Annual Report 2018


VEHICLE INSURANCE
SECURITY
HEALTH INSURANCE
FINANCIAL PROTECTIONS
HOMEOWNER'S INSURANCE
INSURANCE PAYMENTS

General Accident offers products that help our customers to manage risk and exposure.

ABOUT US

Our Purpose

We are a well-established general insurance company offering a wide range of innovative, affordable risk transfer solutions. Through these products, we provide financial protection and peace of mind to individuals, families and businesses and play a vital part in building a thriving national economy.

General Accident strives to deliver quality service to our customers and in so doing deliver sustainable profits to our shareholders. We are committed to good corporate citizenship and the support and development of our employees.

How We Measure Our Performance

We track our progress by using a variety of financial and non-financial key performance indicators led by our Business Intelligence Unit, which guides and monitors our response to the changing regulatory and operating environment.

Our Annual Report is presented in two 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 and our Audited Financial Statements and Notes.

Our Location

We are headquartered at 58 Half-Way Tree Road, Kingston 10, Jamaica. We also service clients island-wide through an extensive network of professional insurance brokers, agents and branch at Unit #8 Summit Business Centre, Fairview, Montego Bay.

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.

TABLE OF CONTENTS

WHO WE ARE


19%
Market Share
3.65B
Market Capitalization
31,752
Polices in Force
1,062
Shareholders (Dec. 31, 2018)
131
Employed (Dec. 31, 2018)
26,632
Policyholders

