



**MAKING *Peace* OF MIND  
COMMON PLACE**

Annual Report 2015

# General Accident 2015 Annual Report



# YOUR RISK SOLUTION PARTNER

## HOMEOWNERS



Homeowners premiums increased by 19 % when compared to 2014.

## PROPERTY



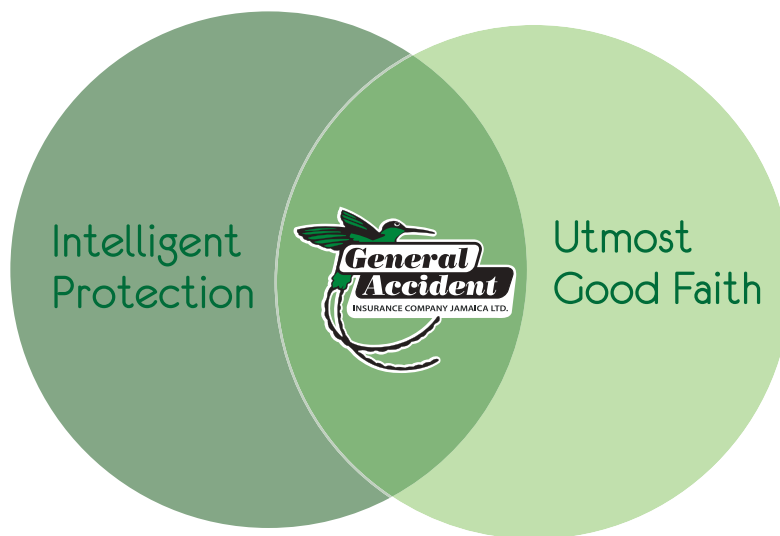
Property premiums grew to \$3.9 billion, up 23 % from 2014. This portfolio contributed more than half of our total written premiums for 2015.

## MOTOR



The motor portfolio is the second largest contributor to our total gross written premium and during 2015 we grew by 11 % recording a gross written premium of \$990 million.

General Accident resides at the intersection of intelligent protection and utmost good faith



We offer products that help a wide range of customers to manage their risks and exposures

# About General Accident

## OUR PROMISE

We aim to provide first-rate risk management solutions. We pledge to put our customers at the centre of what we do by understanding their needs, going the extra mile to ensure that our products contribute positively to their risk management while we provide prompt and efficient service.

## OUR PURPOSE

General Accident has a clear and simple purpose - To make available an affordable risk transfer mechanism through a wide range of insurance products designed to transfer the risk to our shoulders enabling businesses to thrive which we believe will ultimately help families to realize their ambitions and fulfill their hopes and aspirations.

We believe that this is the best long-term growth path. Our defined purpose and our operational efficiencies will help us to keep our promise to all our stakeholders and realize our vision of accelerating growth.

Our purpose and vision are consistent with the ever-changing needs of our customers. Our unwavering commitment to our business model has made us not only competitive but an insurer of choice delivering consistent profitable growth for more than a decade.

## HOW WE MEASURE OUR PERFORMANCE

We track our progress by using a variety of financial and non-financial key performance indicators. In 2015, we revised our targets to easily respond to

the changing regulatory and operating environment. As one of the leading providers of risk transfer solutions we have implemented best practices in our everyday activities.

We measure our long-term success by our ability to deliver value for our shareholders, meet our customers' needs and attract and develop the best talent and support to the communities where we live and work.

Our Annual Report and accounts for 2015 are presented into two (2) parts:

### 1. Strategic Report

Our Strategic Report provides details about us, our business model and how we create value for our stakeholders. It also includes market and key performance indicators as well as our approach to sustainable risk management.

### 2. Governance and Financial Report

The Governance and Financial Report contain corporate governance information, committee reports, risk mitigation procedures plus our Audited Financial Statements and Notes.

## Online Information

Additional information about us may be found online at [www.genac.com](http://www.genac.com). Our full Financial Report and Annual Report may be viewed on our website.



**WE'VE GOT  
YOU  
COVERED**

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# We are a Great Force

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Our long term goal of creating value for our employees, customers, shareholders and business partners remains steadfast.



# Who We Are

General Accident is the leading general insurer in Jamaica.

**16%**

Market share

**17,000**

Policies in force

**90**

Employees (December 31, 2015)

**\$2.114B**

Market capitalization

**1.031 million**

Our Shareholders

**14,000** policy holders chose General Accident as their risk partners

Each policy is designed to deliver value driven risk management solutions aimed at creating peace of mind achieved through our professional handling of risk

## Our Policy Types

- Commercial Property
- Homeowners
- Motor
- Burglary
- Marine
- Engineering
- Professional Indemnity
- Travel
- Money
- Liability

# Where We Operate

We operate in Jamaica and our offices are located at 58 Halfway Tree Road, Kingston 10. We are, however, serviced island wide through an extensive broker and agency network. This distribution channel means that we can be reached in all Parishes.

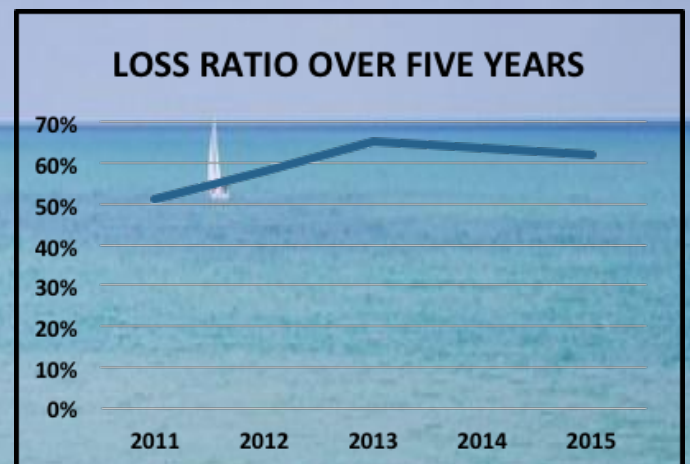


# 2015 FINANCIAL HIGHLIGHTS

## Business growth: overall

NET LOSS RATIO	EXPENSE RATIO	COMBINED RATIO	PREMIUM GROWTH
2015	2015	2015	2015
<b>62%</b>	<b>19%</b>	<b>88%</b>	<b>21%</b>
Net Incurred as percentage of Net Earned Premium	Expense Ratio average 17% over five years.	Combined Ratio average 92% over five years.	Premium growth average 24% over five years.

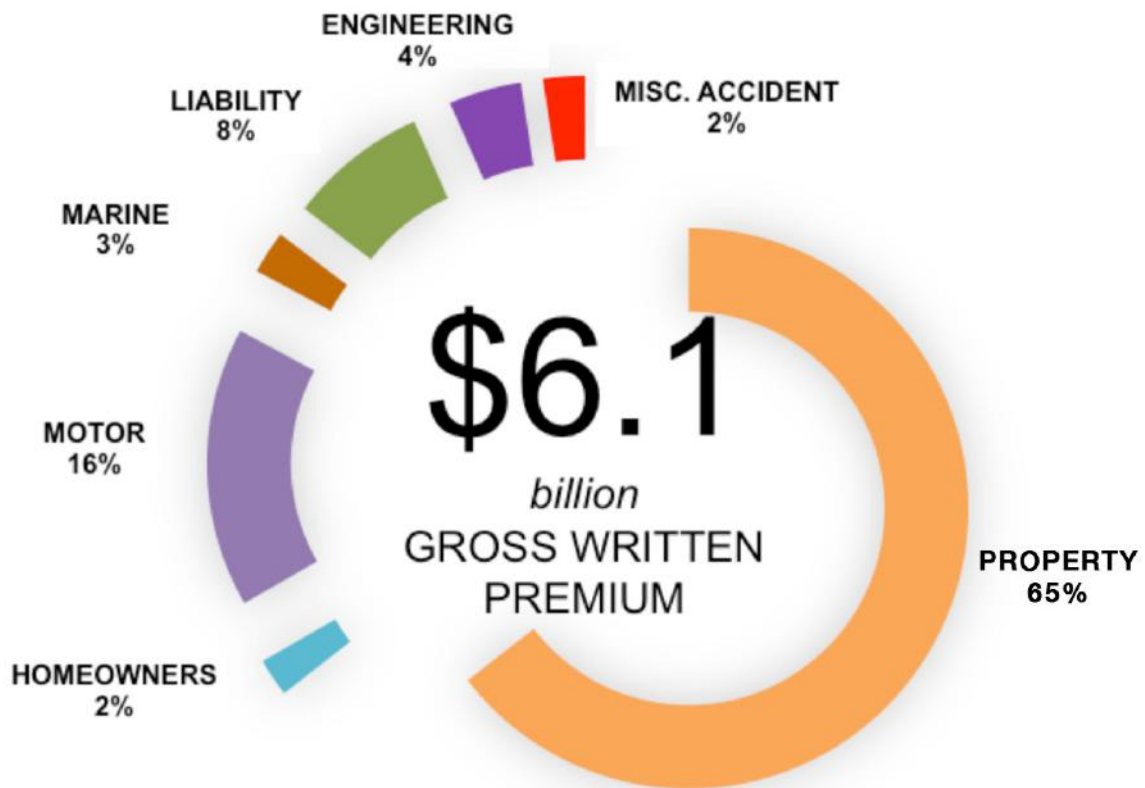
## Business growth: segments



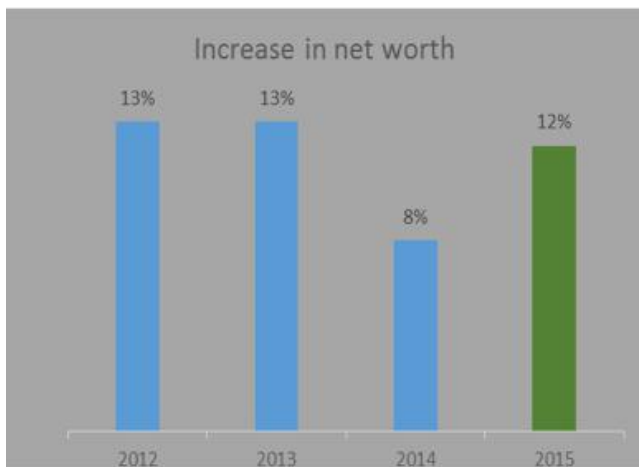
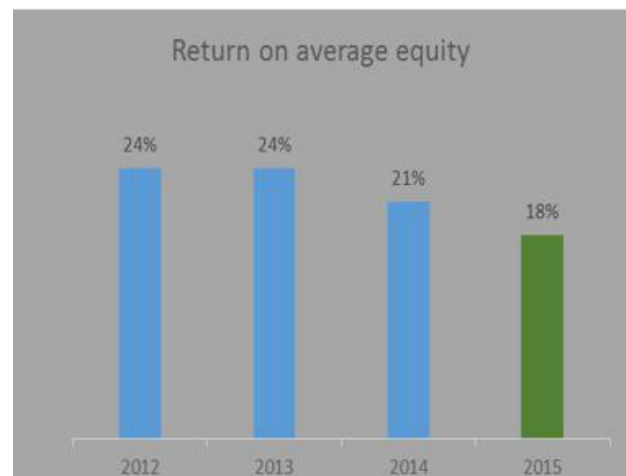
# Business Segments

General Accident offers a wide range of product lines designed to meet the evolving needs of our customers. We offer a suite of commercial solutions to help business owners protect their legacies.

We help individuals and their families protect what matters to them most. We provide an opportunity for professionals to protect their businesses.



# Key Performance Indicators



# 9-Year Financial Statistics

	2015	2014	2013
Employee	90	78	83
Policies in force	16,864	16,087	16,015
Gross written premiums	6,112,355	5,072,375	4,479,755
Net written premiums	1,190,965	1,066,538	1,018,398
Net earned premiums	1,120,055	1,069,098	994,193
Claims cost	696,480	678,558	646,791
Management expenses	446,362	441,628	381,073
Underwriting profit	114,656	101,941	58,503
Investment income	210,959	240,374	284,788
Profit before tax	303,448	319,965	323,702
Profit after tax	304,418	320,078	327,914
Cash Dividends	172,219	203,878	140,025
Investment assets	2,721,177	2,540,368	2,369,298
Insurance reserves	2,163,365	1,988,573	2,364,658
Shareholders equity	1,775,297	1,579,382	1,456,944
Market Share	16%	15%	15%
Growth in gross written premiums	21%	13%	18%
Loss ratio [Net incurred/net earned premium]	62%	63%	65%
Expense ratio	7%	9%	9%
Underwriting margin	2%	2%	1%
Investment return	10%	9.8%	13.7%
Return on average equity	18%	21%	24%
Dividend yield on average equity	10%	13%	10%
Increase in net worth	12%	8%	13%
Total return to shareholders	22%	21%	23%

**LOOK  
CALL  
SAVE**



**SAVE UP TO 20%**

2012	2011	2010	2009	2008	2007
77	44	69	66	64	61
15,876	15,427	13,466	11,727	11187	12787
3,788,969	3,626,395	2,203,074	1,683,911	1,504,687	1,101,424
991,175	866,513	784,562	592,741	434117	502721
932,818	819,490	693,085	599,663	356,433	477,774
540,775	420,142	426,624	391,416	360568	273074
332,903	300,592	241,641	204,357	169,613	150,519
117,362	161,589	68,862	33,818	(124899)	31997
186,114	1,015,010	204,565	134,106	288,007	89,834
285,269	1,341,478	244,775	141,300	142810	94685
290,537	1,284,816	213,944	105,299	149,018	86,221
100,031	90,925	95,000	270,000	-	40000
1,780,642	1,602,732	1,727,588	1,357,765	1,265,838	1,177,126
2,199,132	2,042,511	1,511,904	1,163,257	1100096	854434
1,288,850	1,140,743	1,270,502	1,034,229	1,157,244	1,028,409
13%	13%	10%	7%	7%	5%
4%	65%	31%	12%	37%	40%
58%	51%	62%	65%	101%	57%
9%	8%	11%	12%	11%	14%
3%	4%	3%	2%	-8%	3%
11.0%	61.0%	13.3%	10.2%	23.6%	7.6%
24%	8%	11%	10%	14%	8%
8%	8%	8%	25%	-	4%
13%	(11%)	23%	(11%)	13%	(7%)
21%	77%	31%	14%	(13%)	(3%)



## ON YOUR HOMEOWNERS INSURANCE

# Chairman's Report

## CONSISTENT DELIVERY OF LONG TERM GROWTH FOR SHAREHOLDERS

After a challenging start to the year, General Accident recovered and recorded another full year of solid financial results.

