Building on Solid Foundation

Annual Report 2016

General Accident
2016
Annual Report

YOUR RISK
SOLUTION PARTNER

HOMEOWNER

The homeowners portfolio continues to maintain its percentage share of the total written premium for 2016.

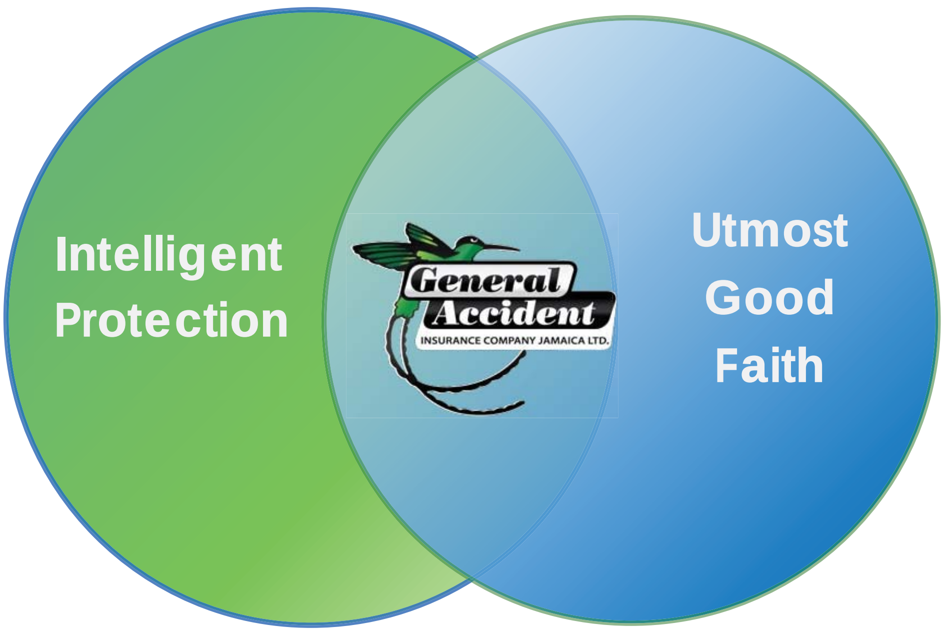
PROPERTY

The property portfolio contributed to more than half of our total written premium for 2016.

MOTOR

The motor portfolio is the second largest contributor to our total gross written premium and during 2016 we grew by 8% recording a gross written premium of over $1billion.

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 strive and economies prosper 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.

We aim to be a profitable choice by putting the needs of customers at the forefront of our daily tasks.

HOW WE MEASURE OUR PERFORMANCE

We track our progress by using a variety of financial and non-financial key performance indicators. In 2016, we implemented a dedicated function in the form of a Business Intelligence Unit so we can better 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.

Our Annual Report and accounts for 2016 is presented into two (2) parts:

1. **Our 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 Corporate Governance and Financial Report contains 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*. Our full Financial Report and Annual Report may be viewed on our website.

Contents

We are a Great Force

$5.65 *Billion*
IN
GROSS WRITTEN PREMIUM

$4.9 *Billion*
IN
TOTAL ASSETS

$0.404 *Billion*
IN
PROFIT BEFORE TAX

$0.04 *Billion*
IN
UNDERWRITING PROFITS

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

Who We Are

General Accident is a leading general insurer in Jamaica.

15%
Market share

14,072 policy holders chose General Accident as their risk partners

18,205
Policies in force

91
Employees (December 31, 2016)

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

$2.784B
Market capitalization

956
Shareholders (December 31, 2016)

Our Policy Types

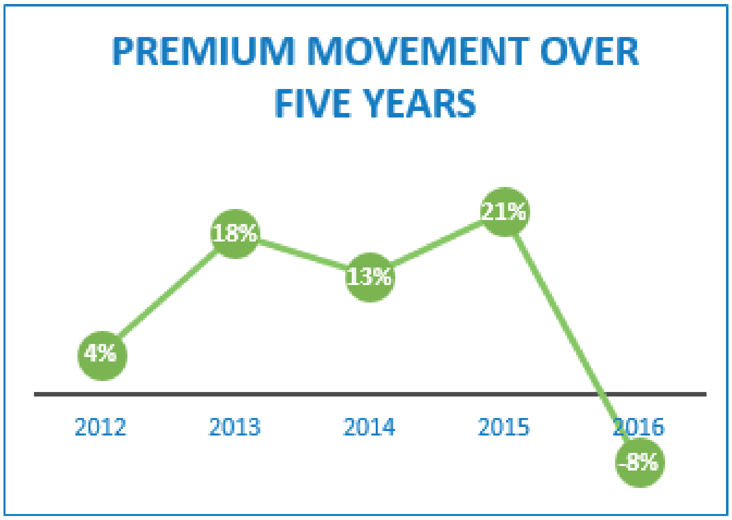
- Commercial Property
- Homeowners
- Motor
- Burglary
- Marine
- Engineering
- Professional Indemnity
- Travel
- Money
- Liability

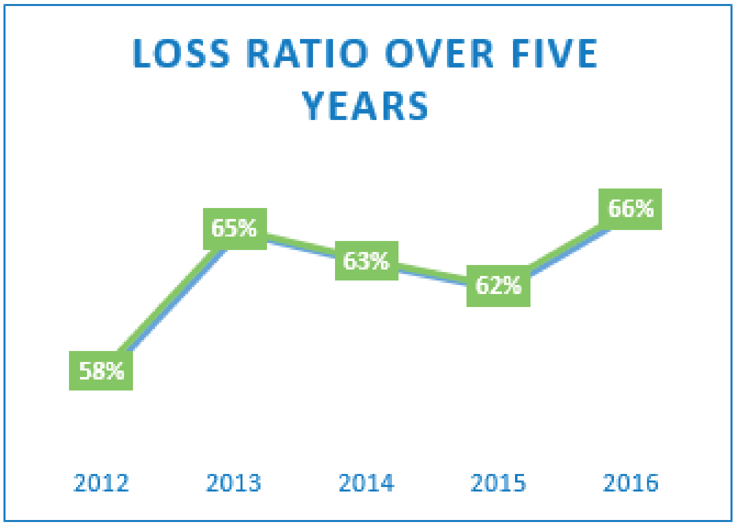
Where We Operate

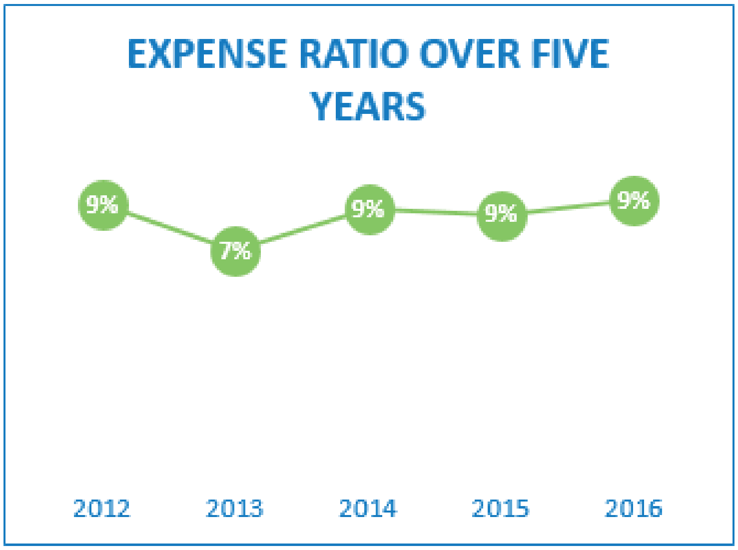
We operate in Jamaica and our offices are located at 58 Half-Way Tree Road, Kingston 10. We are, however, serviced island wide through an extensive Broker and Agency network.

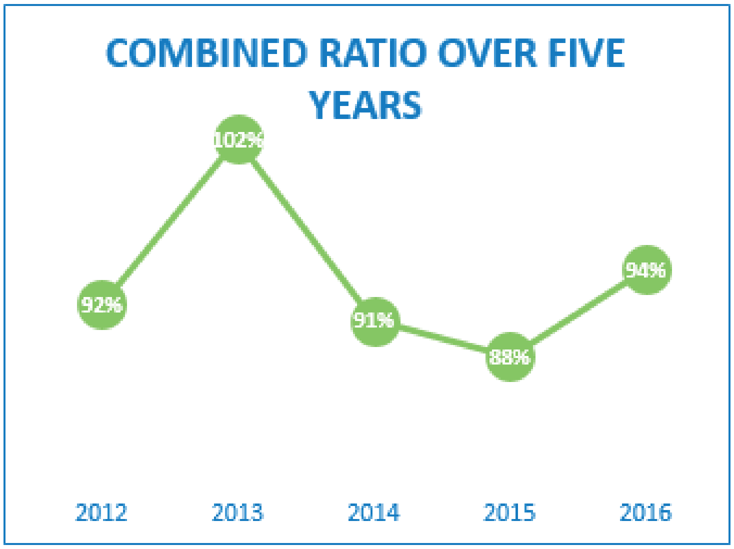
Our distribution channel means that we can be reached in all Parishes.

Business Segments:



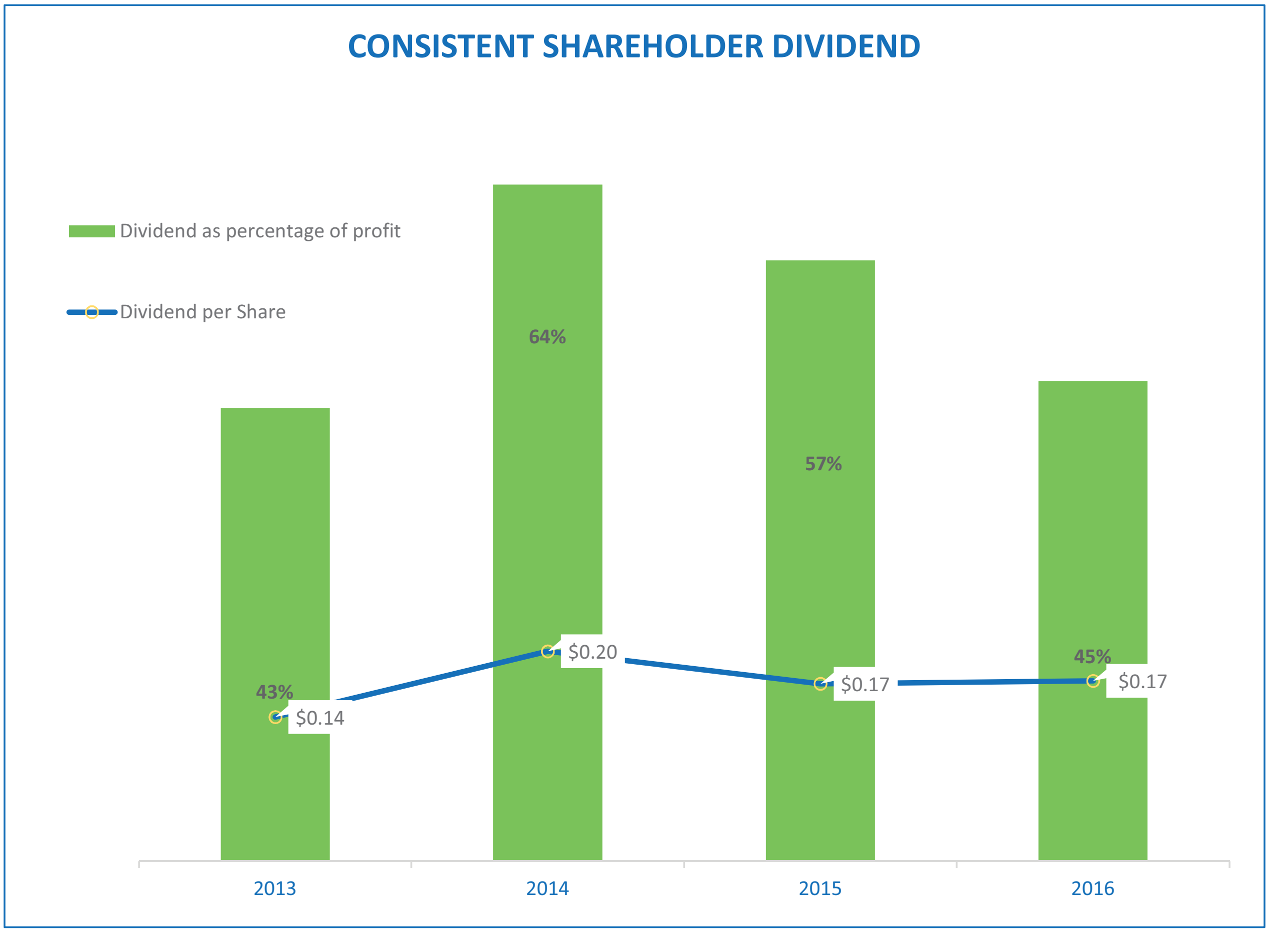






We Create Value For Our Shareholders

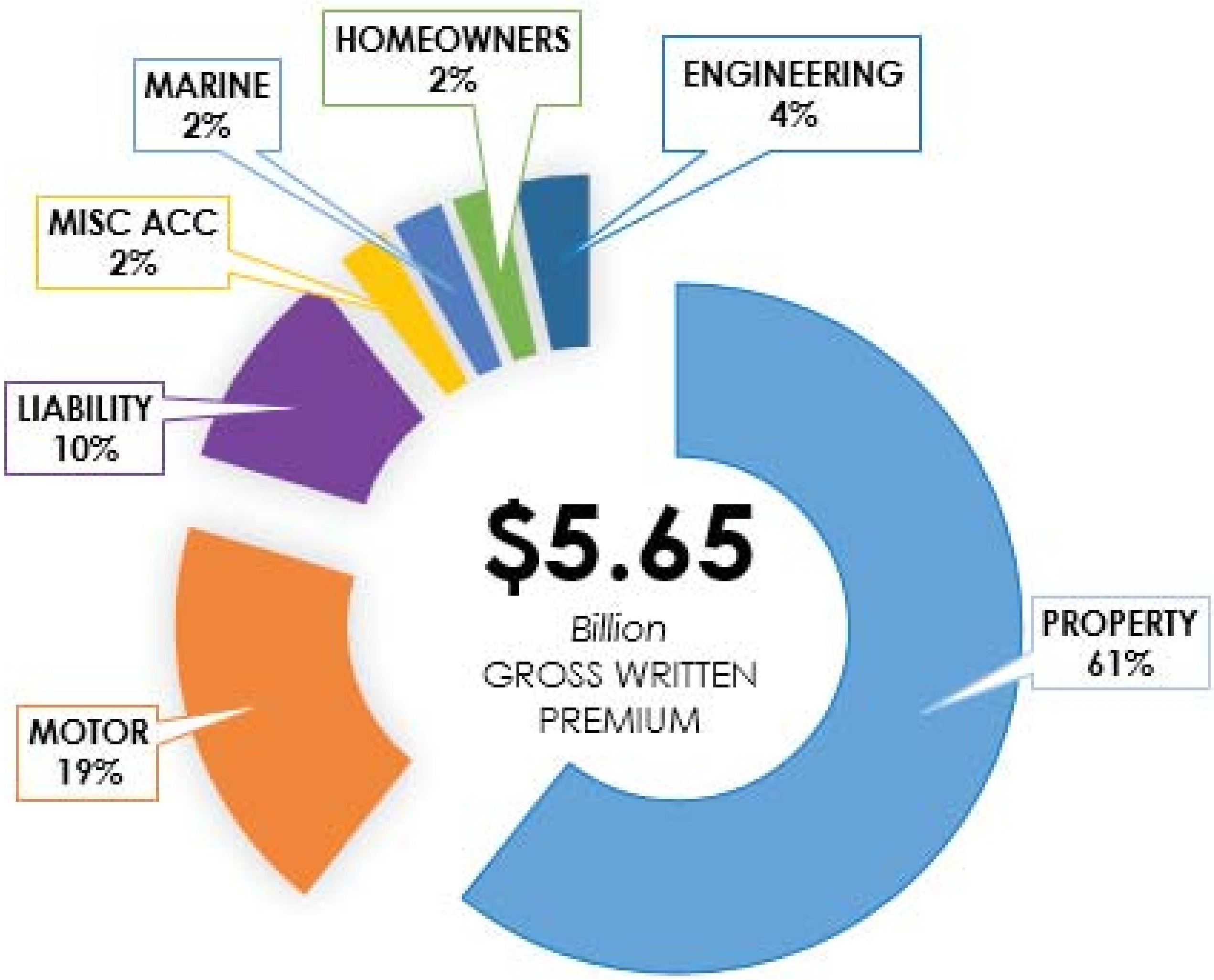
Providing an impressive performance for our shareholders has been a key objective to which we remain committed, despite the challenging environment.



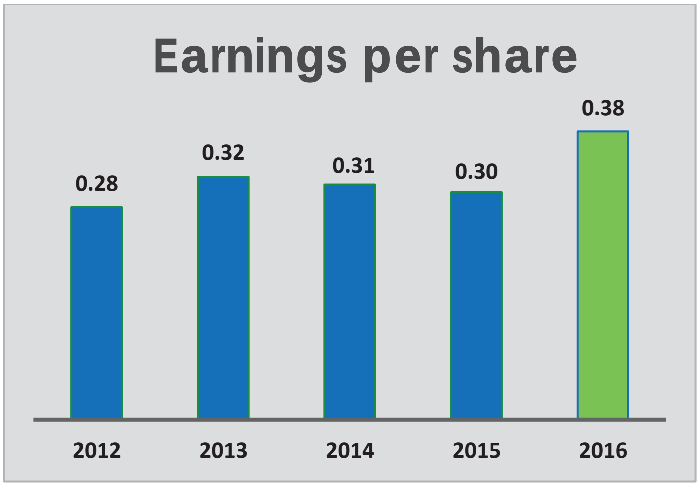
We are quite proud of the impressive shareholder's value creation record developed over the past four (4) years. We provide a steady growth in dividend per share.

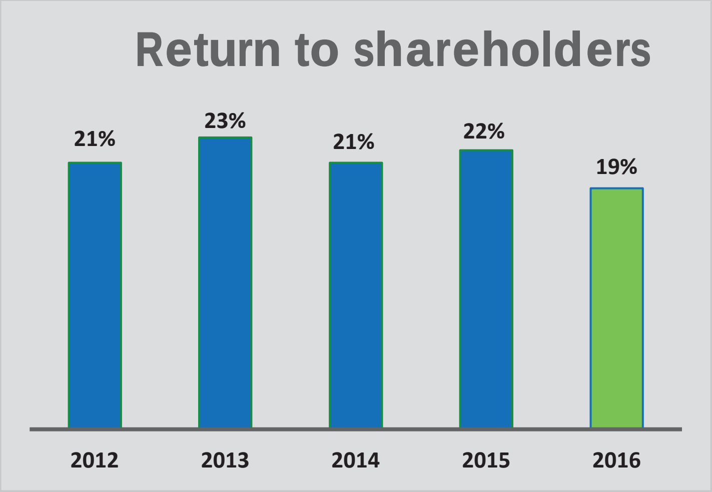
Business Segments

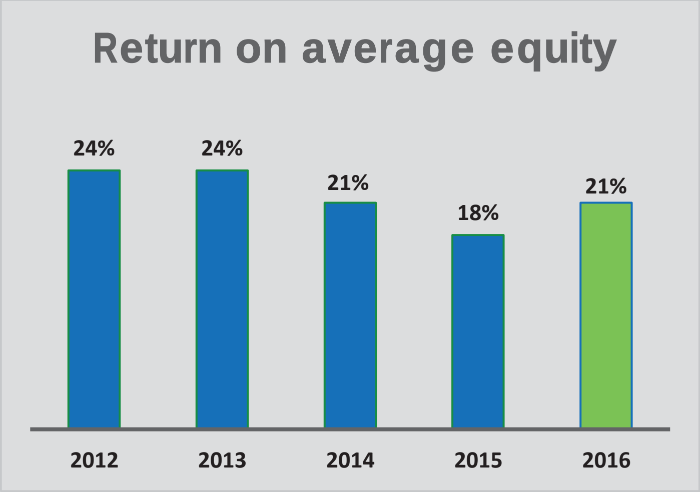
General Accident offers a wide range of product lines designed to meet the evolving needs of our customers. We offer a suite of commercial solutions to help business owners protect their legacies. We help individuals and their families protect what matters to them most. We provide an opportunity for professionals to protect their integrity and status.

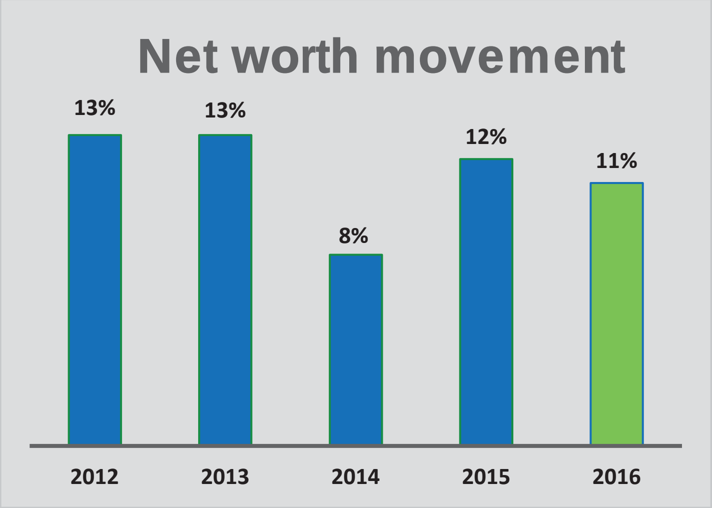


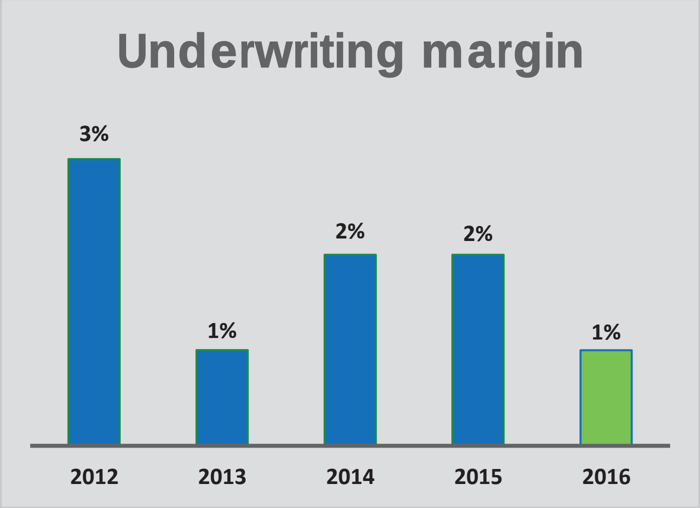
Key Performance Indicators











10-Year Financial Statistics

	2016	2015	2014	2013
Employee Count	91	90	78	83
Policies in Force	18,205	16,864	16,087	16,015
Gross Written Premiums	5,649,097	6,112,355	5,072,375	4,479,755
Net Written Premiums	1,221,151	1,190,965	1,066,538	1,018,398
Net Earned Premiums	1,136,262	1,120,055	1,069,098	994,193
Claims	746,073	696,480	678,558	646,791
Management Expenses	500,388	446,362	441,628	381,073
Underwriting Profit	45,609	114,656	101,941	58,503
Investment Income	376,177	210,959	240,374	284,788
Profit Before Tax	404,243	303,448	319,965	323,702
Profit After Tax	386,879	304,418	320,078	327,914
Cash Dividends	175,003	172,219	203,878	140,025
Investment Assets	3,025,915	2,721,177	2,540,368	2,369,298
Insurance Reserves	2,507,955	2,163,365	1,988,573	2,364,658
Shareholders' Equity	1,964,420	1,775,297	1,579,382	1,456,944
Market Share	15%	16%	15%	15%
Gross Written Premiums Movement	-8%	21%	13%	18%
Loss Ratio	66%	62%	63%	65%
Expense Ratio	9%	7%	9%	9%
Underwriting Margin	1%	2%	2%	1%
Investment Return	13.1%	8.0%	9.8%	13.7%
Return on Average Equity	21%	18%	21%	24%
Dividend Yield on Average Equity	9%	10%	13%	10%
Increase in Net Worth	11%	12%	8%	13%
Total Return to Shareholders	19%	22%	21%	24%

2012	2011	2010	2009	2008	2007
77	44	69	66	64	61
15,876	15,427	13,466	11,727	11,187	12,787
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	434,117	502,721
932,818	819,490	693,085	599,663	356,433	477,774
540,775	420,142	426,624	391,416	360,568	273,074
332,903	300,592	241,641	204,357	169,613	150,519
117,362	161,589	68,862	33,818	(124,899)	31,997
186,114	1,015,010	204,565	134,106	288,007	89,834
285,269	1,341,478	244,775	141,300	142,810	94,685
290,537	1,284,816	213,944	105,299	149,018	86,221
100,031	90,925	95,000	270,000	-	40,000
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	1,100,096	854,434
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%

Chairman's Report

GENERAL ACCIDENT COMPLETES FIFTH YEAR AS A PUBLIC COMPANY

General Accident navigated a challenging operating environment this year and produced an underwriting profit and solid returns on equity for our shareholders.