WE ARE STRONG

$8.7 Billion in GROSS WRITTEN PREMIUM

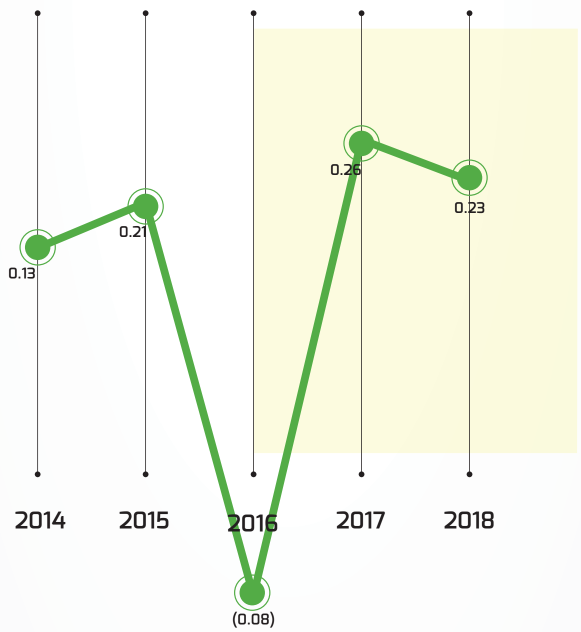
$7.1 Billion in TOTAL ASSETS

$353 Million in PROFIT BEFORE TAX

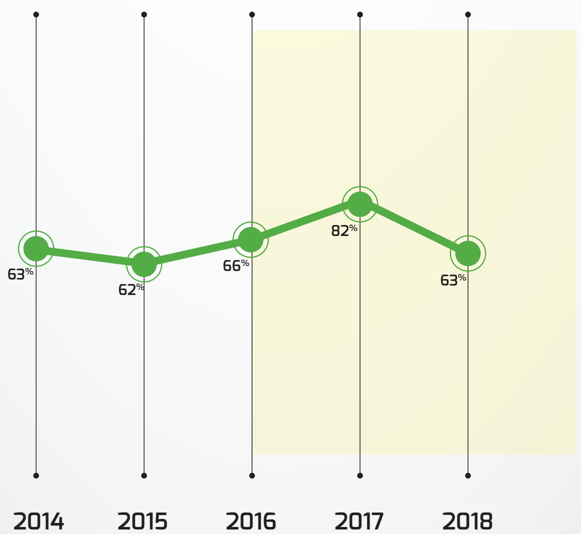
$175 Million in INVESTMENT INCOME

FINANCIAL HIGHLIGHTS

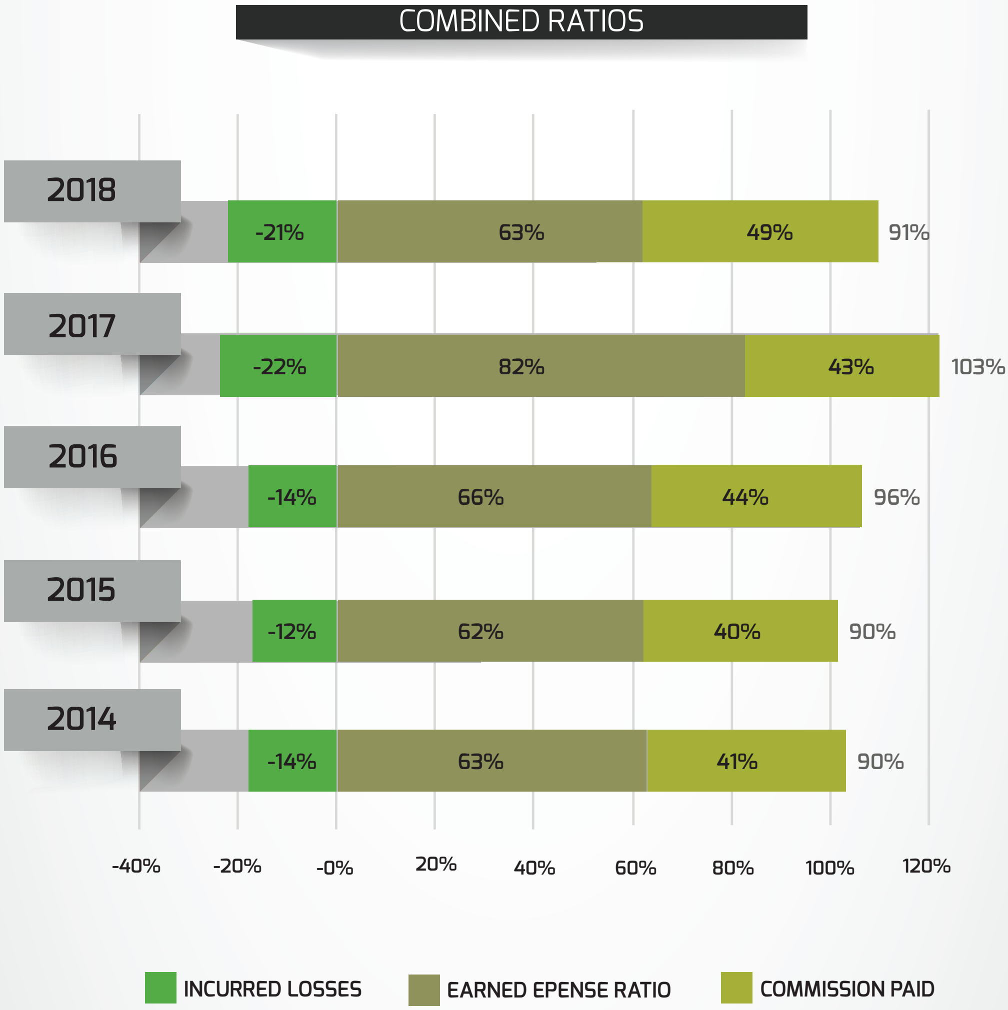
PREMIUM MOVEMENT OVER FIVE YEARS

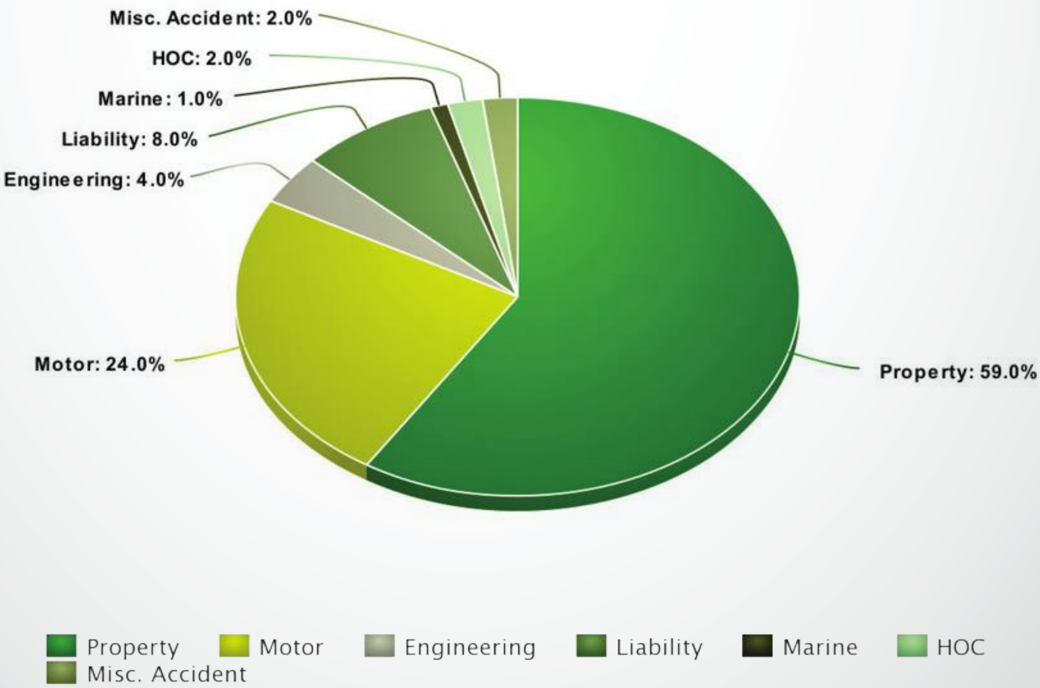


LOSS RATIO OVER FIVE YEARS



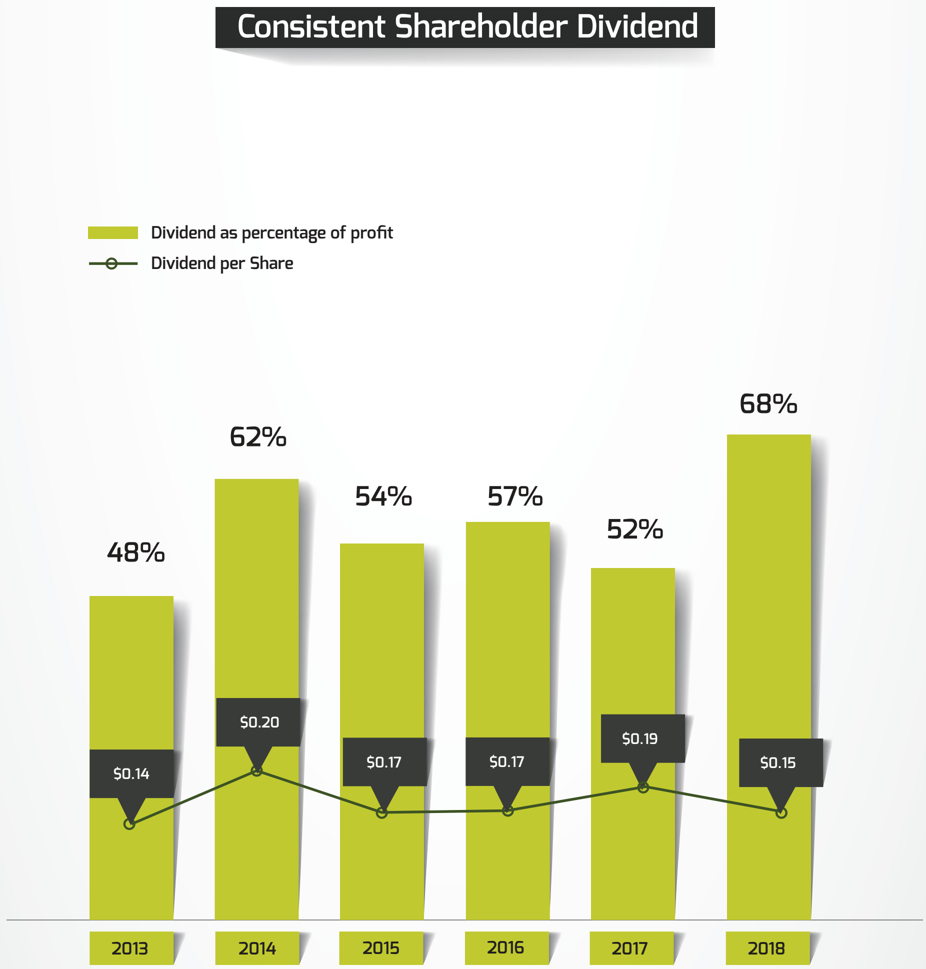
FINANCIAL HIGHLIGHTS cont'd



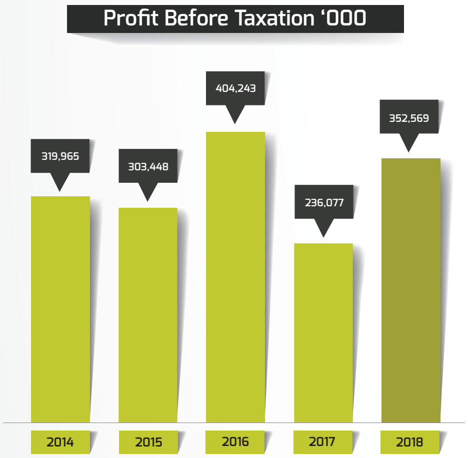


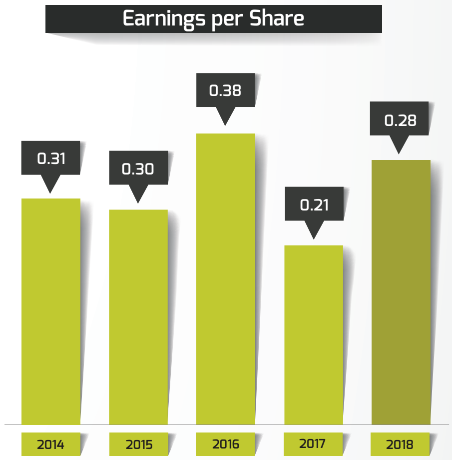
General Accident offers a wide range of product lines to meet the evolving needs of our customers. We offer a suite of commercial solutions to help business owners protect their legacies. We help individuals and their families protect what matters to them the most. We provide an opportunity for professionals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

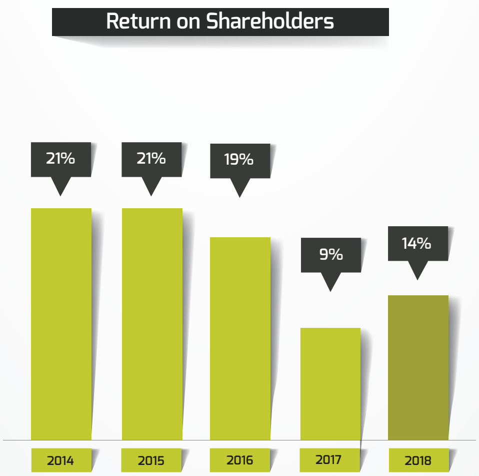
WE CREATE VALUE FOR OUR SHAREHOLDERS



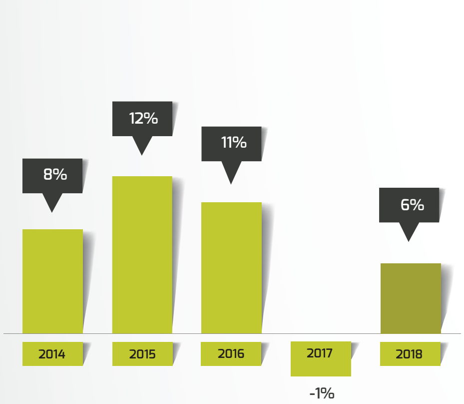
KEY PERFORMANCE INDICATORS



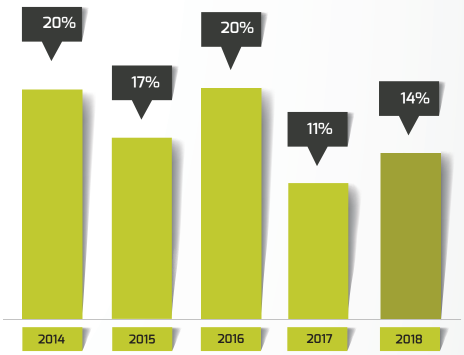




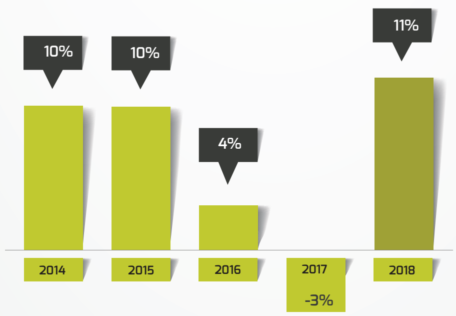
Net Worth Movement



Return on Average Equity



Underwriting Margin



10-YEAR FINANCIAL STATISTICS

	2018	2017	2016	2015
	$'000	$'000	$'000	$'000
Gross Written Premiums	8,735,797	7,106,254	5,649,097	6,112,355
Net Written Premiums	1,862,294	1,459,344	1,221,151	1,190,965
Net Earned Premiums	1,630,430	1,329,900	1,136,262	1,120,055
Claims Expenses	1,023,022	1,087,590	746,073	696,480
Management Expenses	794,061	572,287	500,388	446,362
Underwriting Profit/(Loss)	174,768	(35,532)	45,609	114,656
Investment Income	174,675	328,382	328,762	210,959
Profit Before Tax	352,569	236,077	404,243	303,448
Profit After Tax	285,370	221,236	386,879	304,418
Cash Dividends	150,047	200,001	175,003	172,219
Investment Assets	3,340,001	3,116,686	3,025,915	2,721,177
Insurance Reserves	3,975,949	3,192,778	2,507,955	2,163,365
Shareholder's Equity	2,056,612	1,937,771	1,964,420	1,775,297
Ratios & Other Information	**2018**	**2017**	**2016**	**2015**
Employee	131	111	91	90
Policies In Force	31,403	24,000	18,205	16,864
Market Share	19%	17%	15%	16%
Gross Written Premiums Movement	23%	26%	-8%	21%
Loss Ratio	63%	82%	66%	62%
Expense Ratio	9%	8%	9%	7%
Underwriting Margin	11%	-3%	4%	10%
Investment Return	5%	11%	11%	8%
Return On Average Equity	14%	11%	21%	18%
Dividend Yield On Average Equity	7%	10%	9%	10%
Net Worth Movement	6%	-1%	11%	12%
Total Return To Shareholders	**14%**	**9%**	**19%**	**22%**

5	2014	2013	2012	2011	2010	2009
)	$'000	$'000	$'000	$'000	$'000	$'000
5	5,072,375	4,479,755	3,788,969	3,626,395	2,203,074	1,683,911
5	1,066,538	1,018,398	991,175	866,513	784,562	592,741
55	1,069,098	994,193	932,818	819,490	693,085	599,663
0	678,558	646,791	540,775	420,142	426,624	391,416
2	441,628	381,073	332,903	300,592	241,641	204,357
6	101,941	58,503	117,362	161,589	68,862	33,818
59	240,374	284,788	186,114	1,015,010	204,565	134,106
8	319,965	323,702	285,269	1,341,478	244,775	141,300
8	320,078	327,914	290,537	1,284,816	213,944	105,299
9	203,878	140,025	100,031	90,925	95,000	270,000
77	2,540,368	2,369,298	1,780,642	1,602,732	1,727,588	1,357,765
5	1,988,573	2,364,658	2,199,132	2,042,511	1,511,904	1,163,257
07	1,579,382	1,456,944	1,288,850	1,140,743	1,270,502	1,034,229
5	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
0	78	83	77	44	69	66
4	16,087	16,015	15,876	15,427	13,466	11,727
%	15%	15%	13%	13%	10%	7%
%	13%	18%	4%	65%	31%	12%
%	63%	65%	58%	51%	62%	65%
%	9%	9%	9%	8%	11%	12%
%	10%	6%	13%	20%	10%	6%
%	10%	14%	11%	61%	13%	10%
%	21%	24%	24%	107%	19%	10%
%	13%	10%	8%	8%	8%	25%
%	8%	13%	13%	13%	13%	13%
%	**21%**	**24%**	**22%**	**-3%**	**32%**	**13%**

CHAIRMAN'S REPORT

2018 was the first year of our "Call to Action" Five-Year Strategic Plan.

General Accident had another successful year; one that delivered strong results and successfully combined profitability and solvency.

We expanded our sphere of influence outside the corporate area into other parts of the island and our motor portfolio in particular showed encouraging growth.

We will continue to reward your investment in General Accident by making consistent dividends to shareholders.

We are focused on using digital transformation to provide our customers with better and more efficient solutions for their insurance needs.

We have the financial strength to expand through organic growth and by acquisition, should suitable opportunities present themselves.

OUTLOOK

We are confident that our management team will continue to deliver improved results in 2019, based on settled strategies. While we build digital competence, we are reducing the complexity of internal processes. This is a positive push factor for profitability. We continue to seek innovation in the products we offer to build client satisfaction and steady growth.

As always, I would like to express my gratitude to our policyholders, brokers, reinsurers, management team and board of directors for their continued support. Thanks to the significant pool of expertise offered by our staff.

We look towards the future with optimism.

Paul B. Scott
CHAIRMAN

NOTICE OF ANNUAL GENERAL MEETING

General Accident Insurance Company Jamaica Limited

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of General Accident Insurance Company Jamaica Limited (the "Company") will be held at 9:00 am on September 11, 2019 at 58 Half Way Tree Road, Kingston 10, 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, 2018.

2. To authorize the Board of Directors to reappoint PricewaterhouseCoopers 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 reappointment:

(a) To reappoint P.B. Scott, Director of the Board of the Company.
(b) To reappoint Melanie Subratie, Director of the Board of the Company.
(c) To reappoint Christopher Nakash, Director of the Board of the Company.

4. To authorize 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 years ended December 2018 being $150 million or 14.55 cents per ordinary share, as the final dividend for that year.

Dated this 30th day of April 2019 by Order of the Board.

DIRECTORS' REPORT

The Directors are pleased to present their report for General Accident Insurance Company (Jamaica) Limited for the financial year ended December 31, 2018.

FINANCIAL RESULTS

The Statement of Comprehensive Income for the Company shows pre-tax profits for the year of $352.6 Million, taxation of $67.2 Million, and a net profit after tax of $285.4 Million. Details of these results, along with a comparison with the previous year's performance and the state of affairs of the company, are set out in the Management Discussion and Analysis and the Financial Statements which are included as part of this Annual Report.

DIRECTORS

The Directors of the company as at December 31, 2018 were P.B. Scott, Melanie Subratie, Sharon Donaldson, Geoffrey Messado, Christopher Nakash, Jennifer Scott, Nicholas Scott, Duncan Stewart, Matthew Lyn, Brian Jardim and Gregory Foster.

The Directors to retire by rotation in accordance with the Article of Incorporation are: P.B. Scott, Melanie Subratie and Christopher Nakash.

AUDITORS

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

DIVIDEND

A dividend of 14.55 cents per share payable on January 8, 2019, is proposed to be the final dividend in respect of the financial year ended December 31, 2018.

OUR STRATEGIC PRIORITIES

VALUE CREATION AND LONG-TERM SUSTAINABILITY

Risk confronts all economic activity. General Accident creates value for individuals and businesses by providing a range of risk transfer mechanisms, facilitating robust commercial activity and protecting the assets of companies and people by reducing risk and uncertainty. We create value by our knowledge of risk assessment and management, and solid insurance underwriting techniques. When risk is managed appropriately by countries, corporations and families, long-term sustainability of economic health is safe-guarded.

SOUND INVESTMENT DECISIONS

Our investment policy is geared towards building a strong, growing balance sheet, by stringent asset/liability management and ensuring capital adequacy. Our investment decisions are influenced by cash flow imperatives, potential currency volatility and the inflation sensitivity of our underwriting liabilities. We target the optimal mix of investments to provide adequate returns for shareholders, while meeting all regulatory requirements.

ISLANDWIDE DISTRIBUTION CHANNELS

We write business directly and through an extensive broker and agent network. Our distribution partners are essential to our business model and we regard our producers as strategic drivers of our success, providing convenience and professional guidance to our customers.