### Operating Performance

This year Management was able to underwrite profitably while growing premiums for 17 years in a row. This accomplishment is impressive in light of the continued decline in premium rates in Jamaica and across the world. Insuring an asset of equal value than in 2015 was significantly cheaper than in 2014. To maintain our premiums (let alone increase premium volume) our underwriters insured more homes, commercial properties and motor vehicles for a growing number of clients. In addition, despite fierce competition from other insurers also seeking to defend premiums General Accident generated an underwriting profit. This profitable growth is the direct product of strong relationships with brokers and policyholders built over many years and the strict adherence to our core underwriting principles.

Our profitable growth also increased our investment float or the premiums we receive and invest before we pay claims to our clients. Last year, we invested this float prudently. Considering the rent, interest and dividends we received as well as the increase in the value of the shares we own, General Accident enjoyed a return of 12% on our investment portfolio.

### Capital Management

We are privileged to enjoy the support of some of the largest and best capitalized reinsurers in the world. Their vast financial resources compliment our own capital base and allow us to serve thousands of

customers and stand behind some of the largest and most complicated risks in Jamaica.

As a result of our underwriting and investment results, General Accident produced an 18% return on our average shareholders' equity in 2015. In line with our dividend policy we returned \$172 million to shareholders while still growing our net worth.

### Outlook

In the immediate future we expect the demand for general insurance services to remain stagnant, premium rates to remain depressed and interest rates to hover at historic lows. These forces create a difficult operating environment for all general insurers including General Accident.

Thankfully we have built a strong franchise over many years capable of weathering such conditions. More recently, we've developed new growth initiatives that will come to market in 2016. The combination of the resilience of our existing core business and the potential these new opportunities present will drive General Accident going forward.

On behalf of the Board of Directors,



**P.B. Scott**  
Chairman



Developing responsible policy products with integrity lies at the heart of our business philosophy and we have made it a priority to develop and deliver products and services that promote the culture of good risk management practices and protect our clients in the face of adversity.



**P.B. Scott**  
Chairman

# Board of Directors

**Paul B. Scott**  
Chairman



**Melanie Subratie**  
Deputy Board Chair

**Sharon Donaldson**  
Chief Executive Officer



**Nicholas Scott**  
Non-Executive Director

**Nigel Clarke**  
Non- executive Director



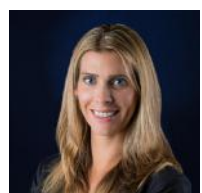
**Christopher Nakash**  
Non- executive Director

**Geoffrey Messado**  
Company Secretary



**Ralph Thompson**  
Non-executive Director

**Jennifer Scott**  
Non- executive Director



**Duncan Stewart**  
Non-executive Officer

**Mathew Lyn**  
Non- executive Director



# Notice of the 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 **10 am on 1 June, 2016 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, 2015.

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 Paul Scott as a Director of the Board of the Company.

(b) To re-appoint Melanie Subratie 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 2015, being \$72,187,500 or 7.0 cent per ordinary share, as the final dividend for that year.

**Dated this the 15th day of April 2016 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, 2015.

## Financial Results

The Statement of Comprehensive Income for the Company shows pre-tax profits for the year of \$303.4 million, taxation recoverable of \$0.97 million and a net profit after tax of \$304.4 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, 2015 are: P.B. Scott, Melanie Subratie, Sharon Donaldson, Ralph Thompson, Geoffrey Messado, Christopher Nakash, Jennifer Scott, Nicholas Scott, Nigel Clarke, Duncan Stewart and Mathew Lyn.

The Directors to retire by rotation in accordance with the Articles of Incorporation are: Paul Scott, Melanie Subratie and Christopher Nakash

but being eligible, will offer themselves for re-election.

## Auditors

The auditors of the Company, PricewaterhouseCoopers of Scotiabank Centre, Duke Street, Kingston, Jamaica have expressed their willingness to continue in office. The Directors recommend their re-appointment.

## Dividend

A dividend of **\$0.07** per share paid on **December 31, 2015** is proposed to be the final dividend in respect of the financial year ended **December 31, 2015**.

**On behalf of the Board of Directors,**



**P.B. Scott**  
**Chairman**

# Our Strategic Priorities

## VALUE CREATION AND LONG TERM SUSTAINABILITY

Our strategy drives how we conduct our business. We create value by using extensive risk knowledge and disciplined underwriting techniques to ensure that risks from private and business life are manageable for our customers and us.

Our 2015 strategic priorities include, inter alia:

### Operating a high performance culture

This is achieved by pursuing a responsible investment approach, protecting our distribution channels and delivering excellent claims service.

#### *Investment Position*

Solid financial management based on effective risk management, an investment policy geared towards proper asset liability needs and robust capital management supports our business model. Our investment policy takes into account cash flow imperatives, currencies and inflation sensitivity of our underwriting liabilities. We try at all times to ensure that our capital base meets regulatory benchmarks.

#### *Distribution Channel*

We write business directly and through an extensive broker network. Our distribution partners are essential to our business. We make available to our intermediaries our many years of experience in assessing, identifying risks and structuring insurance solutions which we believe will redound to our mutual benefit as we work

together to create a facility for our customers to securely and conveniently protect their assets. We work hard to make sure that we are easy to deal with and we work together with our intermediaries in the mutual interest of retaining our customers.

#### *Claims Service*

We strive to make our claims service meet our customers expectations so that our brokers and policyholders will want to insure with us rather than someone else. It is conventional wisdom that claims service is the shop window of the insurance business where our products are on display.

We consider claims and complaints fairly and we will never seek to avoid our responsibilities. We want to make sure that we give our brokers and insureds the kind of service they would like by being collaborative and technically sound, making our processes simple and effective. At the heart of our claims strategy is a culture that focuses on fairness, a proactive process and speed of turnaround time. We accept that one size does not fit all and the unit is so structured to ensure that the appropriate resources are available for different types of claims.

### Nurture a culture of excellence

The efforts of our staff are crucial to our success and we take seriously our promise to deliver the best possible operational performance.

# Our Strategic Priorities

Our staff is the single most important resource together with our financial capital. It is essential that we find the right people, retain them and keep them engaged and motivated while we instill a culture of excellence and opportunity. Training and development are crucial to us and we strive to create a working environment that promotes equality for all staff.

We create value for our employees by investing in their capabilities and expertise so each may fulfill his or her potential.

## Robust Risk and Capital Management

Our business is subject to risks and uncertainties. We employ a risk management framework at all levels of the organization. Our risk policy ensures that our risk profile remains conservative and is aligned with our risk appetite. Our strategic priorities reflect our risk management priorities.

Our principal business risks are liquidity risks, funding risks, capital adequacy, compliance risk, reputational risk and sustainability risk. Our operations are increasingly dependent on I.T systems and management information as clients place greater reliance on reliable and secure I.T systems. Disruption of our IT systems could impede our business operations in many ways that could negatively impact our profit objectives.

We continually assess these threats as they evolve and adopt controls to mitigate them. We have invested significantly in staff training and enhanced multi-layered controls to protect our information technology infrastructure.

Effective capital management remains a primary focus and an essential element of our overall strategy. Strong capital and liquidity positions

provide us with the financial strength to pursue new opportunities consistent with our long-term strategy of profitable growth.

Risk and effective capital management is an ongoing process that drives a culture from top management.

## Meet Shareholders Expectations

### *Profitable Growth*

Our goal is to grow as fast as we can constrained only by our profitability objective and our ability to deliver excellent customer service. We believe that profitable growth should be responsible growth. This approach guides our path and determines our strategic road map. Our business model begins with our customers' needs, which informs our policy innovation, often times in collaboration with our business partners.

We aim to sustain our performance by focusing on the following priorities:

1. Growth of the overall business and dividends. In order to create value and drive sustainable profit growth we ensure that risk is maintained at acceptable and appropriate levels.
2. Implementation of best practices standards We remain committed to best practices standards that drive a conservative risk profile based on our core philosophy of maintaining balance sheet strength, liquidity and capital adequacy.
3. Improvement in operational efficiencies We aim to deliver service that exceeds our clients and our business partners' expectations.

# Our Strategic Priorities

Central to this outcome is making it easier for our customers to do business with us. In support of this approach we have streamlined our processes and procedures, making them less complex and affording our clientele and business partners electronic transfer of data.

## Corporate Responsibility

Our reputation is a long-term asset that we zealously guard. We seek to protect this asset by embedding corporate responsibility throughout our business. Our responsible approach includes our corporate governance procedures that are not just a matter of regulatory compliance. We are aware that good corporate governance promotes and supports integrity and ethical conduct.

We create value for our shareholders by acting responsibly in all business transactions and paying attractive and sustainable dividends while seeking to increase the value of the company.



**Travel Insurance**

**General Accident**  
INSURANCE COMPANY JAMAICA LTD.

**WHY PAY FOR LOST LUGGAGE AND OTHER EXPENSIVE FEES WHEN YOU CAN BE COVERED FOR:**

- 24 Hour Worldwide Emergency Medical Expenses
- 24 Hour Accidental Death and Dismemberment
- 24 Hour Total & Permanent Disability
- Medical Expenses, Accident or Sickness
- Emergency Medical Evacuation
- Trip Cancellation
- Trip Interruption
- Baggage Delay
- Emergency Dental Expenses
- In-hotel Recovery
- Anticipated Return
- Prescribed Drugs
- Death Repatriation

**ALL AT A VERY AFFORDABLE COST!**

**Contact your Broker or any GAJ Representative at**

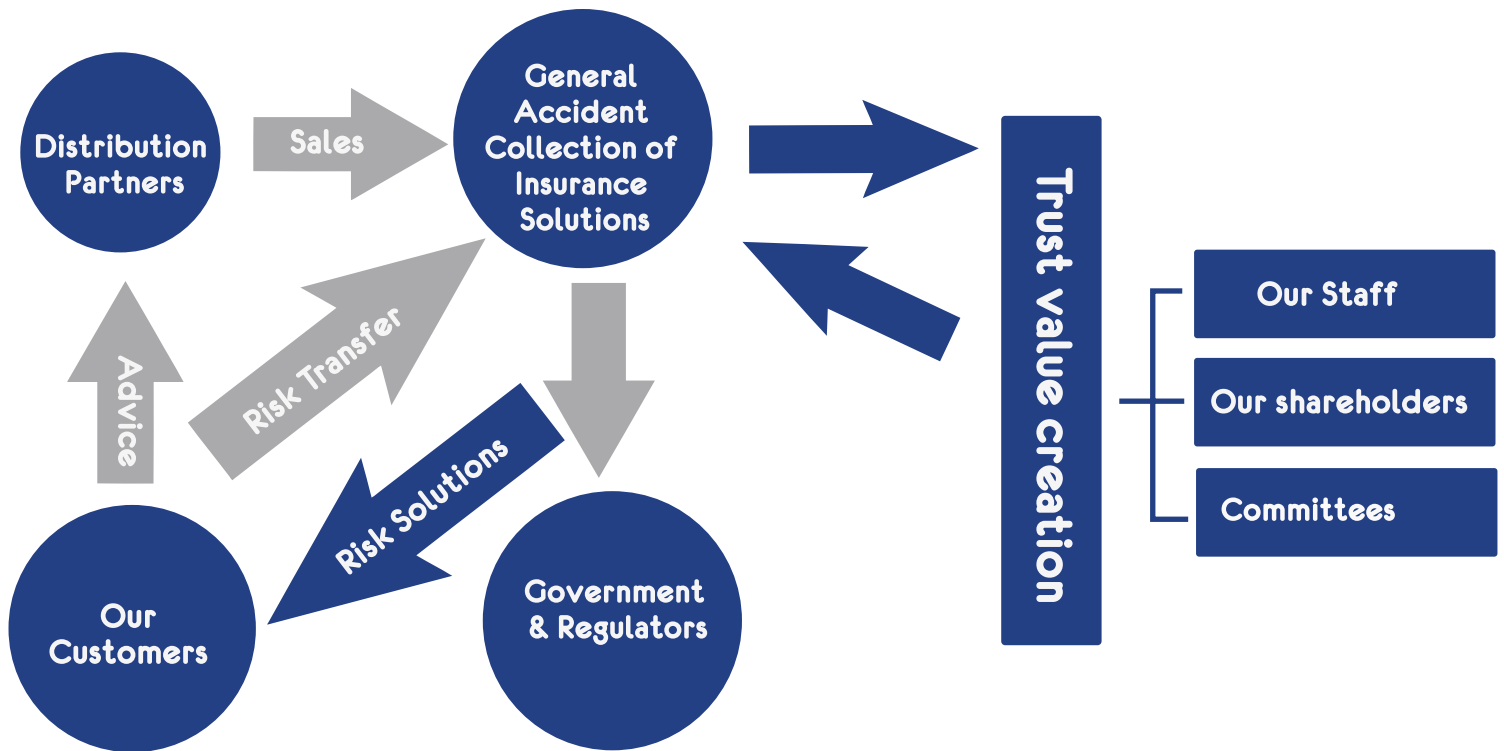
Tel: (876) 929-9643-8 or 929-8450/1/4

58 Half Way Tree Road  
Kingston 10, Jamaica

Email: [gainfo@genac.com](mailto:gainfo@genac.com)  
Website: [www.genac.com](http://www.genac.com)

# Business Model

We aim to be a leader in the insurance market providing a well-established brand that offers intelligent solutions that anticipate the needs of our clientele.



