinsurance partners. I am pleased to report that General Accident deepened and extended our relationships with our reinsurance partners this year.

Our reinsurance partners are some of the largest and best capitalized in the world. They can choose to do business with any insurance company in any country in the world. In most instances, their fortunes will rise and fall with those of the people they support. We are aware that we are the stewards of their capital and their reputation and are deeply appreciative of their continued support.

As a result of our solid underwriting and investment results this year, we made a return on average equity of 24% on our capital base of $1.29 billion. We were also able to maintain our dividend policy by returning over $100 million to our shareholders while still growing our equity base.

Governance

This year I invited Max Rochester, a former partner and country head of Price water house Coopers to join the Board as an independent director. Mr. Rochester brings a wealth of accounting expertise to Board and will be a strong independent voice on financial matters. I am delighted that he accepted my invitation.

Outlook

The Jamaican economy is likely to get worse before it gets better. Continued weak economic growth is likely to dampen the demand for insurance and keep insurance rates depressed. The Government of Jamaica's precarious fiscal situation is likely to lead to even more turbulent markets for its securities. Fortunately, neither a stagnant economy nor choppy financial markets are new to our Board or our Management.

We believe we have an enduring high quality business capable of continuing a long-term trajectory of profitable growth even in the face of these challenges. I would like to thank all of the employees, management and directors for their commitment and hard work throughout the year. I look forward to working with them in the coming year to maintain our positive momentum.

Sincerely,

P.B. Scott
Chairman

P.B. Scott / Chairman

"In many ways, our financial performance this year was a testimony to the resilience of our business."

Notice of Annual General Meeting

GENERAL ACCIDENT INSURANCE COMPANY (JAMAICA) LIMITED

NOTICE IS HEREBY GIVEN THAT the annual general meeting of General Accident Insurance Company (Jamaica) Limited (the "Company") will be held at **10am on June 18th, 2013 at 58 Half Way Tree Road** *for shareholders to consider and, if thought fit, to pass the following resolutions:*

Ordinary Resolutions

1. To receive the report of the Board of Directors and the audited accounts of the Company for the financial year ended December 31, 2012.

2. To authorise the Board of Directors to re-appoint PWC as the auditors of the Company, and to fix their remuneration.

3. To re-appoint the following Directors of the Board, who have resigned by rotation in accordance with the Articles of Incorporation of the Company and, being eligible, have consented to act on re-appointment:

(a) To re-appoint Melanie Subratie as a Director of the Board of the Company.

(b) To re-appoint Sharon Donaldson as a Director of the Board of the Company.

(c) To re-appoint Christopher Nakash as a Director of the Board of the Company.

4. To authorise the Board of Directors to fix the remuneration of the Directors.

5. To approve the aggregate amount of interim dividends declared by the Board during the financial year ended 31st December 2012, being $100,031,250 or 9.7 cents per ordinary share, as the total dividend for that year.

Dated this the 19th day of April 2013 By order of the Board.

P.B. Scott
Chairman

Directors Report

The Directors are pleased to present their report for General Accident Insurance Company Jamaica Limited for the financial year ended December 31, 2012

Financial Results

The Statement of Comprehensive Income for the Company shows pre-tax profits for the year of $285 million, taxation of $5.3 million and a net profit after-tax of $290.4 million. Details of these results, along with a comparison with the previous year's performance and the state of affairs of the Company are set out in the Management Discussion and Analysis and the Financial Statements which are included as part of this Annual Report.

Directors

The Directors of the Company as at December 31, 2012 are: P.B. Scott, Melanie Subratie, Sharon Donaldson, Ralph Thompson, Geoffrey Messado, Christopher Nakash, Jennifer Scott, Nicholas Scott, Nigel Clarke, Duncan Stewart and Maxim Rochester.

The Directors to retire by rotation in accordance with the Articles of Incorporation are: Melanie Subratie, Sharon Donaldson and Christpher Nakash but being eligible, will offer themselves for reelection.

Auditors

The auditors of the Company, PricewatehouseCoopers of Scotiabank Centre, Duke Street, Kingston, Jamaica have expressed their willingness to continue in office. The Directors recommend their reappointment.

Dividend

A dividend of $0.0485 per share paid on September 28, 2012 is proposed to be the final dividend in respect of the financial year ended December 31, 2012.

On behalf of the Board of Directors,

P.B. Scott
Chairman

General Accident
INSURANCE COMPANY JAMAICA LTD.

General Accident

INSURANCE COMPANY JAMAICA LTD.

Our Performance

General Accident today

Policies in force	15,876
Employees	77
Gross written premiums	$3.8b
Investment portfolio	$1.8b
Net worth	$1.3b

6-Year Financial Statistics

	2012	2011	2010	2009	2008	2007
Employees	77	74	69	66	64	61
Policies in force	15,876	15,247	13,466	11,727	11,187	12,787
Gross written premiums	3,788,969	3,626,395	2,203,074	1,683,911	1,504,687	1,101,424
Net written premiums	991,175	866,513	784,562	592,741	434,117	502,721
Net earned premiums	932,818	819,490	693,085	599,663	356,433	477,774
Claims	540,775	420,142	426,624	391,416	360,568	273,074
Management expenses	332,903	300,592	241,641	204,357	169,613	150,519
Underwriting profit	117,362	161,589	68,862	33,818	(124,899)	31,997
Investment income	186,114	1,015,010	204,565	134,106	288,007	89,834
Profit before tax	285,269	1,341,478	244,775	141,300	142,810	94,685
Profit after tax	290,537	1,284,816	213,944	105,299	149,018	86,221
Cash Dividends	100,031	90,925	95,000	270,000	-	40,000
Investment assets	1,780,642	1,602,732	1,727,588	1,357,765	1,265,838	1,177,126
Insurance reserves	2,199,132	2,042,511	1,511,904	1,163,257	1,100,096	854,434
Shareholders equity	1,288,850	1,140,743	1,270,502	1,034,229	1,157,244	1,028,409

	2012	2011	2010	2009	2008	2007
Market Share [2]	13%	13%	10%	7%	7%	5%
Growth in gross written premiums	4%	65%	31%	12%	37%	40%
Loss ratio	58%	51%	62%	65%	101%	57%
Expense ratio [3]	9%	8%	11%	12%	11%	14%
Underwriting margin	3%	4%	3%	2%	-8%	3%
Investment return [4]	10%	9%	2%	12%	26%	8%
Return on average equity [5]	24%	8%	11%	10%	14%	8%
Dividend yield on average equity	8%	88%	8%	25%	0%	4%
Increase in net worth	13%	(-11%)	23%	(-11%)	13%	(-7%)
Total return to shareholders [6]	21%	77%	31%	14%	(13%)	(-3%)

Notes:
1. Cash, cash equivalents, fixed income securities, equities and other investment assets
2. Based on gross written premium data from the Insurance Association of Jamaica
3. Management expenses divided by gross written premiums
4. Excludes gains from the sale of available for sale securities and subsidiary in 2011 and dividend from former subsidiary in 2010
5. Excludes gains from the sale of available for sale securities, subsidiary and property in 2011 and dividend from former subsidiary in 2010
6. Includes dividends and capital distributions paid to shareholders and increases in shareholders equity

Management Discussion and Analysis

Our Business

The Company's principal business, conducted through its operating segments, is the underwriting of insurance risks in Jamaica. We write our business primarily through brokers and increasingly within the framework of a few exclusive strategic partnerships.

Our underwriting strategy promotes underwriting profitability over merely growing premium income. This strategy includes the key elements of careful risk selection, adequate pricing through strict underwriting discipline and responsive business mix changes as per market dictates.

2012 was a challenging year in many respects. General Accident had to absorb higher claims costs due to a very busy loss year. On top of this we had to contend with upheavals in the government bond markets and persistent low interest rates due to the continuing financial crisis. Notwithstanding the challenges, the company posted another strong year. We were able to close the year with improved profitability and capital efficiency.

Financial Performance Highlights

- 14th consecutive year of premium growth
- Net profit of $290.5 million, an increase of 32% (2011: $220.9 million, excluding non-recurring items)
- Earnings per share of $0.28 (2011: $0.25, excluding non-recurring items)
- Book value of $1.29 billion (2011: $1.14 billion)
- Annualized return on average equity of 24%

Underwriting Performance

This year gross written premiums grew to $3.8 billion, an increase of 4%. This marks the 14th year in a row that General Accident has grown its gross written premiums. Net premiums earned on the other hand grew by 14% to $932 million as our motor portfolio outpaced growth in our other lines of business. Typically, we retain a greater share of premiums (and risk) in our motor business as compared to our commercial property, homeowners and liability businesses.

Despite increasing our net premiums earned considerably, our underwriting profit fell to $117.4 million. This is well below our record underwriting performance of $161.4 million last year. In fact, our combined ratio worsened from 88% in 2011 to 94% in 2012. The combined ratio, a widely used measure of insurance underwriting performance, is the sum of claims and management expenses divided by net premiums earned. Since we slightly improved our management expense efficiency, the increase in our combined ratio was caused solely by an uptick in claims. Our loss ratio worsened from 51% last year to 58% in 2012. This increase was as a result of three factors: Hurricane Sandy, a large commercial property claim and an increase in the frequency and severity of our motor claims. Despite these challenges, we are proud of our underwriting performance. In the face of difficult market conditions, we have made an underwriting profit in 5 of the last 6 years and continue to outperform our peers.

Investment Performance

Our principal investment objectives are to ensure that funds are available to meet our insurance and reinsurance obligations and to maximize after-tax investment income while maintaining a high quality diversified investment portfolio.