FAST, FAIR CLAIMS SETTLEMENT

We believe the true test of an insurance policy is when a claim is made. We endeavour to meet our customers' expectations for fair, flexible and accessible claims service by simple processes and fast turnaround times. We see claims handling as an opportunity to reinforce the trust of our clients and producers and build customer loyalty.

ROBUST RISK MANAGEMENT

Insurance cover reduces risk and uncertainty. We rely on our risk management framework to ensure that our risk tolerance limits are adhered to, particularly regarding reinsurance support, risk spread, through a series of multi-layered controls. Regulatory capital adequacy is central to our continuity, and our risk strategies are designed to ensure that legal requirements are met or exceeded.

BUILDING SUPPORTING CAPACITY – OUR STAFF

Our staff complement is the one of our most important resources. We are committed to recruiting, training and keeping the right people, providing them with a culture of excellence and opportunity. We create value for our employees by investing in their capabilities and potential through training and development programmes.

UTILIZING INFORMATION TECHNOLOGY

Technology is central to our business, delivering a core competitive advantage that drives long-term value by enhancing our clients' experience, driving efficiency and creating new opportunities. Our products and skills are available to our customers online, in person or on the phone and we ensure that our customers get the same high-quality service no matter how they approach us. We are investing in technology to ensure we have the best and most secure systems in place for claims, payments and renewals, as well to build greater cost-effectiveness and efficiency. Expanding use of data analytics allows us to build agility in the face of changing market trends and ensure data-driven decisions.

INCREASE OPERATIONAL EARNINGS

We believe that profitable growth should be responsible growth, with due regard paid to profitable and sustainable premium rates. Our business model begins with our customers' needs, which informs product innovation in collaboration with our business partners and producers. Our growth initiatives remain:

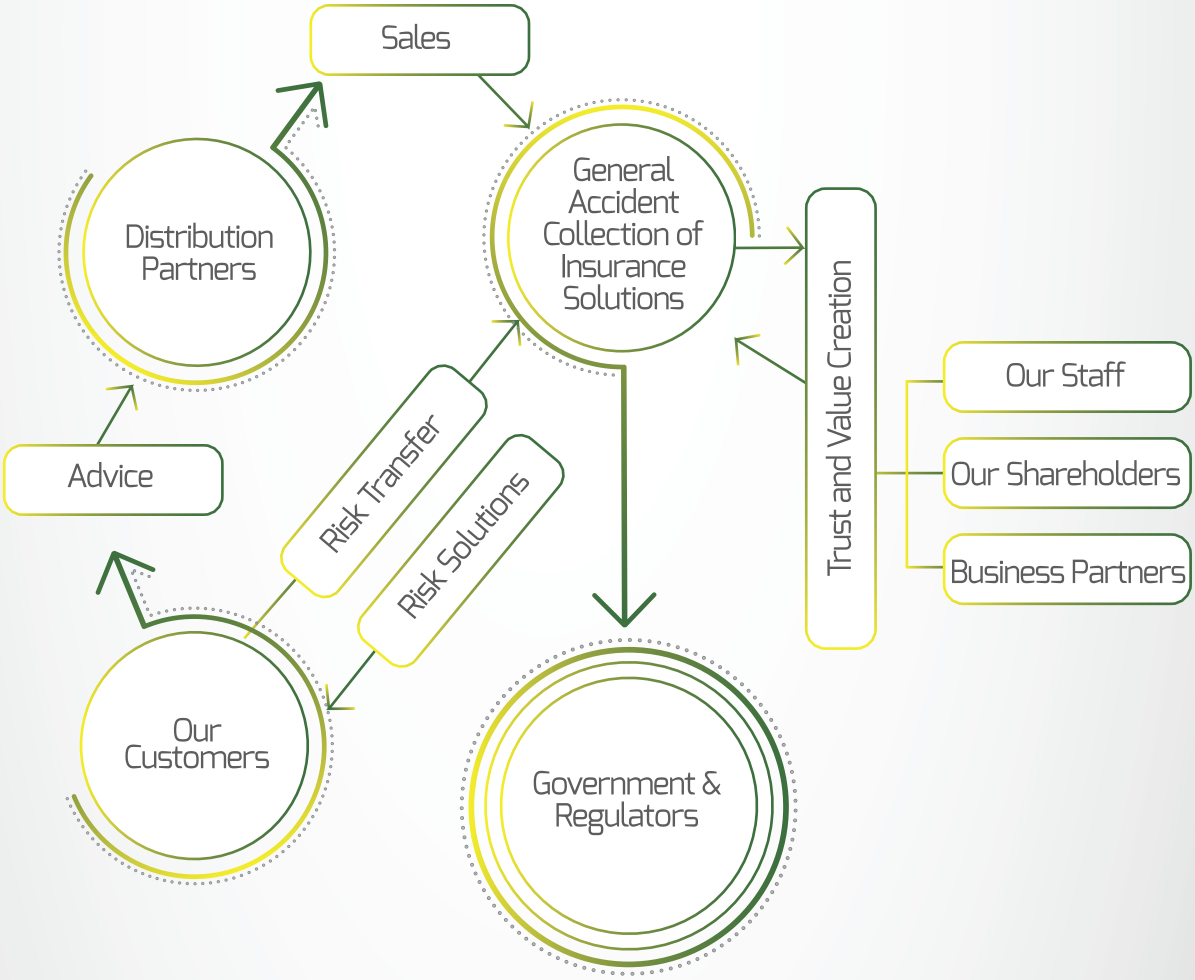
- Growth in value-priced and profitable product lines
- Payment of dividends to shareholders
- Steady strengthening of our balance sheet, liquidity base and capital to provide the essential foundation for growth
- Consistent improvements in operational efficiencies, as we aim to deliver service that exceeds our clients' and our business partners' expectations.

MAINTAIN CORPORATE SOCIAL RESPONSIBILITY

We regard our good reputation as a critical long-term asset, which is based on the underlying insurance principle of utmost good faith. With the consistent guidance and expertise of our Board of Directors, we seek to:

- Provide a productive and fairly-compensated work environment for our staff, including a range of incentives for excellent performance
- Establish best practice benchmarks to guide service delivery of our products
- Operate a successful corporate social responsibility programme which involves our staff in outreach efforts to support education, under-served children and the natural environment
- Ensure all we do is grounded in high standards of integrity and ethical conduct

BUSINESS MODEL



Although the business model remains fundamentally customer centric, the emergence of the new models that focus on a digital customer centric journey, that makes it easier to do business, is now a critical factor for our business model.

This has pushed us to remodel our clients' interactions with an enhanced digitization that demands new distribution channels. We aim to deploy as far as possible, bearing in mind regulatory limitations, technology based insurance solutions in the long term.

Our ambition is to be the best general insurer as measured by our customers, employees, investors and the communities in which we live and work. Our business model is founded on the values of all our stakeholders.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL HIGHLIGHTS

2018 was a good year for General Accident; we achieved strong financial results and improved profitability. We increased our profit before tax by 49% to $353.0 million; grew net written premiums by 28% to $1.862 billion, and produced an improved combined ratio.

Particulars	2018 $ billion	2017 $ billion
Total Revenue	8.735	7.100
Underwriting Profit (Loss)	0.175	(0.355)
Investment Income	0.175	0.328
Profit Before Tax	0.353	0.236
Return on Equity	14%	11%

REVENUE SUMMARY

Premium income met and exceeded targets. Volume growth was especially strong in the AutoSmart products, driven mainly by increased visibility of the AutoSmart brand achieved through the advertising campaign launched in early 2018.

Gross premium of $8.7 billion increased by 23% over prior year; earned commission of $361.0 million outpaced prior year by 23%. This highly satisfactory outcome occurred despite high levels of competition in the property market. New business grew by 30% over prior year.

DEPT CLASS	GROSS PREMIUM DEC 2018 $'000	GROSS PREMIUM DEC 2017 $'000	GROWTH
Engineering	307,906	434,539	(29%)
Property	5,366,253	4,213,143	27%
Misc. Classes	930,777	922,265	1%
Motor	2,130,860	1,536,304	39%
GRAND TOTAL	8,735,797	7,106,254	23%

Although property rates declined in the second half of 2018, we were able to selectively exploit business opportunities that offered adequate margins.

Overall, we adhered to our aggressive but profit-oriented underwriting policy.

OPERATING EXPENSES

Operating expenses increased over prior year due largely to the advertising campaign but the expense ratio of 8.7% compared favourably with the performance of our competitors.

UNDERWRITING RESULTS

	2018 $ billion	2017 $ billion
Net Premiums Earned	1.630	1.330
Claims Cost	(1.023)	(1.09)
Net Commission	0.361	0.294
Operating Expenses	0.794	0.572
Underwriting Result	0.175	(0.035)

The improvement in our technical results is partly due to a higher premium income and a reduction in claims incurred cost. This positive development in claims outcome was partly attributable to the effects of a targeted approach to settle or close long outstanding matters. We also experienced significant improvements in recovery from third parties in the second half of the year.

The combined ratio, which reflects the relation of claims cost to net earned premiums, was 91%, an improvement over the prior year position of 103.0%

INVESTMENT INCOME

Owing to the ongoing low reinvestment yield and low market interest rates in the year under review, yields on new investments was lower than last year, generating income well below prior year performance.

Return on investment amounted to 7% compared to prior year performance of 11%.

Investment Result

	2018	2017
	million	million
Investment Income	164.9	173.5
Realized Gain on Disposal of Investment	-	151.9
Fair value gains	9.8	3.0
Other Investment gains/(losses)	47.0	(25.8)
Total	221.7	302.6

FINANCIAL STRENGTH

For 2018, the company generated Profit after Tax of $285.4 million, compared to $221.2 million for the prior year.

Shareholders' equity increased to $2.1 billion, up from $1.9 billion.

Earnings Per Share [EPS] of $0.28 improved slightly over prior year $0.21. The number of shareholders increased, an indication of shareholder confidence.

Total assets of $7.1 billion increased by 24% up from $6.7 billion last year.

Market capitalization improved over prior year to $3.6 billion, an increase of 26% over prior year at $2.9 million.

CAPITAL POSITION

We continue to manage our capital to ensure that we meet all applicable regulatory standards. We aim to achieve a level of financial strength that will enable us to take advantage of profitable growth opportunities.

We are happy to report that we met all regulatory capital and liquidity requirements for 2018.

	MCT/%	Liquidity/%
Actual	211.6	99
Required	200.8	95

LOOKING AHEAD

For 2019, we anticipate premium income growth upwards of 15% over prior year. The key drivers are expected to be the excellent relationship we continue to enjoy with our producers, the expansion of existing client relationships, as well as seeking any profitable opportunities.

We expect the 2019 combined ratio to be around 90% of net earned premium. An accurate forecast is not possible due largely to the volatility of our damage and injury claims.

If the average claims ratio for 2018 holds in 2019, we project the technical results to be somewhat better than the year under review.

For our investments, we expect to generate slightly lower yields on regular fixed income interest securities. With the projected growth in premium, however, we want to incrementally increase our diversified portfolio and we are committed to pursuing profitable new investments.

We are investing heavily in digital transformation. We now have in place a dedicated unit that is mandated to capture and analyse data that will drive our business strategy and enhance our core business.

Management is committed to building on the strategy implemented in 2018. We will continue to focus on strong brand development, reasonable levels of diversification, a robust capital shield and a managed risk appetite.

To achieve our strategic goals, we must ensure that we have the right team and tools in place. With this in mind, we will maintain our focus on innovation, managing the talents of our staff complement and leveraging our group's diversity.

I am confident of our team's capabilities and their commitment to the future of our company. In 2018 we launched the "Bee the Difference" campaign to promote growth and career development of our staff. With strong human resources leadership, we believe we are able to guide and encourage the progress of our staff.

Although the economic environment is challenging, and interest rates are expected to remain low, we are convinced that the strategy set in 2018 is the right one and we are committed to delivering on our promises to all our stakeholders.

I would like to thank the General Accident team for their stellar performance and the Board for their guidance and support.

Sharon Donaldson
MANAGING DIRECTOR

CORPORATE SOCIAL RESPONSIBILITY

General Accident Insurance Co. Ja. Ltd. conducts its business with a strong dedication to ethical and responsible practices. Throughout our organization we are cognizant of the positive and negative impact we can have on the natural environment and our communities. Each day we endeavour to minimise waste and reduce resource consumption, while we enhance positive impacts in terms of employee benefits, social welfare and community engagement.