Operating Performance

In 2016, premium rates continued to plummet. In addition, the industry experienced major fire losses. Nevertheless, General Accident produced an underwriting profit of $45.6 million. We are proud to have now generated underwriting profits in nine of the last ten years. Underwriting profitability on a consistent basis is difficult and is a tribute to the expertise and discipline of our underwriting team.

Our investment float grew considerably last year standing at $3.0 billion compared to a prior year of $2.7 billion, an increase of 11%. Last year we earned a 14% return on our portfolio. These gains include a $149 million realized gain on the sale of listed equities which we consider non-recurring.

Capital Management

We are privileged to enjoy the support of some of 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 largest and most complicated risks in Jamaica.

As a result of our underwriting and investment results, General Accident produced a 21% return on our average shareholders' equity in 2016. Excluding the one time gains from the sale of our equities portfolio, our return on equity was 13%. In line with our dividend policy we returned $172 million to shareholders while still growing our net worth.

Outlook

In 2016, General Accident proved the resilience of our business. Despite falling premium prices, low interest rates and a busy non-catastrophe loss year for the industry General Accident was not only profitable but produced strong returns on equity.
Looking ahead, we expect the operating environment to remain challenging in the near term. However, historically both premium rates and interest rates have been cyclical. As a result over the long term we expect both to revert to long-term averages. This development would be highly beneficial for our business.

General Accident has a strong brand, deep relationships with its clients and a talented team. These fundamentals allow our business to perform in all operating conditions. More recently, we have developed new growth initiatives to build on this solid foundation which we expect to bring to market in 2017.

Finally, I would like to express my gratitude to all those, both internally and externally who have contributed to us achieving another successful year.

On behalf of the Board of Directors,

P.B. Scott

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

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 June 21, 2017 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, 2016.

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

(b) To re-appoint Nicholas Scott as a Director of the Board of the Company.

(c) To re-appoint Nigel Clarke 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 2016, being $175,003,125 or 16.97 cent per ordinary share, as the final dividend for that year.

Dated this the 17th day of May 2017 By order of the Board.

P.B. Scott

The Directors are pleased to present their report for General Accident Insurance Company Jamaica Limited for the financial year ended December 31, 2016.

Financial Results

The Statement of Comprehensive Income for the Company shows pre-tax profits for the year of $404.2 million, taxation of $17.3 million and a net profit after tax of $386.9 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, 2016 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: Jennifer Scott, Nicholas Scott and Nigel Clarke but being eligible, will offer themselves for re-election.

Auditors

The auditors of the Company, Price waterhouse Coopers 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 $0.0727 per share paid on December 12, 2016 is proposed to be the final dividend in respect of the financial year ended December 31, 2016.

On behalf of the Board of Directors,

P.B. Scott

Our 2017 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.

1. Managing Our Business For Value

Investment Position

Our investment policy is geared towards proper asset liability needs and robust capital management that supports our business model.

Our investment decisions are influenced by 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 model and our brokers are strategic drivers. Our broker partnerships provide a convenient mechanism for our customers to do business with us.

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 the claims department is the shop window of the insurance business and sometimes the window is not very attractive but when this is so we are more than happy to listen.

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, an interactive 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.

2. Building Supporting Capabilities

Our Staff

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

Risk Management

Our business is subject to risks and uncertainties. We have developed a risk management framework to ensure that our risk profile remians aligned with our strategic objectives.

Our operations are increasingly dependent on IT systems and management information. 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 continue our investment in staff training and enhanced multi-layered controls in order to protect our information technology infrastructure.

Regulatory capital adequacy is central to our continuity and our risk strategies are designed to ensure that we adhere to risk tolerance limits outlined in our framework.

Risk management is an ongoing process that drives a culture from top management and our exposure is mitigated through traditional reinsurance and and a good spread of risks.

3. Grow Our Operational Earnings

Profitable Growth

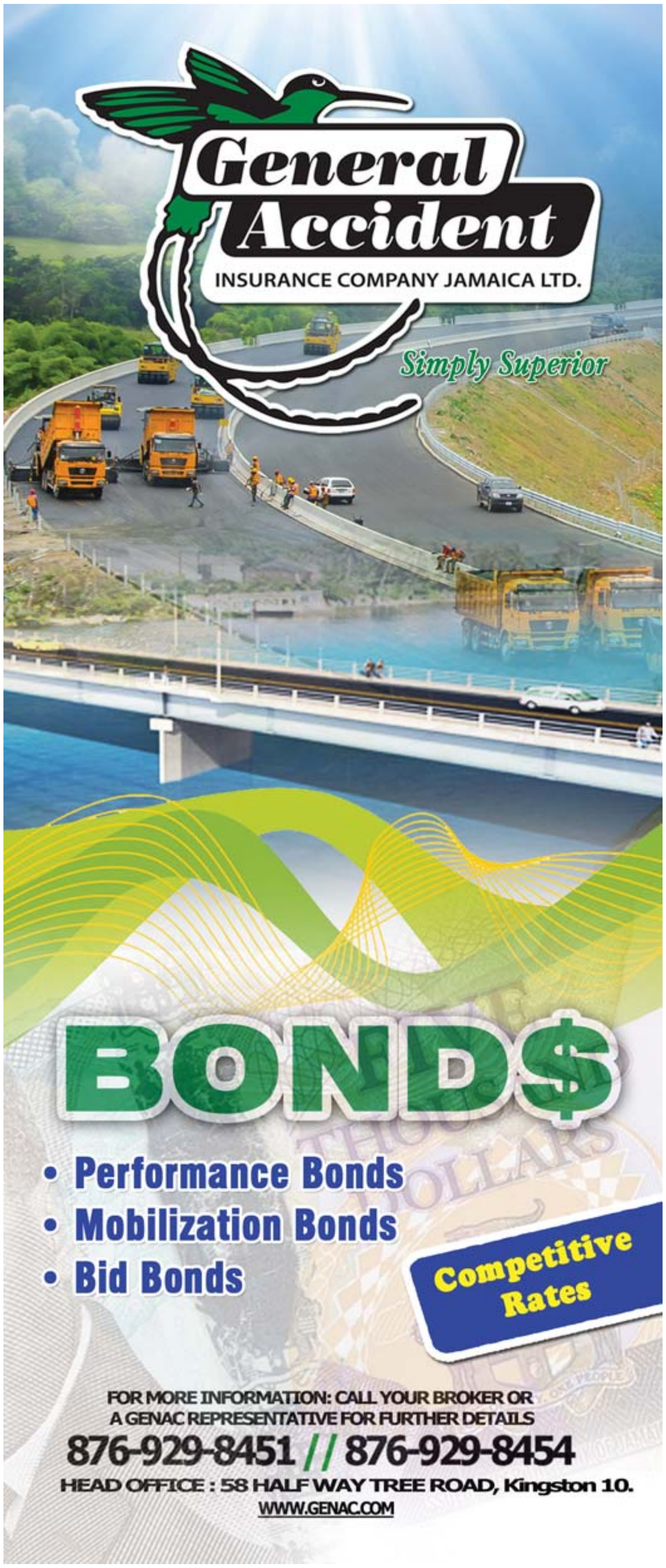
We believe that profitable growth should be responsible growth. This approach guides our path and determines our strategic road map. Our business model begins with our customers' needs, which informs our policy innovation, often times in collaboration with our business partners. Our growth initiatives remain:

- Growth in value priced product lines and dividend.
- Adhereance to 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.
- Consistent improvements in operational efficiencies as we aim to deliver service that exceeds our clients and our business partners' expectations through a cost effective platform.

4. Maintain Corporate Responsibility

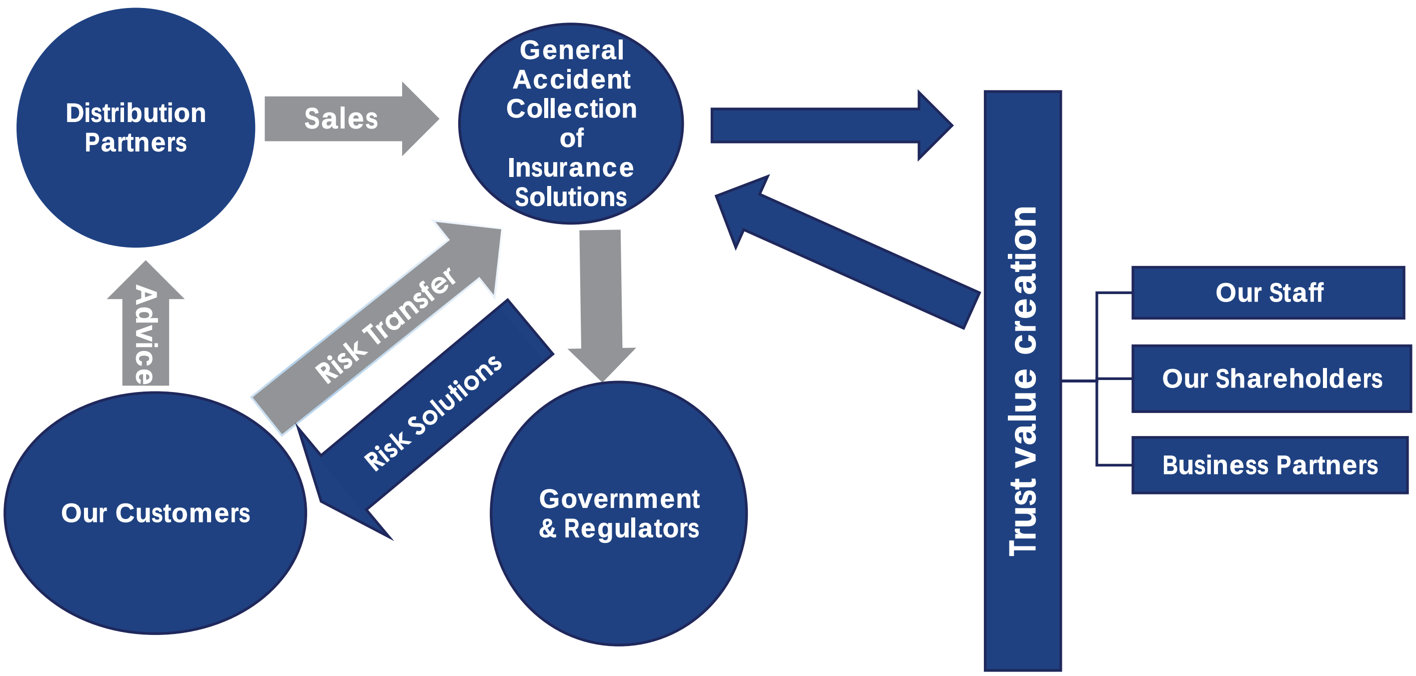
Our reputation is a long term asset that we zealously guard. We seek to protect this asset by constantly striving to build a sustainable entity that balances its own interests with those whom we serve. We are aware that good corporate governance promotes and support integrity and ethical conduct and so we are particularly attentive to the practice of sound coporate governace principles.

The company is governed by a board of directors that provides oversight on a consitent basis.



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.

Sharon Donaldson
Chief Executive Officer

General Accident saw a year of robust performance combining profitability and solvency in a market characterized by a steep downward slide in prime rates that continued unabated for the greater part of 2016.