Our business model is supported by sound financial management based on disciplined risk management and a policy geared towards meeting our liquidity and capital requirements.



# Management Discussion and Analysis



Sharon Donaldson  
Chief Executive Officer

General Accident delivered yet another year of profitable growth in a market characterized by fierce global competition that continued unabated for the greater part of 2015.

We achieved reasonably good financial results; improved underwriting profitability, net written premium growth and an improved combined ratio.

We also made good progress in improving our operating efficiencies that contributed to our profitability.

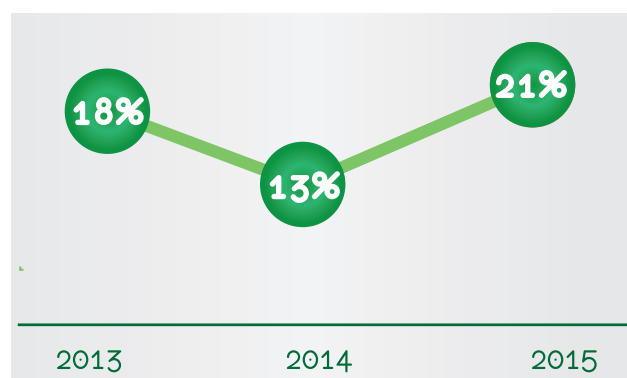
## FINANCIAL PERFORMANCE

### *Profitability*

The year 2015 was a relatively quiet loss year for the industry as the market completed another cycle without any major catastrophe or fire losses. However, the price levels of the insurance products trended downwards with the effect that profitability margins fell below expectations. Although the competitive landscape turned less

favourably for 2015, General Accident posted a net profit of \$304.04 million compared to prior year \$320.1 million. Notwithstanding the year on year decreased performance, the positive technical results are gratifying and reflect the success of our strategy of a well-balanced insurance portfolio with a diverse spread of risk.

Our premium income grew by 21% to \$6.1 billion boosted by increased business from our commercial portfolio. Our performance in the motor segment was flat but we enjoyed good volume growth in all other significant lines of business.



Underwriting profit of \$115 million was marginally above prior year by 13%, due in the main to increases in our net premiums earned and relatively small marginal increases in technical costs.

Complementing our underwriting profit, Investment and other income were \$221.5 million compared to \$248.5 million for 2014. The adverse movement being entirely as a result of decreases in foreign currency gains compared to prior year. The company enjoyed an overall increase in return on our investment portfolio from 10% in 2014 to 10.36% in 2015. Including the increase in the value of our securities, our performance was 12%.

# Management Discussion and Analysis

## HIGHLIGHTS FOR THE YEAR

	2015(\$m)	2014 (\$m)
Gross written premium	6,100	5,100
Underwriting profit	115	102
Investment and other income	222	249
Net Profit before tax	304	320
Equity at book value	1,800	1,600

## FINANCIAL STRENGTH

During the year under review the stock market rebounded with the result that the company's market capitalization improved over prior year to \$2.144 billion, an increase of 33% up from \$1.58 billion, an indication of investor's confidence.

During in 2015, we maintained our financial strength and we are pleased to present an improved balance sheet position for 2015. Total assets of \$4.4 billion increased by 13% up from \$3.9 billion of prior year. Investment portfolio of \$2.376 billion grew by 6%, up from \$2.25 billion. Cash and cash equivalent were \$3.45 million compared to \$2.94 million in 2014.

Insurance liabilities were \$2.549 billion due mainly to actuarial increases in our insurance reserves.

The company continues to demonstrate careful use of capital across all divisions, generating a strong return on equity of 18%.

## Free Cash Flow

Free cash flow for the year was relatively flat when compared to prior year. Cash flow from operating activities was \$157.4 million compared

to prior year \$183.5 million. This variance was as a result of Increases in premium due to strong sales performance in the last quarter of the year, payment of which is not due until early 2016.

The net cash outflow from investing activities was \$200.0 million higher than the prior year due to a strategic acquisition of investments.

Free cash flow is the aggregate of cash flows from operating activities less taxes deducted at source plus net cash from investing activities.

## Capital Position

General Accident's capital base remains stable and is 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 250% capital to risk weighted asset [MCT] and a liquidity ratio of 95%. At our reporting date the MCT ratio was 279% and our liquidity ratio 108%.

We remain committed to maintaining excess liquidity and capital positions, as we believe this provides us with a distinct advantage that will allow us to respond promptly to market changes.

# Management Discussion and Analysis

We are pleased to report that we continue to enjoy the support of our reinsurance partners and we successfully renewed our 2016 treaty.

Our combined ratio of 85% is a significant improvement over prior year [2014 91%]; this provides an indication of premium income coverage for claims costs and overheads. In the main we aim to keep the combined ratio as low as possible by employing disciplined underwriting and judicious claims management.

## Looking Forward

General Accident expects the underlying profitability to continue despite the ongoing fierce competition in the market. We are confident that our diversified investment portfolio is well positioned to provide a stable yield.

Despite the challenges of today's business environment that is generally characterized by rapidly changing trends, we will continue to look for growth opportunities. We are prepared to face the continuing fierce competition, which is still being fueled by an excessive liquid market.

We intend to use innovation to garner profitable business and reduce overheads. Our 2016 strategy will see us combining greater personal lines coverage with wider business risk coverage. Although this will move us into unfamiliar market segments we believe that we are well equipped to deliver a profitable outcome.

We remain committed to our strategic drivers of prioritizing investments in distinctive positions, growing operating earnings and pursuing other income streams. We believe this approach will produce increased growth, and allow us to maintain our profitability and meet our financial targets.

We are mindful that information technology plays a key role in our growth strategy. Efforts are well in flight that will produce improvements in our processes and we are optimistic that next year will bring even better results. We have entered 2016 with great momentum and we believe that our new website platform will give us the ability to transform the way we do business so that as our customer expectations change we will be able to adapt and continue to produce the superior customer experience that they deserve.

We are on solid financial ground and well positioned to deliver on our strategy to further strengthen our company with the help our staff. We work hard to attract the right talent and we are cognizant of our responsibility to provide a high morale-working environment. We have implemented an intern programme, which has been very successful in attracting some of the country's best graduate talent.

Our strategy to create long-term value combines clear portfolio choices supported by information technology.

I would like to acknowledge the Board of Directors for providing insight, guidance and support to the management and staff. For the employees' hard work over the past year, I say thank you. Your dedication and commitment are what make General Accident great. To our brokers, thank you for your continued support and involvement. You are important to our business.

We will continue to work hard and make every effort to fulfill your expectations again in **2016**.

# Our Community

We aim to conduct our business in a manner consistent with good corporate citizenship. We have long held the belief that we can create lasting changes in our communities if we work together. We believe this can be achieved through volunteerism, workplace-giving, support in education, sports, child welfare and the environment.

## Sports

We are a proud sponsor of Gibson Relays and other sporting events such as tennis and netball. We recognize the invaluable contribution of sports to the development of the nation's youth. Jamaica has a rich sporting history and we are committed to making a contribution as long as we can.



## Environment

We remain committed to supporting the maintenance of a healthy natural environment. For the past 25 years General Accident has contributed both resources and funding to the Jamaica Environment Trust.



# Our Community

## Child Welfare

General Accident continues its support of the sports club activities by providing much needed financial assistance in cash and kind to Sophie's Place, a home for children with disabilities.



## Education

We recognize that the fostering of educational opportunities will go a long way to promoting nation building. For the year under review we supported Chess Foundation of Jamaica through our sponsorship of the chess competition for high schools. This year we also extended much needed support to the Maisie Green Early Learning Development Centre in Grants Pen through the upgrading of the canteen, bathrooms, classrooms and playground.



# Our Community

## Other Support

We encourage our staff to be change leaders and to give of self and in keeping with this mandate our staff participated in a number of CSR events such as; Sigma Run, Relay for Life, The Digicel Run Walk and the annual Beach Clean Up of the Palisadoes strip.



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# Governance

Good corporate governance promotes sustainable value for all our stakeholders.

Our corporate governance report describes the structure, rules and procedures that we believe are necessary for effective governance of the company's affairs.

General Accident is subject to the supervision of the Financial Services Commission and as public interest entity we are required to establish and maintain strong corporate governance and risk management system as well as effective internal controls that are appropriate for our business activities.

Our corporate governance principles are incorporated in our corporate governance policies, which are reviewed annually to ensure continuing relevance and appropriateness.

## Board of Directors

The Board consists of eleven (11) members under the leadership of the chairman, Mr. Paul Scott, and is responsible for determining the overall strategy of the company and the supervision of senior management. Board members are elected by shareholders at the AGM.

We recognize that the directors' contribution is a key factor in our success and so board selection is carefully considered. Our Board consists of individuals with wide-ranging relevant backgrounds, experience, skills and knowledge that create a good balance. The Board benefits from broad educational, professional and cultural backgrounds of its members, which collectively include financial services, engineering, accounting and manufacturing as well as legal and regulatory experience.

The primary function of the Board is to provide effective leadership and direction to enhance long-term value to the shareholders and other stakeholders. The Board operates the business

affairs of the company and is responsible for reviewing the strategic plans and performance objectives, financial plans and annual budget, key operational initiatives, major funding and investment proposals, financial performance and corporate governance practices. This is achieved through the Board Committees.

## General meetings

Face to face meetings are held at least four (4) times each year and more often if so warranted. This year the Board met 5 times with good attendance from all members including a presentation on the company's reinsurance strategies.

## Board committees

Board appointed committees are in place to provide guidance and oversight on all operational and strategic matters. There are four (4) committees currently in place: - the Compensation Committee, the Conduct Review Committee, the Audit Committee and the Investment and Loan Committee.

## The Compensation Committee

This committee is responsible for overseeing the decisions on the remuneration package and to ensure that it promotes a high performance culture and is aligned with our risk management principles. This committee met two (2) times during the year and all members were present.

## The Conduct Review Committee

The conduct review committee has responsibility for oversight of and advice to the Board on policies and procedures to ensure that the company conducts its affairs responsibly and in keeping with our values and the broad regulatory requirements. This committee met 4 times during 2015.

# Governance

## The Audit Committee

The committee has responsibility for the oversight and advice to the Board on all matters relating to financial reporting, internal controls and approval of financial reports for distribution to external bodies. The Audit Committee held five (5) meetings with good attendance from all members.

## Audit Committee

Geoffery Messado (Chair)  
Mathew Lyn  
Christopher Nakash  
Duncan Stewart  
Nigel Clarke

## Investment and Loan Committee

The Investment and Loan Committee has the responsibility to drive the company's investment strategy ensuring that all compliance requirements are met, inter alia liquidity, quality and term of investments. This Committee met four (4) times and all members were present.

## Investment and Loan Committee

Melanie Subratie (Chair)  
Nicholas Scott  
Sharon Donaldson  
Duncan Stewart  
Christopher Nakash  
Mathew Lyn

## Committees composition

The composition of Board committee is governed by regulatory dictates designed to ensure that adequate independence is preserved.

## Compensation Committee

Paul B. Scott (Chair)  
Christopher Nakash  
Duncan Stewart  
Sharon Donaldson

## Conduct Review Committee

Dr. Ralph Thompson (Chair)  
Mathew Lyn  
Christopher Nakash  
Duncan Stewart  
Jennifer Scott



# General Accident Board

**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

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.

**Melanie Subratie**  
(appointed March 2002)  
**Deputy Chairman**



Melanie Subratie is the Deputy Chairman of General Accident Insurance Company Jamaica Ltd, and Chairman of the Investment and Loan Committee of the Board.

Mrs. Subratie is Vice Chairman of T. Geddes Grant Ltd. She is on the Executive Board at Seprod Ltd, and an Executive Board member at Facey Commodity Co. Ltd.