We believe there can be no sustainable profitability if we do not take care of the social and environmental footprint left by our business. We are committed to care for people's well-being and we are proud of the work being done by our employees to give back to our communities. We strive to provide them with the encouragement and resources needed to support a diverse range of initiatives.

Employee Engagement

We strive to create a work environment where employees feel committed and inspired to give their best every day, ensuring their own success along with that of the company. We believe one of the best investments we can make is in our people. We provide employees with the tools, training and opportunities they need to reach their full potential, preparing them for future experiences and career opportunities. As part of our commitment to employment development and lifelong learning, we support employees who wish to pursue a degree or certificate from an accredited university, college or professional association, by providing financial support for tuition and textbooks, as well as time off to study for exams. For employees who require a professional license as part of their job responsibilities, General Accident covers the training and license costs.

Community Support

We support organizations working to build strong and resilient communities. We believe we have the responsibility to make a positive difference in the communities in which we live and work, recognizing that when communities thrive, individuals and businesses benefit. A key priority for us in this area is investing in health, well-being and education as a future pathway to community prosperity. In 2018 General Accident contributed to and participated in several charitable initiatives including the Jamaica Cancer Society Relay for Life, Sigma Run, Colour Me Happy Run and Mobay City Run.

As a leading Jamaican insurer we take our role in creating economic, social and environmental value seriously. Through our commitments to customers, employees, communities and the environment, we aim to create a better future for our employees, customers and Jamaica.

CORPORATE GOVERNANCE

General Accident is particularly attentive to cutting-edge corporate governance principles. We review our governance policies annually to ensure relevance and utility. Our Board of Directors and executive committees are diverse, with regards to tenure, gender, professional background and experience. We select Board members based on desirable skill and experience that will contribute to the overall success of the company.

Good corporate governance enables General Accident to create sustainable value for the benefit of its shareholders, customers, employees and other stakeholders.

The Board of Directors has overall responsibility for the strategic direction and management of the company. The Board is comprised of eleven members: a non-executive Chairman, seven non-executive directors and three executive directors. The Board of Directors is supported by the work of four high-level executive committees, which examine and deliberate a range on proposals to attain strategic outcomes.

The Board generally meets five times a year.

THE COMPENSATION COMMITTEE

The Compensation Committee is responsible for overseeing decisions on remuneration for Board members and senior managers, in order to promote a high-performance culture aligned with risk management principles. The Compensation Committee meets once per year. Members of the Remuneration Committee are:
Mr. Paul Scott – Chairman, Ms. Sharon Donaldson and Mr. Gregory Foster.

THE CONDUCT REVIEW COMMITTEE

The Conduct Review Committee is comprised of four directors. This committee has responsibility for review and oversight of our policies and procedures to ensure that General Accident conducts its affairs in keeping with our values and regulatory requirements.

The committee meets at least three times a year. Members of the Conduct Review Committee are:
Mr. Christopher Nakash – Chairman, Mr. Duncan Stewart, Mr. Brian Jardim, Mr. Gregory Foster and Mr. Matthew Lyn.

THE AUDIT COMMITTEE

The Audit Committee is comprised of three non-executive directors and one executive director.

This committee has responsibility for the oversight of all matters relating to financial reporting, internal controls and approval of financial reports to be circulated to all regulatory bodies.

The Audit Committee meets at least five times a year. Members of the Audit Committee are:
Mr. Geoffrey Messado – Chairman, Mr. Christopher Nakash, Mr. Duncan Stewart, Mr. Brian Jardim, Mr. Gregory Foster and Mr. Matthew Lyn.

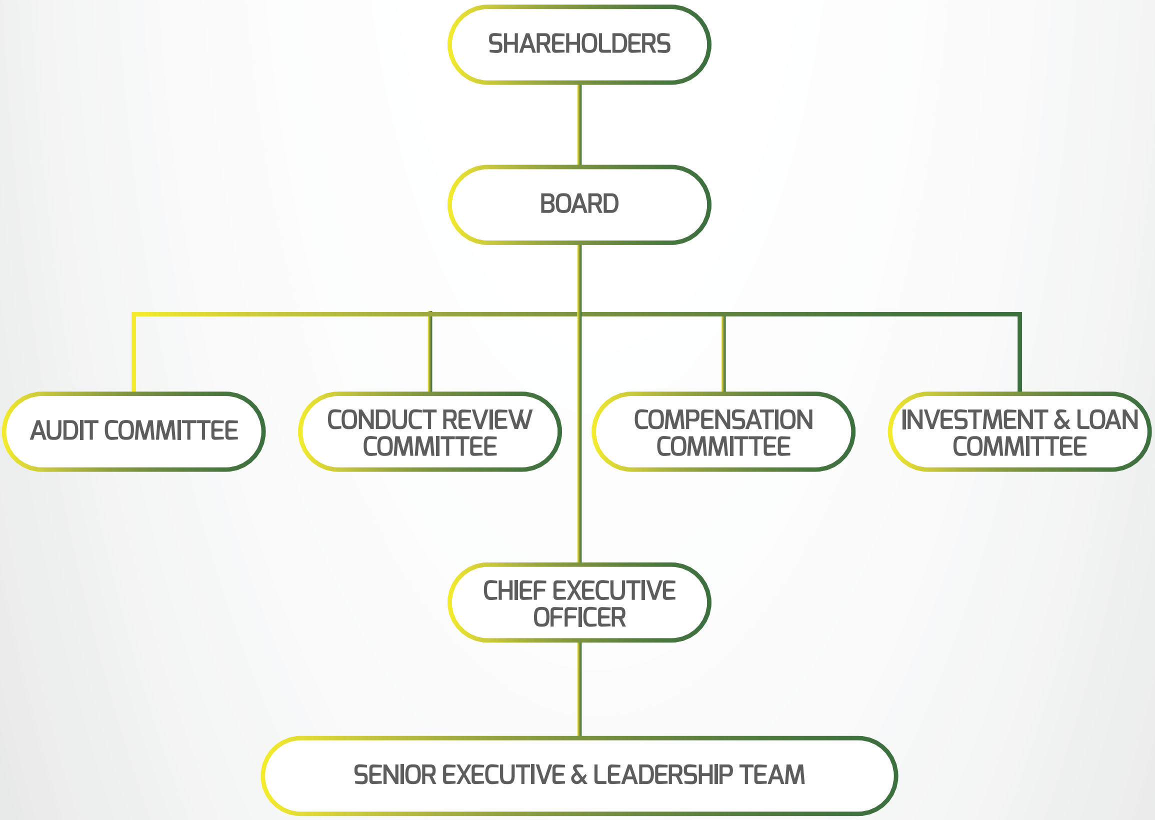
INVESTMENT AND LOAN COMMITTEE

The Investment and Loan Committee is comprised of three non-executive directors and one executive director.

The committee has the responsibility to oversee and drive the company's investment strategy, ensuring that all due diligence requirements are met, inter alia, liquidity, risk levels and term of investments.

The committee meets at least four times a year. Members of the Committee are:
Mrs. Melanie Subratie – Chairman,
Ms. Sharon Donaldson – Managing Director, Mr. Christopher Nakash, Mr. Duncan Stewart, Mr. Matthew Lyn and Mr. Brian Jardim

Corporate Governance Structure



RISK MANAGEMENT

General Accident is regulated by the Financial Services Commission (FSC) and the FSC operates a risk-based approach to supervision. The Company has a Board-approved risk management framework, which identifies risk appetite and the major risk outcomes that pose a threat to the achievement of the company's strategic objectives.

The entire management team has been engaged in a risk management exercise to identify and rank risks associated with main operational processes. Risks are monitored monthly and reported under a number of headings which, together with our mitigation approach, are set out below:

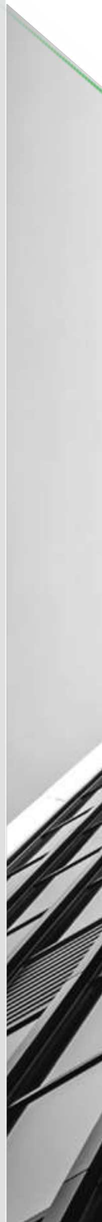
Type of Risk	Risk Detail	Approach
Underwriting Risk	Adverse claims development	• Prudent reserving practice/policy for individual claims • Broker IBNR practice
	Inadequate premiums	• Rigorous selection criteria for each risk • Clear and disciplined underwriting philosophy • Effective diversification of risks • Well-structured reinsurance programme.
Liquidity Risk	The risk of insufficient cash flows to meet settlement obligations as they fall due.	• The use of cash flow forecasting to manage future cash requirements • Sufficient liquid assets are maintained to ensure that there are adequate funds to meet all obligations even at short notice
Operational Risk	The risk of failure of internal processes and systems and loss of or inadequate human resources.	• Internal processes are frequently reviewed and tested to determine vulnerability and corrected as required. • Staff training and building of organizational capacity is an ongoing process.
Regulatory Capital	The risk of not meeting regulatory benchmarks	• Frequent modeling of the company's capital components to ensure transaction decisions are made in such a way to avoid a drag on capital ratio
Market Risk	The risk of losses on our investment portfolio arising from fluctuations in the market value of underlying investments	• The company has a well-defined investment strategy that is clearly communicated to all members of the investment committee. This is regularly reviewed and is consistent with the prudent person principle. • A diversified portfolio lies at the heart of our investment strategy and investments' duration and currency are so determined to avoid any mismatch of assets and liabilities whilst earning the maximum return at an acceptable level of risk.
Credit Risk	The risk arising from the likely default by counterparties.	• Review of solvency requirements of each major counterparty.

THE RISK COMMITTEE

The Risk Committee is responsible for examining major risks faced by the company for both assets and liabilities and reviewing tools for monitoring and controlling such risks, using outside risk experts when necessary. The committee examines the main technical and financial underwriting commitments, claims reserving, risk concentration, counterparty, liquidity and operational risks, as well as relevant charges in the regulatory environment.

The Risk Committee is comprised of seven members and is chaired by a member of the Senior Management team. It meets at least four times a year.

THE BOARD OF DIRECTORS



Paul B. Scott
(appointed November 1998)
Chairman

PB Scott is the Chairman, CEO and principal shareholder of the Musson Group.

He joined the group in 1994 and became CEO in 2004. In 2009 he was appointed chairman of the board. He is responsible for the strategic direction, performance and overall operations of the Musson Group and all of its subsidiaries including the Facey Group, PBS Group, Seprod, T. Geddes Grant Distributors ltd. and General Accident Insurance Company ltd. among others.

In addition to his responsibilities at Musson he serves on many public boards and commissions. He is a trustee of the American International School of Jamaica and currently is Chairman of the Development Bank of Jamaica (DBJ). He is a past President of the Private Sector Organization of Jamaica.

Melanie Subratie
(appointed March 2002)
Deputy Chairman

Melanie Subratie is Chairman and CEO of Stanley Motta Ltd, a company Listed on the Jamaica Stock Exchange, responsible for developing over 230k sq. ft. Of real estate from concept to completed construction, to a fully tenanted technology park.

She is Vice Chairman of Musson (Ja.) Ltd and a director on all its subsidiaries, in addition to being Vice Chairman of Eppley Ltd. And sits on the executive of Seprod Group of Companies and all of its subsidiary boards. Melanie chairs the Audit Committee for both Productive Business Solutions Ltd and Seprod Ltd.

She is Chairman of Seprod Foundation, Musson Foundation, a founder and Chairperson of Jamaica Girls Coding and Chairman to RISE Life Management. A number of her foundation projects have included a major focus on developing technology and coding skills for Jamaican youth. Melanie is a keen Angel investor and sits on the Boards of LoanCirrus, Bookfusion, and is a board member of First Angels itself. She sits on the Boards of Bustamante Children's Hospital and the National Museum of Jamaica. She is currently working to set up Jamaica's first large scale skatepark.

Melanie is fourth Vice President of the Jamaica chamber of Commerce, and is the current Chair of the Legislation, Regulation and Process Improvement Committee.