Our investment portfolio performed well in 2012. Last year, when non-recurring items are excluded, General Accident's investment income was $133.9 million. This year, we generated investment income of $186.2 million or approximately 9.5% of our average investment portfolio. Including declines in the fair value of our holdings, our total investment return was $141.3 million or 7.5%. Improved investment performance was the result of increases in our float and the more active and efficient management of our capital in the face of low interest rates.

We are pleased to report that the impact on our financial performance following the National Debt Exchange was immaterial due to the composition of our portfolio.

Profitability

General Accident's core profitability increased significantly this year as greater investment income more than compensated for decreases in underwriting profits. Net profit for the year was $290.5 million or $0.28 per share. Last year, we reported a net profit of $1.29 billion. However, as we stressed at the time and have repeated since, this included over $1.06 billion of gains from the sale of long-term equity investments and real estate, which occurred just before our IPO. These gains had absolutely nothing to do with our core insurance business and are non-recurring. When we exclude these gains, our core net profit last year was $220.9 million or $0.25 per share. As a result, our core net profit increased by 32% in 2012.

We continued our dividend policy in 2012, paying just over $100 million in cash to our shareholders or $0.097 per share, a slight increase over 2011. General Accident ended 2012 with a book value of $1.29 billion and generated a return on average equity for shareholders of 24%.

Capital Position

Our business operations are in part dependent on our financial strength and the market's perception of our financial strength, measured by

Sharon E. Donaldson
Managing Director

shareholder's equity, which stood at $1.29 billion at December 31, 2012.

General Accident remains in compliance with the main capital adequacy and liquidity metrics prescribed by the Financial Services Commission that requires the company to maintain a minimum of 225% capital to risk weighted assets (MCT). At year-end our MCT ratio was 251%.

The Company's liquidity is ensured by means of detailed liquidity planning. As a rule, the company generates significant liquidity from its premium income, regular investment income including maturities. At December 31st, 2012 our liquidity ratio of 117% exceeds the regulatory minimum of 95%.

In addition, we successfully renewed our treaty with our international reinsurance partners for 2013.

Outlook 2013

The slowdown in the economic growth, coupled with decreasing real incomes, is expected to produce a curbing effect on the purchase of insurance. However, we believe that even in this difficult economic environment, there are opportunities for growth in a number of areas and our strong capital base and management competence enable us to systematically relocate capacity to such attractive business prospects.

As we enter 2013, we have every reason to believe that market volatility will continue to be significant given the on going strong political events on the financial markets. However, by continuing our disciplined underwriting principles and sticking to our conservative approach to risk management, we also expect to generate satisfactory returns for our shareholders over the long-term.

We wish to thank our all of our policyholders, brokers, reinsurers, and employees for their trust and loyal support. We will continue to make every effort to fulfill the expectations of all our stakeholders.

I look forward to working with our team to continue to build our business.

Sincerely,

Sharon E. Donaldson
Managing Director

Our Team

Corporate Governance

The Board of Directors of General Accident is responsible for the corporate governance of the company and is committed to establishing and maintaining the highest standards of corporate governance. The Board accepts and embraces the fundamental principles of transparency and accountability and is robust in the protection of all stakeholders' interest.

Our corporate governance policies are overseen by the Board who is vested with the responsibility to ensure that prudent and effective controls are in place to promote sustainability and the achievement of strategic objectives. This includes the prudent management of risk and business assets in order to meet legal and regulatory requirements including attaining a high level of compliance.

Board Selection

The Board consists of eleven (11) members. Members are selected to provide a balance of proficiency and experience. The Board monitors the company's performance against budget on an ongoing basis. Meetings are held quarterly or more frequently if the need arises.

Board Committees

The Board delegates specific duties to committees vested with the authority provide guidance and oversight on strategic issues. There are four (4) committees in place and each committee has its own terms of reference, which is approved by the Board.

Audit Committee

The Audit committee consists of five (5) members, the majority of which must be independent members. The primary role of the committee is to review and approve annual returns, review internal and external audit plans and subsequent findings, review external audit report and management control memoranda. Mr. Geoffrey Messado chairs the committee. During the period under review the committee met four (4) times and there were no known instances of fraud or reported irregularities.

Investment and Loan

The Investment and Loan committee consists of five(5) members. The Committee is chaired by Mrs. Melanie Subratie and has met four (4) times for the year. The committee is charged with the responsibility of ensuring that the investment portfolio meets regulatory requirements and is in keeping with the Company's investment policy.

Conduct Review

The conduct review committee consists of six (6) members, the majority of which must be independent members. The committee is chaired by Dr. Ralph Thompson and has met four (4) times for the year and is charged with the responsibility of ensuring that written procedures are in place to identify and prevent conflict of interest situations.

Compensation Committee

This committee consists of 4 members and is chaired by Mr. Maxim Rochester.

General Accident

INSURANCE COMPANY JAMAICA LTD.

Board of Directors

Board Of Directors

P.B. Scott
(appointed November 1998)
Chairman

P.B. Scott is the Chairman of the Company. In addition to his role with the Company, Mr. Scott is the Chairman, Chief Executive Officer and principal shareholder of the Musson Group, one of the largest privately held groups in the region with business units in some 30 Caribbean and Central American countries including Facey Group Limited, T. Geddes Grant Limited, and others.

Mr. Scott serves as a Director of several local companies and organisations including, Seprod and its subsidiaries (Chairman), Scotia Life Insurance Company Limited, the Jamaica Chamber of Commerce and the American International School in Kingston. He currently serves as Honorary Consul General in Jamaica for the Republic of Guatemala.

Sharon Donaldson
(appointed March 2008)
Managing Director

Sharon Donaldson is the Managing Director of the Company. She has been responsible for driving its recent growth and for overseeing its prudent underwriting and risk management strategy. Ms. Donaldson has been with the Company for over 20 years, first joining as the Financial Controller in 1989 before becoming Managing Director in 2001. In addition to her responsibilities at the Company, Ms. Donaldson is a Director of Musson (Jamaica) Limited.

Ms. Donaldson holds an LLB from the University of London, England, an M.B.A from University of Wales. She is a Chartered Accountant, a fellow member of the Institute of Chartered Accounts of Jamaica and an attorney at law.

Geoffrey Messado
(appointed May 2001)
Non Executive Director

Geoffrey Messado is a non executive director of the Company and is Chairman of the Audit Committee of the Board.

Mr. Messado is also the Financial Controller of the Musson Group, and he serves as a director of certain subsidiaries and affiliated companies. He also serves as Chairman of Mapco Printers Limited and as a director of Edgechem(Jamaica) Limited, the Coffee Industry Board, Clarendon Distillers Limited, Spirits Pool Association and Caribbean Molasses Company (Jamaica) Limited.

Mr. Messado is a Chartered Accountant, FCA, FCAA, ATII. He is also the Past President of the Jamaica Exporters Association.

Melanie Subratie
(appointed March 2002)
Deputy Chairman

Melanie Subratie is the Deputy Chairman of the Company and Chairman of the Investment and Loan Committee of the Board. Mrs. Subratie is also Deputy Chairman of the Musson Group and a director of all of its principal subsidiaries and its affiliates.

Mrs. Subratie holds a B.Sc. (Hons) from the London School of Economics. She began her career in the United Kingdom in the Financial Services Division of Deloitte & Touche and also worked for startup political news wire service DeHavilland prior to returning to Jamaica in 2002 and joining the Musson Board.

Dr. Ralph Thompson, C.D.
(appointed January 1993)
Non Executive Director

Dr. Ralph Thompson is a non – executive director of the Company. He is also the Chairman of the Conduct Review Committee of the Board.

Dr. Thompson was formally the Managing Director of C.D. Alexander Realty Company Limited and was formerly the Chief Executive Officer of Seprod Limited. He serves as a director of several entities within the Musson Group including Musson (Jamaica) Limited and T. Geddes Grant Limited. Dr. Thompson is also a former member of the New York Bar.

Christopher Nakash
(appointed December 2006)
Independent Non Executive Director

Christopher Nakash is an independent Non executive Director of the Board of the Company. Mr. Nakash brings to the Board his management experience, gained as Chief Executive Officer of Nakash Construction & Equipment Limited. In the past, Mr. Nakash also served as General Manager of Netstream Global (2003 to 2008), and he was also a founding member and Director of the Riverton Improvement Association and Intelligent Multimedia Limited. Mr. Nakash holds a BBA from University of New Brunswick, Canada.

Jennifer Scott
(appointed December 2009)
Non Executive Director

Jennifer Scott is a non executive director of the Board of the Company. Mrs. Scott holds a B.Sc.(Hons) in Psychology from Newcastle University, United Kingdom. She later gained a Graduate Diploma in Legal Studies from Keele University, UK, the Certificate of Legal Practice from the College of Law, London and was admitted as a Solicitor of Supreme Court of England and Wales. She attended Norman Manley Law School, and was admitted as an Attorney-at-Law of the Supreme Court of Jamaica. She is a member of the legal practice of Clinton Hart & Co., Attorneys-at-Law.

Nicholas A. Scott
(appointed July 2011)
Non Executive Director

Nicholas Scott is a non executive director of the Company. Mr. Scott is the Chief Investment Officer of the Investment and Financial Services businesses of the Musson Group. He is also a Director of Seprod Limited. He returned to Jamaica in 2009 after working as a private equity investor and investment banker at the Blackstone Group and Morgan Stanley in New York and Brazil.

Mr. Scott holds a B.Sc. in Economics (Magna Cum Laude) from the Wharton School at the University of Pennsylvania, an M.B.A (Beta Gamma Sigma) from Columbia Business School and a M.P.A. from the Harvard Kennedy School of Government.