She also serves on the board of Falmouth Heritage Renewal. 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 newswire service DeHavilland prior to returning to Jamaica in 2002 and joining the Musson Board at that time with responsibility for Business Development, and specifically Managing Director of Productive Business Solutions Ltd.

**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 in and for overseeing its prudent underwriting and risk management strategy.

Ms. Donaldson has been with the Company for over 25 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.

**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.

# General Accident Board

**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.

**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. In that capacity he is the Managing Director of Eppley Limited. He is also a Director of Sperod 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.

**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.

**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.

# General Accident Board

**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 Traing 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.

**Matthew Lyn**  
(appointed July 2015)  
**Non Executive Director**



Matthew Lyn is an independent non-executive Director of the Board of the Company. Mr. Lyn is the Chief Operating Officer of CB Group.

Mr. Lyn is a past student of Campion College and holds a Bachelor of Business Administration (Accounting) from Emory University.

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



Dr. Nigel Clarke is a Non Executive Director of the Company. Dr. Nigel Clarke is Deputy Chairman and Chief Financial Officer of the Musson Group.

He joined the Group in 2003 as Chief Operating Officer and played a leadership role in the expansion of the Group from a substantially Jamaican base to a presence in over 30 countries. In 2009 he assumed the additional responsibilities of CEO of the Facey Group where he led transformative transactions, improving performance.

Dr. Clarke is a director of all the Group's subsidiaries and associate companies and is Deputy Chairman of the PBS Group, and Chairman of Eppley Limited.

He is Chairman and co-founder of the National Youth Orchestra of Jamaica and co-founder and host of TEDx Jamaica, both public education non-profit organisations. In addition, he has been a Director of several large private and public sector companies.

He is a recipient of the "50 Under 50 Business Leader Award" as well as the Kiwanis Community Service Award.

Dr. Clarke holds a B.Sc. in Mathematics from the University of the West Indies, as well as M.Sc. and D.Phil. degrees in Mathematics from Oxford University. In his academic career he has been a Jamaica Independence Scholar, a Commonwealth Scholar and a Rhodes Scholar.

# Leadership Team

## 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).



## 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 20 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 Orett & 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.



# Leadership Team

## Gregory St Hugh Foster Chief Financial Officer.

Mr. Gregory Foster is the Chief Financial Officer with responsibility for leading the finance, accounting and treasury function. Mr. Foster joined the Company in August 2014 after 8 years at PricewaterhouseCoopers where he held the position of an Assistant Manager in their Audit and Assurance Department. He has accumulated over seven years of experience in providing audit services to a wide spectrum of clients, including government/public sector, financial services, and manufacturing and distribution.

Mr. Foster is also part-time lecturer at Richmond Academy (an ACCA gold approved learning center).

Mr. Foster obtained his ACCA professional qualification in 2006 and is also a member of Institute of Chartered Accountants of Jamaica (ICAJ)



## Douglas Hayden Information Technology Manager

Mr. Douglas Hayden joined the company in December 2014. He came to us with over twenty years of experience in the Information Technology discipline, twelve of those years being at the management level. He holds a Bachelor's degree in Computer Science from Florida International University, a diploma in Information Technology from the University of Technology and several professional certifications including Information Technology Infrastructure Library (ITIL v3).



# Leadership Team

## Janette Cole Smith Compliance Manager

---

Janette Cole Smith is the Compliance Manager of the Company. She rejoined the Company in January 2014. She has over 20 years of experience as a senior manager in the finance and insurance industry. Her last post was as the AVP of Operations at Proven Wealth Ltd.

Mrs. Cole Smith is a Chartered Accountant and a fellow member of the Institute of Chartered Accountants of Jamaica.



## Andrea Muir Gibbs Underwriting Manager

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Mrs. Andrea Muir-Gibbs joined the company in 2013. She is the Underwriting Manager in charge of Underwriting and Broker Services. Mrs. Muir-Gibbs has over 15 years of experience in the insurance industry.

She is the holder of the Jamaican Insurance Diploma from the College of Insurance Professional Studies and a member of the Chartered Insurance Institute (UK) where she holds the Dip CII Designation.



# Leadership Team

## Tracey-Ann Thompson Operations Manager

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Miss Tracey-Ann Thompson joined the company in 2008. She is the Operations Manager for Underwriting Department of the Company. Miss Thompson has over 7 years of experience in the insurance industry.

She is the holder of a Bachelor of Science Degree in Banking and Finance and is currently pursuing a Master of Science Degree in Enterprise Risk Management and is a Certified Insurance Technician from the College of Insurance Professional Studies.



## Joseyane Nevers Assistant Claims Manager

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Miss Joseyane Nevers joined the company in 2009. She is the Assistant Claims Manager for the Claims Department of the Company. Miss Nevers has over 7 years of experience in the insurance industry.

She is the holder of a Bachelor of Science Degree in Marketing and International Business and a LLB and holds certificates in Property, Motor and Liability Insurance from the College of Insurance Professional Studies.



# Corporate Data

## Directors:

P.B. Scott  
Melanie Subratie  
Sharon Donaldson  
Ralph Thompson  
Geoffrey Messado  
Jennifer Scott  
Christopher Nakash  
Nicholas Scott  
Nigel Clarke  
Duncan Stewart  
Matthew Lyn

Chairman  
Deputy Chair  
Managing Director

## CORPORATE SECRETARY:

Geoffrey Messado

## APPOINTED ACTUARY:

Josh Worsham, FCAS, MAAA

## AUDITORS:

PricewaterhouseCoopers

## BANKERS

First Caribbean International Bank

## LEADERSHIP TEAM:

Sharon Donaldson  
Maureen Hall  
Gregory Foster  
Cheryll Henry  
Andrea Muir Gibbs  
Douglas Hayden  
Janette Cole Smith  
Tracey-Ann Thompson  
Joseyane Nevers

Managing Director  
General Manager  
Chief Financial Officer  
Human Resources & Facilities Manager  
Underwriting Manager  
Information Technology Manager  
Compliance Manager  
Operations Manager  
Assistant Claims Manager

## ATTORNEYS:

DunnCox  
Kingston, Jamaica W.I.  
Patterson Mair Hamilton

## REGISTERED OFFICE:

58 Half Way Tree Road

Telephone: (876) 929-2451  
Fax: (876)929-1074  
Email: [info@genac.com](mailto:info@genac.com)  
Website: [www.genac.com](http://www.genac.com)

## Registrar:

Jamaica Central Securities Depository



# Disclosure of Shareholdings

## SHAREHOLDINGS OF TOP 10 SHAREHOLDERS

Shareholders	Shares	Percentage
1. Musson Jamaica Limited	824,999,989	80.00
2. Mayberry West Indies Limited	32,081,629	3.11
3. Apex Pharmacy	11,588,279	1.12
4. Mayberry Managed Client Account	6,235,894	0.60
5. First Caribbean Int'l Sec. Ltd. A/C B.U.T	5,174,666	0.50
6. Lloyd Badal	5,000,000	0.48
7. JCSD Trustee Services Ltd. Sigma Optima	4,801,700	0.47
8. Barita Investments Ltd Long A/C (Trading)	4,571,693	0.44
9. Sagicor Pooled Equity Fund	4,251,700	0.41
10. P.A.M Ltd – Pooled Pension Equity Fund	4,128,000	0.40

## Shareholdings of Directors

Director/Connected persons	Shares
P.B. Scott	Nil
Musson Jamaica Limited	824,999,989
Melanie Subratie	Nil
Musson Jamaica Limited	824,999,989
Sharon Donaldson	
Self	3,250,000
And Junior Levine	200,198
Junior Levine	177,758
Nigel Clarke	2,475,248
Duncan Stewart	
And Deborah Stewart	2,475,190
And Diana Stewart	
Nicholas Scott	1,980,198
Christopher Nakash	1,698,020
Geoffrey Messado	1,000,000
Ralph Thompson	Nil
Jennifer Scott	Nil
Matthew Lyn	Nil

# Disclosure of Shareholdings

## Shareholdings of the Management Team

### Manager/Connected Person

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<b>Maureen Hall</b>	
<b>And Anthony Dunbar</b>	<b>2,362,000</b>
<b>And Errol Kellyman</b>	<b>38,000</b>
<b>Cheryll Henry</b>	<b>1,980,198</b>
<b>Gregory Foster</b>	<b>350,000</b>
<b>Douglas Hayden</b>	<b>Nil</b>
<b>Andrea Muir Gibbs</b>	<b>Nil</b>
<b>Janette Cole-Smith</b>	<b>Nil</b>
<b>Tracey Thompson</b>	<b>50,000</b>
<b>Joseyane Nevers</b>	<b>Nil</b>

# Appendices

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***General Accident  
Insurance Company  
Jamaica Limited***

Financial Statements  
31 December 2015



# General Accident Insurance Company Jamaica Limited

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31 December 2015

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<b>Independent Auditor's Report to the Members</b>	
<b>Financial Statements</b>	
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Statement of financial position	2
Statement of changes in equity	3
Statement of cash flows	4
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### 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, 2015 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:	1,128,221	1,128,340
Assumed unpaid claims and adjustment expenses:	0	0
Gross unpaid claims and adjustment expenses:	1,128,221	1,128,340
Ceded unpaid claims and adjustment expenses:	71,915	71,976
Other amounts to recover:	0	0
Other net liabilities:	0	0
Net unpaid claims and adjustment expenses:	1,056,306	1,056,364

Policy Liabilities (J\$000)	Carried in Annual Return	Actuary's Estimate
Gross policy liabilities in connection with unearned premiums:		391,302
Net policy liabilities in connection with unearned premiums:		392,551
Gross unearned premiums:	943,168	
Net unearned premiums:	542,610	
Premium deficiency:	0	
Other net liabilities:	0	

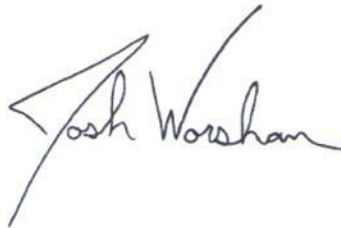


In my opinion:

- (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

\_\_\_\_\_  
Name of Appointed Actuary



\_\_\_\_\_  
Signature of Appointed Actuary

March 31, 2016

Date





## ***Independent Auditor's 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 55, which comprise the statement of financial position as at 31 December 2015, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising 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.

### ***Auditor's 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](http://www.pwc.com/jm)*

L.A. McKnight P.E. Williams L.E. Augier A.K. Jain B.L. Scott B.J. Denning G.A. Reece P.A. Williams R.S. Nathan  
C.I. Bell-Wisdom D.D. Dodd G.K. Moore





**Members of General Accident Insurance Company Jamaica Limited**  
**Independent Auditor's Report**  
**Page 2**

***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 2015 and of its financial performance and its 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  
31 March 2016  
Kingston, Jamaica

# General Accident Insurance Company Jamaica Limited

## Statement of Comprehensive Income

Year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 \$'000	2014 \$'000
<b>Gross Premiums Written</b>		6,112,355	5,072,375
Reinsurance ceded		(4,832,142)	(3,878,197)
Excess of loss reinsurance cost		(89,248)	(127,640)
Net premiums written		1,190,965	1,066,538
Changes in unearned premiums, net		(70,910)	2,560
<b>Net Premiums Earned</b>		1,120,055	1,069,098
Commission income		361,886	335,967
Commission expense		(224,443)	(182,938)
Claims expense	10	(696,480)	(678,558)
Management expenses		(446,362)	(441,628)
<b>Underwriting Profit</b>		114,656	101,941
Investment income	11	175,653	160,396
Other income	12	45,391	88,124
Other operating expenses		(32,252)	(30,496)
<b>Profit before Taxation</b>		303,448	319,965
Taxation	15	970	113
<b>Net Profit for the Year</b>		304,418	320,078
<b>Other Comprehensive Income:</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
Unrealised gains on available-for-sale investments		61,288	6,192
Tax credit		2,428	46
<b>Total Other Comprehensive Income</b>		63,716	6,238
<b>TOTAL COMPREHENSIVE INCOME</b>		368,134	326,316
<b>EARNINGS PER SHARE</b>	16	\$0.30	\$0.31

# General Accident Insurance Company Jamaica Limited


## Statement of Financial Position

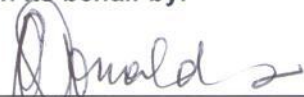
31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 \$'000	2014 \$'000
<b>ASSETS</b>			
Cash and short term investments	18	1,002,316	1,272,527
Taxation recoverable		150,162	127,445
Due from policyholders, brokers and agents		570,072	380,606
Due from reinsurers and coinsurers	19	577,760	528,584
Deferred policy acquisition cost		225,042	202,900
Other receivables	20	41,961	26,273
Due from related parties	9	3,871	2,275
Loans receivable	21	170,000	169,591
Leases receivable	22	8,877	44,556
Investment securities	23	1,396,435	910,145
Pooled real estate investment	24	143,549	143,549
Property, plant and equipment	25	126,271	95,138
Intangible assets	26	3,587	7,463
Deferred tax assets	29	3,897	499
<b>Total assets</b>		<b>4,423,800</b>	<b>3,911,551</b>
<b>LIABILITIES</b>			
Due to reinsurers and coinsurers	27	378,768	268,437
Due to related parties		6,322	-
Other liabilities	28	100,048	75,159
Insurance reserves	30	2,163,365	1,988,573
<b>Total liabilities</b>		<b>2,648,503</b>	<b>2,332,169</b>
<b>SHAREHOLDER'S EQUITY</b>			
Share capital	31	470,358	470,358
Capital reserves	32	152,030	152,030
Fair value reserve	33	118,277	54,561
Retained earnings		1,034,632	902,433
<b>Total shareholder's equity</b>		<b>1,775,297</b>	<b>1,579,382</b>
<b>Total liabilities and shareholder's equity</b>		<b>4,423,800</b>	<b>3,911,551</b>