Melanie is an honors graduate of the London School of Economics and worked for a political newswire start up and as a Consultant in the Financial Services Division of Deloitte and Touch in London before returning to Jamaica. Melanie is mother to three (3) girls.

Sharon Donaldson
(appointed March 2008)
Managing Director

Sharon Donaldson is the Managing Director of the Company. She has been responsible for driving its recent growth and for overseeing its prudent underwriting and risk management strategy.

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

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

Geoffrey Messado
(appointed May 2001)
Non Executive Director

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

Mr. Messado is also the Company Secretary 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 Devon House Development and as a director of Edgechem(Jamaica) Limited, Spirits Pool Association, KRB Lea Jamaica Rums Limited , Ciboney Group Limited and the Jamaica Agricultural Development Foundation.

Mr. Messado is a Chartered Accountant, FCA, FCAA, ATII and a Justice of the Peace for St. Andrew.

Nicholas A. Scott

(appointed July 2011)
Non Executive Director

Nicholas Scott is a non-executive Director of the company and the Chief Investment Officer for the Musson Group. He also serves as the Managing Director of Eppley Limited and as a director of many of the Musson subsidiaries and affiliates including Seprod.

He returned to Jamaica in 2009 after working as a private equity investor and investment banker at the Blackstone Group in New York and Brazil.

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

Jennifer Scott

(appointed December 2009)
Non Executive Director

Jennifer Scott is a non-executive Director of the Board of the Company. Mrs. Scott holds a B.Sc.(Hons) in Psychology from Newcastle University, United Kingdom, a Graduate Diploma in Legal Studies from Keele University, UK, and Certificate of Legal Practice from the College of Law, London. She 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 in 2014. She is a consultant at Clinton Hart & Co., Attorneys-at-Law specialising in the areas of financial securities and corporate law.

Duncan Stewart
(appointed August 2011)
Independent Non Executive Director

Duncan Stewart is one of the family leaders of Stewart's Auto Sales Ltd. and its affiliated companies, Stewart's Auto Paints Ltd., Tropic Island Trading Co. Ltd. and Silver Star Motors Ltd.

He joined his family's business as a 3rd generation member in 1985 after graduating with a B. Eng (Mech) degree from McGill University. He learned the business by working his way through the ranks, learning and following the family's culture of service.

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.

Matthew Lyn

(appointed July 2015)
Independent 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 the CB Group and its related companies, including CB Foods Ltd., Newport Mills Ltd. and Imagination Farms Ltd.

He holds a B.B.A from the Goizuetta Business School at Emory University.

Brian Jardim

(appointed August 2017)
Independent Non Executive Director

Brain Jardim is the founder and CEO of Rainforest Seafoods Ltd. The leading seafood harvester, processor and distributor in the Caribbean.

He joined the board of General Accident Insurance Company in 2017 as an independent director.

Mr. Jardim currently serve as a director on the Board of the Jamaica Observer, We Care for Cornwall Regional Hospital, Industrial Chemical Company among others.

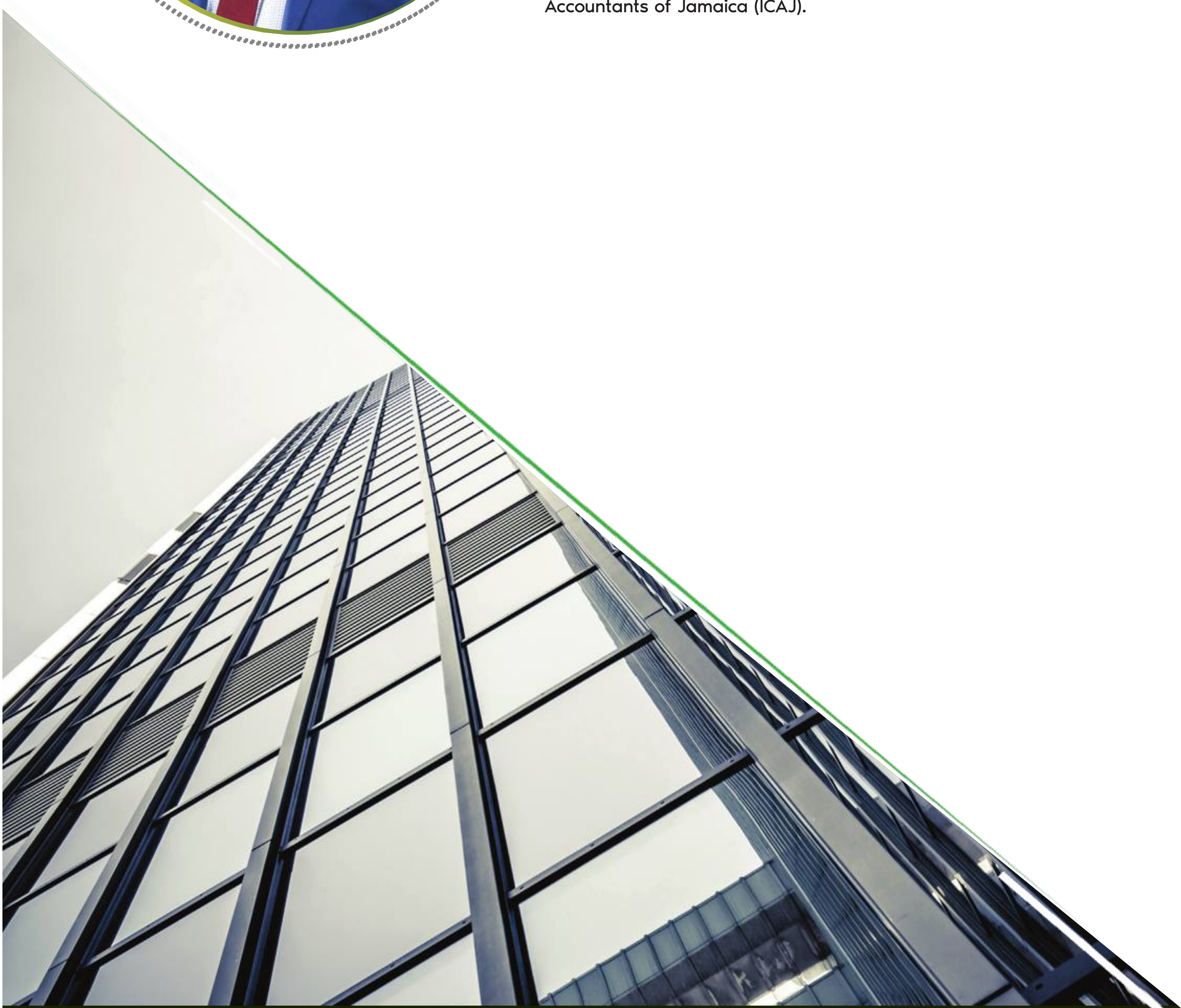
He is a Certified Public Accountant (CPA), a graduate of the University of Florida where he obtained a MSc. in Financial Accounting and a BSc. in Business Administration as well as a Diploma in Business Administration from Ryerson University.

Gregory St. Hugh Foster

(appointed April 2018)
Executive Director

Gregory Foster is the Chief Operations Officer with responsibility for the Motor division and oversight of the finance, accounting and treasury function. Mr. Foster joined the Company in August 2014 after 8 years at PricewaterhouseCoopers where he held the position of an Assistant Manager in their Audit and Assurance Department. He has accumulated over seven years of experience in providing audit services to a wide spectrum of clients, including government/public sector, financial services, and manufacturing and distribution.
Mr. Foster is also part-time lecturer at Richmond Academy an ACCA gold approved learning center.

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



MANAGEMENT TEAM

Careen Nolan

Senior Underwriting Manager

Careen 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 an MBA in General Management.

Andrea Muir Gibbs

Broker Services Manager

Andrea joined the company in 2013. She is responsible for managing the relationship with our Broking partners and corporate clients. Mrs. Muir-Gibbs has over 15 years of experience in the insurance industry.

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

Jamalda Stanford-Brown
Business Development Officer

Jamalda joined General Accident in January 2018 as the Business Development Officer.

She brings to the position a wealth of knowledge in the areas of auditing, risk and reinsurance having worked in finance and insurance in the international reinsurance market.

Jamalda has a Bachelor of Science Degree in Economics and Accounting from the University of the West Indies, she is a Certified Public Accountant, a Chartered Property and Casualty Underwriter and holds an Associate Degree in Reinsurance.

Lesley Miller
Chief Information Officer

Lesley joined General Accident in 2006 and held various positions in the Technology department. She held the position Senior I.T. Analyst with responsibility for the I.T. department until her resignation to join Digicel in November 2011.

Lesley spent six years at Digicel in various senior roles where she continued to develop her skills in management and strategy development while innovating and developing new market opportunities.

Lesley rejoined General Accident in January 2018 as Chief Information Officer. She brings to the role a wealth of knowledge in IT Service Management, product and process innovation. As CIO, Lesley's focus is on a complete customer experience digital transformation by leveraging cutting-edge analytics and technologies.

She holds a B.Sc. in Computing & Information Technology from the University of Technology Jamaica and an MBA in Banking & Finance from the University of the West Indies. Lesley is a certified Project Management Professional (PMP).

Tracey-Ann Thompson
Underwriting Manager

Tracey-Ann joined the company in 2008. She is the Operations Manager for the 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 Managemen. She is a Certified Insurance Technician from the College of Insurance Professional Studies.

Janille Jarrett
Motor Manager

Janille joined General Accident in May 16, 2005, and 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 rejoined us in July 2016 and was appointed Underwriting Manager - AutoSMART, which is a specialized insurance business unit within General Accident.

Janette Cole Smith

Finance & Compliance Manager

Janette 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 member of the Institute of Chartered Accountants of Jamaica.

Cheryll Henry

Operations & Facilities Manager

Cheryll 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.

Douglas Hayden

Information Technology Manager

Douglas joined the company in December 2014. He came to us with over twenty years of experience in the Information Technology field, 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).

Tanya Thomas

Business Intelligence Manager

Tanya 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.

COMPANY PROFILE

DIRECTORS:

• P.B. Scott	Chairman
• Melanie Subratie	Deputy Chairman
• Sharon Donaldson	Managing Director
• Geoffrey Messado	
• Jennifer Scott	
• Nicholas Scott	
• Duncan Stewart	
• Christopher Nakash	
• Matthew Lyn	
• Brian Jardim	
• Gregory Foster	

CORPORATE SECRETARY:

- Geoffrey Messado

APPOINTED ACTUARY:

- Josh Worsham, FRAS, MAAA

AUDITORS:

- PricewaterhouseCoopers

BANKERS:

- CIBC First Caribbean International Bank
- First Global Bank
- Bank of Nova Scotia Jamaica Limited
- National Commercial Bank

ATTORNEYS:

- Nunes Scholefield & DeLeon & Co:
  6A Holborn Road
  Kingston

- DunnCox
  48 Duke Street,
  Kingston

REGISTERED OFFICE:

- 58 Half Way Tree Road, Kingston
  Telephone No: (876) 929-2451
  Fax No: (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
Musson Jamaica Ltd.	824,999,989	80.00
Mayberry Jamaican Equities Ltd.	36,302,484	3.52
Mayberry Managed Clients Account	13,705,913	1.33
Apex Pharmacy	10,000,000	0.97
JCSD Trustee Services Ltd. Sigma Venture	9,121,759	0.88
Lancedale Farquharson	7,305,000	0.71
P.A.M. Ltd. - Pooled Pension Equity Fund	6,299,832	0.61
Lloyd Badal	4,672,062	0.45
FirstCaribbean Int'l Sec. Ltd. A/C B.U.T.	4,406,666	0.43
Sagicor Pooled Equity Fund	4,251,700	0.41

Shareholdings of Directors

Shareholders	Direct	Connected
1. P.B. Scott	Nil	824,999,999
2. Melanie Subratie	Nil	824,999,999
3. Sharon Donaldson	3,677,956	10,604
4. Duncan Stewart	2,475,190	Nil
5. Nicholas Scott	1,980,198	Nil
6. Christopher Nakash	1,698,020	Nil
7. Geoffrey Messado	1,000,000	Nil
8. Jennifer Scott	Nil	Nil
9. Matthew Lyn	Nil	Nil
10. Brian Jardim	Nil	Nil
11. Gregory Foster	350,000	Nil