This year's profitable results are especially heartening, considering a rather active year of non-cat losses, propelled mainly by our continued good fortunes in yet another year of benign catastrophe activities and an exceptionally good investment performance. Looking at 2016, the company wrote $5.65 billion of gross premiums, producing a net written premium of $1.22 billion and although a modest growth [3% over prior year] by our standard, we were still able to generate a 19.5% return on equity. On the investment side; we were able to generate 14.6% return on invested assets.

FINANCIAL PERFORMANCE

Profitability

2016 was yet another challenging year as the price levels of the insurance products trended downwards with the effect that profitability margins fell below expectations. The market continued to face increased competition from global players that produced a negative impact on rates. Against the backdrop of a difficult and competitive business environment, General Accident posted a net profit of $404.2 million compared to prior year $303.4 million. Notwithstanding a year of deteriorating loss experience we produced an underwriting profit, and this positive technical result is particularly gratifying in a year where the industry experienced major losses.

On the premium side, 2016 saw a reduction in total premium income year on year, the first in two decades. The property class saw a reduction of 12.7%; this was somewhat cushioned by good volume growth in all other significant lines of business resulting in an overall single digit shortfall of 8% below prior year's performance. Insurance is our core business and where prices have reached unsustainable levels, we continue to stick to disciplined underwriting by withdrawing from unprofitable businesses causing gross premiums, as expected to contract slightly. Inspite of the challenging and competitive environment we remain committed to long term success rather than short term gains.

Complementing our underwriting profit, Investment and other income amounted to $383.07 million compared to $221.04 million for 2015. One of the main drivers was the realization of fair value gains arising from the disposal of equity investments. The company saw an improvement in foreign currency gains year on year earning $49.42 million compared to $35.31. Invested assets grew by 8% from $2.38 billion to $2.56 billion due to a combination of acquisition and revaluation of foreign denominated invested assets.

HIGHLIGHTS FOR THE YEAR	2016	2015
Gross written premium	5.65 b	6.11 b
Underwriting profit	45.60 m	114.65 m
Investment and other income	383.07 m	221.4 m
Net Profit before tax	404.24 m	303.45 m
Equity at book value	1.96 b	1.78 b

Financial Strength

During the year under review the stock market continue to see growth with the result that the company's market capitalization improved over prior year to $2.78 billion, an increase of 9% up from $2.55 billion, an indication of investor's confidence.

During 2016, we maintained our financial strength and we are pleased to present an improved balance sheet. Total assets of $4.9 billion increased by 11% up from $4.4 billion of prior year. Investment portfolio of $2.56 billion grew by 8%, up from $2.38 billion. Cash and cash equivalent were $1.08 billion compared to $1.0 billion in 2015.

On the lilability side, Insurance liabilities were $2.79 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 19%.

Overall, free cash flow for the year increased by 11% over prior year. Cash flow from operating activities was $177.9 million compared to prior year $157.4 million. The improved variance being a result of significant improvements in cash collections.

The positive net cash outflow from investing activities was $61.6 million arising from the timely disposals of a few major 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 fairly 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 270% and our liquidity ratio 119%.

We remain committed to maintaining adequate liquidity and capital positions as we continually balance the capital requirements of our shareholders, customers and regulator.

We are pleased to report that we continue to enjoy the support of our reinsurance partners and we successfully renewed our 2017 treaty.
Our combined ratio of 94%, although not as robust as prior year [2015 85%], remains encouragingly positive; an indication that we produce adequate 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. Our success over the last 20 years is as a result of a clear vision.

Despite being faced with increasingly competitive conditions and possible further rate softening, we will continue to look for growth opportunities. Our underwriters will continue to work diligently to find the best growth opportunities.

We remain focused on efforts to use innovation to garner profitable business and reduce overheads. Our 2017 strategy is a continuation of the new strategic direction we took in 2015 designed to produce greater personal lines coverage with wider business risk coverage. In the latter part of 2016 we moved into new unfamiliar market segments and we are pleased to report that we have somewhat outperformed our long-term expectations.

We have strengthened our marketing team, added product capability, expanded our reach outside the corporate areas and strategically focused on building our newest product brand.

Our goal for this brand is rather ambitious as we strive to create a preeminent specialized product that will complement our existing product line.

We remain committed to providing double digit returns to our shareholders, despite the challenging operating conditions, by growing operating earnings and pursuing other income streams. Our track record of a decade of profitable performance speaks for itself.

We entered 2017 with great momentum and we believe that the planned improvements in our Information technology platform will continue to produce even greater operational efficiencies and significant savings. General Accident has remained resilient in the face of many challenges and has provided our shareholders with returns in excess of 11% for multiple years.

We are on solid financial ground and with the help of our staff are well positioned to continue the success story. We work hard to attract the right talent and we are cognizant of our responsibility to provide a high morale-working environment. We continue to push our Internship programme, which has been very successful in attracting some of the country's best graduate talents.

Our strategy to create long-term value of sustained profitability combines clear portfolio choices supported by our business intelligence functions. Further, we assure you that we are ideally positioned to leverage changes in legislation to the benefit of all stakeholders.

I would like to acknowledge the Board of Directors for providing such great 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 business partners, 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 2017.

We have recognised as a company that our responsibilities as a corporate citizen extends beyond the walls of our buildings. With the input from our staff, we were able to provide the much needed support to varied activities during 2016.

Environment

The environment is critical to our existence. Over the years, the awareness for a clean and wholesome environment has seen corporations and individuals increasing their involvement with associations that are committed to keeping the environment safe. This we endorse and as such continue to provide the Jamaica Environment Trust with financial as well as other resources necessary for them to operate effectively.

Sports

As we operate in the country of some of the world's greatest athletes, we cannot help but to be involved in supporting the development of sports by providing sponsorship to various sporting activities.

Other Support

Recognising that if we team together we achieve more, on an annual basis our staff is involved in the main activities that are sponsored by other orgainisations. Every year we encourage our staff to build their own social responsibility profile and with our support they have actively participated in the Sigma Run and Relay For Life.

SIMGA ANNUAL RUN & WALK

General Accident's Broker Services Manager, Careen Nolan makes a cheque presentation to the Chair of the National Child Month Committee Dr. Pauline Mullings.

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 overseen by the Financial Services Commission and as a public interest entity we aim to establish and maintain strong corporate governance and risk management systems as well as effective internal controls that are appropriate for our business activities.

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

Board of Directors

General Accident Board of Directors is responsible for determining the guiding principles of the compay's business plans. 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 which creates 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.

Board's Advisory Committees

Board appointed committees are in place to provide guidance on all operational and strategic matters and make recommendations. There are four (4) such committees: - 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.

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 requirements of the Regulator.

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 approach of financial reports to external bodies.

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.

Board Meeting and Committee Meeting

We are pleased to report that our board and comittee meetings are supported by all members and meetings are well attended.

Face to face committee meetings are held at least four times each year and more often if so warranted.

General Accident Board

P.B. Scott
(appointed November 1998)
Chairman

Mr. P.B. Scott is the Chairman and Chief Executive Officer of Musson Group and its principal shareholder. He also serves as Chairman of General Accident and Musson's subsidiaries and affiliates including Facey Group Ltd, T. Geddes Grant (Distributors) Ltd., Seprod, Eppley Ltd. and PBS Group Ltd. Mr. Scott also serves as a director of several other companies and organisations, including the development Bank of Jamaica (DBJ). He is a member of Electricity Sector Enterprise Team (ESET), Economic Programme Oversight Committee(EPOC) and director of American Inter-national School of Kingston (AISK).

He is currently the Honorary Consul General in Jamaica for the Republic of Guatemala and is a keen sailor and is married to Jennifer an Attorney at Law. Together they have two children. In August 2016, he was elected President of the Private Sector Organisation of Jamaica.

Melanie Subratie
(appointed March 2002)
Deputy Chairman

Melanie Subratie is the Deputy Chairman of the Company. She is an honours graduate of the London School of Economics, and is currently the chairman of Transaction Epins Limited, Productive Business Solutions (Jamaica) Limited, Musson Foundation and Seprod Foundation. She is the Vice Chairman of Musson (Jamaica) Limited.

She serves on all the boards of the subsideries of the musson group. Mrs Subratie return to Jamaica over ten years ago, after working the Financial Services Division of Deloitte & Touche, U.K. She also worked for startup political news service DeHavilland.

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 20 years, first joining as the Financial Controller in 1989 before becoming Managing Director in 2001.
In addition to her responsibilities at the Company, Ms. Donaldson is a Director of Musson (Jamaica) Limited.

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

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

Dr. Clarke is Deputy Chairman and Chief Financial Officer of the Musson Group of Companies and serves on the Board of Directors of all Musson companies including, General Accident, Facey Group, T. Geddes Grant and their subsidiaries, among other group companies.

In addition he is Chairman of Eppley Limited and Deputy Chairman of the PBS Group. Dr. Clarke is a member of the Executive Committee of the Board of Seprod and sits on the Board of Directors of all its subsidiary companies.

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 DistillersLimited, 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.

Jennifer Scott
(appointed December 2009)
Non Executive Director

Jennifer Scott is a non-executive Director of the Board of the Company. Mrs. Scott holds a B.Sc.(Hons) in Psychology from Newcastle University, United Kingdom. She later gained a Graduate Diploma in Legal Studies from Keele University, UK, the Certificate of Legal Practice from the College of Law, London and was admitted as a Solicitor of Supreme Court of England and Wales.

She attended Norman Manley Law School, and was admitted as an Attorney-at-Law of the Supreme Court of Jamaica. She is a member of the legal practice of Clinton Hart & Co., Attorneys-at-Law.

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

Nicholas Scott is a non-executive Director of the Company. Mr. Scott is the Chief Investment Officer of the Investment and Financial Services businesses of the Musson Group. He is also a Director of 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.

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.

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.

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.

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 Insur¬ance 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 15 years. She joined the Company in 1996 as an Administrative Supervisor and, notably, within a 10 year period she rotated through every division, and was also appointed Operations Manager of Orrett & Musson Investment Company Limited, a former subsidiary of the Company.

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

Gregory St Hugh Foster
Chief Financial Officer.

Mr. Gregory Foster is the Chief Financial Offer 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 De-partment. 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 join 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).

Janette Cole Smith
Compliance Manager

Mrs. Janette Cole Smith is the Compliance and Operations Officer 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

Mrs. Andrea Muir-Gibbs joined the company in 2013. She is the Underwriting Manager in charge of Underwriting. Mrs. Muir-Gibbs has over 15 years of experi¬ence in the insurance industry.

She is a Chartered Insurer and a member of the Chartered Insurance Institute (UK).

Tracey-Ann Thompson
Operations Manager

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
Claims Manager

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 experi¬ence 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 form the College of Insurance Professional Studies.

Careen Nolan
Broker Services Manager

Ms. Careen Nolan began her insurance career with General Accident in January 1992, where she worked in the Underwriting department and held various post, the last being Underwriting Supervisor when she resigned in June 1996. She returned in 2007, as the Underwriting Manager and worked briefly with the company for two years, until she decided to follow other career aspirations. In January 2017, Miss Nolan rejoined the company and she was appointed Broker Services Manager. She brings to her new position a wealth of knowledge in Risk Management.

Careen has a Bachelor of Science Degree in Computing with Management Studies from the University of Technology and she has a MBA in General Management.

Janille Jarrett
Underwriting Manager
AutoSmart Business Unit

Mrs. Janille Jarrett joined General Accident in May 16, 2005, and she has worked in the Customer Service, Underwriting and Broker Services departments. She advanced through the ranks and held the position of Underwriting Supervisor up to August 2015, when she migrated.

She re-joined us in July 2016 and was appointed Underwriting Manager -AutoSMART, which is a specialized insurance business unit within General Accident.

Tanya Thomas

Busniess Intelligence Manager

Miss Tanya Thomas joined the Company in July 30, 2012 as a Data Analyst and in April 2015 she was promoted to Senior Data Analyst. She has prior experience in the field of management, having been employed for four years as an Administrative Manager with Quick Signs Ltd.

She is the holder of a Bachelor of Science Degree in Computing with Management Studies.