Approved by the Board of Directors on 29 March 2016 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 2015

(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 2013		470,358	152,030	48,323	786,233	1,456,944
<b>Comprehensive income :</b>						
Net profit for the year		-	-	-	320,078	320,078
Other comprehensive income		-	-	6,238	-	6,238
<b>Total comprehensive income</b>		-	-	6,238	320,078	326,316
<b>Transactions with owners</b>						
Dividends	17	-	-	-	(203,878)	(203,878)
<b>Balance at 31 December 2014</b>		470,358	152,030	54,561	902,433	1,579,382
<b>Comprehensive income :</b>						
Net profit for the year		-	-	-	304,418	304,418
Other comprehensive income		-	-	63,716	-	63,716
<b>Total comprehensive income</b>		-	-	63,716	304,418	368,134
<b>Transactions with owners</b>						
Dividends	17	-	-	-	(172,219)	(172,219)
<b>Balance at 31 December 2015</b>		470,358	152,030	118,277	1,034,632	1,775,297

# General Accident Insurance Company Jamaica Limited

## Statement of Cash Flows

Year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 \$'000	2014 \$'000
<b>Cash Flows from Operating Activities</b>			
Net profit		304,418	320,078
Adjustments for items not affecting cash:			
Depreciation	25	27,665	24,066
Amortisation of intangible assets	26	4,587	6,430
Amortisation of investment premium	11	5,166	2,790
Gains on unit trust funds	11	(6,957)	-
Gain on disposal of property, plant and equipment	12	(1,741)	-
Interest income	11	(151,092)	(147,652)
Dividend income	11	(11,961)	(7,789)
Deferred taxation	15	(970)	(113)
Foreign exchange gains		(26,159)	(79,354)
Increase in deferred policy acquisition cost		(22,142)	(39,273)
Increase/(decrease) in insurance reserves		174,792	(376,085)
		<u>295,606</u>	<u>(296,902)</u>
Changes in operating assets and liabilities:			
Due from policyholders, brokers and agents		(183,458)	128,790
Other receivables		(16,505)	1,577
Loans receivable		(409)	(2,076)
Other liabilities		24,887	(3,294)
Due from related parties		4,726	(2,153)
Due from reinsurers and coinsurers, net		55,235	383,714
		<u>180,082</u>	<u>209,656</u>
Tax deducted at source		(22,717)	(26,162)
Net cash provided by operating activities		<u>157,365</u>	<u>183,494</u>
<b>Cash Flows from Investing Activities</b>			
Acquisition of investments		(636,818)	(486,646)
Acquisition of pooled real estate investment		-	(143,549)
Leases receivable repaid		32,051	51,514
Acquisition of property, plant and equipment	25	(59,767)	(52,584)
Acquisition of intangible asset	26	(711)	(730)
Proceeds from disposal of property, plant and equipment		2,710	-
Proceeds from disposal and maturity of investments		252,345	543,377
Dividend received		12,778	6,972
Interest received		131,397	148,578
Net cash (used in)/provided by investing activities		<u>(266,015)</u>	<u>66,932</u>
<b>Cash Flows from Financing Activities</b>			
Dividends paid	17	(172,219)	(203,878)
Net cash used in by financing activities		<u>(172,219)</u>	<u>(203,878)</u>
(Decrease)/increase in cash and cash equivalents		(280,869)	46,548
Effect of exchange rate changes on cash and cash equivalents		10,658	56,449
Cash and cash equivalents at beginning of year		1,272,527	1,169,530
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR (NOTE 18)</b>		<u>1,002,316</u>	<u>1,272,527</u>

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

**31 December 2015**

(expressed in Jamaican dollars unless otherwise indicated)

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### 1. Identification and Activities

General Accident Insurance Company Jamaica Limited (the company) is incorporated and domiciled in Jamaica. The company is a public listed company with its listing on the Jamaica Junior Stock Exchange. The company is an 80% subsidiary of Musson (Jamaica) Limited (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 management's 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.

#### ***Standards, interpretations and amendments to published standards effective in the current year***

Certain new accounting standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The company has assessed the relevance of all such new standards, interpretations and amendments and has adopted the following which are relevant to its operations:

***Annual Improvements 2012***, (effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below). The improvements comprise changes to a number of standards, the following of which are relevant to the company's operations.

- IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014.
- IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported.
- The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial.

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2015**

(expressed in Jamaican dollars unless otherwise indicated)

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

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

#### ***Standards, interpretations and amendments to published standards effective in the current year (continued)***

##### **Annual Improvements 2012 (continued)**

- IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. There was no significant impact from adoption of these amendments during the year.

**Annual Improvements 2013**, (effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to a number of standards, of which the following are relevant to the company's operations.

- IFRS 13 was amended to clarify that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9.
- IAS 34, 'Interim financial reporting'. The amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment further amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information.

There was no significant impact from adoption of these amendments during the year.

#### ***Standards, interpretations and amendments to published standards that are not yet effective***

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which were not yet effective at reporting date, and which the company did not early adopt. The company has assessed the relevance of all such new standards, interpretations and amendments and has determined that the following may be relevant to its operations, and has concluded as follows:

##### *Amendments effective for the accounting periods beginning on or after 1 January 2016:*

- IFRS 7, 'Financial instruments: Disclosures'. The amendment clarifies, among other things, that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34.
- **Amendment to IAS 1, 'Disclosure initiative'**. These amendments clarify the existing requirements of IAS 1 and provide additional assistance to apply judgement when meeting the presentation and disclosure requirements in IFRS. The amendment does not affect recognition and measurement and is effective for accounting periods beginning on or after 1 January 2016. The amendment is not expected to have a significant impact on the financial statements.

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Significant Accounting Policies (Continued)

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

##### *Standards, interpretations and amendments to published standards that are not yet effective (continued)*

- **IFRS 9, 'Financial instruments'**, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2015. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The company is yet to assess IFRS 9's full impact.
- **IFRS 15, 'Revenue from Contracts with Customers'**. The IASB has published its new revenue standard, IFRS 15 'Revenue from Contracts with Customers'. The U.S. Financial Accounting Standards Board (FASB) has concurrently published its equivalent revenue standard which is the result of a convergence project between the two Boards. IFRS 15 applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. It specifies how and when an entity will recognise revenue. It also requires entities to provide more informative, relevant disclosures. The standard supersedes IAS 18, 'Revenue', IAS 11, 'Construction Contracts' and a number of revenue-related interpretations. Application of the standard is mandatory for accounting periods beginning on or after 1 January 2017. The company is assessing the impact of future adoption of the standard.
- **IFRS 16, 'Leases'**, (effective for annual periods beginning on or after 1 January 2019). In January 2016, the IASB published IFRS 16 which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. There is an optional exemption for lessees for certain short-term leases and leases of low-value assets. The company is assessing the impact of future adoption of the amendments on its financial statements.



# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

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

*Standards, interpretations and amendments to published standards that are not yet effective (continued)*

- **Amendments to IAS 16 and IAS 38** (effective for annual period beginning on or after 1 January 2016)  
The amendments clarify that a revenue-based method of depreciation or amortisation is generally not appropriate. The IASB has amended IAS 16 Property, Plant and Equipment to clarify that a revenue-based method should not be used to calculate the depreciation of items of property, plant and equipment. IAS 38 Intangible Assets now includes a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome if either
  - (i) The intangible asset is expressed as a measure of revenue (ie where a measure of revenue is the limiting factor on the value that can be derived from the asset), or
  - (ii) It can be shown that revenue and the consumption of economic benefits generated by the asset are highly correlated
- **Amendment to IAS 1, 'Presentation of Financial Statements'**, (effective for annual periods beginning on or after 1 January 2016). This amendment forms part of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. It clarifies guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendment also clarifies that the share of other comprehensive income (OCI) of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss. The company is currently assessing the impact of future adoption of the amendments on its financial statements.
- **Annual Improvements 2014**, (effective for annual periods beginning on or after 1 January 2016). The improvements consist of changes to a number of standards, of which the following may be relevant to the Company's operations. The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9. The company is currently assessing the impact of future adoption of the new standard on its financial statements.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the company.

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2015**

(expressed in Jamaican dollars unless otherwise indicated)

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## 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(p)(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.

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

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### 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) *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. 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.

##### (ii) *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.

##### (iii) *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.

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2015**

(expressed in Jamaican dollars unless otherwise indicated)

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

### (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.

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.

### (h) 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.

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2015**

(expressed in Jamaican dollars unless otherwise indicated)

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

### (i) 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.

### (j) 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.

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2015**

(expressed in Jamaican dollars unless otherwise indicated)

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

### (k) 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 company 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.M. Best or Standard & Poors 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.

### (l) 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.

### (m) 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%

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2015**

(expressed in Jamaican dollars unless otherwise indicated)

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

### (m) 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 company. Major renovations are depreciated over the remaining useful life of the related asset.

### (n) 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.

### (o) 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.

### (p) 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 "365<sup>th</sup>" method to gross written premiums for the period, except for marine where the unearned premium reserve is calculated as 20% of the year's gross written premiums.

#### (ii) *Unearned commission*

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

#### (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.

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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

#### (p) Insurance reserves (continued)

##### (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 30). This calculation is done in accordance with the Insurance Act 2001.

(v) The provision for unexpired period of risks is determined by the appointed actuary and represents the expected future costs associated with the unexpired portion of policies in force as of the reporting date, in excess of the net unearned premium minus deferred policy acquisition costs

(vi) At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of the policy liabilities, net of related deferred policy acquisition costs. In performing these tests, current best estimates of future contractual cashflows are compared to the carrying amount of policy liabilities and any deficiency is immediately recognised in profit or loss as unexpired risk provision.

#### (q) Accounts payable

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

#### (r) 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.

#### (s) Pooled Real Estate Investment

Pooled Real Estate Investment represents the company's beneficial interest in properties which are leased to third parties and held in trust for a group of investors under a Trust Deed. The company shares in the rental income from the lease of properties as well as fair value appreciation on the properties based on valuations carried out by independent valuers from time to time. The company's share of lease income is recorded in the statement of comprehensive income. The appreciation is recorded in OCI.



# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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

### (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.

#### (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 Board of Directors.

### (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.

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

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### 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.

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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## 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.

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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## 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.

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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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:

	2015		2014	
	Policy Limit '000	Maximum Net Retention '000	Policy Limit '000	Maximum Net Retention '000
Commercial property –				
Fire and consequential loss	US\$7,000	US\$700	US\$6,000	US\$900
Personal property	US\$7,000	US\$700	US\$6,000	US\$900
Engineering	US\$5,000	US\$125	US\$3,000	US\$75
Liability	J\$40,000	J\$20,000	J\$40,000	J\$20,000
Marine, aviation and transport	US\$750	US\$125	US\$750	US\$125
Motor	J\$10,000	J\$5,000	J\$10,000	J\$5,000
Miscellaneous Accident –				
All Risk	J\$30,000	J\$2,000	J\$30,000	J\$2,000
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\$40,000	J\$8,000	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

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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## 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.

#### *Scenario Testing:*

The two major assumptions that determine reserve levels are:

- The selection of a-priori loss ratios within the Bornhuetter-Ferguson methods
- The selection of loss development factors.

These factors have been stochastically modelled using various confidence intervals to determine the impact on the net reserves. The net reserves of \$1,056,307,000 (Note 30) were determined at the 50% confidence interval. Had the confidence interval increased/(decreased) by 10%, the net reserves would increase/(decrease) by \$42,312,000/(\$52,761,000).



# General Accident Insurance Company Jamaica Limited

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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 claims liability for accident years 2010 - 2015 has changed at successive year-ends, up to 2015. Updated unpaid claims amounts as at the reporting date are used to derive the revised amounts for the ultimate claims liability for each accident year, used in the development of claim liabilities.