Shareholdings of Management Team

Manager	Direct	Connected
1. Janette Cole Smith	Nil	Nil
2. Douglas Hayden	Nil	Nil
3. Cheryll Henry	1,169,455	Nil
4. Janille Jarrett	25,000	Nil
5. Lesley Miller	250,000	Nil
6. Andrea Muir-Gibbs	Nil	Nil
7. Careen Nolan	Nil	Nil
8. Jamalda Stanford-Brown	Nil	Nil
9. Tanya Thomas	Nil	Nil
10. Tracey-Ann Thompson	50,000	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 2018 were as follows:

Quarters	High	Low
Q1 2018	3.19	3.10
Q2 2018	2.98	2.85
Q3 2018	3.80	3.80
Q4 2018	3.60	3.50

GENERAL ACCIDENT INSURANCE COMPANY JAMAICA LIMITED
31 December 2018

FINANCIAL STATEMENTS

MID ATLANTIC ACTUARIAL

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, 2018 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:	1,956,371	1,956,370
Assumed unpaid claims and adjustment expenses:	0	0
Gross unpaid claims and adjustment expenses:	1,956,371	1,956,370
Ceded unpaid claims and adjustment expenses:	487,732	487,921
Other amounts to recover:	0	0
Other net liabilities:	0	0
Net unpaid claims and adjustment expenses:	1,468,639	1,468,448

Policy Liabilities (J$000)	Carried in Annual Return	Actuary's Estimate
Gross policy liabilities in connection with unearned premiums:		916,363
Net policy liabilities in connection with unearned premiums:		752,201
Gross unearned premiums:	1,846,993	
Net unearned premiums:	988,829	
Premium deficiency:	0	
Other net liabilities:	0	

MID ATLANTIC
ACTUARIAL

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

Josh Worsham, FCAS, MAAA		April 10, 2019
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 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) 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 financial position as at 31 December 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include 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.

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.

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 G.K.Moore

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Our 2018 audit was planned and executed having regard to the fact that the operations of the Company remain largely unchanged from the prior year.

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 (r) and 30 to the financial statements for disclosure of related accounting policies and balances*** As at year end, the total reserves set aside in relation to the claims liabilities amount to \$1.96 billion or 39% 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 application of actuarial methodologies. 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 2018. 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: • tested the operating effectiveness of the controls over the claims business process. We determined that we could rely on these controls for the purposes of our audit. • performed detailed testing over the claims provision and claims paid to underlying source documentation. • tested the completeness, accuracy and reliability of the underlying data utilized by management, and its external actuarial experts, to support the actuarial valuation. • evaluated the independence, experience and objectivity of management's actuarial expert. • assisted by our actuarial expert, we assessed the actuarial assumptions used by management in determining claims liabilities. 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 IFRS 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

10 April 2019

Kingston, Jamaica

General Accident Insurance Company Jamaica Limited
Statement of Comprehensive Income
Year ended 31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Gross Premiums Written		8,735,797	7,106,254
Reinsurance ceded		(6,745,749)	(5,555,551)
Excess of loss reinsurance cost		(127,754)	(91,359)
Net premiums written		1,862,294	1,459,344
Changes in unearned premiums, net		(231,864)	(129,444)
Net Premiums Earned		1,630,430	1,329,900
Commission income		695,668	568,037
Commission expense		(334,247)	(273,592)
Claims expense	10	(1,023,022)	(1,087,590)
Management expenses		(794,061)	(572,287)
Underwriting Profit/(Loss)		174,768	(35,532)
Investment income	11	174,675	328,382
Other income/(expense)	12	47,041	(25,827)
Other operating expenses		(43,915)	(30,946)
Profit before Taxation		352,569	236,077
Taxation	15	(67,199)	(14,841)
Net Profit for the Year		285,370	221,236
Other Comprehensive Income:			
Items that may be subsequently reclassified to profit or loss			
Unrealised gains on available-for-sale investments		-	68,390
Gains recycled to profit or loss on disposal and maturity of available-for-sale investments		-	(151,899)
Tax charge	29	-	(1,261)
		-	(84,770)
Items that may not be subsequently reclassified to profit or loss			
Changes in fair value of equity investments at fair value through other comprehensive income		2,643	-
Unrealised gains on revaluation of pooled real estate investment		3,933	36,886
Total Other Comprehensive Income		6,576	(47,884)
TOTAL COMPREHENSIVE INCOME		291,946	173,352
EARNINGS PER SHARE	16	$0.28	$0.21

General Accident Insurance Company Jamaica Limited

Statement of Financial Position

31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
ASSETS			
Cash and short-term investments	18	656,143	984,036
Taxation recoverable		137,962	174,022
Due from policyholders, brokers and agents		920,191	612,086
Due from reinsurers and coinsurers	19	1,644,177	1,087,521
Deferred policy acquisition cost		416,235	334,543
Other receivables	20	159,747	74,479
Due from related parties	9	4,108	5,161
Loans receivable	21	28,964	89,385
Investment securities	22	2,470,527	1,862,830
Investment property	23	206,655	130,000
Pooled real estate investment	24	184,367	180,435
Property, plant and equipment	25	230,763	165,130
Intangible assets	26	2,325	4,177
Total assets		7,062,164	5,703,805
LIABILITIES			
Due to reinsurers and coinsurers	27	706,156	428,996
Due to related parties	9	-	4,013
Other liabilities	28	316,303	138,254
Deferred tax liabilities	29	7,144	1,993
Insurance reserves	30	3,975,949	3,192,778
Total liabilities		5,005,552	3,766,034
SHAREHOLDERS' EQUITY			
Share capital	31	470,358	470,358
Capital reserves	32	152,030	152,030
Property revaluation reserve	33	40,819	36,886
Fair value reserve	34	14,898	10,754
Retained earnings		1,378,507	1,267,743
Total shareholders' equity		2,056,612	1,937,771
Total liabilities and shareholders' equity		7,062,164	5,703,805

Approved by the Board of Directors on 9 April 2019 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 2018

(expressed in Jamaican dollars unless otherwise stated)

	Note	Share Capital $'000	Capital Reserves $'000	Property Revaluation Reserve $'000	Fair Value Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 31 December 2016		470,358	152,030	-	95,524	1,246,508	1,964,420
Comprehensive income:							
Net profit for the year		-	-	-	-	221,236	221,236
Other comprehensive income		-	-	36,886	(84,770)	-	(47,884)
Total comprehensive income		-	-	36,886	(84,770)	221,236	173,352
Transactions with owners							
Dividends	17	-	-	-	-	(200,001)	(200,001)
Balance at 31 December 2017 as previously reported		470,358	152,030	36,886	10,754	1,267,743	1,937,771
Effect of adopting new accounting standards	37	-	-	-	1,501	(24,559)	(23,058)
Restated at 1 January 2018		470,358	152,030	36,886	12,255	1,243,184	1,914,713
Comprehensive income:							
Net profit for the year		-	-	-	-	285,370	285,370
Other comprehensive income		-	-	3,933	2,643	-	6,576
Total comprehensive income		-	-	3,933	2,643	285,370	291,946
Transactions with owners							
Dividends	17	-	-	-	-	(150,047)	(150,047)
Balance at 31 December 2018		470,358	152,030	40,819	14,898	1,378,507	2,056,612

General Accident Insurance Company Jamaica Limited

Statement of Cash Flows

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Cash Flows from Operating Activities			
Net profit		285,370	221,236
Adjustments for items not affecting cash:			
Depreciation	25	41,827	29,578
Amortisation of intangible assets	26	2,075	1,366
Amortisation of investment premium		4,654	7,915
Gains on revaluation of investment property		(9,800)	(3,000)
Adjustment to intangible assets		(223)	(385)
ECL on debt investments		(6,720)	-
Gain on sale of investments		-	(151,899)
Gain on disposal of property, plant and equipment	12	(2,663)	(2,732)
Interest income	11	(140,742)	(162,260)
Dividend income	11	(109)	(6,560)
Current taxation	15	62,348	13,588
Deferred taxation	15	4,851	1,253
Foreign exchange (gains)/losses		(10,093)	34,545
Increase in deferred policy acquisition cost		(81,692)	(37,133)
Increase in insurance reserves		783,171	684,823
		932,254	630,335
Changes in operating assets and liabilities:			
Due from policyholders, brokers and agents		(312,238)	(159,882)
Other receivables		(85,268)	3,770
Other liabilities		28,002	(31,155)
Due from related parties		(2,960)	(7,470)
Due from reinsurers and coinsurers, net		(279,496)	(181,444)
		280,294	254,154
Tax deducted at source		(26,288)	(25,561)
Net cash provided by operating activities		254,006	228,593
Cash Flows from Investing Activities			
Acquisition of investments		(1,867,211)	(744,336)
Loans receivable		35,421	(36,000)
Leases receivable repaid		-	63
Acquisition of investment property		(41,855)	-
Acquisition of property, plant and equipment	25	(111,053)	(57,317)
Acquisition of intangible asset	26	-	(1,245)
Proceeds from disposal of property, plant and equipment		6,256	3,570
Proceeds from disposal and maturity of investments		1,246,062	555,853
Dividend received		109	6,560
Interest received		146,197	150,323
Net cash used in investing activities		(586,074)	(122,529)
Sub-total c/f		(332,068)	106,064

General Accident Insurance Company Jamaica Limited

Statement of Cash Flows (Continued)

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Sub-total b/f		(332,068)	106,064
Cash Flows from Financing Activities			
Dividends paid	17	-	(200,001)
Net cash used in by financing activities		-	(200,001)
Decrease in cash and cash equivalents		(332,068)	(93,937)
Effect of exchange rate changes on cash and cash equivalents		4,175	(2,050)
Cash and cash equivalents at beginning of year		984,036	1,080,023
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (NOTE 18)		656,143	984,036

Non-Cash Transactions:

1. Acquistion of investment property - $25,000,000 (Note 23)
2. Loan repayment - $25,000,000 (Note 21)

3. 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.

4. 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 accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements 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 2018 which are relevant to the company's operations
Certain new standards, amendments and interpretations to existing standards have been published that became effective during the current financial year and are relevant to the company's operations. The adoption of these new pronouncements has impacted the company as discussed below.

- **IFRS 9, 'Financial instruments'**, (effective for annual periods beginning on or after 1 January 2018). This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial asets and liabilities; it also includes an expected credit loss model that replaces the current incurred loss impairment model.

  IFRS 9 has three classification categories for debt instruments; amortised cost, fair value through other comprehensive income ('FVOCI') and fair value through profit or loss ('FVPL'). Classificaiton under IFRS 9 for debt instruments is based on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ('SPPI'). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity. That is, an entity's business model determines whether the cash flows will result from collecting contractual cash flows, selling financial assets or both.

  If a debt instrument is held to collect contractual cash flows, it is classified as amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect contractual cash flows and to sell the assets are classified as FVOCI. Under the new model, FVPL is the residual category. Financial assets should therefore be classified as FVPL if they do not meet the criteria of FVOCI or amortised cost.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Accounting pronouncements effective in 2018 which are relevant to the company's operations

- **IFRS 9, 'Financial instruments' (continued)**
  IFRS 9 introdueces a new model for the recognition of impairment losses – the expected credit loss (ECL) model. The ECL model constitutes a change from the guidance in IAS 39 and seeks to address the criticism of the incurred loss model which arose during the economic crisis. In practice, the new rules mean that entities will have to record a day 1 loss equaly to the 12-month ECL on the initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). IFRS 9 contains a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measureimpairment losses and applies the effective interest rate method. Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for trade receivables

  The adoption of IFRS 9 from 1 January 2018 resulted in adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions ofn IFRS 9 [7.2.15], comparative figures have not been restated. Details of the new accounting accounting policy in relation to IFRS 9 are outlined in Note 2 and the impact of the financial statements on adoption of the new standard is disclosed in note 37.

- **Amendments to IAS 40, 'Investment property'** (effective for annual periods beginning on or after 1 January 2018). These amendments clarify that to transfer to, or from investment properties, there must be a change in use. To conclude if a property has changed juse there should be an assessment of whether the property meets the definition. This change must be supported by evidence by evidence. This amendment did not impact the financial statements.