Dr. Nigel L. Clarke
(appointed August 2011)
Non Executive Director

Dr. Nigel Clarke is a Non Executive Director of the Company. Dr. Clarke is also the Chief Operating Officer of the Musson Group and the Chief Executive Officer of one of its principal subsidiaries, Facey Group Limited. He also serves as a director of many of the Musson Group's subsidiaries and affiliated companies.

Prior to his return to Jamaica, Dr. Clarke worked as an Equity Derivatives Trader at Goldman Sachs in London, England. Dr. Clarke is the Chairman of the National Youth Orchestra of Jamaica. Dr. Clarke holds a B.Sc. In Mathematics from the University of the West Indies, as well as a M.Sc. from Oxford University and a D.Phil. from Oxford University of the United Kingdom, in Numerical Analysis.

Duncan Stewart
(appointed August 2011)
Independent Non Executive Director

Duncan Stewart is an independent non executive director of the Company. Mr. Stewart is the General Manager of Stewart Motors Limited and is also involved in related family businesses Stewart's Auto Sales Limited and its affiliated companies, Stewart's Auto Paints Limited, Tropic Island Training Company Limited and Silver Star Motors Limited. Mr. Stewart joined as a third generation member after graduating from McGill University with a B.Eng. (Mech).

Mr. Stewart is also a director of the Automobile Dealers Association and the Richard and Diana Stewart Foundation. He is also a sponsor of the family charity, Kind Hearts, which is run by his children and their cousins. Mr. Stewart is a past National Rally Champion.

Maxim G. Rochester
(appointed July 2012)
Independent Non Executive Director

Maxim G. Rochester is an independent non executive director of the company. He holds a – B.Sc. (Accounting) Hons. FCA and FCCA certification. Max is a member of the Chartered Association of Certified Accountants (UK) and The Institute of Chartered Accountants of Jamaica. He was also a member of the Accounting Standards Committee of the Institute of Chartered Accountants of Jamaica (ICAJ) and played a significant role in the adoption of International Financial Reporting Standards in Jamaica. He also presented several papers at seminars hosted by ICAJ.

Max is a former Territory Senior Partner of PricewaterhouseCoopers and was responsible for the quality and delivery of the audit of the financial statements of several major companies. As engagement partner, Max was responsible for the overall planning and execution of audit strategies and had the ultimate decision making responsibility on all audit matters.

Leadership Team

Cheryll Henry | Lochinvar Lungren | Sharon Donaldson | Maureen Hall | Angella Reynolds

Sharon Donaldson
Managing Director
See Board of Directors.

Maureen Hall
General Manager

Ms. Maureen Hall is the General Manager of the Company with direct responsibility for the Claims and Underwriting Departments. Ms. Hall has been with the Company for over 20 years. She joined the Company in 1989 as Credit Controller, was appointed Marketing and Customer Service Manager in January 1991 and later Claims Manager in June 1994. She was promoted to General Manager in 2006.

Ms. Hall has also held executive posts at Kingston Terminal Operators Limited and Allied Insurance Brokers Limited. She also served as Coach of Jamaica's National Netball Team for many years and remains a member of the sport's international coaching committee. Ms. Hall holds a B. Ed (Hons) degree from the University of Sussex, England, as well as a Diploma in Mass Communication from the University of the West Indies, and a M.B.A from Manchester, University England. Ms. Hall is also an associate member of the Chartered Insurance Institute (UK).

Angella Reynolds
Deputy General Manager

Ms. Angella Reynolds joined the Company in 2010. She is the Deputy General Manager of the Company in charge of Underwriting and Marketing.

Ms. Reynolds has over 20 years of experience in the insurance industry, having previously held executive posts with the Grace Kennedy Group, Allied Insurance Brokers and Jamaica International Insurance Company.

Ms. Reynolds is the holder of the Jamaican Insurance Diploma from the College of Insurance & Professional Studies. She is an associate member of the Chartered Insurance Institute (UK) and also holds a Diploma in Commercial Insurance Contract Wording from that organisation.

Lochinvar Lungren
Financial Controller

Mr. Lochinvar Lungren is the Financial Controller of the Company with responsibility for leading the finance, accounting and treasury functions. Mr. Lungren has been with the Company for over 20 years, joining in 1988 as an Accounting Clerk.

He advanced to the position of Credit Officer in 1996 and he was then seconded to the Company's founding joint venture partner, together with Musson (Jamaica) Limited, General Accident Fire and Life Assurance Company in Scotland. Mr. Lungren rejoined the Company in 1998. He left briefly to work as General Manager of JN's finance arm before rejoining General Accident in 2005 as Financial Controller.

Cheryll Henry
Human Resources & Facilities Manager

Ms. Cheryll Henry is the Human Resources and Facilities Manager of the Company. Ms. Henry has been with the Company for over 15 years. She joined the Company in 1996 as an Administrative Supervisor and, notably, within a 10 year period she rotated through every division, and was also appointed Operations Manager of Orrett& Musson Investment Company Limited, a former subsidiary of the Company.

Ms. Henry holds a Bachelors degree in Management Studies from the University of the West Indies and a Diploma in Human Resource Management from the Institute of Management & Production.

"Most of our executives have been with General Accident for over a decade"

Accountability

Corporate Data

Directors:

P.B. Scott	*Chairman*
Melanie Subratie	*Deputy Charman*
Sharon Donaldson	*Managing Director*
Dr. Ralph Thompson	
Geoffery Messado	
Jennifer Scott	
Christopher Nakash	
Nicholas Scott	
Dr. Nigel Clarke	
Duncan Strewart	
Maxim G. Rochester	

Leadership Team:

Sharon Donaldson	*Managing Director*
Maureen Hall	*General Manager*
Angella Reynolds	*Deputy General Manager*
Lochinvar Lungren	*Financial Controller*
Cheryll Henry	*Human Resources & Facilities Manager*

Corporate Secretary:
Geoffery Messado

Appointed Actuary:
Josh Worsham, FCAS, MAAA

Auditors:
PricewaterhouseCoopers

Bankers:
First Caribbean International Bank

Attorneys:
DunnCox

Patterson Mair Hamilton

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Fax: (876) 929-1074
Email: info@genac.com
website: www.genac.com

Registrar:
Jamaica Central Securities Depository

Disclosure Of Shareholdings

Shareholdings of Top 10 Shareholders

Shareholders	Shares	%Owned
1. Musson Jamaica Limited	824, 999,989	80.00
2. Mayberry West Indes Limited	29,333,387	2.85
3. Apex Pharmacy	11,588,279	1.12
4. Mayberry Managed Client Account	6,874,102	0.67
5. First Caribbean Int'l Sec. Ltd A/C B.U.T.	4,413,539	0.43
6. Barita Investment Ltd. - Long A/C(Trading)	3,709,461	0.36
7. Sharon Donaldson	3,000,000	0.29
8. Colin Steele	2,887,774	0.27
9. Konrad Limited	2,688,854	0.26
10. Lannaman & Morris(shipping) Limited	2,599,260	0.25

Shareholdings of Directors

Director/ Connected persons	Shares
1. P.B. Scott	NIL
(Musson Jamaica Limited	824,999,989)
2. Melanie Subratie	NIL
(Musson Jamaica Limited	824,999,989)
3. Sharon Donaldson	
(Self	3,000,000)
(Junior Levine	177,758)
4. Dr Ralph Thompson	NIL
5. Geoffery Messado	1,000,000
6. Jennifer Scott	NIL
7. Christopher Nakash	1,698,020
8. Nicholas Scott	1,980,198
9. Duncan Stewart	2,475,190
(and Deborah Strewart)	
(and Diana Strewart)	
10. Dr. Nigel Clarke	2,475,248

Shareholdings of the Management team

Manager/ connected persons	
1. Sharon Donaldson	
(self	3,000,000)
(Junior Levine	177,758)
2. Maureen Hall	
(and Anthony Dunbar	2,362,000)
(and Errol Kellyman	38,000)
3. Angella Reynolds	750,000
4. Lochinvar Lungren	645,482
5. Cheryll Henry	1,980,198

General Accident
INSURANCE COMPANY JAMAICA LTD.

Our Community

Corperate Social Responsibility

For General Accident, corporate social responsibility is an important entranched mandate. We try to conduct our business in a manner consistent with excellent corporate citizenship as we seek to ensure that our operations create value for our shareholders, employees, customers, communities and the Jamaican environment. During the financial year under review, despite the financial challenges, we continued to play a significant role in nation building through our support of education, cultural heritage, sports, child welfare and the environment.

Education and Cultural Heritage

General Accident recognizes that the fostering of educational opportunities for young people plays a pivotal role in national development. The company renewed its partnership with Next Move Jamaica, with the provision of four (4) scholarships for students pursuing tertiary education in Jamaica.

We continue to support the Chess Foundation of Jamaica through our sponsorship of chess competition for high schools to the tune of $300,000. St Jago High School won the 2012 competition.

General Accident has supported the Jamaica Cultural Development Commission (JCDC) since 2008 and in 2012, was again a sponsor of the Miss Festival Queen Competition.

Sports

Sports not only touches the lives of everyone, it is a unifying force for any nation. We recognize the invaluable contribution of sports in the development of the nation's youth as it not only builds patriotism, encourages friendship but inculcates important life skills and shapes character. General Accident is committed to Jamaica's world renowned sports programme and our talented athletes. For more than 20 years, we have provided sponsorship of international tours and the underwriting of travelling costs for many athletes.

We have been particularly strong supporters of the Jamaica Netball Association and in 2012, General Accident provided financial assistance in the amount of J$1.50 million in cash and kind. Our programmes with netball also began some 20 years ago and apart from direct sponsorship of tours and travel, we promote the development of life skills for members of the national team.