		2008	2008	2009	2009	2010	2010	2011	2011	2012	2012
			and		and		and		and		And
		\$'000	prior	\$'000	prior	\$'000	prior	\$'000	prior	\$'000	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%	20.74%	9.14%	21.75%	12.35%	(6.67%)	0.31%	-	-
2012	Paid during year	11,894	16,962	16,227	33,189	43,783	76,972	142,264	219,236	210,963	210,963
	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%	8.4%	29.89%	16.61%	(6.67%)	0.31%	-	-
2013	Paid during year	14,337	22,490	11,394	33,884	23,866	57,750	69,298	127,048	156,978	284,026
	UCAE, end of year	13,342	31,074	35,281	66,043	43,048	109,091	111,383	220,474	161,264	381,738
	IBNR, end of year	-	-	2,993	2,993	5,225	8,218	12,732	20,950	25,397	46,347
	Ratio: excess (deficiency)	(14.63%)	5.26%	21.35%	6.79%	28.44%	14.41%	(13.13%)	(5.11%)	(3.91%)	(6.44%)
2014	Paid during year	6,057	14,240	4,151	18,391	9,763	28,154	46,319	74,473	54,090	128,563
	UCAE, end of year	5,645	24,046	31,526	55,572	35,219	90,791	94,206	184,997	129,287	314,284
	IBNR, end of year	3,488	4,463	2,399	6,862	4,258	11,120	5,984	17,104	17,729	34,833
	Ratio: excess (deficiency)	(15.10%)	2.05%	21.58%	4.17%	28.29%	12.14%	(20.19%)	(10.90%)	(7.55%)	(13.08%)
2015	Paid during year	501	5,776	9,200	14,976	8,438	23,414	25,812	49,226	49,137	98,363
	UCAE, end of year	5,496	18,688	23,763	42,451	22,031	64,482	69,795	134,277	83,192	217,469
	IBNR, end of year	1,700	1,701	4,329	6,030	3,542	9,572	5,463	15,035	7,898	22,933
	Ratio: excess (deficiency)	(14.30%)	2.70%	20.28%	3.92%	30.09%	13.01%	(20.48%)	(10.27%)	(5.51%)	(11.54%)



estimate the ultimate value of claims. The table below illustrates how the company's estimate of the ultimate and adjustment expenses (UCAE) and IBNR estimates in each successive year, as well as amounts paid to date, are calculated.

2013	2013 and prior	2014	2014 and prior	2015	2015 and prior
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
-	-	-	-	-	-
239,700	523,726	-	-	-	-
291,198	672,936	-	-	-	-
70,085	116,433	-	-	-	-
-	-	-	-	-	-
152,205	280,768	222,509	503,277	-	-
190,624	504,908	322,488	827,396	-	-
33,965	68,798	76,216	145,014	-	-
(2.97%)	<u>(6.95%)</u>	-	-	-	-
60,574	158,937	185,354	344,291	269,589	613,880
139,704	357,173	207,194	564,367	334,705	899,072
18,455	41,388	31,594	72,982	84,310	157,292
(1.37%)	<u>(4.93%)</u>	<u>(6.38%)</u>	<u>(0.95%)</u>	-	-

# General Accident Insurance Company Jamaica Limited

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

### (a) Insurance risk (continued)

The concentration of insurance risk before and after reinsurance by territory in relation to the type of insurance risk accepted is summarized below, with reference to the carrying amount of the insurance liabilities (gross and net of reinsurance) arising from insurance contract

Territory	Motor	Liability	Property	Other types of risk	Total
	\$Millions	\$Million	\$Millions	\$Millions	\$Millions
Jamaica : Gross	24,495	32,299	107,921	20,805	185,520
Net	23,996	32,299	8,863	3,482	68,640

### (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 90%:10% Quota Share of premiums i.e. 90% ceded premiums and 10% 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\$2,000,000.
  - (v) Catastrophe excess of loss treaty which covers losses in excess of J\$100,000,000 for any one catastrophic event as defined.
- (c) The company reinsures with several reinsurers. Of significance are Munich Reinsurance, R & V Reinsurance, Scor Reinsurance and Swiss Reinsurance Company. 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 and Swiss Reinsurance Company. At 31 December, the A. M. Best ratings for the major reinsurers are as follows:

	<b>2015</b>	<b>2014</b>
Munich Reinsurance Company	A <sup>+</sup>	A <sup>+</sup>
Swiss Reinsurance Company	A <sup>+</sup>	A <sup>+</sup>

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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:

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Property	27,507	54,875
Motor	10,257	8,988
Marine	19,167	15,720
Liability	5,120	8,918
Burglary	138	3,962
Miscellaneous Accidents	22,544	13,255
	<u>84,733</u>	<u>105,718</u>

### (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.

# General Accident Insurance Company Jamaica Limited

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## 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 securities. Accordingly, management does not expect any counterparty to fail to meet its obligations.

# General Accident Insurance Company Jamaica Limited

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## 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 \$231,640,000 (2014 - \$174,406,000) 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:

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
46 to 60 days	39,669	37,708
61 to 90 days	56,081	53,092
More than 90 days	<u>135,890</u>	<u>83,606</u>
	<u><u>231,640</u></u>	<u><u>174,406</u></u>

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:

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Brokers and Insurance Companies	416,076	272,378
Direct	<u>153,996</u>	<u>108,228</u>
	<u><u>570,072</u></u>	<u><u>380,606</u></u>

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:

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Government of Jamaica	898,730	513,319
Other government	142,359	139,597
Corporate	<u>98,920</u>	<u>94,852</u>
	<u><u>1,140,009</u></u>	<u><u>747,768</u></u>

# General Accident Insurance Company Jamaica Limited

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## 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.

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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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
<b>At 31 December 2015:</b>							
Cash and short term investments	592,034	412,375	-	-	-	-	1,004,409
Due from policyholders, brokers and agents	448,240	121,832	-	-	-	-	570,072
Due from reinsurers and coinsurers	16,883	115,416	13,506	27,012	-	-	172,817
Other receivables	-	-	-	-	-	29,958	29,958
Due from related parties	-	-	-	-	-	3,871	3,871
Loans receivable	3,423	175,249	-	-	-	-	178,672
Leases receivable	1,347	2,585	5,439	65	-	-	9,436
Investment securities	36,187	56,398	561,893	500,900	129,563	256,424	1,541,365
<b>Total financial assets</b>	<b>1,098,114</b>	<b>883,855</b>	<b>580,838</b>	<b>527,977</b>	<b>129,563</b>	<b>290,253</b>	<b>3,510,600</b>
Due to reinsurers and coinsurers							
Other liabilities	21,156	3,352	55,600	-	-	-	80,108
Claims liabilities	239,189	143,513	191,351	382,702	-	-	956,755
<b>Total financial liabilities</b>	<b>260,345</b>	<b>146,865</b>	<b>246,951</b>	<b>382,702</b>	<b>-</b>	<b>-</b>	<b>1,036,863</b>
<b>Net Liquidity Gap</b>	<b>837,769</b>	<b>736,990</b>	<b>333,887</b>	<b>145,275</b>	<b>129,563</b>	<b>290,253</b>	<b>2,473,737</b>
<b>Cumulative gap</b>	<b>837,769</b>	<b>1,574,759</b>	<b>1,908,646</b>	<b>2,053,921</b>	<b>2,183,484</b>	<b>2,473,737</b>	<b>-</b>

# General Accident Insurance Company Jamaica Limited

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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
<b>At 31 December 2014:</b>							
Cash and short term investments	993,141	280,447	-	-	-	-	1,273,588
Due from policyholders, brokers and agents	342,527	38,079	-	-	-	-	380,606
Due from reinsurers and coinsurers	22,625	90,564	18,099	36,199	-	-	167,487
Other receivables	-	-	-	-	-	18,356	18,356
Due from related parties	-	-	-	-	-	2,275	2,275
Loans receivable	1,922	3,844	17,297	92,250	270,984	-	386,297
Leases receivable	4,554	7,089	27,724	9,436	-	-	48,803
Investment securities	32,053	10,451	250,051	436,386	168,402	-	897,343
<b>Total financial assets</b>	<b>1,396,822</b>	<b>430,474</b>	<b>313,171</b>	<b>574,271</b>	<b>439,386</b>	<b>20,631</b>	<b>3,174,755</b>
Due to reinsurers and coinsurers	32,393	236,044	-	-	-	-	268,437
Other liabilities	22,323	12,153	26,712	-	-	-	61,188
Claims liabilities	225,468	135,281	180,374	360,747	-	-	901,870
<b>Total financial liabilities</b>	<b>280,184</b>	<b>383,478</b>	<b>207,086</b>	<b>360,747</b>	<b>-</b>	<b>-</b>	<b>1,231,495</b>
<b>Net Liquidity Gap</b>	<b>1,116,638</b>	<b>46,996</b>	<b>106,085</b>	<b>213,524</b>	<b>439,386</b>	<b>20,631</b>	<b>1,943,260</b>
<b>Cumulative gap</b>	<b>1,116,638</b>	<b>1,163,634</b>	<b>1,269,719</b>	<b>1,483,243</b>	<b>1,922,629</b>	<b>1,943,260</b>	<b>-</b>

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.



# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

## 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 is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises primarily from transactions for re-insurance and investing activities. The statement of financial position at 31 December 2015 includes aggregate net foreign assets of approximately US\$6,175,000 (2014 – US\$7,517,000), in respect of such transactions.

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.

##### 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	Increase/ (decrease) in Pre-tax Profit 2015 \$'000	% Change in Currency Rate	Increase/ (decrease) in Pre-tax Profit 2014 \$'000
	2015	2015 \$'000	2014	2014 \$'000
USD – J\$ Revaluation	1%	(7,387)	1%	(8,512)
USD – J\$ Devaluation	8%	59,099	10%	85,122

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## 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 \$'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
<b>At 31 December 2015:</b>							
Cash and short term investments	592,324	409,954	-	-	-	38	1,002,316
Due from policyholders, brokers and agents	-	-	-	-	-	570,072	570,072
Due from reinsurers and coinsurers	-	-	-	-	-	105,286	105,286
Other receivables	-	-	-	-	-	29,958	29,958
Due from related parties	-	-	-	-	-	3,871	3,871
Loans receivable	-	-	170,000	-	-	-	170,000
Leases receivable	1,229	2,397	5,188	63	-	-	8,877
Investment securities	246,347	52,910	510,280	242,185	88,287	256,424	1,396,433
<b>Total financial assets</b>	<b>839,900</b>	<b>465,261</b>	<b>685,468</b>	<b>242,248</b>	<b>88,287</b>	<b>965,649</b>	<b>3,286,813</b>
Due to reinsurers and coinsurers	-	-	-	-	-	378,768	378,768
Other liabilities	-	-	-	-	-	80,108	80,108
Claims liabilities	-	-	-	-	-	956,755	956,755
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,415,631</b>	<b>1,415,631</b>
<b>Total interest repricing gap</b>	<b>839,900</b>	<b>465,261</b>	<b>685,468</b>	<b>242,248</b>	<b>88,287</b>	<b>(449,982)</b>	<b>1,871,182</b>
<b>Cumulative gap</b>	<b>839,900</b>	<b>1,305,161</b>	<b>1,990,629</b>	<b>2,232,877</b>	<b>2,321,164</b>	<b>1,871,182</b>	<b>-</b>

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2015**

(expressed in Jamaican dollars unless otherwise indicated)

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

### (c) Financial risk (continued)

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

##### Interest rate risk (continued)

	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
<b>At 31 December 2014:</b>							
Cash and short term investments	993,164	279,360	-	-	-	3	1,272,527
Due from policyholders, brokers and agents	-	-	-	-	-	380,606	380,606
Due from reinsurers and coinsurers	-	-	-	-	-	76,989	76,989
Other receivables	-	-	-	-	-	18,356	18,356
Due from related parties	-	-	-	-	-	2,275	2,275
Loans receivable	-	-	169,591	-	-	-	169,591
Leases receivable	-	-	27,349	17,207	-	-	44,556
Investment securities	244,904	114,272	90,950	208,291	89,351	162,377	910,145
<b>Total financial assets</b>	<b>1,238,068</b>	<b>393,632</b>	<b>287,890</b>	<b>225,498</b>	<b>89,351</b>	<b>640,606</b>	<b>2,875,045</b>
Due to reinsurers and coinsurers	-	-	-	-	-	268,437	268,437
Other liabilities	-	-	-	-	-	60,365	60,365
Claims liabilities	-	-	-	-	-	901,870	901,870
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,230,672</b>	<b>1,230,672</b>
<b>Total interest repricing gap</b>	<b>1,238,068</b>	<b>393,632</b>	<b>287,890</b>	<b>225,498</b>	<b>89,351</b>	<b>(590,066)</b>	<b>1,644,373</b>
<b>Cumulative gap</b>	<b>1,238,068</b>	<b>1,631,700</b>	<b>1,919,590</b>	<b>2,145,088</b>	<b>2,234,439</b>	<b>1,644,373</b>	<b>-</b>

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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## 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:	Increase/(decrease) in Profit before Taxation	Increase/(decrease) in Other Components of Equity	Change in Basis points:	Increase/(decrease) in Profit before Taxation	Increase/(decrease) in Other Components of Equity
2015	2015	2015	2014	2014	2014
JMD/USD	\$'000	\$'000	JMD/USD	\$'000	\$'000
-150/-50	(6,154)	2,771	-100/-50	(3,725)	305
+150/+100	9,232	(4,890)	+250/+200	9,312	(5,174)

##### Price risk

The company is exposed to equity securities and real estate price risk because of investments held by the company. These investments are classified on the statement of financial position as available-for-sale, 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 20% (2014 - 10%) with all other variables held constant.