Corporate Data

DIRECTORS:

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

CORPORATE SECRETARY:

Geoffrey Messado

APPOINTED ACTUARY:

Josh Worsham, FCAS, MAAA

AUDITORS:

PricewaterhouseCoopers

BANKERS:

First Caribbean International Bank

ATTORNEYS:

DunnCox
Kingston, Jamaica W.I.

REGISTERED OFFICE:

58 Half Way Tree Road
Telephone: (876) 929-2451
Fax: (876)929-1074
Email: info@genac.com
Website: www.genac.com

REGISTRAR:

Jamaica Central Securities Depository

Disclosure of Shareholdings

Shareholdings of Top 10 Shareholders

	Shareholders	Shares	Percentage
1.	Musson Jamaica Limited	824,999,989	80.00
2.	Mayberry West Indies Limited	36,562,279	3.54
3.	Apex Pharmacy	11,588,279	1.12
4.	JCSD Trustee Services Ltd. Sigma Venture	9,121,759	0.88
5.	Mayberry Managed Client Account	6,963,288	0.67
6.	Lloyd Badal	6,232,040	0.60
7.	First Caribbean Int'l Sec. Ltd. A/C B.U.T	5,029,666	0.49
8.	Lancedale Farquharson	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	Direct	Connected
P.B. Scott	Nil	824,999.989
Nigel Clarke	2,475,248	Nill
Melanie Subratie	Nil	824,999.989
Sharon Donaldson	3,450,198	177,758
Duncan Stewart	2,475,190	
Nicholas Scott	1,980,198	Nill
Christopher Nakash	1,698,020	Nill
Geoffrey Messado	1,000,000	Nill
Ralph Thompson	Nil	Nill
Jennifer Scott	Nil	Nill
Matthew Lyn	Nil	Nill

Disclosure of Shareholdings

Shareholdings of the Management Team

Manager	Direct	Connected
Maureen Hall	2,362,000	38,000
Cheryll Henry	1,980,198	Nil
Gregory Foster	350,000	Nil
Tracey-Ann Thompson	50,000	Nil
Janielle Jarrett	25,000	Nil
Douglas Hayden	Nil	Nil
Andrea Muir Gibbs	Nil	Nil
Janette Cole-Smith	Nil	Nil
Tanya Thomas	Nil	Nil
Joseyane Nevers	Nil	Nil
Careen Nolan	Nil	Nil

Stock Trading

General Accident’s ordinary shares traded on the Jamaica Stock Exchange (JSE) under the symbol GENAC.

Quarterly high and low closing market of the stock in 2016 were as follows:

	2016	
Quarters	High	Low
Q1 2016	$3.00	$3.00
Q2 2016	$2.05	$2.00
Q3 2016	$2.40	$2.25
Q4 2016	$3.00	$2.80

Appendices

INSURANCE COMPANY JAMAICA LTD.

General Accident Insurance Company Jamaica Limited

Financial Statements
31 December 2016

General Accident Insurance Company Jamaica Limited
Index
31 December 2016

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, 2016 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:	1,302,631	1,302,773
Assumed unpaid claims and adjustment expenses:	0	0
Gross unpaid claims and adjustment expenses:	1,302,631	1,302,773
Ceded unpaid claims and adjustment expenses:	177,147	177,146
Other amounts to recover:	0	0
Other net liabilities:	0	0
Net unpaid claims and adjustment expenses:	1,125,484	1,125,627

Policy Liabilities (J$000)	Carried in Annual Return	Actuary's Estimate
Gross policy liabilities in connection with unearned premiums:		468,358
Net policy liabilities in connection with unearned premiums:		448,529
Gross unearned premiums:	1,086,990	
Net unearned premiums:	627,516	
Premium deficiency:	0	
Other net liabilities:	0	

In my opinion:

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

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

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

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

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

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

Josh Worsham, FCAS, MAAA	Josh Worsham	April 11, 2017
Name of Appointed Actuary	Signature of Appointed Actuary	Date

Independent auditor's report

To the Members of General Accident Insurance Company Jamaica Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of General Accident Insurance Company Jamaica Limited (the "Company") as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act.

What we have audited

General Accident Insurance Company Jamaica Limited's financial statements comprise:

- the statement of comprehensive income for the year ended 31 December 2016;
- the statement of financial position as at 31 December 2016;
- the statement of changes in equity for the year ended 31 December 2016;
- the statement of cash flows for the year ended 31 December 2016; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica
T: (876) 922 6230, F: (876) 922 7581, www.pwc.com/jm

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

Our audit approach

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Valuation of claims liabilities for general insurance contracts *See notes 2 (p) and 30 to the financial statements* At year end, the total reserves set aside in relation to the claims liabilities amount to $1.3 billion or 43.8% of total liabilities of the Company. We focused on this area as the determination of the value of the claims liabilities requires significant judgement in the selection of key assumptions and methodologies using actuarial methods. In particular, judgement arises over the estimation of liabilities for claims reported as well as those that have been incurred but not reported as at 31 December 2016. There is generally less information available in relation to incurred but not reported claims which could lead to greater variability between initial estimates and final settlement. Management engaged an actuarial expert to assist in determining the value of the claims liability included in the statement of financial position.	We performed the following procedures aimed at assessing the assumptions and judgements used by management in the determination of claims liabilities: • we performed detailed testing over the claims provision and claims paid. No exceptions were noted. • we tested the operating effectiveness of the controls over the claims process. We determined that we could rely on these controls for the purposes of our audit. • we tested the completeness, accuracy and reliability of the underlying data utilized by management, and its external actuarial expert, to support the actuarial valuation. Our tests did not identify any exceptions. • we also evaluated the independence, experience and objectivity of management's actuarial expert. • we engaged our actuarial expert to assess the actuarial assumptions in determining claims liabilities and we considered the suitability of the methodology used in establishing claims liabilities against industry benchmarks and our knowledge and experience. The methodologies and assumptions used by management in establishing claims liabilities were found to be consistently applied and appropriate in the circumstances.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the financial statements and our auditor's report thereon) which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation of the 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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.

The engagement partner on the audit resulting in this independent auditor's report is Recardo Nathan.

PricewaterhouseCoopers

Chartered Accountants
12 April 2017
Kingston, Jamaica

General Accident Insurance Company Jamaica Limited

Statement of Comprehensive Income

Year ended 31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 $'000	2015 $'000
Gross Premiums Written		5,649,097	6,112,355
Reinsurance ceded		(4,331,167)	(4,832,142)
Excess of loss reinsurance cost		(96,779)	(89,248)
Net premiums written		1,221,151	1,190,965
Changes in unearned premiums, net		(84,889)	(70,910)
Net Premiums Earned		1,136,262	1,120,055
Commission income		350,748	361,886
Commission expense		(194,940)	(224,443)
Claims expense	10	(746,073)	(696,480)
Management expenses		(500,388)	(446,362)
Underwriting Profit		45,609	114,656
Investment income	11	326,762	175,653
Other income	12	56,315	45,391
Other operating expenses		(24,443)	(32,252)
Profit before Taxation		404,243	303,448
Taxation	15	(17,364)	970
Net Profit for the Year		386,879	304,418
Other Comprehensive Income:			
Items that may be subsequently reclassified to profit or loss			
Unrealised gains on available-for-sale investments		126,605	61,288
Gains recycled to profit or loss on disposal and maturity of available-for-		(148,748)	-
Tax (charge)/credit	29	(610)	2,428
Total Other Comprehensive Income		(22,753)	63,716
TOTAL COMPREHENSIVE INCOME		364,126	368,134
EARNINGS PER SHARE	16	$0.38	$0.30

General Accident Insurance Company Jamaica Limited

Statement of Financial Position

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 $'000	2015 $'000
ASSETS			
Cash and short term investments	18	1,080,023	1,002,316
Taxation recoverable		162,049	150,162
Due from policyholders, brokers and agents		466,784	570,072
Due from reinsurers and coinsurers	19	759,939	577,760
Deferred policy acquisition cost		297,410	225,042
Other receivables	20	78,250	41,961
Due from related parties	9	-	3,871
Loans receivable	21	180,385	170,000
Leases receivable	22	63	8,877
Investment securities	23	1,621,895	1,396,435
Pooled real estate investment	24	143,549	143,549
Property, plant and equipment	25	136,772	126,271
Intangible assets	26	5,370	3,587
Deferred tax assets	29	521	3,897
Total assets		4,933,010	4,423,800
LIABILITIES			
Due to reinsurers and coinsurers	27	284,905	378,768
Due to related parties	9	6,322	6,322
Other liabilities	28	169,408	100,048
Insurance reserves	30	2,507,955	2,163,365
Total liabilities		2,968,590	2,648,503
SHAREHOLDERS' EQUITY			
Share capital	31	470,358	470,358
Capital reserves	32	152,030	152,030
Fair value reserve	33	95,524	118,277
Retained earnings		1,246,508	1,034,632
Total shareholders' equity		1,964,420	1,775,297
Total liabilities and shareholders' equity		4,933,010	4,423,800

Approved by the Board of Directors on 11 April 2017 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 2016

(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 2014		470,358	152,030	54,561	902,433	1,579,382
Comprehensive income :						
Net profit for the year		-	-	-	304,418	304,418
Other comprehensive income		-	-	63,716	-	63,716
Total comprehensive income		-	-	63,716	304,418	368,134
Transactions with owners						
Dividends	17	-	-	-	(172,219)	(172,219)
Balance at 31 December 2015		470,358	152,030	118,277	1,034,632	1,775,297
Comprehensive income:						
Net profit for the year		-	-	-	386,879	386,879
Other comprehensive income		-	-	(22,753)	-	(22,753)
Total comprehensive income		-	-	(22,753)	386,879	364,126
Transactions with owners						
Dividends	17	-	-	-	(175,003)	(175,003)
Balance at 31 December 2016		470,358	152,030	95,524	1,246,508	1,964,420

General Accident Insurance Company Jamaica Limited

Statement of Cash Flows

Year ended 31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 $'000	2015 $'000
Cash Flows from Operating Activities			
Net profit		386,879	304,418
Adjustments for items not affecting cash:			
Depreciation	25	20,943	27,665
Amortisation of intangible assets	26	3,500	4,587
Amortisation of investment premium	11	3,292	5,166
Gains on unit trust funds		-	(6,957)
Gain on sale of investments		(148,748)	-
Gain on disposal of property, plant and equipment	12	(151)	(1,741)
Interest income	11	(158,110)	(151,092)
Dividend income	11	(9,003)	(11,961)
Current taxation		14,598	-
Deferred taxation	15	2,766	(970)
Foreign exchange gains		(36,208)	(26,159)
Increase in deferred policy acquisition cost		(72,368)	(22,142)
Increasein insurance reserves		344,590	174,792
		351,980	295,606
Changes in operating assets and liabilities:			
Due from policyholders, brokers and agents		113,629	(183,458)
Other receivables		(37,106)	(16,505)
Loans receivable		(10,385)	(409)
Other liabilities		69,360	24,887
Due from related parties		3,871	4,726
Due from reinsurers and coinsurers, net		(287,006)	55,235
		204,343	180,082
Tax deducted at source		(26,485)	(22,717)
Net cash provided by operating activities		177,858	157,365
Cash Flows from Investing Activities			
Acquisition of investments		(876,232)	(636,818)
Leases receivable repaid		8,814	32,051
Acquisition of property, plant and equipment	25	(31,695)	(59,767)
Acquisition of intangible asset	26	(5,136)	(711)
Proceeds from disposal of property, plant and equipment		255	2,710
Proceeds from disposal and maturity of investments		801,852	252,345
Dividend received		9,820	12,778
Interest received		153,962	131,397
Net cash provided by/(used in) investing activities		61,640	(266,015)
Cash Flows from Financing Activities			
Dividends paid	17	(175,003)	(172,219)
Net cash used in by financing activities		(175,003)	(172,219)
Increase /(decrease) in cash and cash equivalents		64,495	(280,869)
Effect of exchange rate changes on cash and cash equivalents		13,212	10,658
Cash and cash equivalents at beginning of year		1,002,316	1,272,527
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (NOTE 18)		1,080,023	1,002,316

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.