We also support the Jamaica Athletic Association by providing sponsorship for Gibson Relays in February of each year, and for individual events such as the Phil Palmer Summer Tennis Camp held annually at the Jamaica Pegasus for over 70 children between the ages of 5 – 16.

Child Welfare

In conjunction with the staff sports club, we provided much needed support in cash and kind to Sophie's Place, a home for 27 children with disabilities. Each year, Our staff members organize a Christmas treat at the home and both staff and children are provided with gifts and day of fun and good food and care.

Environment

A healthy natural environment is of vital importance to the insurance industry. We firmly believe all development should be sustainable and should not result in damage to natural resources. Since 1995, We have been a major donor to the Jamaica Environment Trust (JET), one of Jamaica's leading environmental non profit groups.

General Accident has worked in partnership with JET to educate young Jamaicans about environmental issues via the Schools' Environment Programme, to clean our country's beaches, and has helped JET invest in training and development for its small staff complement. In recognition of our long standing support, JET recently named us a "Champion for the Environment."

Other support

At General Accident we encourage our staff to be change leaders and to assit in the national building process. In keeping with this mandate our staff also participated in a number of other CSR events, such as Relay for Life, which raises money for cancer patients; in addition to support for the Jamaica Fire Brigade with the provision of some much needed office equipment.

General Accident

INSURANCE COMPANY JAMAICA LTD.

Appendices

GENERAL ACCIDENT INSURANCE COMPANY JAMAICA LIMITED

Financial Statements
31 December 2012

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Independent Auditors' Report

To the Members of
General Accident Insurance Company Jamaica Limited

Report on the Financial Statements
We have audited the accompanying financial statements of General Accident Insurance Company Jamaica Limited, set out on pages 1 to 61, which comprise the statement of financial position as at 31 December 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 control. 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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of General Accident Insurance Company Jamaica Limited as at 31 December 2012, and of its financial performance and cash flows for the year then ended 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 Jamaican Companies Act, in the manner so required

Chartered Accountants
27 March 2013
Kingston, Jamaica

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, 2012 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:	822,246	822,246
Assumed unpaid claims and adjustment expenses:	0	0
Gross unpaid claims and adjustment expenses:	822,246	822,246
Ceded unpaid claims and adjustment expenses:	148,637	148,637
Other amounts to recover:	0	0
Other net liabilities:	0	0
Net unpaid claims and adjustment expenses:	673,609	673,609

Policy Liabilities (J$000)	Carried in Annual Return	Actuary's Estimate
Gross policy liabilities in connection with unearned premiums:		443,384
Net policy liabilities in connection with unearned premiums:		398,563
Gross unearned premiums:	1,293,349	
Net unearned premiums:	473,332	
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 27, 2013
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 financial statements of General Accident Insurance Company Jamaica Limited, set out on pages 1 to 61, which comprise the statement of financial position as at 31 December 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 control. 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, Box 372, Kingston, Jamaica
T: (876) 922 6230, F: (876) 922 7581, www.pwc.com/jm

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of General Accident Insurance Company Jamaica Limited as at 31 December 2012, and of its financial performance and cash flows for the year then ended 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 Jamaican Companies Act, in the manner so required

PricewaterhouseCoopers
Chartered Accountants
27 March 2013
Kingston, Jamaica

General Accident Insurance Company Jamaica Limited

Statement of Comprehensive Income

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 $'000	2011 $'000
Gross Premiums Written		3,788,969	3,626,395
Reinsurance ceded		(2,665,753)	(2,632,089)
Excess of loss reinsurance cost		(132,041)	(127,793)
Net premiums written		991,175	866,513
Changes in unearned premiums, net		(58,357)	(47,023)
Net Premiums Earned		932,818	819,490
Commission income		295,485	294,374
Commission expense		(237,263)	(231,689)
Claims expense	10	(540,775)	(420,142)
Management expenses		(332,903)	(300,592)
Underwriting Profit		117,362	161,441
Investment income	11	136,062	1,015,010
Other income	12	61,711	193,669
Other operating expenses		(29,866)	(28,642)
Profit before Taxation		285,269	1,341,478
Taxation	15	5,268	(56,662)
Net Profit for the Year		290,537	1,284,816
Other Comprehensive Income:			
Unrealised (losses)/gains on available-for-sale investments, net of tax		(30,959)	98,193
Gains recycled to profit or loss on disposal and maturity of available-for-sale investments		(11,440)	(847,201)
Total Other Comprehensive Income		(42,399)	(749,008)
TOTAL COMPREHENSIVE INCOME		248,138	535,808
EARNINGS PER SHARE	16	$0.28	$1.46

General Accident Insurance Company Jamaica Limited

Statement of Financial Position

31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 $'000	2011 $'000
ASSETS			
Cash and short term investments	18	1,317,203	1,134,278
Taxation recoverable		67,111	13,028
Due from policyholders, brokers and agents		469,196	394,303
Due from reinsurers and coinsurers	19	1,033,433	1,022,870
Deferred policy acquisition cost		155,903	149,587
Other receivables	20	13,506	10,304
Due from related parties	9	750	1,156
Loans receivable	21	237,933	236,896
Leases receivable	22	64,565	41,962
Investment securities	23	463,439	468,454
Property, plant and equipment	24	57,086	41,709
Intangible assets	25	22,573	26,624
Total assets		3,902,698	3,541,171
LIABILITIES			
Due to reinsurers and coinsurers		343,361	253,009
Other liabilities	26	66,328	81,596
Taxation payable		-	10,599
Deferred tax liabilities	27	5,027	12,713
Insurance reserves	28	2,199,132	2,042,511
Total liabilities		2,613,848	2,400,428
SHAREHOLDER'S EQUITY			
Share capital	29	470,358	470,358
Capital reserves	30	152,030	152,030
Fair value reserve	31	68,118	110,517
Retained earnings		598,344	407,838
Total shareholder's equity		1,288,850	1,140,743
Total liabilities and shareholder's equity		3,902,698	3,541,171

Approved by the Board of Directors on 27 March 2013 and signed on its behalf by:

Paul B. Scott — Chairman

Sharon Donaldson-Levine — Director

General Accident Insurance Company Jamaica Limited

Statement of Changes in Equity

Year ended 31 December 2012

(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 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		-	-	(749,008)	-	(749,008)
Total comprehensive income		-	-	(749,008)	1,284,816	535,808
Transactions with owners						
Issue of shares		395,358	-	-	-	395,358
Dividends	17	-	-	-	(1,060,925)	(1,060,925)
Profits capitalised – Capital distribution received	30	-	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
Comprehensive income :						
Net profit for the year		-	-	-	290,537	290,537
Other comprehensive income		-	-	(42,399)	-	(42,399)
Total comprehensive income		-	-	(42,399)	290,537	248,138
Transactions with owners						
Dividends	17	-	-	-	(100,031)	(100,031)
Balance at 31 December 2012		470,358	152,030	68,118	598,344	1,288,850

General Accident Insurance Company Jamaica Limited

Statement of Cash Flows

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 $'000	2011 $'000
Cash Flows from Operating Activities			
Net profit		290,537	1,284,816
Adjustments for items not affecting cash:			
Depreciation	24	15,057	15,563
Amortisation of intangible assets	25	14,808	13,079
Gain on sale of investments		(10,361)	(848,471)
Gain on sale of leases		(999)	-
Gain on disposal of subsidiary	11	-	(61,928)
Unrealised gain on Unit Trust Fund	11	(4,510)	(7,103)
Gain on disposal of property, plant and equipment	12	(6,337)	(157,554)
Interest income	11	(110,708)	(74,934)
Dividend income	11	(8,007)	-
Capital distribution received	11	-	(22,574)
Current taxation	15	-	49,993
Deferred taxation	15	(5,268)	6,669
Foreign exchange gains		(58,583)	(6,506)
Increase in deferred policy acquisition cost		(6,316)	(8,587)
Increase in insurance reserves		156,621	530,607
		265,934	713,070
Changes in operating assets and liabilities:			
Due from policyholders, brokers and agents		(74,893)	46,656
Other receivables		(3,202)	3,182
Loans receivable		(1,037)	(25,669)
Other liabilities		(15,268)	23,982
Due from related parties		406	12,693
Due from reinsurers and coinsurers, net		79,789	(455,211)
		251,729	318,703
Taxation paid		(64,682)	(37,439)
Net cash provided by operating activities		187,047	281,264
Cash Flows from Investing Activities			
Acquisition of investments		(232,277)	(125,519)
Leases receivable, net		(21,040)	(41,962)
Acquisition of property, plant and equipment	24	(33,303)	(9,081)
Acquisition of intangible asset	25	(10,757)	(10,732)
Disposal of subsidiary		-	(3,314)
Proceeds from disposal of property, plant and equipment		9,207	12,315
Proceeds from disposal and maturity of investments		210,025	31,271
Capital distribution received	30	-	22,574
Dividend received		8,007	20,000
Interest received		112,376	72,868
Net cash provided by/(used in) by investing activities		42,238	(31,580)

General Accident Insurance Company Jamaica Limited

Statement of Cash Flows (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

	2012 $'000	2011 $'000
Net cash provided by/(used in) investing activities brought forward	42,238	(31,580)
Cash Flows from Financing Activities		
Proceeds from issue of shares	-	395,358
Dividends paid	(100,031)	(90,925)
Net cash (used in)/provided by financing activities	(100,031)	304,433
Increase in cash and cash equivalents	129,254	554,117
Effect of exchange rate changes on cash and cash equivalents	53,671	4,667
Cash and cash equivalents at beginning of year	1,134,278	575,494
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (NOTE 18)	1,317,203	1,134,278

Non- cash transactions

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

	2012 $'000	2011 $'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

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1. Identification and Activities

General Accident Insurance Company Jamaica Limited is incorporated and domiciled in Jamaica. On 21 September 2012, 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.