- **Amendments to IFRS 4 'Insurance Contracts'** (effective for annual periods beginning on or after 1 January 2018). This amendment addresses the concems of insurance companies about the difference effective dates of IFRS 9, 'Financial instruments', and the forthcoming new insurance contracts standard. The amendment to IFRS 4 provides two different solutions for insurance companies; a temporary exemption from IFRS 9 for entities that meet specific requirements; and the 'overlay approach'. Both approaches are optional. IFRS 4 (including the amendments that have now been issued) will be superseded by the forthcoming new insurance contacts standard. Accordingly, both the temporary exemption and the 'overlay approach' are expected to cease to be applicable when the new insurance standard becomes effective. This amendment did not have an impact on the company.

- **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 was no impact from the adoption of this amendment.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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 2018 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 and has determined that the following, as shown below, may be immediately relevant to its operations. Unless stated otherwise, the impact of the changes is still being assessed by management.

- **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.

  Management is in the process of assessing the impact of IFRS 16 on the company. An implementation team headed by the Chief Financial Officer was created to oversee the implementation project. The project involves impact assessment to determine the key potential areas of impact and to develop a plan to address the implementation of the standard, conversion assessment to focus on key areas of impact identified and quantify what changes to the financial statements may be required and embedding the new accounting standard into the existing reporting structure.

- **IFRS 17, 'Insurance contracts'**, (effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4 which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The standard requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of discount probability – weighted cash flows, an explicit risk adjustment, and a contract service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. This IFRS provides a common global insurance accounting standard leading to consistency in recognition, measurement, presentation and disclosure.

- **IFRIC 23, 'Uncertainty over income tax treatments'** (effective for annual periods beginning on or after 1 January 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments.

  The IFRS Implementation Committee had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

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)

- **Amendment to IFRS 9, 'Financial instruments'** (effective for annual periods beginning on or after 1 January 2019). This amendment confirms that when a financial liability measured at amortized cost is modified without this resulting in de-recognition, a gain or loss should be recognized immediately in the profit and loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread across the remaining life of the instrument which may be changed in practice from IASA 39. The company is currently assessing the impact of future adoption of the amendment on the financial statements.

- **Annual improvement 2015 - 2017**, (effective for annual periods beginning on or after 1 January 2019). These amendments includes minor changes to: (i) IAS 12, 'Income taxes', a company accounts for all income taxes consequences of dividend payments in the same way. (ii) IAS 23, 'Borrowing costs', a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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.

2. Summary of Significant Accounting Policies (Continued)

(b) Revenue and income recognition

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

Insurance services

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

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

Interest income

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

Dividend

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

Rental income

Rental income is recognised on an accrual basis.

(c) Cash and cash equivalents

Cash and cash equivalents are stated at amortised 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.

(d) 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.

Changes in the fair value of monetary assets denominated in foreign currencies and classified at amortised cost are analysed between translation differences resulting from changes in the amortised cost of the asset and other changes. Translation differences resulting from the changes in amortised cost are recognised in the profit or loss, and other changes are recognised in other comprehensive income..

2. Summary of Significant Accounting Policies (Continued)

(e) Financial instruments

Financial instruments carried on the statement of financial position include investments, due to and from related parties, due to and from reinsurers and coinsurers, due from policyholders, brokers and agents, 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.

(f) Financial assets

(i) Classification

From 1 January 2018, the company classifies its financial assets in the following measurement categories:

- At fair value (either through OCI or through profit or loss); and
- At amortised cost.

The classification is based on the company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are recorded in profit or loss or OCI.

The company will reclassify debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date, the date on which the company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the company measures a financial asset at its fair value plus transaction cost directly attributable to the acquisition of the financial asset in the case of a financial asset not at fair value through profit or loss (FVPL). Transaction costs that are directly attributable to the acquisition of the financial asset carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments is based on the company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the company classifies its debt instruments:

- Amortised cost - Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets are included in investment income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in gains/(losses). Impairment losses are presented as separate line item in profit or loss

2. Summary of Significant Accounting Policies (Continued)

(g) Investments

(iii) Measurement (continued)

- FVOCI – Financial assets that are held for collection of contractual cash flows and for selling, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in investment income using the effective interest rate method. Foreign exchange gains and losses are presented in gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL - Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. Gains or losses on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments
The company subsequently measures all equity investments at fair value. Where the company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the company's right to receive payment is established.

Changes in the fair value of financial assets at FVPL are recognised in gains/(losses) in the profit or loss statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment
From 1 January 2018, the company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost (include cash and cash equivalent, excluding bank balances) and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For receivables, the company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 4 for further details.

2. Summary of Significant Accounting Policies (Continued)

(g) Investments (continued)

Accounting policies applied until 31 December 2017

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

(i) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading or designated at fair value through profit or loss at inception. Investments classified as fair value through profit or loss, are initially recognised at fair value and transaction costs are expensed through profit or loss. Investments at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value of investments at fair value through profit or loss are presented in investment income in arriving at profit or loss.

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(h) 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.

(i) Leases

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

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

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

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

(j) Insurance contracts

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(j) Insurance contracts (continued)

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.

(k) 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.

(l) Reinsurance ceded

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

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

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

The company relies upon reinsurance agreements to limit the potential for losses and to increase its capacity to write insurance. Reinsurance arrangements are effected under reinsurance treaties and by negotiation on individual risks. Reinsurance does not relieve the company from liability to its policyholders. To the extent that a reinsurer may be unable to pay losses for which it is liable under the terms of the reinsurance agreement, the 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.

(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	20%

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) Investment properties

Investment property comprise significant portions of freehold residential buildings that are held for long-term rental yield and/or for capital appreciation.

Investment properties are treated as a long-term investment, initially recognized at cost and subsequently carried at fair value, based on fair market valuation exercise conducted annually by independent qualified values. Changes in fair values are recorded in the income statement.

(q) 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)

(r) 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.

(iv) Claims incurred but not reported

The reserve for IBNR claims has been calculated by an independent actuary using the Paid Loss Development method, the Incurred Loss Development method, the Bornhuetter-Ferguson Paid Loss method, the Bornhuetter-Ferguson Incurred Loss method, the Expected Loss Ratio method and the Frequency-Severity method (Note 31). This calculation is done in accordance with the Insurance Act 2001.

(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.

2. Summary of Significant Accounting Policies (Continued)

(s) Accounts payable

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

(t) 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.

(u) 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.

2. Summary of Significant Accounting Policies (Continued)

(v) 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.

(w) 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:

	2018		2017	
	Policy Limit '000	Maximum Net Retention '000	Policy Limit '000	Maximum Net Retention '000
Commercial property –				
Fire and consequential loss	US$8,000	US$800	US$7,500	US$700
Personal property	US$8,000	US$800	US$7,500	US$700
Engineering	US$5,000	US$125	US$5,000	US$125
Liability	J$40,000	J$20,000	J$40,000	JS20,000
Marine, aviation and transport	USS750	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	JS5,000	J$1,000	J$5,000	J$1,000
Cash/Money	JS5,000	J$1,000	J$5,000	J$1,000
Fidelity	JS5,000	J$1,000	J$5,000	J$1,000
Bonds	J$60,000	J$12,000	J$40,000	J$8,000
Goods in Transit	JS5,000	J$1,000	J$5,000	J$1,000
Personal Accident	JS7,500	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 $1,468,640,000 (Note 30) were determined at the 50% confidence interval. Had the confidence interval increased/(decreased) by 10%, the net reserves would increase/(decrease) by $58,745,000/($73,432,000).

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.

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
claims liability for accident years 2010 - 2018 has changed at successive year-ends, up to 2018. Updated unpaid claims
date are used to derive the revised amounts for the ultimate claims liability for each accident year, used in the developm

		2011 $'000	2011 and prior $'000	2012 $'000	2012 and prior $'000	2013 $'000	2013 and prior $'000	2014 $'000	2014 And Prior $'000	2015 $'000	2015 and prior $'000
2010	Paid during year										
	UCAE, end of year										
	IBNR, end of year										
	Ratio: excess (deficiency)	-	-								
2011	Paid during year	183,148	364,372								
	UCAE, end of year	232,245	472,903								
	IBNR, end of year	65,680	88,719								
	Ratio: excess (deficiency)			-	-						
2012	Paid during year	142,264	219,236	210,963	210,963						
	UCAE, end of year	155,272	303,904	272,082	575,987						
	IBNR, end of year	20,258	36,759	60,864	97,263						
	Ratio: excess (deficiency)	(6.67%)	0.31%	-	-						
2013	Paid during year	69,298	127,048	156,978	284,026	239,700	523,726				
	UCAE, end of year	111,383	220,474	161,264	381,738	291,198	672,936				
	IBNR, end of year	12,732	20,950	25,397	46,347	70,085	116,433				
	Ratio: excess (deficiency)	(13.13%)	(5.11%)	(3.91%)	(5.02%)	-	-	-	-		
2014	Paid during year	46,319	74,473	54,090	128,563	152,205	280,768	222,509	503,277		
	UCAE, end of year	94,206	184,997	129,287	314,284	190,624	504,908	322,488	827,396		
	IBNR, end of year	5,984	17,104	17,729	34,833	33,965	68,798	76,216	145,014		
	Ratio: excess (deficiency)	(20.19%)	(10.90%)	(7.55%)	(6.26%)	(2.97%)	(0.95%)	-	-	-	-
2015	Paid during year	25,812	49,226	49,137	98,363	60,574	158,937	185,354	344,291	269,589	613,880
	UCAE, end of year	69,795	134,277	83,192	217,469	139,704	357,173	207,194	564,367	334,705	899,072
	IBNR, end of year	5,463	15,035	7,898	22,933	18,455	41,388	31,594	72,982	84,310	157,292
	Ratio: excess (deficiency)	(20.48%)	(10.27%)	(5.51%)	(30.45%)	(1.37%)	(5.14%)	(6.38%)	(4.37%)	-	-
2016	Paid during year	7,026	30,066	20,503	50,569	42,773	93,342	65,100	158,442	211,295	369,737
	UCAE, end of year	50,646	91,007	51,896	142,903	100,284	243,187	148,774	391,961	190,777	582,738
	IBNR, end of year	2,815	7,952	1,379	9,331	3,047	12,378	15,338	27,716	29,963	57,679
	Ratio: excess (deficiency)	(15.53%)	(6.66%)	(0.31%)	(6.02%)	(7.25%)	(1.65%)	(9.00%)	(4.22%)	(9.96%)	(12.36%)
2017	Paid during year	21,362	39,619	18,264	57,883	19,437	77,320	60,515	137,835	102,601	240,436
	UCAE, end of year	41,014	74,399	61,158	135,557	90,733	226,290	119,584	345,874	132,225	478,099
	IBNR, end of year	4,585	8,049	4,126	12,175	3,372	15,547	4,937	20,484	17,247	37,731
	Ratio: excess (deficiency)	(20.06%)	(10.77%)	(9.40%)	(13.88%)	(0.87%)	(6.67%)	(9.23%)	(3.55%)	(10.59%)	(6.59%)
2018	Paid during year	13,700	14,766	20,483	35,249	38,401	73,650	31,282	104,932	33,231	138,163
	UCAE, end of year	21,014	45,107	41,045	86,152	48,113	134,265	77,816	212,081	77,148	289,229
	IBNR, end of year	3,221	6,141	5,172	11,313	5,880	17,193	6,979	24,172	6,642	30,814
	Ratio: excess (deficiency)	24.40%	(8.29%)	(9.83%)	(12.03%)	(0.40%)	(4.89%)	(6.47%)	(0.96%)	(2.84%)	(1.14%)

ompany's ability to estimate the ultimate value of claims. The table below illustrates how the company's estimate of the ultimate ated unpaid claims and adjustment expenses (UCAE) and IBNR estimates in each successive year, as well as amounts paid to ed in the development calculations.