Change in index:	Equity Securities			Pooled real estate investment		
	Increase/(decrease) in Profit before Taxation	Increase/(decrease) in Profit before Taxation	Effect on Other Components of Equity:	Effect on Other Components of Equity	Effect on Other Components of Equity	Effect on Other Components of Equity
	2015	2014	2015	2014	2015	2014
	\$'000	\$'000	JMD/USD	\$'000	\$'000	\$'000
-20% (2014 - 10%)	(5,391)	-	(45,893)	(16,238)	(28,710)	(14,355)
+20% (2014 - 10%)	5,391	-	45,893	16,238	28,710	14,355

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## 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 is 250%. The MCT for the company as at 31 December 2015 is as follows:

	Actual	Required	Actual
	2015	2015	2014
MCT	279 %	250%	270%

## 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 13, 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.

# General Accident Insurance Company Jamaica Limited

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### 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.

	Level 1	Level 2	Level 3	Total balance
	\$'000	\$'000	\$'000	\$'000
<b>At 31 December 2015</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
Equity securities	26,957	-	-	26,957
Available-for-sale financial assets –				
Equity securities	229,467	-	-	229,467
Debt securities	-	569,076	-	569,076
Pooled real estate investment	-	-	143,549	143,549
Total assets measured at fair value	256,424	569,076	143,549	969,049
<b>At 31 December 2014</b>				
<b>Assets</b>				
Available-for-sale financial assets –				
Equity securities	162,377	-	-	162,377
Debt securities	-	451,892	-	451,892
Pooled real estate investment	-	-	143,549	143,549
Total assets measured at fair value	162,377	451,892	143,549	757,818

There were no transfers between levels during the year.

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:

- 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;
- 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;
- 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;
- 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.

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

31 December 2015

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### 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.

**(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.

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

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



# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

**31 December 2015**

(expressed in Jamaican dollars unless otherwise indicated)

### 8. Segment Information (Continued)

The segment information provided to the board of directors for the reportable segments for the year ended 31 December 2015 is as follows:

2015	Fire \$'000	Motor \$'000	Marine \$'000	Liability \$'000	Homeowners & Burglary \$'000	Miscellaneous Accident \$'000	Total \$'000
<b>Gross Premiums Written</b>	3,940,780	989,928	152,369	491,812	142,585	394,881	6,112,355
Reinsurance ceded	(3,886,359)	(18,296)	(128,262)	(361,035)	(126,078)	(312,112)	(4,832,142)
Excess of loss reinsurance cost	(46,960)	(27,138)	-	(4,445)	(10,705)	-	(89,248)
Net premiums written	7,461	944,494	24,107	126,332	5,802	82,769	1,190,965
Changes in unearned premiums, net	1,990	(59,894)	(1,475)	(9,310)	(812)	(1,409)	(70,910)
<b>Net Premiums Earned</b>	9,451	884,600	22,632	117,022	4,990	81,360	1,120,055
Commission income	237,337	1,919	18,661	19,898	27,545	56,526	361,886
Commission expense	(85,876)	(81,528)	(1,951)	(11,263)	(15,703)	(28,122)	(224,443)
Claims expense	(2,194)	(602,474)	1,105	(77,548)	(167)	(15,202)	(696,480)
Management expenses	(18,972)	(338,723)	(8,404)	(45,590)	(5,755)	(28,918)	(446,362)
<b>Segment results</b>	<b>139,746</b>	<b>(136,206)</b>	<b>32,043</b>	<b>2,519</b>	<b>10,910</b>	<b>65,644</b>	<b>114,656</b>
Unallocated income -							
Investment income							175,653
Other income							45,391
							<u>221,044</u>
Depreciation and amortisation-							(32,252)
Profit before tax							303,448
Taxation							970
Net profit							<u><u>304,418</u></u>

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

**31 December 2015**

(expressed in Jamaican dollars unless otherwise indicated)

### 8. Segment Information (Continued)

2014	Fire \$'000	Motor \$'000	Marine \$'000	Liability \$'000	Homeowner & Burglary \$'000	Miscellaneous Accident \$'000	Total \$'000
<b>Gross Premiums Written</b>	3,207,181	891,040	165,940	386,021	122,004	300,189	5,072,375
Reinsurance ceded	(3,123,481)	(13,176)	(136,139)	(264,636)	(102,399)	(238,366)	(3,878,197)
Excess of loss reinsurance cost	(76,253)	(31,791)	-	(5,151)	(14,445)	-	(127,640)
Net premiums written	7,447	846,073	29,801	116,234	5,160	61,823	1,066,538
Changes in unearned premiums, net	4,832	(5,082)	60	2,024	348	378	2,560
<b>Net Premiums Earned</b>	12,279	840,991	29,861	118,258	5,508	62,201	1,069,098
Commission income	222,645	2,217	26,081	18,182	19,501	47,341	335,967
Commission expense	(81,770)	(54,802)	(1,971)	(6,621)	(12,139)	(25,635)	(182,938)
Claims expense	(6,970)	(591,043)	(6,029)	(64,702)	(1,568)	(8,246)	(678,558)
Management expenses	(30,954)	(324,649)	(11,021)	(44,890)	(7,250)	(22,864)	(441,628)
<b>Segment results</b>	115,230	(127,286)	36,921	20,227	4,052	52,797	101,941
Unallocated income -							
Investment income							160,396
Other income							88,124
							248,520
Depreciation and amortisation							(30,496)
Profit before tax							319,965
Taxation							113
Net profit							320,078

Total capital expenditure was as follows:

	<b>2015</b> <b>\$'000</b>	<b>2014</b> <b>\$'000</b>
Property, plant and equipment	59,767	52,584
Intangible assets	711	730
	<u>60,478</u>	<u>53,314</u>

Assets, liabilities and capital expenditure are not reported by segment to the Board of Directors.

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2015**

(expressed in Jamaican dollars unless otherwise indicated)

## 9. Related Party Transactions and Balances

(a) Related party transactions are as follows:

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest income -		
Fellow subsidiary (Note 11)	32,399	25,741
Parent	-	104
Affiliated company	-	72
	<u>32,399</u>	<u>25,917</u>
Rental and maintenance income -		
Affiliated company	<u>1,106</u>	<u>959</u>
Rental expense		
Fellow subsidiary	<u>16,514</u>	<u>15,630</u>
Premium income -		
Key management	1,835	2,311
Parent company	30,506	31,414
Fellow subsidiaries	205,751	243,750
Affiliates	160,107	211,669
	<u>398,199</u>	<u>489,144</u>
Claims expense -		
Key management	109	506
Parent company	7,225	8,129
Fellow subsidiaries	34,158	20,693
Affiliates	-	7,549
	<u>41,492</u>	<u>36,877</u>
Dividends declared -		
Key management	2,955	3,818
Parent company	137,775	166,072
	<u>140,730</u>	<u>169,890</u>
Key management compensation -		
Salaries and other short term benefits	<u>76,021</u>	<u>68,243</u>
Directors emoluments		
Directors' fees (included above)	<u>1,720</u>	<u>1,853</u>

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2015**

(expressed in Jamaican dollars unless otherwise indicated)

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

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

	2015 \$'000	2014 \$'000
Due from related parties -		
Receivables -		
Affiliated company	3,871	2,275
	<u>3,871</u>	<u>2,275</u>
Due from policyholders, brokers and agents -		
Fellow subsidiary	121,397	114,223
Parent company	207	146
Affiliated company	-	1,152
	<u>121,604</u>	<u>115,521</u>
	<u>121,604</u>	<u>115,521</u>
Loans receivable -		
Parent (Note 21)	170,000	-
Fellow subsidiary (Note 21)	-	169,591
	<u>170,000</u>	<u>169,591</u>
	<u>170,000</u>	<u>169,591</u>
Investment securities -		
Shares in affiliated entity (Note 23)	117,197	83,198
	<u>117,197</u>	<u>83,198</u>
	<u>117,197</u>	<u>83,198</u>
Claims liabilities		
Parent company	10,356	6,917
Affiliated company	-	26,482
Fellow subsidiary	12,305	6,550
	<u>22,661</u>	<u>39,949</u>
	<u>22,661</u>	<u>39,949</u>

Included in the investments of the company are shares in related parties. At 31 December 2015, these shares represented 2.65% of the total assets (2014 – 2.13%).

Affiliates represents companies that are associated with the parent company, which are not subsidiaries of the parent company and also entities that directors have significant influence.

No provisions made for receivables from related parties for either year.

Interest income was earned from short term and mortgage loans.

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2015**

(expressed in Jamaican dollars unless otherwise indicated)

## 10. Claims Expense

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Gross claims expense	781,203	784,291
Reinsurers share of claims expense (Note 4(b) (d))	<u>(84,723)</u>	<u>(105,733)</u>
Net claims expense	<u><u>696,480</u></u>	<u><u>678,558</u></u>

## 11. Investment Income

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest income -		
Leases receivable	3,688	11,966
Loan due from parent	-	104
Loan due from fellow subsidiary (Note 9(a))	32,399	25,741
Loan due from associated company	-	72
Cash and deposits and investment securities	<u>115,005</u>	<u>109,769</u>
	151,092	147,652
Bond premium amortisation	<u>(5,166)</u>	<u>(2,790)</u>
	145,926	144,862
Gain on money market fund	6,957	-
Dividend income	11,961	7,789
Pooled real estate investment income	<u>10,809</u>	<u>7,745</u>
	<u><u>175,653</u></u>	<u><u>160,396</u></u>

## 12. Other Income

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Foreign exchange gains	35,306	79,978
Rental income	2,551	2,654
Gain on disposal of property, plant and equipment	1,741	-
Miscellaneous income	<u>5,793</u>	<u>5,492</u>
	<u><u>45,391</u></u>	<u><u>88,124</u></u>

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2015**

(expressed in Jamaican dollars unless otherwise indicated)

## 13. Expenses by Nature

Management and other expenses by nature are as follows:

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Advertising costs	9,717	9,841
Audit fees	5,352	5,073
Computer expenses	25,465	19,142
Directors fees	1,720	1,853
Depreciation and amortisation	32,252	30,496
Insurance	1,609	2,208
Other operating expenses	36,488	53,730
Professional fees	20,421	13,913
Printing and stationery	4,340	4,284
Registration fees	13,333	13,232
Rent	16,514	15,630
Repairs and maintenance	17,037	17,223
Staff costs (Note 14)	272,379	259,939
Transportation expenses	5,398	7,164
Utilities	16,589	18,396
	<u>478,614</u>	<u>472,124</u>

## 14. Staff Costs

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Wages and salaries	207,696	199,948
Statutory contributions	17,507	17,055
Pension costs	3,772	3,817
Other	43,404	39,119
	<u>272,379</u>	<u>259,939</u>

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

**31 December 2015**

(expressed in Jamaican dollars unless otherwise indicated)

### 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 \$102,070,000 (2014 - \$117,015,000).

- (b) Taxation is based on the profit for the year adjusted for taxation purposes and represents income tax at 33 ⅓ %

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Deferred income taxes (Note 29)	(970)	(113)
	<u>(970)</u>	<u>(113)</u>

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

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit before tax	303,448	319,965
Tax calculated at a rate of 33 ⅓ %	101,149	106,655
Adjusted for the effects of:		
Income tax remission	(102,070)	(117,015)
Income not subject to tax	(34,197)	(24,985)
Expenses not deductible for tax	27,925	29,829
Net effect of other charges and allowances	6,223	5,403
	<u>(970)</u>	<u>(113)</u>

### 16. Earnings Per Share

The calculation of earnings per share is based on the net profit for the year and 1,031,250,000 (2014 - 1,031,250,000) ordinary shares in issue.

	<b>2015</b>	<b>2014</b>
Net profit from continuing operations (\$'000)	304,418	320,078
Weighted average number of ordinary shares in issue ('000)	1,031,250	1,031,250
Earnings per share (\$)	<u>0.30</u>	<u>0.31</u>

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

**31 December 2015**

(expressed in Jamaican dollars unless otherwise indicated)

### 17. Dividends per Share

The dividends paid in 2015 and 2014 were as follows:

	<b>2015</b> <b>\$'000</b>	<b>2014</b> <b>\$'000</b>
Interim dividends:-		
9.7 cents per stock unit – April 2015	100,031	-
7.0 cents per stock unit – December 2015	72,188	-
7.64 cents per stock unit – April 2014	-	78,787
12.13 cents per stock unit – December 2014	-	125,091
	<u>172,219</u>	<u>203,878</u>

### 18. Cash and Cash Equivalents

	<b>2015</b> <b>\$'000</b>	<b>2014</b> <b>\$'000</b>
Cash and bank balances	345,361	290,378
Short term deposits	656,955	966,917
Short term investments	-	15,232
	<u>1,002,316</u>	<u>1,272,527</u>

Short term deposits comprise term deposits and repurchase agreements with an average maturity of 57 days (2014 – 47 days), and include interest receivable of \$4,627,000 (2014 – \$5,927,000).