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 Company'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 2012 which are relevant to the Company'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 Company's operations. The adoption of these new pronouncements has impacted the Company as discussed below.

- **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 statement of financial position. 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 company has adopted the amendment effective 1 January 2012, however there was no impact on the entity's disclosures.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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 Company's accounting periods beginning on or after 1 January 2012 or later periods, but were not effective at the date of the statement of financial position, and which the Company has not early adopted. The Company 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 Company will adopt the amendments from 1 January 2013.

- **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 Company.

- **IFRS 11, 'Joint arrangements,' (effective 1 January 2013).** The standard gives 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 Company 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 Company.

- **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 Company will adopt the standard from 1 January 2014.

2. Summary of Significant Accounting Policies (Continued)

(b) 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 Company'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(q)(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 Company 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.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company 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.

(d) 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, 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 company's financial instruments are discussed in Note 6.

2. Summary of Significant Accounting Policies (Continued)

(e) 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.

(f) 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 Company 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 Company's management has the positive intention and ability to hold to maturity. Were the Company 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 Company 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)

(f) Investments (continued)

(v) Impairment of financial assets

A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount. The Company assesses at each year end 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.

(g) Loans and receivables

The Company 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). Leases and loans receivable have been classified as loans and receivables.

(h) 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)

(i) Leases

Leases of property, plant and equipment where the Company 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

(j) Insurance contracts

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

Casualty insurance contracts protect the Company'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 Company'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 Company. The Company 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 Company. 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)

(k) 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 Company reduces the carrying amount of the insurance receivable accordingly and recognises the impairment loss in profit or loss.

(l) Reinsurance ceded

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

The benefits to which the Company 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 Company 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 Company 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 Comapany is exposed to the risk of continued liability for such losses. However, in an effort to reduce the risk of non-payment, the Company requires all of its reinsurers to have a Standard & Poor or equivalent rating of A- or better.

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

(m) 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.

(n) 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)

(n) 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.

(o) 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.

(p) 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.

(q) Insurance reserves

Under the Insurance Regulations, 2001, the Company 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 Company'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 "365th" 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 365th method.

2. Summary of Significant Accounting Policies (Continued)

(q) 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 28). This calculation is done in accordance with the Insurance Act 2001.

(r) Accounts payable

Payables are recognised at fair value and subsequently measured at amortised cost.

(s) 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.

(t) Employee benefits

(i) Pension obligations

The Company 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 Company pays fixed contributions into a separate entity. The Company 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 Company are recorded as an expense in profit or loss.

2. Summary of Significant Accounting Policies (Continued)

(t) 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 Company 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 Company recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

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

(v) 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.

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 Company'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 Company'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 Company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company'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 Company.

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

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

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

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

4. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

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 Company issues contracts that transfer insurance risk. This section summarises these risks and the way the Company 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 Company 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 Company 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 Company's insurance contracts is, however, concentrated within Jamaica.

The Company 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.

Claims on insurance contracts are payable on a claims-occurrence basis. The Company 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.

4. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company 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 Company 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 Company, 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 Company 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.

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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:

	2012		2011	
	Policy Limit '000	**Maximum Net Retention '000**	**Policy Limit '000**	**Maximum Net Retention '000**
Commercial property –				
Fire and consequential loss	US$5,500	US$1,100	U$5, 000	US$1,000
Personal property	US$5,500	US$1,100	US$5,000	US$1,000
Engineering	US$3,000	US$75	US$2,000	US$62.50
Liability	J$40,000	J$20,000	J$40,000	J$20,000
Marine, aviation and transport	US$750	US$125	US$500	US$100
Motor	J$10,000	J$5,000	J$10,000	J$5,000
Miscellaneous Accident –				
All Risk	J$22,500	J$1,500	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$20,000	J$4,000
Goods in Transit	J$5,000	J$1,000	J$5,000	J$1,000
Personal Accident	J$7,500	J$1,500	J$7,500	J$1,500

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 Company's loss history.

(iii) The Company'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 Company's reinsurance program consists of proportional reinsurance agreements; and
- The Company'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.

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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 Company's ability to estimate the ultimate value of claims. The table below illustrates how the Company's estimate of the ultimate claims liability for accident years 2008 - 2012 has changed at successive year-ends, up to 2012. 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.

		2008	2008 and prior	2009	2009 and prior	2010	2010 and prior	2011	2011 and prior	2012	2012 and prior
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2008	Paid during year	180,368	258,800								
	UCAE, end of year	150,154	305,606								
	IBNR, end of year	30,030	58,733								
	Ratio: excess (deficiency)										
2009	Paid during year	92,444	155,743	175,935	331,678						
	UCAE, end of year	85,910	147,754	200,976	348,730						
	IBNR, end of year	10,644	15,037	58,042	73,079						
	Ratio: excess (deficiency)	(4.89%)	12.57%								
2010	Paid during year	54,841	77,304	98,674	175,978	171,620	347,598				
	UCAE, end of year	50,182	92,674	96,738	189,412	235,477	424,889				
	IBNR, end of year	3,698	4,809	9,744	14,553	68,193	82,746				
	Ratio: excess (deficiency)	(11.64%)	9.28%	20.79%	9.93%						
2011	Paid during year	18,688	41,616	38,747	80,363	100,861	181,224	183,148	364,372		
	UCAE, end of year	36,714	58,059	61,664	119,722	120,936	240,659	232,245	472,903		
	IBNR, end of year	626	1,005	6,200	7,205	15,834	23,039	65,680	88,719		
	Ratio: excess (deficiency)	(12.84%)	8.40%	20.75%	9.14%	21.75%	12.35%				
2012	Paid during year	11,894	16,962	16,227	33,189	43,783	76,972	142,264	219,236	210,963	430,200
	UCAE, end of year	24,107	43,065	45,535	88,599	60,033	148,633	155,272	303,904	272,082	575,987
	IBNR, end of year	3,105	3,105	5,154	8,260	8,241	16,501	20,258	36,759	60,864	97,263
	Ratio: excess (deficiency)	(13.82%)	7,29%	21.11%	8.40%	29.89%	16.61%	(6.67%)	0.31%		

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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 Company 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 Company are summarised below:

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

(b) The Company 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$5,000,000 for any one loss or event.
(iii) First surplus and a quota share treaty for engineering business with retention of US$75,000.
(iv) First surplus treaty for miscellaneous accident, losses covered in excess of J$1,500,000.
(v) Catastrophe excess of loss treaty which covers losses in excess of J$60,000,000 for any one catastrophic event as defined.

(c) The Company 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 Company’s business model supports the placement of specialty risk directly in the overseas market on a per risk basis. In keeping with the Company’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:

	2012	2011
Munich Reinsurance Company	A^+	A^+
Swiss Reinsurance Company	A^+	A

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4. Insurance and Financial Risk Management (Continued)

(b) Reinsurance risk (continued)

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

	2012 $'000	2011 $'000
Property	51,454	31,632
Motor	9,779	2,138
Marine	2,736	800
Liability	4,272	1,918
Burglary	2	235
Miscellaneous Accidents	15,936	32,983
	84,179	69,706

(c) Financial risk

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

(i) Credit risk

The Company 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 Company by failing to discharge their contractual obligations. Credit risk is an important risk for the Company'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 Company 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 Company'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 Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company 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 Company'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 Company's senior management examines the payment history for significant contract holders with whom they conduct regular business. Management information reported to the Company 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) Loans and leases receivable

The Company's management of exposure to loans and leases 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 Company offering credit facilities. Customers are required to provide a letter of guarantee and proof of collateral to be held as security.

(iv) Investments

The Company 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.

General Accident Insurance Company Jamaica Limited

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 company, equal the respective carrying amounts on the statements of financial position, 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 $161,168,000 (2011 - $136,841,000) 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:

	2012 $'000	2011 $'000
46 to 60 days	41,863	32,550
61 to 90 days	80,895	86,009
More than 90 days	38,410	18,282
	161,168	136,841

There are no premium receivables balances that are considered impaired.

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

	2012 $'000	2011 $'000
Brokers and Insurance Companies	335,488	261,794
Direct	133,708	132,509
	469,196	394,303

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

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

	2012 $'000	2011 $'000
Government of Jamaica	354,963	312,499

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk

Liquidity risk is the risk that the Company 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 Company's liquidity management process, as carried out within the Company 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;

(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 Company. 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 Company and its exposure to changes in interest rates and exchange rates.