Accounting pronouncements effective in 2016 which are relevant to the company's operations

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

- **Amendments to IAS 1,'Presentation of financial statements' disclosure initiative** (effective for annual periods beginning on or after 1 January 2016) The amendments to IAS 1 Presentation of Financial Statements are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including: materiality; disaggregation and subtotals; notes; disclosure of accounting policies; and OCI arising from investments accounted for under the equity method. This amendment did not have any significant impact on the financial statements.

- **Annual Improvements to IFRSs 2012-2014 cycle** (effective for annual periods beginning on or after 1 January 2016) These amendments include changes from the 2012-14 cycle of the annual improvements project, that affect the following standards:

  IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations' regarding methods of disposal. The amendment clarifies that, when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment also rectifies an omission in the standard by explaining that the guidance on changes in a plan of sale should be applied to an asset (or disposal group) which ceases to be held for distribution but is not reclassified as 'held for sale'.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Accounting pronouncements effective in 2016 which are relevant to the company's operations (continued)

Annual Improvements to IFRSs 2012-2014 cycle (continued)
IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts. If an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognise the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets.

The standard provides guidance on what is meant by continuing involvement in this context. The amendment adds specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement. The amendment is prospective with an option to apply retrospectively. A consequential amendment to IFRS 1 is included to give the same relief to first-time adopters. These amendments did not have any significant impact on the financial statements.

- ***Annual Improvements 2014***, (effective for annual periods beginning on or after 1 July 2015). 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. There was no significant impact from adoption of these amendments during the year.

- 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 this amendment during the year

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.

Standards, interpretations and amendments to published standards that are not yet effective
At the date of authorisation of these financial statements, certain new standards, interpretations and amendments to existing standards have been issued which are mandatory for the group's accounting periods beginning on or after 1 January 2017 or later periods, but were not effective at the statement of financial position date. The company has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be immediately relevant to its operations, and has concluded as follows:

- **IAS Amendments to IAS 7, Statement of cash flows on disclosure initiative** (effective for annual periods beginning on or after 1 January 2017) These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

- **Amendments to IAS 12, 'Income taxes' on recognition of deferred tax assets for unrealised losses** (effective for annual periods beginning on or after 1 January 2017) These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of 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'**, (effective for annual periods beginning on or after 1 January 2018). In July 2015, the IASB issued IFRS 9 which is the comprehensive standard to replace IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

  Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect the asset's cash flows, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition. The company is still assessing the potential impact of adoption and whether it should consider early adoption but it is not possible at this stage to quantify the potential effect.

- **Amendments to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments'** (effective for annual periods beginning on or after 1 January 2018). These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will: give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard—IAS 39.

- **IFRS 16, 'Leasing'** (effective for annual periods beginning on or after 1 January 2019 with earlier application permitted if IFRS 15, 'Revenue from Contracts with Customers', is also applied.) This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. 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. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

General Accident Insurance Company Jamaica Limited
Notes to the Financial Statements
31 December 2016
(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

- **IFRIC 22, 'Foreign currency transactions and advance consideration'** (effective for annual periods beginning on or after 1 January 2018) This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company.

(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.

General Accident Insurance Company Jamaica Limited
Notes to the Financial Statements
31 December 2016
(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(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.

(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.

2. Summary of Significant Accounting Policies (Continued)

(f) Investments (continued)

(ii) Available for sale financial assets (continued)

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.

(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.

2. Summary of Significant Accounting Policies (Continued)

(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.

(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.

2. Summary of Significant Accounting Policies (Continued)

(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.

(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 2016

(expressed in Jamaican dollars unless otherwise indicated)

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 "365th" method to gross written premiums for the period, except for marine where the unearned premium reserve is calculated as 20% of the year's gross written premiums.

(ii) Unearned commission

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

(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.

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 valuators 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.

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.

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.

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

4. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

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.

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.

4. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

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.

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:

	2016		2015	
	Policy Limit '000	Maximum Net Retention '000	Policy Limit '000	Maximum Net Retention '000
Commercial property –				
Fire and consequential loss	US$7,500	US$700	US$7,000	US$700
Personal property	US$7,500	US$700	US$7,000	US$700
Engineering	US$5,000	US$125	US$5,000	US$125
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$40,000	J$8,000
Goods in Transit	J$5,000	J$1,000	J$5,000	J$1,000
Personal Accident	J$7,500	J$1,500	J$7,500	J$1,500

4. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

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

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

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

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

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

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

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

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

ScenarioTesting:

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 stochatistically modeled using various confidence intervals to determine the impact on the net reserves. The net reserves of $1,125,484,000 (Note 30) were determined at the 50% confidence interval. Had the confidence interval increased/(decreased) by 10%, the net reserves would increase/(decrease) by $45,025,000/($56,281,000).

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

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4. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Development Claim Liabilities

In addition to sensitivity analysis, the development of insurance liabilities provides a measure of the company's ability to e
claims liability for accident years 2010 - 2016 has changed at successive year-ends, up to 2016. Updated unpaid claims a
date are used to derive the revised amounts for the ultimate claims liability for each accident year, used in the developme

		2009	2009 and prior	2010	2010 and prior	2011	2011 and prior	2012	2012 and prior	2013	2013 And Prior
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2009	Paid during year	175,935	331,678								
	UCAE, end of year	200,976	348,730								
	IBNR, end of year	58,042	73,079								
	Ratio: excess (deficiency)	-	-	-	-						
2010	Paid during year	98,674	175,978	171,620	347,598						
	UCAE, end of year	96,738	189,412	235,477	424,889						
	IBNR, end of year	9,744	14,553	68,193	82,746						
	Ratio: excess (deficiency)	20.79%	9.93%	-	-	-	-				
2011	Paid during year	38,747	80,363	100,861	181,224	183,148	364,372				
	UCAE, end of year	61,664	119,722	120,936	240,659	232,245	472,903				
	IBNR, end of year	6,200	7,205	15,834	23,039	65,680	88,719				
	Ratio: excess (deficiency)	20.74%	9.14%	21.75%	12.35%						
2012	Paid during year	16,227	33,189	43,783	76,972	142,264	219,236	210,963	210,963		
	UCAE, end of year	45,535	88,599	60,033	148,633	155,272	303,904	272,082	575,987		
	IBNR, end of year	5,154	8,260	8,241	16,501	20,258	36,759	60,864	97,263		
	Ratio: excess (deficiency)	21.11%	8.4%	29.89%	16.61%	(6.67%)	0.31%	-	-	-	-
2013	Paid during year	11,394	33,884	23,866	57,750	69,298	127,048	156,978	284,026	239,700	523,726
	UCAE, end of year	35,281	66,043	43,048	109,091	111,383	220,474	161,264	381,738	291,198	672,936
	IBNR, end of year	2,993	2,993	5,225	8,218	12,732	20,950	25,397	46,347	70,085	116,433
	Ratio: excess (deficiency)	21.35%	6.79%	28.44%	14.41%	(13.13%)	(5.11%)	(3.91%)	(6.44%)	-	-
2014	Paid during year	4,151	18,391	9,763	28,154	46,319	74,473	54,090	128,563	152,205	230,768
	UCAE, end of year	31,526	55,572	35,219	90,791	94,206	184,997	129,287	314,284	190,624	504,908
	IBNR, end of year	2,399	6,862	4,258	11,120	5,984	17,104	17,729	34,833	33,965	68,798
	Ratio: excess (deficiency)	21.58%	4.17%	28.29%	12.14%	(20.19%)	(10.90%)	(7.55%)	(13.08%)	(2.97%)	(6.95%)
2015	Paid during year	9,200	14,976	8,438	23,414	25,812	49,226	49,137	98,363	60,574	158,937
	UCAE, end of year	23,763	42,451	22,031	64,482	69,795	134,277	83,192	217,469	139,704	357,173
	IBNR, end of year	4,329	6,030	3,542	9,572	5,463	15,035	7,898	22,933	18,455	41,386
	Ratio: excess (deficiency)	20.28%	3.92%	30.09%	13.01%	(20.48%)	(10.27%)	(5.51%)	(11.54%)	(1.37%)	(4.93%)
2016	Paid during year	9,082	15,135	7,905	23,040	7,026	30,066	20,503	50,569	42,773	93,342
	UCAE, end of year	15,519	25,922	14,439	40,361	50,646	91,007	51,896	142,903	100,284	243,187
	IBNR, end of year	1,204	1,203	3,934	5,137	2,815	7,952	1,379	9,331	3,047	12,378
	Ratio: excess (deficiency)	21.16%	5.40%	29.86%	14.10%	(15.53%)	(6.66%)	(0.31%)	(5.96%)	1.92%	1.29%

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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

31 December 2016

Territory	Motor	Property	Other types of risk	Total
	$Millions	$Millions	$Millions	$Millions
Jamaica: Gross	27,424	115,744	19,084	162,252
Net	26,719	9,584	2,330	38,633

31 December 2015

Territory	Motor	Property	Other types of risk	Total
	$Millions	$Millions	$Millions	$Millions
Jamaica: Gross	23,863	99,985	13,020	136,868
Net	23,373	8,800	2,101	34,274

(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.

4. Insurance and Financial Risk Management (Continued)

(b) Reinsurance risk (continued)

(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:

	2016	**2015**
Munich Reinsurance Company	A+	A+
Swiss Reinsurance Company	A+	A+

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

	2016 **$'000**	**2015** **$'000**
Property	128,398	27,507
Motor	11,211	10,257
Marine	1,918	19,167
Liability	(62)	5,120
Burglary	-	138
Engineering	7,315	-
Miscellaneous Accidents	6,114	22,544
	154,894	84,733

(c) Financial risk

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

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

(i) Credit risk

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

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

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

(c) Financial risk (continued)

(i) Credit risk (continued)

Credit review process

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

(i) Reinsurance

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

(ii) Premium receivables

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

(iii) Loans and leases receivable

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

(iv) Investments

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

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.

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

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 $330,911,000 (2015 - $231,640,000) 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:

	2016 $'000	2015 $'000
46 to 60 days	122,165	39,669
61 to 90 days	30,598	56,081
More than 90 days	178,148	135,890
	330,911	231,640

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:

	2016 $'000	2015 $'000
Brokers and Insurance Companies	357,572	416,076
Direct	109,212	153,996
	466,784	570,072

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:

	2016 $'000	2015 $'000
Government of Jamaica	1,206,765	898,730
Other government	152,329	142,359
Corporate	43,481	98,920
	1,402,575	1,140,009

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.

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:

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4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk (continued)

Liquidity risk management process (continued)

	Within 1 Month $'000	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	No Specific Maturity $'000	Total $'000
At 31 December 2016:							
Cash and short term investments	766,482	314,329	-	-	-	-	1,080,811
Due from policyholders, brokers and agents	402,576	64,208	-	-	-	-	466,784
Due from reinsurers and coinsurers	44,287	149,872	35,429	70,858	-	-	300,446
Other receivables	-	-	-	-	-	56,658	56,658
Loans receivable	1,917	103,604	7,568	87,463	-	-	200,552
Leases receivable	63	-	-	-	-	-	63
Investment securities	8,508	2,876	961,214	420,775	113,797	219,320	1,726,490
Total financial assets	1,223,833	634,889	1,004,211	579,096	113,797	275,978	3,831,804
Due to reinsurers and coinsurers	56,593	228,312	-	-	-	-	284,905
Due to related parties	-	-	-	-	-	6,322	6,322
Other liabilities	18,654	8,228	93,624	-	-	-	120,506
Claims liabilities	270,917	162,550	216,733	433,466	-	-	1,083,666
Total financial liabilities	346,164	399,090	310,357	433,466	-	6,322	1,495,399
Net Liquidity Gap	877,669	235,799	693,854	145,630	113,797	269,656	2,336,405
Cumulative gap	877,669	1,113,468	1,807,322	1,952,952	2,066,749	2,336,405	-
At 31 December 2015:							
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
Total financial assets	1,098,114	883,855	580,838	527,977	129,563	290,253	3,510,600
Due to reinsurers and coinsurers	171,853	206,915	-	-	-	-	378,768
Due to related parties	-	-	-	-	-	6,322	6,322
Other liabilities	21,156	3,352	55,600	-	-	-	80,108
Claims liabilities	239,189	143,513	191,351	382,702	-	-	956,755
Total financial liabilities	432,198	353,780	246,951	382,702	-	6,322	1,421,953
Net Liquidity Gap	665,916	530,075	333,887	145,275	129,563	283,931	2,088,647
Cumulative gap	665,916	1,195,991	1,529,878	1,675,153	1,804,716	2,088,647	-

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk (continued)

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.