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

	<b>2015</b> <b>%</b>	<b>2014</b> <b>%</b>
J\$	6.1	7.0
US\$	<u>2.1</u>	<u>2.1</u>

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

	<b>2015</b> <b>%</b>	<b>2014</b> <b>%</b>
J\$	1.0	1.0
US\$	0.1	0.1
GBP	<u>0.1</u>	<u>0.1</u>



# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

**31 December 2015**

(expressed in Jamaican dollars unless otherwise indicated)

### 19. Due from Reinsurers and Coinsurers

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Reinsurers' portion of unearned premium (Note 30)	400,558	361,097
Reinsurers' portion of claims liabilities (Note 30)	71,915	90,498
Other amounts recoverable from reinsurers and coinsurers	105,287	76,989
	<u>577,760</u>	<u>528,584</u>

### 20. Other Receivables

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Prepayments	12,003	7,917
Other receivables	29,958	18,356
	<u>41,961</u>	<u>26,273</u>

### 21. Loans Receivable

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Short-term loan receivable from parent (Note 9) (a)	170,000	-
Mortgage receivable from fellow subsidiary (Note 9) (b)	-	169,591
	<u>170,000</u>	<u>169,591</u>

(a) Short-term loan represents loan extended by the company to parent company at rate of 12.25% for 6 months to mature June 2016.

(b) Mortgage receivable which was repaid during the year represented a loan extended by the company to a fellow subsidiary for land and building sold to that fellow subsidiary. The loan attracted an interest of 12% per annum and had original tenure of 30 years.

### 22. Lease Receivables

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Gross investment in finance leases –		
Not later than one year	9,341	39,366
Later than one year and not later than five years	95	9,437
	<u>9,436</u>	<u>48,803</u>
Less: Unearned income	(559)	(4,247)
	<u>8,877</u>	<u>44,556</u>
Net investment in finance leases may be classified as follows:		
Not later than one year	8,814	36,675
Later than one year and not later than five years	63	7,881
	<u>8,877</u>	<u>44,556</u>

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2015**

(expressed in Jamaican dollars unless otherwise indicated)

## 23. Investment Securities

	2015 \$'000	2014 \$'000
Debt securities -		
Available for sale – at fair value		
Government of Jamaica Securities		
Benchmark Investment Notes	328,323	216,668
United States Dollar Benchmark Notes	4,022	3,830
United States Dollar Indexed Notes	52,642	-
Certificate of Deposits	487,199	284,478
	872,186	504,976
United States Dollar Corporate Bond	97,826	93,786
Other Government Securities	138,903	137,608
Interest receivable	31,094	11,398
	<u>1,140,009</u>	<u>747,768</u>
Equity securities -		
Available for sale, at fair value –		
Quoted shares	229,467	162,377
Fair value through profit or loss		
Unit Trust Funds	26,957	-
Available for sale, at cost –		
Unquoted shares	105	105
Less: Provision for diminution in value	(105)	(105)
	-	-
	<u>256,424</u>	<u>162,377</u>
	<u>1,396,433</u>	<u>910,145</u>

Weighted average effective interest rate:

	2015 %	2014 %
Government of Jamaica Securities –		
Benchmark Investment Notes	8.40	8.00
United States Dollars Benchmark Notes	5.25	4.00
United States Dollar Corporate Bonds	6.25	6.25
Other Government Securities	6.12	6.12

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2015**

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## **23. Investment Securities (Continued)**

Included in investments, are Government of Jamaica Benchmark Investment Notes valued at \$45,000,000 (2014-\$45,000,000) which have been pledged with the FSC, pursuant to Section 8(1)(b) of the Insurance Regulations, 2001.

Included in investments are shares in Seprod Limited, a related party, with a fair value of approximately \$89,312,000 (2014 - \$55,385,000). 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.

## **24. Pooled Real Estate Investment**

This represents the company's beneficial interest in a property which is leased to third parties and held in trust for a group of investors under a Trust Deed managed by Scotia Investments Jamaica Limited.

Rental income from the pooled real estate investment for the year was \$10,809,000.

The property was last valued at current market value in February 2014 by The C.D. Alexander Company Realty Limited.

The fair value of the investment is at level 3 in the fair value hierarchy, as is consistent with the requirements of IFRS 13 (Note 6).

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2015**

(expressed in Jamaican dollars unless otherwise indicated)

## 25. Property, Plant and Equipment

	Buildings \$'000	Furniture, Fixtures & Equipment \$'000	Motor Vehicles \$'000	Work-In- Progress \$'000	Total \$'000
At Cost -					
At 1 January 2014	25,310	76,530	51,772	-	153,612
Additions	22,396	14,679	15,509	-	52,584
Disposals	-	(1,555)	-	-	(1,555)
At 31 December 2014	47,706	89,654	67,281	-	204,641
Additions	25,539	19,769	8,879	5,580	59,767
Disposals	-	(2,540)	(6,249)	-	(8,789)
At 31 December 2015	73,245	106,883	69,911	5,580	255,619
Depreciation -					
At 1 January 2014	8,381	44,335	34,276	-	86,992
Charge for the year	2,385	10,112	11,569	-	24,066
On disposals	-	(1,555)	-	-	(1,555)
At 31 December 2014	10,766	52,892	45,845	-	109,503
Charge for the year	3,662	11,257	12,746	-	27,665
On disposals	-	(1,571)	(6,249)	-	(7,820)
At 31 December 2015	14,428	62,578	52,342	-	129,348
Net Book Value -					
31 December 2015	58,817	44,305	17,569	5,580	126,271
31 December 2014	36,940	36,762	21,436	-	95,138

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2015**

(expressed in Jamaican dollars unless otherwise indicated)

## 26. Intangible Assets

	<b>Computer Software</b>
	<b>\$'000</b>
At Cost -	
At 1 January 2014	76,691
Additions	730
At 31 December 2014	77,421
Additions	711
At 31 December 2015	78,132
Amortisation -	
At 1 January 2014	63,528
Charge for the year	6,430
At 31 December 2014	69,958
Charge for the year	4,587
At 31 December 2015	74,545
Net Book Value -	
31 December 2015	3,587
31 December 2014	7,463

## 27. Due to reinsurers and coinsurers

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
Local reinsurers	28,397	14,220
Overseas reinsures	350,371	254,217
	<u>378,768</u>	<u>268,437</u>

## 28. Other Liabilities

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
Statutory contributions payable	4,329	4,144
Accrued expenses	40,756	41,917
General consumption tax	15,609	9,901
Other payables	39,354	19,197
	<u>100,048</u>	<u>75,159</u>

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2015**

(expressed in Jamaican dollars unless otherwise indicated)

## 29. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 16.57½% (33½% restricted to 50% based on remission year 5 to 10).

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Deferred income tax assets	3,897	1,200
Deferred income tax liabilities	-	(701)
Net assets	<u>3,897</u>	<u>499</u>

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

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance as at 1 January	499	340
Credited to profit or loss (Note 15)	970	113
Credited to other comprehensive income	<u>2,428</u>	<u>46</u>
Balance as at 31 December	<u>3,897</u>	<u>499</u>

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

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Deferred income tax assets</b>		
Accelerated depreciaton	1,726	-
Unrealised fair value losses	<u>2,171</u>	<u>1,200</u>
	<u>3,897</u>	<u>1,200</u>
<b>Deferred income tax liabilities</b>		
Accelerated tax depreciation	<u>-</u>	<u>(701)</u>

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2015**

(expressed in Jamaican dollars unless otherwise indicated)

## 30. Insurance Reserves

(a) These reserves are as follows:

	<b>2015</b> <b>\$'000</b>	<b>2014</b> <b>\$'000</b>
Gross -		
Unearned premiums	943,168	844,525
Claims liabilities	1,128,221	1,063,053
Unearned commission	91,976	80,995
	<u>2,163,365</u>	<u>1,988,573</u>
Recoverable from reinsurers -		
Reinsurers' portion of unearned premiums (Note 19)	(400,558)	(361,097)
Reinsurers' portion of claims liabilities (Note 19)	(71,915)	(90,498)
	<u>(472,473)</u>	<u>(451,595)</u>
Net -		
Unearned premiums	542,610	483,428
Claims liabilities	1,056,306	972,555
Unearned commission	91,976	80,995
	<u>1,690,892</u>	<u>1,536,978</u>

(b) Claims liabilities comprise:

	<b>2015</b> <b>\$'000</b>	<b>2014</b> <b>\$'000</b>
Gross -		
Outstanding claims	956,755	901,870
IBNR	159,485	149,899
Unallocated loss adjustment expense	11,982	11,284
	<u>1,128,222</u>	<u>1,063,053</u>
Recoverable from reinsurers -		
Outstanding claims	69,723	85,613
IBNR	2,192	4,885
	<u>71,915</u>	<u>90,498</u>
Net -		
Outstanding claims	887,032	816,257
IBNR	157,293	145,014
Unallocated loss adjustment expense	11,982	11,284
	<u>1,056,307</u>	<u>972,555</u>

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

**31 December 2015**

(expressed in Jamaican dollars unless otherwise indicated)

### 30. Insurance Reserves (Continued)

An actuarial valuation was performed to value the policy and claims liabilities of the company as at 31 December 2015 in accordance with the Insurance Act of Jamaica by the appointed actuary, Josh Worsham, FCAS, MAAA of Mid Atlantic Actuarial. The Insurance Act requires that the valuation be in accordance with accepted actuarial principles. The actuary has stated that his report conforms to the standards of practice as established by the Canadian Institute of Actuaries, with such changes as directed by the Financial Services Commission, specifically, that the valuation of some policy and claims liabilities not reflect the time value of money.

In arriving at his valuation, the actuary employed 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.

In using the Paid/Incurred Loss Development methods, ultimate losses are estimated by calculating past paid/incurred loss development factors and applying them to exposure periods with further expected paid/incurred loss development. The Bornhuetter-Ferguson Paid/Incurred Loss methods is a combination of the Paid/Incurred Loss Development methods and a loss ratio method; however, these expected losses are modified to the extent paid/incurred losses to date differ from what would have been expected based on the selected paid/incurred loss development pattern. Finally, the Frequency-Severity method is calculated by multiplying an estimate of ultimate claims with an estimate of the ultimate severity per reported claim.

In his opinion dated 31 March 2016 the actuary found that the amount of policy and claims liabilities represented in the statement of financial position at 31 December 2015 makes proper provision for the future payments under the company's policies and meets the requirements of the Insurance Act and other appropriate regulations of Jamaica; that a proper charge on account of these liabilities has been made in profit or loss; and that there is sufficient capital available to meet the solvency standards as established by the Financial Services Commission.

The movement in claims outstanding was as follows:

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Net reserves for claims outstanding at beginning of year –		
Gross reserves for claims outstanding	1,063,053	900,384
Reinsurance ceded	(90,498)	(101,468)
	<u>972,555</u>	<u>798,916</u>
Movement during the year –		
Claims incurred, including IBNR	696,480	678,558
Claims paid	(613,939)	(506,353)
Translation differences on foreign currency claims	1,210	1,434
	<u>83,751</u>	<u>173,639</u>
Net reserves for claims outstanding at end of year	1,056,306	972,555
Reinsurance ceded	71,915	90,498
Gross reserves for claims outstanding at end of year	<u>1,128,221</u>	<u>1,063,053</u>

Significant delays occur in the notification of claims and a substantial measure of experience and judgement is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as at the reporting date. The reserve for claims outstanding is determined on the basis of information currently available; however, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.



# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2015**

(expressed in Jamaican dollars unless otherwise indicated)

## 30. Insurance Reserves (Continued)

(c) The movement in unearned premiums is as follows:

Movement in unearned premiums:

	2015			2014		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January	844,525	(361,097)	483,428	1,377,948	(880,411)	497,537
Premiums written during the year	6,112,355	(4,921,390)	1,190,965	5,072,375	(4,005,837)	1,066,538
Premiums earned during the year	(6,013,712)	4,893,658	(1,120,054)	(5,605,798)	4,536,700	(1,069,098)
Portfolio adjustment	-	(11,729)	(11,729)	-	(11,549)	(11,549)
	98,643	(39,461)	59,182	(533,423)	519,314	(14,109)
Balance at 31 December	943,168	(400,558)	542,610	844,525	(361,097)	483,428

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

	2015	2014
	\$'000	\$'000
Fire, consequential loss and liability	446,897	350,786
Motor	448,100	384,645
Marine	8,806	6,181
Accident	39,365	102,913
	943,168	844,525

## 31. Share Capital

	2015	2014
	\$'000	\$'000
Authorised -		
1,100,000,000 Ordinary shares of no par value		
Issued and fully paid -		
1,031,250,000 Ordinary shares of no par value	470,358	470,358

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2015**

(expressed in Jamaican dollars unless otherwise indicated)

## 32. Capital Reserves

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
At beginning of and end of year	<u>152,030</u>	<u>152,030</u>

The capital reserves at year end represent realised surpluses.

## 33. Fair Value Reserve

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

## 34. 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 2014, indicated that the scheme was adequately funded at that date.

Pension contributions for the period totalled \$3,772,000 (2014 – \$3,817,000), and are included in staff costs (Note 14).

## 35. 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.

## 36. Commitments

### ***Operating lease commitments***

The company leases its office situated at 58 Half Way Tree Road from fellow subsidiary Unity Capital Incorporated under a 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

	<b>2015</b>	<b>2014</b>
	<b>US\$'000</b>	<b>US\$'000</b>
No later than 1 year	118	141
Later than 1 year and no later than	-	118
	<u>118</u>	<u>259</u>













# WHAT IS...

## HOMEOWNERS INSURANCE

A form of property insurance designed to protect an individual's home against damages to the house itself, or to possessions in the home. Homeowners insurance also provides liability coverage against accidents in the home or on the property.

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