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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 company's financial assets and liabilities based on contractual repayment obligations:

	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 2012:							
Cash and short term investments	667,289	651,191	-	-	-	-	1,318,480
Due from policyholders, brokers and agents	149,496	319,700	-	-	-	-	469,196
Due from reinsurers and coinsurers		213,418	-	-	-	-	213,418
Other receivables	-	-	-	-	-	10,286	10,286
Due from related parties	-	-	-	-	-	750	750
Loans receivable	1,922	70,846	17,297	92,250	317,109	-	499,424
Leases receivable	2,499	4,998	22,488	47,774	-	-	77,759
Investment securities	7,264	15,892	200,877	74,844	134,564	108,476	541,917
Total financial assets	828,470	1,276,045	240,662	214,868	451,673	119,512	3,131,230
Due to reinsurers and coinsurers	-	343,361	-	-	-	-	343,361
Other liabilities	10,424	8,324	32,365	-	-	-	51,113
Claims liabilities	205,562	123,337	164,449	328,898	-	-	822,246
Total financial liabilities	215,986	475,022	196,814	328,898	-	-	1,216,720
Net Liquidity Gap	612,484	801,023	43,848	(114,030)	451,673	119,512	1,914,510
Cumulative gap	612,484	1,413,507	1,457,355	1,343,325	1,794,998	1,914,510	-

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4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk

Financial asset and financial liabilities cash flows (continued)

	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
Other receivables	563	-	-	-	-	6,746	7,309
Due from related parties	-	-	-	-	-	1,156	1,156
Loans receivable	1,922	66,043	17,297	92,250	340,172	-	517,684
Leases receivable	1,882	3,764	16,940	30,192	-	-	52,778
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	344,107	445,715	163,857	2,804,301
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	-	-	1,019,636
Net Liquidity Gap	711,127	642,081	(363,889)	185,774	445,715	163,857	1,784,665
Cumulative gap	711,127	1,353,208	989,319	1,175,093	1,620,808	1,784,665	-

Assets available to meet all of the liabilities and to cover financial liabilities include cash and bank balances and investment securities. The Company 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 Company 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 Company's exposure to market risks or the manner in which it manages and measures the risk.

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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 or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company 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 Company 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 Company 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 company's exposure to foreign currency exchange rate risk at 31 December:

	Jamaican$ J$'000	US$ J$'000	GBP J$'000	Total J$'000
At 31 December 2012:				
Financial Assets				
Cash and short term investments	515,470	801,613	120	1,317,203
Due from policyholders, brokers and agents	323,573	145,623	-	469,196
Due from reinsurers and coinsurers	160,737	52,681	-	213,418
Other receivables	10,286	-	-	10,286
Due from related parties	750	-	-	750
Loans receivable	237,933	-	-	237,933
Leases receivable	64,565	-	-	64,565
Investment securities	386,224	77,215	-	463,439
Total financial assets	1,699,538	1,077,132	120	2,776,790
Financial Liabilities				
Due to reinsurers and coinsurers	179,068	164,293	-	343,361
Other liabilities	47,888	3,225	-	51,113
Claims liabilities	782,040	40,206	-	822,246
Total financial liabilities	1,008,996	207,724	-	1,216,720
Net financial position	690,542	869,408	120	1,560,070

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4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Currency risk (continued)

Concentrations of currency risk (continued)

	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
Other receivables	7,309	-	-	7,309
Due from related parties	1,156	-	-	1,156
Loans receivable	236,896	-	-	236,896
Leases receivable	41,962	-	-	41,962
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

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 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 and claims liabilities. 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.

	% Change in Currency Rate 2012	Effect on Pre-tax Profit 2012 $'000	% Change in Currency Rate 2011	Effect on Pre-tax Profit 2011 $'000
USD – J$Revaluation	1%	(8,694)	0.5%	(35,326)
USD – J$Devaluation	10%	86,941	0.5%	35,326

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

The Company'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 Company's exposure to interest rate risk. It includes the Company's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	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 2012:							
Cash and short term investments	668,420	648,780	-	-	-	3	1,317,203
Due from policyholders, brokers and agents	-	-	-	-	-	469,196	469,196
Due from reinsurers and coinsurers	-	-	-	-	-	213,418	213,418
Other receivables	-	-	-	-	-	10,286	10,286
Due from related parties	-	-	-	-	-	750	750
Loans receivable		66,134			171,799	-	237,933
Leases receivable	-	-	-	64,565	-	-	64,565
Investment securities	-	139,518	111,273	9,314	94,858	108,476	463,439
Total financial assets	668,420	854,432	111,273	73,879	266,657	802,129	2,776,790
Due to reinsurers and coinsurers	-	-	-	-	-	343,361	343,361
Other liabilities	-	-	-	-	-	51,113	51,113
Claims liabilities	-	-	-	-	-	822,246	822,246
Total financial liabilities	-	-	-	-	-	1,216,720	1,216,720
Total interest repricing gap	668,420	854,432	111,273	73,879	266,657	(414,591)	1,560,070
Cumulative gap	668,420	1,522,852	1,634,125	1,708,004	1,974,661	1,560,070	-

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

	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	549,144	753,561	12,709	175,119	235,102	737,453	2,463,088
Due to reinsurers and coinsurers	-	-	-	-	-	253,009	253,009
Other liabilities	-	-	-	-	-	62,134	62,134
Claims liabilities	-	-	-	-	-	688,107	688,107
Total financial liabilities	-	-	-	-	-	1,003,250	1,003,250
Total interest repricing gap	549,144	753,561	12,709	175,119	235,102	(265,797)	1,459,838
Cumulative gap	549,144	1,302,705	1,315,414	1,490,533	1,725,635	1,459,838	-

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 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.

Change in Basis points:	Effect on Profit before Taxation	Effect on Other Components of Equity	Change in Basis points:	Effect on Profit before Taxation	Effect on Other Components of Equity
2012	2012	2012	2011	2011	2011
JMD/USD	$'000	$'000	JMD/USD	$'000	$'000
-100/50	(729)	474	-50/-50	-	(413)
+400/250	2,915	(10,689)	+50/+50	-	387

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Price risk

The Company is exposed to equity securities price risk because of investments held by 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 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% (2011 - 10%) with all other variables held constant.

	Effect on Profit before Taxation	Effect on Other Components of Equity	Effect on Profit before Taxation	Effect on Other Components of Equity
	2012	2012	2011	2011
	$'000	$'000	$'000	$'000
Change in index:				
-10% (2011 -10%)	-	(10,847)	(5,817)	(9,782)
+10% (2011 + 10%)	-	10,847	5,817	9,782

(expressed in Jamaican dollars unless otherwise indicated)

5. Capital Management

The Company'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 Company operates;

(b) To safeguard the Company'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.

To assist in evaluating the current business and strategies, a risk-based capital approach is used in the form of the Minimum Capital Test (MCT) as stipulated by the regulators. The MCT is calculated by management. This information is required to be filed with the Financial Services Commission on a monthly, quarterly and annual basis. 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 2012 is as follows:

	Actual	Required	Actual
	2012	**2012**	**2011**
MCT	251	225	226%

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 Company discloses 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 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 Company had no instruments classified in Level 3 during the year.

At 31 December 2012	Level 1 $'000	Level 2 $'000	Total balance $'000
Assets			
Available-for-sale financial assets –			
Equity securities	108,476	-	108,476
Debt securities	-	296,415	296,415
Total assets measured at fair value	108,476	296,415	404,891

At 31 December 2011	Level 1 $'000	Level 2 $'000	Total balance $'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

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 Company 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 Company. 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) 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;

(c) 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;

(d) Loans and leases 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.

7. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Company 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 Company 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 Company'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 Company'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 Company 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 Company 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 determined 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 located 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. This 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 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.

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

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8. Segment Information (Continued)

The segment information provided to the board of directors for the reportable segments for the year ended 31 December 2012 is as follows:

2012	Fire $'000	Homeowners $'000	Motor $'000	Marine $'000	Liability $'000	Burglary $'000	Misellaneous Accident $'000	Total $'000
Gross Premiums Written	2,198,086	113,076	827,683	104,680	295,378	7,880	242,186	3,788,969
Reinsurance ceded	(2,096,574)	(90,584)	(26,125)	(85,749)	(174,767)	(5,173)	(186,781)	(2,665,753)
Excess of loss reinsurance cost	(79,664)	(21,109)	(22,050)	-	(9,218)	-	-	(132,041)
Net premiums written	21,848	1,383	779,508	18,931	111,393	2,707	55,405	991,175
Changes in unearned premiums, net	(2,886)	(512)	(47,841)	575	(6,457)	458	(1,694)	(58,357)
Net Premiums Earned	18,962	871	731,667	19,506	104,936	3,165	53,711	932,818
Commission income	187,129	21,641	2,962	18,478	14,600	1,271	49,404	295,485
Commission expense	(111,067)	(13,575)	(74,790)	(2,853)	(6,359)	(357)	(28,262)	(237,263)
Claims expense	(31,561)	1,767	(472,948)	(679)	(28,900)	(2)	(8,452)	(540,775)
Management expenses	(29,501)	(6,679)	(238,028)	(5,622)	(35,816)	(804)	(16,453)	(332,903)
Segment results	33,962	4,025	(51,137)	28,830	48,461	3,273	49,948	117,362
Unallocated income								197,773
Unallocated expenses								(29,866)
Profit before tax								285,269
Taxation								5,268
Net profit								290,537

General Accident Insurance Company Jamaica Limited

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8. Segment Information (Continued)

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	31,630	294,374
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	29,393	161,441
Unallocated income								1,208,679
Unallocated expenses								(28,642)
Profit before tax								1,341,478
Taxation								(56,662)
Net profit								1,284,816

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

	2012 $'000	2011 $'000
Profit from reportable segments	117,362	161,441
Unallocated income		
Investment income	136,062	1,015,010
Other income	61,711	193,669
	197,773	1,208,679
Unallocated expenses		
Depreciation and amortisation	(29,866)	(28,642)
	285,269	1,341,478

8. Segment Information (Continued)

Total capital expenditure was as follows:

	2012	2011
	$'000	$'000
Property, plant and equipment	33,303	9,081
Intangible assets	10,757	10,372
	44,060	19,453

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

9. Related Party Transactions and Balances

(a) Related party transactions are as follows:

	2012 $'000	2011 $'000
Interest income -		
Fellow subsidiary (Note 11)	25,497	6,907
Subsidiary (Note 11)	-	5,110
	25,497	12,017
Rental and maintenance income -		
Fellow subsidiary	1,022	429
Rental expense		
Fellow subsidiary	12,509	3,056
Capital distribution received -		
Other related parties (Note 11)	-	22,574
Premium income -		
Key management	2,696	2,506
Parent company	37,371	17,562
Fellow subsidiaries	119,557	226,554
Affiliates	63,776	65
	223,400	246,687