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 2016 includes aggregate net foreign assets of approximately US$7,477,000 (2015 – US$6,175,000), 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.

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Foreign currency sensitivity

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

	% Change in Currency Rate 2016	Increase/ (decrease) in Pre-tax Profit 2016 $'000	% Change in Currency Rate 2015	Increase/ (decrease) in Pre-tax Profit 2015 $'000
USD – J$ Revaluation	1%	(9,531)	1%	(7,387)
USD – J$ Devaluation	6%	57,188	8%	59,099

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.

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4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

	Within 1 Month $'000	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
At 31 December 2016:							
Cash and short term investments	767,101	312,922	-	-	-	-	1,080,023
Due from policyholders, brokers and agents	-	-	-	-	-	466,784	466,784
Due from reinsurers and coinsurers	-	-	-	-	-	123,300	123,300
Other receivables	-	-	-	-	-	56,658	56,658
Loans receivable	-	100,023	-	80,363	-	-	180,386
Leases receivable	63	-	-	-	-	-	63
Investment securities	200,598	-	919,977	198,498	83,502	219,320	1,621,895
Total financial assets	967,762	412,945	919,977	278,861	83,502	866,062	3,529,109
Due to reinsurers and coinsurers	-	-	-	-	-	284,905	284,905
Due to related parties	-	-	-	-	-	6,322	6,322
Other liabilities	-	-	-	-	-	61,019	61,019
Claims liabilities	-	-	-	-	-	1,083,666	1,083,666
Total financial liabilities	-	-	-	-	-	1,435,912	1,435,912
Total interest repricing gap	967,762	412,945	919,977	278,861	83,502	(569,850)	2,093,197
Cumulative gap	967,762	1,380,707	2,300,684	2,579,545	2,663,047	2,093,197	-
At 31 December 2015:							
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
Total financial assets	839,900	465,261	685,468	242,248	88,287	965,649	3,286,813
Due to reinsurers and coinsurers	-	-	-	-	-	378,768	378,768
Due to related parties	-	-	-	-	-	6,322	6,322
Other liabilities	-	-	-	-	-	80,108	80,108
Claims liabilities	-	-	-	-	-	956,755	956,755
Total financial liabilities	-	-	-	-	-	1,421,953	1,421,953
Total interest repricing gap	839,900	465,261	685,468	242,248	88,287	(456,304)	1,864,860
Cumulative gap	839,900	1,305,161	1,990,629	2,232,877	2,321,164	1,864,860	-

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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: 2016 JMD/USD	Increase/(decrease) in Profit before Taxation 2016 $'000	Increase/(decrease) in Other Components of Equity 2016 $'000	Change in Basis points: 2015 JMD/USD	Increase/(decrease) in Profit before Taxation 2015 $'000	Increase/(decrease) in Other Components of Equity 2015 $'000
-100/-50	(4,310)	2,050	-150/-50	(6,154)	2,771
+100/+100	4,310	(2,782)	+150/+100	9,232	(4,890)

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 10% (2015 - 20%) with all other variables held constant.

	Equity Securities				Pooled real estate investment	
Change in index:	Increase/ (decrease) in Profit before Taxation 2016 $'000	Increase/ (decrease) in Profit before Taxation 2015 $'000	Effect on Other Components of Equity: 2016 JMD/USD	Effect on Other Components of Equity 2015 $'000	Effect on Other Components of Equity 2016 $'000	Effect on Other Components of Equity 2015 $'000
-10% (2015 – 20%)	-	(5,391)	(21,932)	(45,893)	(14,355)	(28,710)
+10% (2015 – 20%)	-	5,391	21,932	45,893	14,355	28,710

(expressed in Jamaican dollars unless otherwise indicated)

5. Capital Management

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

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

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

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

To assist in evaluating the current business and strategies, a risk-based capital approach is used in the form of the Minimum Capital Test (MCT) as stipulated by the regulators. The MCT is calculated by management. This information is required to be filed with the Financial Services Commission on a monthly, quarterly and annual basis. The required MCT ratio is 250%. The MCT for the company as at 31 December 2016 is as follows:

	Actual	Required	Actual
	2016	2016	2015
MCT	270%	250%	279%

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.

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 transfers between levels during the year.

	Level 1	Level 2	Level 3	Total balance
At 31 December 2016	**$'000**	**$'000**	**$'000**	**$'000**
Assets				
Available-for-sale financial assets –				
Equity securities	219,320			219,320
Debt securities	-	525,886	-	525,886
Pooled real estate investment	-	-	143,549	143,549
Total assets measured at fair value	219,320	525,886	143,549	888,755
At 31 December 2015				
Assets				
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

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

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

The following methods have been used to value financial instruments:

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

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

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

(d) Loans and leases are carried at amortised cost which is assumed to approximate fair value as loans are issued at terms and conditions available in the market for similar transactions.

7. Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

(a) Liabilities arising from claims made under insurance contracts

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

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

(b) Income taxes

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

(c) Fair value of financial assets determined using valuation techniques

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

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

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

8. Segment Information

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

The company is organised into 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.

Management has aggregated homeowners' and burglary for the purpose of segment reporting given that burglary coverage is usually covered under homeowners' policy.

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

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

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8. Segment Information (Continued)

The segment information provided to the board of directors for the reportable segments for the year ended 31 December 2016 is as follows:

2016	Fire $'000	Motor $'000	Marine $'000	Liability $'000	Homeowners & Burglary $'000	Misellaneous Accident $'000	Total $'000
Gross Premiums Written	3,425,747	1,067,954	135,075	554,049	137,663	328,609	5,649,097
Reinsurance ceded	(3,375,256)	(61,155)	(112,575)	(402,172)	(122,406)	(257,603)	(4,331,167)
Excess of loss reinsurance cost	(52,199)	(29,120)	-	(4,800)	(10,660)	-	(96,779)
Net premiums written	(1,708)	977,679	22,500	147,077	4,597	71,006	1,221,151
Changes in unearned premiums, net	329	(70,279)	1,042	(14,681)	(213)	(1,087)	(84,889)
Net Premiums Earned	(1,379)	907,400	23,542	132,396	4,384	69,919	1,136,262
Commission income	208,459	7,530	20,407	22,999	39,155	52,198	350,748
Commission expense	(79,022)	(61,586)	(2,643)	(12,443)	(15,904)	(23,342)	(194,940)
Claims expense	(8,311)	(614,982)	(516)	(118,069)	(144)	(4,051)	(746,073)
Management expenses	(19,316)	(385,163)	(8,608)	(58,102)	(5,836)	(23,363)	(500,388)
Segment results	100,431	(146,801)	32,182	(33,219)	21,655	71,361	45,609
Unallocated income -							
Investment income							326,762
Other income							56,315
							383,077
Depreciation and amortisation-							(24,443)
Profit before tax							404,243
Taxation							(17,364)
Net profit							386,879

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8. Segment Information (Continued)

2015	Fire $'000	Motor $'000	Marine $'000	Liability $'000	Homeowners & Burglary $'000	Misellaneous Accident $'000	Total $'000
Gross Premiums Written	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)
Net Premiums Earned	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)
Segment results	139,746	(136,206)	32,043	2,519	10,910	65,644	114,656
Unallocated income -							
Investment income							175,653
Other income							45,391
							221,044
Depreciation and amortisation-							(32,252)
Profit before tax							303,448
Taxation							970
Net profit							304,418

Total capital expenditure was as follows:

	2016 $'000	2015 $'000
Property, plant and equipment	31,695	59,767
Intangible assets	5,136	711
	36,831	60,478

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

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9. Related Party Transactions and Balances

(a) Related party transactions are as follows:

	2016 $'000	2015 $'000
Interest income -		
Fellow subsidiary (Note 11)	16,266	32,399
Parent	20,138	-
Affiliated company	1,371	-
	37,775	32,399
Rental and maintenance income -		
Affiliated company	1,191	1,106
Rental expense		
Fellow subsidiary	17,642	16,514
Premium income -		
Key management	3,011	1,835
Parent company	86,879	30,506
Fellow subsidiaries	171,799	205,751
Affiliates	141,140	160,107
	402,829	398,199
Claims expense -		
Key management	-	109
Parent company	3,917	7,225
Fellow subsidiaries	10,534	34,158
Affiliates	15,897	-
	30,348	41,492
Dividends declared -		
Key management	3,028	2,955
Parent company	140,002	137,775
	143,030	140,730
Key management compensation -		
Salaries and other short term benefits	78,715	74,299
Post employment benefits	2,731	1,722
Directors emoluments		
Directors' fees (included above)	2,190	1,720

9. Related Party Transactions and Balances (Continued)

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

	2016 $'000	2015 $'000
Due from related parties -		
Affiliated company	-	3,871
Due from policyholders, brokers and agents -		
Fellow subsidiary	57,061	121,397
Parent company	79	207
Affilated company	96	-
	57,236	121,604
Loans receivable -		
Parent company (Note 21)	180,385	170,000
Investment securities -		
Shares in affiliated entities (Note 23)	196,520	117,197
Due to related parties -		
Parent company	4,013	4,013
Fellow subsidiary	2,309	2,309
	6,322	6,322
Claims liabilities		
Parent company	20,138	10,356
Affiliated company	16,013	-
Fellow subsidiary	13,504	12,305
	49,655	22,661

Included in the investments of the company are shares in related parties. At 31 December 2016, these shares represented 3.98% of the total assets (2015 – 2.65%).

Affiliates represents companies that are associated with the parent company, which are 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.

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10. Claims Expense

	2016 $'000	2015 $'000
Gross claims expense	900,967	781,203
Reinsurers share of claims expense (Note 4(b) (d))	(154,894)	(84,723)
Net claims expense	746,073	696,480

11. Investment Income

	2016 $'000	2015 $'000
Interest income -		
Leases receivable	557	3,688
Loan due from parent	20,138	-
Loan due from fellow subsidiary (Note 9(a))	18,657	32,399
Loan due from associated company	184	-
Cash and deposits and investment securities	118,574	115,005
	158,110	151,092
Bond premium amortisation	(3,292)	(5,166)
	154,818	145,926
Gain on money market fund	1,732	6,957
Dividend income	9,003	11,961
Pooled real estate investment income	11,617	10,809
Gain on sale of investment securities	149,592	-
	326,762	175,653

12. Other Income

	2016 $'000	2015 $'000
Foreign exchange gains	49,415	35,306
Rental income	2,747	2,551
Gain on disposal of property, plant and equipment	151	1,741
Miscellaneous income	4,002	5,793
	56,315	45,391

13. Expenses by Nature

Management and other expenses by nature are as follows:

	2016 $'000	2015 $'000
Advertising costs	10,502	9,717
Audit fees	5,520	5,352
Computer expenses	28,036	25,465
Directors fees	2,190	1,720
Depreciation and amortisation	23,933	32,252
Insurance	2,790	1,609
Other operating expenses	38,739	36,488
Professional fees	26,138	20,421
Printing and stationery	3,927	4,340
Registration fees	13,635	13,333
Rent	17,642	16,514
Repairs and maintenance	19,001	17,037
Staff costs (Note 14)	308,656	272,379
Transportation expenses	6,824	5,398
Utilities	17,298	16,589
	524,831	478,614

14. Staff Costs

	2016 $'000	2015 $'000
Wages and salaries	241,253	207,696
Statutory contributions	19,318	17,507
Pension costs	4,362	3,772
Other	43,723	43,404
	308,656	272,379

15. Taxation

(a) The company's shares were listed on the Junior Market of the Jamaica Stock Exchange, effective 21 September 2012. 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 $77,614,000 (2015 - $102,070,000).

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

	2016 $'000	2015 $'000
Current taxation	14,598	-
Deferred income taxes (Note 29)	2,766	(970)
	17,364	(970)

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

	2016 $'000	2015 $'000
Profit before tax	404,243	303,448
Tax calculated at a rate of 33 ⅓%	134,748	101,149
Adjusted for the effects of:		
Income tax remission	(77,614)	(102,070)
Income not subject to tax	(61,964)	(34,197)
Expenses not deductible for tax	30,309	27,925
Net effect of other charges and allowances	(8,115)	6,223
	17,364	(970)

16. Earnings Per Share

The calculation of earnings per share is based on the net profit for the year and 1,031,250,000 (2015 - 1,031,250,000) ordinary shares in issue.