General Accident Insurance Company Jamaica Limited

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9. Related Party Transactions and Balances (Continued)

(a) Related party transactions (continued)

	2012 $'000	2011 $'000
Claims expense -		
Key management	-	41
Parent company	100	3,910
Fellow subsidiaries	-	7,456
Affiliates	7,760	-
	7,860	11,407
Gain on sale of investment -		
Parent company (Note 11)	-	847,200
Gain on disposal of subsidiary -		
Parent company	-	61,928
Gain on disposal of property, plant and equipment		
Fellow subsidiary	-	157,554
Dividends declared -		
Key management	1,927	-
Parent company	80,025	1,054,750
	81,952	1,054,750
Key management compensation -		
Salaries and other short term benefits	49,222	37,371
Directors emoluments		
Directors' fees (included above)	1,720	1,840

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

	2012 $'000	2011 $'000
Due from related parties -		
Receivables -		
Fellow subsidiary	750	1,156

9. Related Party Transactions and Balances (Continued)

(b) Balances with group companies (continued)

	2012 $'000	2011 $'000
Due from policyholders, brokers and agents -		
Fellow subsidiary	39,273	43,034
Parent company	40,472	1,796
Key management	-	1,638
	79,745	46,468
Loans receivable -		
Fellow subsidiary (Note 21)	237,933	236,896
Investment securities -		
Shares in affiliated entity (Note 27)	67,331	97,781
Claims liabilities		
Parent company	2,452	-
Affiliated company	5,436	6,422
Fellow subsidiary	8,306	4,538

Included in the investments of the company are shares in a related party. At 31 December 2012, these shares represented 1.73% of the total assets (2011 – 2.76 %).

General Accident Insurance Company Jamaica Limited

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10. Claims Expense

	2012 $'000	2011 $'000
Gross claims expense	624,954	489,848
Reinsurers share of claims expense (Note 4(b) (d))	(84,179)	(69,706)
Net claims expense	540,775	420,142

11. Investment Income

	2012 $'000	2011 $'000
Interest income -		
Leases receivable	7,661	2,226
Loan due from fellow subsidiary (Note 9(a))	25,497	6,907
Loan due from subsidiary (Note 9(a))	-	5,110
Cash and deposits and investment securities	77,550	60,691
	110,708	74,934
Capital distribution (Note 9(a))	-	22,574
Gain on disposal of subsidiary	-	61,928
Gain on sale of investments	12,837	848,471
Dividend income	8,007	-
Realised gain on Unit Trust Fund	4,510	7,103
	136,062	1,015,010

Included in gain on sale of investments for the prior year is the gain on sale of shares to the parent company totalling $847,200.

12. Other Income

	2012 $'000	2011 $'000
Foreign exchange gains	50,052	28,020
Rental income	2,126	6,715
Gain on disposal of property, plant and equipment	6,337	157,554
Miscellaneous income	3,196	1,380
	61,711	193,669

General Accident Insurance Company Jamaica Limited
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13. Expenses by Nature

Management and other expenses by nature are as follows:

	2012 $'000	2011 $'000
Advertising costs	24,861	16,093
Audit fees	4,412	3,920
Bad debt expense	-	4,741
Computer expenses	8,467	6,619
Directors fees	1,720	1,840
Depreciation and amortisation	29,866	28,642
Insurance	715	6,118
Professional fees	9,733	8,207
Printing and stationery	4,413	4,757
Registration fees	11,782	11,015
Rent	12,509	3,056
Repairs and maintenance	13,915	14,677
Staff costs (Note 14)	201,108	182,518
Transportation expenses	6,969	5,637
Utilities	14,093	13,149
Other operating expenses	18,206	18,245
	362,769	329,234

14. Staff Costs

	2012 $'000	2011 $'000
Wages and salaries	150,091	138,488
Statutory contributions	12,841	9,461
Pension costs	2,889	3,002
Other	35,287	31,567
	201,108	182,518

General Accident Insurance Company Jamaica Limited

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15. Taxation

(a) The company's shares were listed on the Junior Market of the Jamaica Stock Exchange, effective 21 September 2011. 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 $85,593,000 (2011 - $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%:

	2012 $'000	**2011 $'000**
Current income taxes:		
Income tax charge	-	46,598
Prior year income tax adjustment	-	3,395
	-	49,993
Deferred income taxes (Note 27)	(5,268)	6,669
	(5,268)	56,662

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

	2012 $'000	**2011 $'000**
Profit before tax	285,268	1,341,478
Tax calculated at a rate of 33 1/3%	95,089	447,160
Adjusted for the effects of:		
Income relieved	(118,987)	(33,120)
Income not subject to tax	(15,935)	(373,581)
Expenses not deductible for tax	33,438	12,608
Prior year income tax adjustment	-	3,395
Net effect of other charges and	1,127	200
	(5,268)	56,662

General Accident Insurance Company Jamaica Limited
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15. Taxation (Continued)

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

	2012 $'000	2011 $'000
Fair value reserve -		
Available-for-sale investments -		
Unrealised (losses)/gains on available-for-sale investments, before tax	(33,377)	99,089
Unrealised gains on available-for-sale investments, tax (credit)/charge (Note 27)	2,418	(896)
Unrealised gains on available-for-sale investments, after tax	(30,959)	98,193
Gains recycled to profit or loss on disposal and maturity of available-for-sale investments	(11,440)	(847,201)
	(42,399)	(749,008)

16. Earnings Per Share

The calculation of earnings per share is based on the net profit for the year and 1,031,250,000 (2011 - 882,071,000) ordinary shares in issue.

	2012	2011
Net profit from continuing operations ($'000)	290,537	1,284,816
Weighted average number of ordinary shares in issue ('000)	1,031,250	882,071
Earnings per share ($)	0.28	1.46

17. Dividends per Share

The dividends paid in 2012 and 2011 were as follows:

	2012 $'000	2011 $'000
Interim dividends:-		
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
4.85 cents per stock unit – June 2012	50,016	-
4.85 cents per stock unit – September 2012	50,015	-
	100,031	1,060,925

General Accident Insurance Company Jamaica Limited

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18. Cash and Cash Equivalents

	2012 $'000	2011 $'000
Cash and bank balances	103,822	90,776
Short term deposits	1,077,926	1,043,502
Short term investments	135,455	-
	1,317,203	1,134,278

Short term deposits comprise term deposits and repurchase agreements with an average maturity of 61 days (2011 – 67 days), and include interest receivable of $1,955,000 (2011 – $3,308,000).

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

	2012 %	2011 %
J$	6.3	6.7
US$	3.0	3.9

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

	2012 %	2011 %
J$	1.1	1.5
US$	0.2	0,8
GBP	0.1	0.1

19. Due from Reinsurers and Coinsurers

	2012 $'000	2011 $'000
Reinsurers' portion of unearned premium (Note 28)	820,016	844,140
Reinsurers' portion of claims liabilities (Note 28)	148,637	126,485
Other amounts recoverable from reinsurers and coinsurers	64,781	52,245
	1,033,434	1,022,870

20. Other Receivables

	2012 $'000	2011 $'000
Prepayments	3,220	2,995
Other receivables	10,286	7,309
	13,506	10,304

21. Loans Receivable

	2012 $'000	2011 $'000
Mortgage receivable from fellow subsidiary (Note 9)	171,799	174,420
Loans receivable from fellow subsidiary (Note 9)	66,134	62,476
	237,933	236,896

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

Loans receivable from fellow subsidiary attracts interest at a rate of 5.25% and was repayable as at 31 December 2012. The loan has since been renegotiated and is now repayable in March 2013 at a rate of 5.25%.

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22. Lease Receivables

	2012 $'000	2011 $'000
Gross investment in finance leases –		
Not later than one year	29,985	22,586
Later than one year and not later than five years	47,774	30,192
	77,759	52,778
Less: Unearned income	(13,194)	(10,816)
	64,565	41,962
Net investment in finance leases may be classified as follows:		
Not later than one year	21,808	14,147
Later than one year and not later than five years	42,757	27,815
	64,565	41,962

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23. Investment Securities

	2012 $'000	2011 $'000
Debt securities -		
Available for sale – at fair value		
Government of Jamaica Securities		
Benchmark Investment Notes	219,199	221,552
United States Dollar Benchmark Notes	6,220	5,871
United States Dollar Bonds	59,997	57,105
Treasury Bills	12,862	20,054
Certificate of Deposits	40,000	-
United States Dollar Corporate Bond	10,999	-
	349,277	304,582
Interest receivable	5,686	7,917
	354,963	312,499
Equity securities -		
Fair value through profit or loss		
Units in Unit Trust Funds	-	58,174
Available for sale, at fair value –		
Quoted shares	108,476	97,781
Available for sale, at cost –		
Unquoted shares	105	16,990
Less: Provision for diminution in value	(105)	(16,990)
	-	-
	108,476	155,955
	463,439	468,454

Weighted average effective interest rate:

	2012 %	2011 %
Government of Jamaica Securities –		
Benchmark Investment Notes	7.93	10.81
United States Dollars Benchmark Notes	6.88	6.88
United States Dollar Bonds	9.47	10.21

23. Investment Securities (Continued)

	2012		2011	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
	$'000	**$'000**	**$'000**	**$'000**
Investment securities -				
Available-for-sale -				
Debt securities	349,277	349,277	304,582	304,582
Equity securities	108,476	108,476	97,781	97,781
	457,753	457,753	402,363	402,363
Fair value through profit or loss	-	-	58,174	58,174
	457,753	457,753	460,537	460,537

Included in investments, are Government of Jamaica Benchmark Investment Notes valued at $45,000,000 which have been pledged with the FSC, pursuant to Section 8(1)(b) of the Insurance Regulations, 2001. In the prior year, the Unit Trust Funds valued at $50,000,000 were pledged with the FSC.