	2016	2015
Net profit from continuing operations ($'000)	386,879	304,418
Weighted average number of ordinary shares in issue ('000)	1,031,250	1,031,250
Earnings per share ($)	0.38	0.30

17. Dividends per Share

The dividends paid in 2016 and 2015 were as follows:

	2016 $'000	2015 $'000
Interim dividends:-		
9.7 cents per stock unit – August 2016	100,031	-
7.27 cents per stock unit – December 2016	74,972	-
9.7 cents per stock unit – April 2015	-	100,031
7.0 cents per stock unit – December 2015	-	72,188
	175,003	172,219

18. Cash and Cash Equivalents

	2016 $'000	2015 $'000
Cash and bank balances	466,571	345,361
Short term deposits	613,452	656,956
	1,080,023	1,002,317

Short term deposits comprise term deposits and repurchase agreements with an average maturity of 75 days (2015 – 57 days), and include interest receivable of $4,350,000 (2015 – $4,627,000).

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

	2016 %	2015 %
J$	5.9	6.1
US$	-	2.1

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

	2016 %	2015 %
J$	1.0	1.0
US$	0.1	0.1
GBP	0.1	0.1

19. Due from Reinsurers and Coinsurers

	2016 $'000	2015 $'000
Reinsurers' portion of unearned premium (Note 30)	459,493	400,558
Reinsurers' portion of claims liabilities (Note 30)	177,146	71,915
Other amounts recoverable from reinsurers and coinsurers	123,300	105,287
	759,939	577,760

General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

20. Other Receivables

	2016 $'000	2015 $'000
Prepayments	21,592	12,003
Other receivables	56,658	29,958
	78,250	41,961

21. Loans Receivable

	2016 $'000	2015 $'000
Short-term loan receivable from parent (Note 9) (a)	100,000	170,000
Long term loan receivable from parent (Note 9) (b)	80,385	-
	180,385	170,000

(a) Short-term loan represents loans extended by the company to parent company at rate of 12.25% for 6 months to mature March 2017.

(b) Long- term loan represents loan extended by the company to parent company at rate of 12.0% for 2 years to mature August 2018.

22. Lease Receivables

	2016 $'000	2015 $'000
Gross investment in finance leases –		
Not later than one year	63	9,341
Later than one year and not later than five years	-	95
	63	9,436
Less: Unearned income	-	(559)
	63	8,877
Net investment in finance leases may be classified as follows:		
Not later than one year	63	8,814
Later than one year and not later than five years	-	63
	63	8,877

23. Investment Securities

	2016 $'000	2015 $'000
Debt securities -		
Available for sale – at fair value		
Government of Jamaica Securities		
Benchmark Investment Notes	329,582	328,323
United States Dollar Benchmark Notes	4,315	4,022
United States Dollar Indexed Notes	-	52,642
Certificate of Deposits	841,447	487,199
	1,175,344	872,186
United States Dollar Corporate Bond	43,343	97,826
Other Government Securities	148,646	138,903
Interest receivable	35,242	31,096
	1,402,575	1,140,011
Equity securities -		
Available for sale, at fair value –		
Quoted shares	219,320	229,467
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)
	-	-
	219,320	256,424
	1,621,895	1,396,435

Weighted average effective interest rate:

	2016 %	2015 %
Government of Jamaica Securities –		
Benchmark Investment Notes	7.18	8.40
United States Dollars Benchmark Notes	5.25	5.25
United States Dollar Corporate Bonds	3.75	6.25
Other Government Securities	6.12	6.12

Included in investments are Government of Jamaica Benchmark Investment Notes valued at $48,000,000 (2015 - $45,000,000) which have been pledged with the FSC, pursuant to Section 8(1)(b) of the Insurance Regulations, 2001.

In the prior year, investment securities included shares in Seprod Limited, a related party which had a fair value of approximately $89,312,000. The company was the beneficial owner of these shares, which were held in trust by the company's parent, Musson Jamaica Limited, which is the registered owner. During the year, these shares were sold.

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 $11,617,000 (2015 - $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).

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 2015	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
Additions	5,268	17,688	6,002	2,737	31,695
Disposals	-	(151)	-		(151)
Transfer	-	-	-	(147)	(147)
At 31 December 2016	78,513	124,420	75,913	8,170	287,016
Depreciation -					
At 1 January 2015	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
Charge for the year	3,942	13,006	4,095	-	21,043
On disposals	-	(147)	-	-	(147)
At 31 December 2016	18,370	75,437	56,437	-	150,244
Net Book Value -					
31 December 2016	60,143	48,983	19,476	8,170	136,772
31 December 2015	58,817	44,305	17,569	5,580	126,271

26. Intangible Assets

	Computer Software $'000
At Cost -	
At 1 January 2015	77,421
Additions	711
At 31 December 2015	78,132
Additions	5,136
Transfer	147
At 31 December 2016	83,415
Amortisation -	
At 1 January 2015	69,958
Charge for the year	4,587
At 31 December 2015	74,545
Charge for the year	3,500
At 31 December 2016	78,045
Net Book Value -	
31 December 2016	5,370
31 December 2015	3,587

27. Due to reinsurers and coinsurers

	2016 $'000	2015 $'000
Local reinsurers	24,518	28,397
Overseas reinsures	260,387	350,371
	284,905	378,768

28. Other Liabilities

	2016 $'000	2015 $'000
Statutory contributions payable	4,169	4,329
Accrued expenses	67,302	40,756
General consumption tax	36,918	15,609
Other payables	61,019	39,354
	169,408	100,048

General Accident Insurance Company Jamaica Limited

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(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 16.57⅓% (33⅓% restricted to 50% based on remission year 5 to 10).

	2016 $'000	2015 $'000
Deferred income tax assets	6,394	3,897
Deferred income tax liabilities	(5,873)	-
Net assets	521	3,897

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

	2016 $'000	2015 $'000
Balance as at 1 January	3,897	499
Profit or loss (Note 15)	(2,766)	970
Other comprehensive income	(610)	2,428
Balance as at 31 December	521	3,897

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

	2016 $'000	2015 $'000
Deferred income tax assets		
Accelerated depreciaton	4,484	1,726
Unrealised fair value losses	1,561	2,171
Accrued vacation	349	-
	6,394	3,897
Deferred income tax liabilities		
Interest receivable	5,873	-

The deferred tax movement in the profit or loss comprises the following temporary differences

	2016 $'000	2015 $'000
Accelerated depreciaton	2,758	2,427
Unrealised fair value losses	-	(1,457)
Accrued vacation	349	-
Interest receivable	(5,873)	-
	(2,766)	970

The deferred tax movement in other comprehensive income comprises the following temporary difference

	2016 $'000	2015 $'000
Unrealised fair value losses	(610)	2,428

General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

30. Insurance Reserves

(a) These reserves are as follows:

	2016 $'000	2015 $'000
Gross -		
Unearned premiums	1,086,991	943,168
Claims liabilities	1,302,630	1,128,221
Unearned commission	118,334	91,976
	2,507,955	2,163,365
Recoverable from reinsurers -		
Reinsurers' portion of unearned premiums (Note 19)	(459,493)	(400,558)
Reinsurers' portion of claims liabilities (Note 19)	(177,146)	(71,915)
	(636,639)	(472,473)
Net -		
Unearned premiums	627,498	542,610
Claims liabilities	1,125,484	1,056,306
Unearned commission	118,334	91,976
	1,871,316	1,690,892

(b) Claims liabilities comprise:

	2016 $'000	2015 $'000
Gross -		
Outstanding claims	1,083,666	956,755
IBNR	206,488	159,485
Unallocated loss adjustment expense	12,476	11,981
	1,302,630	1,128,221
Recoverable from reinsurers -		
Outstanding claims	118,468	69,723
IBNR	58,678	2,192
	177,146	71,915
Net -		
Outstanding claims	965,198	887,032
IBNR	147,810	157,293
Unallocated loss adjustment expense	12,476	11,981
	1,125,484	1,056,306

30. Insurance Reserves (Continued)

An actuarial valuation was performed to value the policy and claims liabilities of the company as at 31 December 2016 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 6 April 2017, the actuary found that the amount of policy and claims liabilities represented in the statement of financial position at 31 December 2016 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:

	2016 $'000	2015 $'000
Net reserves for claims outstanding at beginning of year –		
Gross reserves for claims outstanding	1,128,221	1,063,053
Reinsurance ceded	(71,915)	(90,498)
	1,056,306	972,555
Movement during the year –		
Claims incurred, including IBNR	746,073	696,480
Claims paid	(686,604)	(613,939)
Recovery from reinsurers	8,360	-
Translation differences on foreign currency claims	1,349	1,210
	69,178	83,751
Net reserves for claims outstanding at end of year	1,125,484	1,056,306
Reinsurance ceded	177,146	71,915
Gross reserves for claims outstanding at end of year	1,302,630	1,128,221

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.

30. Insurance Reserves (Continued)

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

	2016			2015		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January	943,168	(400,558)	542,610	844,525	(361,097)	483,428
Premiums written during the year	5,649,097	(4,331,167)	1,317,930	6,112,355	(4,921,390)	1,190,965
Premiums earned during the year	(5,505,274)	4,272,232	(1,233,042)	(6,013,712)	4,893,658	(1,120,054)
Portfolio adjustment	-	-	-	-	(11,729)	(11,729)
	143,823	(58,935)	84,888	98,643	(39,461)	59,182
Balance at 31 December	1,086,991	(459,493)	627,498	943,168	(400,558)	542,610

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

	2016	2015
	$'000	$'000
Fire, consequential loss and liability	348,509	446,897
Motor	549,590	448,100
Other	188,892	48,171
	1,086,991	943,168

31. Share Capital

	2016	2015
	$'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

32. Capital Reserves

	2016	2015
	$'000	$'000
At beginning of and end of year	152,030	152,030

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 $4,362,000 (2015 – $3,772,000), 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

	2016 US$'000	2015 US$'000
No later than 1 year	-	118

Notes

Notes

Form Of Proxy

" I/We ____ *(insert name)* of _________________________

___________________________ *(address)* being a shareholder(s) of the above-named Company, hereby

appont:____ *(proxy name)* of _____________________

__________________________________ *(address)* or failing him, ____..

_________________________ *(alternate proxy)* of ____

____ *(address)*

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at ***10 am on June 21, 2017, at 58 Half Way Tree Road*** and at any adjournment thereof . I desire this form to be used for/ against the resolutions as follows (unless directed the proxy will vote as he sees fit):

No.	*Resolution details* (tick as appropriate) ORDINARY RESOLUTIONS	*Vote for or against*
1.	To receive the report of the Board of Directors and the audited accounts of the Company for the year ended December 31, 2016.	**For** ◯ **Against** ◯
2.	To authorise the Board of Directors to re-appoint PwC as the Auditors of the Company and to fix their remuneration.	**For** ◯ **Against** ◯
	To re-appoint the following Directors of the Board, who have resigned by rotation in accordance with the Articles of Incorporation of the Company and, being eligible, have consented to act on re-appointment.	
3.(a)	To re-appoint Jennifer Scott a Director of the Board of the Company..	
3.(b)	To re-appoint Nicholas Scott as a Director of the Board of the Company.	**For** ◯ **Against** ◯
3.(c)	To re-appoint Nigel Clarke as a Director of the Board of the Company.	**For** ◯ **Against** ◯
4(a)	To authorise the Board of Directors to fix the remuneration of the Directors.	**For** ◯ **Against** ◯
5.	To approve the aggregate amount of interim dividends declared by the Board during the financial year ended 31st December 2016, being $175,003,125 or 16.97 cent per ordinary share, as the final dividend for that year.	**For** ◯ **Against** ◯ **For** ◯ **Against** ◯

Signed this day of 2017:

Signed: ________________________________ **(signature of primary shareholder)**

Signed: ________________________________ **(signature of joint shareholder, if any)**

Name: ________________________________ **(print name of primary shareholder)**

Name: ________________________________ **(print name of joint shareholder, if any)**

WHAT IS...

HOMEOWNERS INSURANCE

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