Included in investments are shares in Seprod Limited, a related party, with a fair value of approximately $67,331,000 (2011 - $97,781,000). 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.

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24. Property, Plant and Equipment

	Land $'000	Buildings $'000	Furniture, Fixtures & Equipment $'000	Motor Vehicles $'000	Total $'000
At Cost -					
At 1 January 2011	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	57,089	39,254	112,773
Additions	-	5,965	5,853	21,485	33,303
Disposals	-	-	(1,404)	(15,833)	(17,237)
At 31 December 2012	-	22,395	61,538	44,906	128,839
Depreciation -					
At 1 January 2011	-	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
Charge for the year	-	1,051	6,275	7,731	15,057
On disposals	-	-	(728)	(13,639)	(14,367)
At 31 December 2012	-	7,116	36,053	28,584	71,753
Net Book Value -	-				
31 December 2012	-	15,279	25,485	16,322	57,086
31 December 2011	-	10,365	26,582	4,762	41,709

25. Intangible Assets

	Computer Software $'000
At Cost -	
At 1 January 2011	54,665
Additions	10,732
At 31 December 2011	65,397
Additions	10,757
At 31 December 2012	76,154
Amortisation -	
At 1 January 2011	25,694
Charge for the year	13,079
At 31 December 2011	38,773
Charge for the year	14,808
At 31 December 2012	53,581
Net Book Value -	
31 December 2012	22,573
31 December 2011	26,624

26. Other Liabilities

	2012 $'000	2011 $'000
Statutory contributions payable	4,083	3,076
Accrued expenses	43,989	52,811
General consumption tax	8,265	10,698
Other payables	9,991	15,011
	66,328	81,596

27. Deferred Income Taxes

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

	2012 $'000	2011 $'000
Deferred income tax liabilities	(5,027)	(12,713)
Net liabilities	(5,027)	(12,713)

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

	2012 $'000	2011 $'000
Balance as at 1 January	(12,713)	(5,148)
Credited/(charged) to profit or loss (Note 15)	5,268	(6,669)
Credited/(charged) to other comprehensive income (Note 15)	2,418	(896)
Balance as at 31 December	(5,027)	(12,713)

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

	2012 $'000	2011 $'000
Deferred income tax liabilities		
Accelerated tax depreciation	(5,027)	(10,295)
Unrealised fair value gains	-	(2,418)
	(5,027)	(12,713)

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28. Insurance Reserves

(a) These reserves are as follows:

	2012 $'000	2011 $'000
Gross -		
Unearned premiums	1,293,349	1,259,115
Claims liabilities	822,246	688,107
Unearned commission	83,537	95,289
	2,199,132	2,042,511
Recoverable from reinsurers -		
Reinsurers' portion of unearned premiums (Note 19)	(820,016)	(844,140)
Reinsurers' portion of claims liabilities (Note 19)	(148,637)	(126,485)
	(968,653)	(970,625)
Net -		
Unearned premiums	473,333	414,975
Claims liabilities	673,609	561,622
Unearned commission	83,537	95,289
	1,230,479	1,071,886

(b) Claims liabilities comprise:

	2012 $'000	2011 $'000
Gross -		
Outstanding claims	678,438	532,840
IBNR	134,990	147,719
Unallocated loss adjustment expense	8,818	7,548
	822,246	688,107
Recoverable from reinsurers -		
Outstanding claims	111,269	67,485
IBNR	37,368	59,000
	148,637	126,485
Net -		
Outstanding claims	567,169	465,355
IBNR	97,622	88,719
Unallocated loss adjustment expense	8,818	7,548
	673,609	561,622

28. Insurance Reserves (Continued)

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

	2012 $'000	2011 $'000
Fire, consequential loss and liability	814,511	817,776
Motor	376,297	325,400
Marine	11,141	10,798
Accident	91,400	105,141
	1,293,349	1,259,115

29. Share Capital

	2012 $'000	2011 $'000
Authorised -		
1,100,000,000 (2011 – 1,100,000,000) Ordinary shares of no par		
Issued and fully paid -		
1,031,250,000 (2011 – 1,031,250,000) Ordinary shares of no par	470,358	470,358

During the prior 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.

30. Capital Reserves

	2012 $'000	2011 $'000
At beginning of year	152,030	129,456
Movement during the year -		
Capital distribution income transferred from retained earnings	-	22,574
At end of year	152,030	152,030

The capital reserves at year end represent realised surpluses.

31. Fair Value Reserve

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

32. 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 2009, indicated that the scheme was adequately funded at that date.

Pension contributions for the period totalled $2,889,000 (2011 – $3,002,000), and are included in staff costs (Note 14).

33. Contingency

The Company 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 Company.

34. 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

	2012 US$'000	**2011 US$'000**
No later than 1 year	142	142
Later than 1 year and no later than	388	530
Later than 5 years	-	-
	530	672

35. Subsequent Event

In February 2013, the Company participated in the National Debt Exchange (NDX) transaction under which it exchanged its holdings of domestic debt instruments issued by the Government of Jamaica for new, longer-dated debt instruments with lower coupon interest rates.

The key features of the NDX are as follows:

- Jamaican-resident holders of certain domestic debt instruments (collectively referred to as the "Old Notes") were invited to exchange those Old Notes for new, longer-dated debt instruments (collectively referred to as the "New Notes"). Participation in the NDX was voluntary.
- The New Notes offered have a variety of payment terms, including but not limited to fixed and variable rates in J$, CPI-indexed in J$, and fixed rates in USD.
- Eligible investors had the option to choose New Notes based on the type and maturity of the Old Notes which are offered for exchange based on certain election options. The election options only allow investors to choose New Notes of longer tenor relative to Old Notes. Most New Notes have lower coupon interest rates than Old Notes.
- Introduction of new Fixed Rate Accreting Notes ("FRANs") which were issued with J$80 of principal value for every J$100 of principal value of Old Notes, whereby such principal will accrete to J$100 of principal value by the maturity date in 2028. The Company elected not to receive any FRANs.

  Eligible investors who made offers to the Government of Jamaica to exchange Old Notes received an equivalent principal value (par-for-par value) of New Notes and the payment in cash of accrued interest, net of applicable withholding taxes, on the Old Notes up to but excluding 22 February 2013 (the Settlement Date).

35. Subsequent Event (Continued)

General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

The NDX has had a significant impact on the expected future cash flows from the Company's investment portfolio. The table below summarises the impact on coupon rates and maturities of the instruments that were exchanged.

	Pre NDX	Post NDX
Jamaican dollar denominated instruments: Total face value exchanged J$215 million		
Weighted average coupon rate	8.69%	7.57%
Weighted average tenor to maturity	2.0 years	6.8 years
US dollar denominated instruments: Total face value exchanged US$34 thousand (including J$ denominated instruments indexed to US$)		
Weighted average coupon rate	6.75%	5.25%
Weighted average tenor to maturity	0.7 yea	4.1years

(expressed in Jamaican dollars unless otherwise indicated)

The NDX has had a significant impact on the expected future cash flows from the Company's investment portfolio. The table below summarises the impact on coupon rates and maturities of the instruments that were exchanged.

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GENERAL ACCIDENT INSURANCE COMPANY (JAMAICA) LIMITED

" I/We ______________________________ ______________________*(insert name)*

of ______________________________ __________________________ *(address)*

being a shareholder(s) of the above-named Company, hereby appoint:

______________________________ ______________________ *(proxy name)*

of ______________________________ __________________________*(address)*

or failing him, ______________________ __________________*(alternate proxy)*

of ______________________________ __________________________*(address)*

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 10am on the 21 day of June 18th, 2013 at 58 Halfway Tree Road and at any adjournment thereof .

I desire this form to be used for/against the resolutions as follows (unless directed the proxy will vote as he sees fit):

No.	Resolution details (tick as appropriate) ORDINARY RESOLUTIONS	Vote for or against
1.	To receive the report of the Board of Directors and the audited accounts of the Company for the year ended December 31, 2012.	For ◯ Against ◯
2.	To authorise the Board of Directors to re-appoint PWC as the Auditors of the Company and to fix their remuneration.	For ◯ Against ◯
	To re-appoint the following Directors of the Board, who have resigned by rotation in accordance with the Articles of Incorporation of the Company and, being eligible, have consented to act on re-appointment.	
3.(a)	To re-appoint Melanie Subratie as a Director of the Board of the Company..	For ◯ Against ◯
3.(b)	To re-appoint Sharon Donaldson as a Director of the Board of the Company.	For ◯ Against ◯
3.(c)	To re-appoint Christopher Nakash as a Director of the Board of the Company.	For ◯ Against ◯
4(a)	To authorise the Board of Directors to fix the remuneration of the Directors.	For ◯ Against ◯
5.	To approve the aggregate amount of interim dividends declared by the Board during the financial year ended 31st December 2012, being $100,031,250 or 9.7 cent per ordinary share, as the final dividend for that year.	For ◯ Against ◯

General Accident
INSURANCE COMPANY JAMAICA LTD.

Signed this day of 2013:

Signed: ______________________ (signature of primary shareholder) Name: ______________________ (print name of primary shareholder)

Signed: ______________________ (signature of joint shareholder, if any) Name: ______________________ (print name of joint shareholder, if any)

General Accident Insurance
Company Jamaica Limited
58 Halfway Tree Road
Kingston, Jamaica
www.genac.com