2015	2015 and prior	2016	2016 and prior	2017	2017 and prior	2018	2018 and prior
$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
-	-						
269,589	613,880						
334,705	899,072						
84,310	157,292						
-	-	-	-				
211,295	369,737	316,867	686,604				
190.777	582.738	395,079	977,817				
29,963	57,679	90,131	147,810				
(9.96%)	(12.36%)	-	-	-	-		
102.601	240.436	354,039	594,475	376.268	970,743		
132.225	478.099	231,093	709,192	491.870	1.201,062		
17,247	37,731	34,818	72,549	128,131	200,680		
10.59%)	(6.59%)	(27.77%)	(22.26%)	-	-		
33,231	138,163	64,897	203,060	357,070	560,130	657,745	1,217,875
77.148	289.229	151,792	441,021	217.186	658,207	610,706	1,268,913
6.642	30.814	16,902	47,716	39.187	86,903	112,632	199,535
(2.84%)	(1.14%)	(21.11%)	(14.27%)	1.06%	6.88%	-	-

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 2018				
Territory	**Motor**	**Property**	**Other types of risk**	**Total**
	$Millions	**$Millions**	**$Millions**	**$Millions**
Jamaica: Gross	48,981	165,579	113,466	328,026
Net	43,359	12,369	35,173	90,901

31 December 2017				
Territory	**Motor**	**Property**	**Other types of risk**	**Total**
	$Millions	**$Millions**	**$Millions**	**$Millions**
Jamaica: Gross	37,501	146,368	57,280	241,149
Net	34,115	10,631	48,455	93,201

4. Insurance and Financial Risk Management (Continued)

(b) Reinsurance risk

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

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

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

(b) The company has treaty arrangements as follows:

(i) Property and allied perils 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 JS2,000,000.
(v) Catastrophe excess of loss treaty which covers losses in excess of J$100,000,000 for any one catastrophic event as defined.

(c) The company reinsures with several reinsurers. Of significance are Munich Reinsurance, R & V Reinsurance, Scor Reinsurance and Swiss Reinsurance Company. All other reinsurers carry lines under 10%. The company's business model supports the placement of specialty risk directly in the overseas market on a per risk basis. In keeping with the Company's risk policy, placement of these risks are with several reinsurers. A.M Best (Best) and Standdard & Poor's (S & P) ratings for the major reinsurers are as follows:

	A.M Best		S & P	
	2018	**2017**	**2018**	**2017**
Munich Reinsurance Company	A	A+	AA-	AA-
R & V Reinsurance	-	-	AA-	AA-
Scor Reinsurarance Company	A+	A+	AA-	AA-
Swiss Reinsurance Company	A-	A+	AA-	AA-

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

	2018 $'000	2017 $'000
Property	86,712	64,517
Motor	86,708	68,090
Marine	358	1,489
Liability	3,799	7,565
Engineering	3,395	12,729
Miscellaneous Accidents	39,603	7,546
	220,575	161,936

4. Insurance and Financial Risk Management (Continued)

(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.

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.

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)
Credit review process (continued)

(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.

Impairment of Financial Assets
The Company has two types of financial assets that are subject to expected credit loss model:
- Premium receivales
- Debt investments carried at amortised cost.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, all bank balances are assessed to have low credit risk at each reporting date as they are held with reputable banking institutions and the identified impairment loss was immaterial.

Premium receivables
The Company applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a liftetime expected loss allowance fo these assets.

To measure th expected credit losses, premium receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of premium over a period of 24 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconimic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the undemployment rate of Jamaica to be most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors

For unemployment rate, we anticiapate a decline in unemployment resulting in better payment patterns from our broker partners.

In determiming the classification of our brokers, we considered the payment pattern for the past 24 months.

Maximum exposure to credit risk
The following table contains an analysis of the credit risk exposure of financial instruments for which and ECL is recognized. The gross carrying amount of tfinancial assets below also represents the Company's maximum exposure to credit risk on these assets.

	2018 $'000	2017 $'000
Low risk	110,380	83,935
Standard risk	814,127	528,151
Gross carrying amount	924,507	612,086
Loss allowance	(4,316)	-
Carrying amount	920,191	612,086

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

Loss allowance

	$'000
Closing loss allowance as at 31 December 2017 (calculated under IAS 39)	-
Amounts restated through opening retained earnings	4,133
Opening loss allowance as at 1 January 2018 (calculated under IFRS 9)	4,133
Increase in allowance recognised in profit or loss during the period	183
Closing loss allowance as at 31 December 2018	4,316

The loss allowance as at 31 Dececmber 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows for premium receivables:

	2018 $'000	Loss Allowance	Expected loss rate	2017 $'000	Loss Allowance	Expected loss rate
Less than 45 days	455,086	0.07%	319	396,654	0.14%	555
Within 45 days to 3 months	223,525	0.44%	984	110,930	0.96%	1,065
Over 3 months	245,896	1.23%	3,013	104,502	2.40%	2,513
Gross amount	924,507		4,316	612,086		4,133

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:

	2018 $'000	2017 $'000
Brokers and Insurance Companies	642,195	491,132
Direct	277,996	120,954
	920,191	612,086

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

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Previous accounting policy for impairment of trade receivables
In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but was not yet identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

The company considered that there was evidence of impairment if any of the following indicators were present:
- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganization; and
- default or late payments (more than 30 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

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

	2018 $'000	2017 $'000
Government of Jamaica	1,670,454	1,489,828
Other government	96,604	99,174
Corporate	244,255	249,641
	2,011,313	1,838,643

Significant increase in credit risk

- Qualitative assessment – Credit ratings are associated with ranges of default probabilities based on historical information. Rating outlooks, which are inherently forward-looking, are used to determine the probability of default to be applied to a specific security within its respective range. Issuer-specific default risk estimates incorporate forward-looking information directly. In calculating the probability of default, the company uses credit ratings along with rating outlooks from recognised rating agencies, as well as issuer-specific default risk estimates where available and appropriate. The ratings and risk estimates are mapped to an internal credit risk grading model in order to standardise across different rating systems and to clearly demarcate significant changes in credit risk over time.

  A qualitative assessment is done at initial recognition and subsequently at each statement of financial position date and where it is determined that there is a significant increase in the probability of default the security is categorise as stage 2 for the purpose of calculating the ECL. If the financial instrument is credit impaired, the financial instrument is then moved to 'Stage 3. Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

- Quantitative assessment - Investment securities considered to have experienced a significant increase in credit risk if it is more than 30 days past due on its contractual payments.

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Expected credit loss measurement
The company assesses on a forward-looking basis the ECL associated with debt investments. The ECL recognised by the company reflects an unbiased and probability weighted amounts that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost at the reporting date. The ECL is the product of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

The PD presents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months or over the remaining lifetime of the obligation.

EAD is based on the amounts the company expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

LGD represents the company's expectation of the extent of loss on a defaulted exposure. LGD is calculated on a 12 month or a lifetime basis, where 12 month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime LGD is a percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

All of the company's debt investments at amortised cost and FVOCI are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses (Stage 1). Management considers 'low credit risk' for bonds to be those with an investment grade or high yield credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. There were no transfers between stages from the date of adoption to the reporting date.

The loss allowance for debt investments at FVOCI is recognised in profit or loss and reduces the fair value loss otherwise recognised in OCI.

The loss allowance for debt investments at FVOCI and at amortised cost as at 31 December 2017 reconciles to the opening loss allowance on 1 January 2018 and to the closing loss allowance as at 31 December 2018 as follows:

	Amortised Cost	Total
	$'000	$'000
Closing loss allowance as at 31 December 2017 (calculated under IAS 39)	-	-
Amounts restated through opening retained earnings	20,426	20,426
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	20,426	20,426
Decrease in loss allowance recognised in profit or loss in the statement of comprehensive income during the year	(6,720)	(6,720)
Closing loss allowance as at 31 December 2018	13,706	13,706

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Total loss allowance on financial assets at 31 December 2018 total $18,022,000 (investment securities, $13,706,000 and trade receivable, $4,316,000).

Sensitivity analysis
Set out below are the changes in ECL as at 31 December 2018 that would result from a reasonably possible change in the PDs used by the company:

			Impact on ECL	
Financial Assets	**Actual PD ranges applied**	**% Change in PD**	**Higher threshold**	**Lower threshold**
			$'000	**$'000**
Debt instruments at amortised cost	1% - 6%	+/- 20%	2,742	(2,742)
Trade receivables and other receivables	2% -3%	+/- 20%	863	(863)
Total			3,605	(3,605)

(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.

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)`

(ii) Liqudity risk (continued)

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:

Liquidity risk management process (continued)

	Within 1 Month	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No Specific Maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2018:							
Cash and short-term investments	619,060	37,147	-	-	-	-	656,207
Due from policyholders, brokers and agents	225,019	695,172	-	-	-	-	920,191
Due from reinsurers and coinsurers	121,933	378,441	97,546	195,090	-	-	793,010
Other receivables	5,481	24,445	-	-	-	77,428	107,354
Due from related parties	-	-	-	-	-	4,108	4,108
Loans receivable	-	-	31,837	-	-	-	31,837
Investment securities	226,296	201,886	1,547,901	128,330	23,730	417,599	2,545,742
Total financial assets	1,197,789	1,337,091	1,677,284	323,420	23,730	499,135	5,058,449
Due to reinsurers and coinsurers	-	706,156	-	-	-	-	706,156
Other liabilities	189,471	8,588	71.326	-	-	-	269,385
Claims liabilities	397,702	238,621	318.162	636.322	-	-	1,590,807
Total financial liabilities	587,173	953,365	389,488	636,322	-	-	2,566,348
Net Liquidity Gap	610,616	383,726	1,287,796	(312,902)	23,730	499,135	2,492,101
Cumulative gap	610,616	994,342	2,282,138	1,969,236	1,992,966	2,492,101	-

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk (continued)

Liquidity risk management process (continued)

	Within 1 Month	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No Specific Maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2017:							
Cash and short-term investments	786,225	198,641	-	-	-	-	984,866
Due from policyholders, brokers and agents	558,173	53,913	-	-	-	-	612,086
Due from reinsurers and coinsurers	73,051	226,591	58,441	116,880		-	474,963
Other receivables	10,182	15,700	-	-	-	36,374	62,256
Due from related parties	-	-	-	-	-	5,161	5,161
Loans receivable	-	-	100,255	-	-	-	100,255
Investment securities	261,797	43,554	1,051,445	463,378	106,328	26,187	1,952,689
Total financial assets	1,689,428	538,399	1,210,141	580,258	106,328	67,722	4,192,276
Due to reinsurers and coinsurers	135,763	293,233	-	-	-	-	428,996
Due to related parties	4,013	-	-	-	-	-	4,013
Other liabilities	22,708	9,058	52,082	-	-	-	83,848
Claims liabilities	338,678	203,207	270,942	541,883	-	-	1,354,710
Total financial liabilities	501,162	505,498	323,024	541,883	-	-	1,871,567
Net Liquidity Gap	1,188,266	32,901	887,117	38,375	106,328	67,722	2,320,709
Cumulative gap	1,188,266	1,221,167	2,108,284	2,146,659	2,252,987	2,320,709	-

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.

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

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

Concentrations of currency risk

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

	Jamaican$ J$'000	US$ J$'000	GBP J$'000	Total J$'000
At 31 December 2018:				
Financial Assets				
Cash and short term investments	253,659	402,440	44	656,143
Due from policyholders, brokers and agents	727,417	192,774	-	920,191
Due from reinsurers and coinsurers	271,229	34,052	-	305,281
Other receivables	107,354	-	-	107,354
Due from related parties	4,108	-	-	4,108
Loans receivable	28,964	-	-	28,964
Investment securities	1,791,019	679,508	-	2,470,527
Total financial assets	3,183,750	1,308,774	44	4,492,568
Financial Liabilities				
Due to reinsurers and coinsurers	525,389	180,767	-	706,156
Other liabilities	311,906	4,397	-	316,303
Claims liabilities	1,476,891	113,916	-	1,590,807
Total financial liabilities	2,314,186	299,080	-	2,613,266
Net financial position	869,564	1,009,694	44	1,879,302

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

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

(iii) Market risk (continued)

Currency risk (continued)

	Jamaican$ J$'000	US$ J$'000	GBP J$'000	Total J$'000
At 31 December 2017:				
Financial Assets				
Cash and short-term investments	774,943	209,048	45	984,036
Due from policyholders, brokers and agents	485,715	126,371	-	612,086
Due from reinsurers and coinsurers	147,033	35,727	-	182,760
Other receivables	62,256	-	-	62,256
Due from related parties	5,161	-	-	5,161
Loans receivable	89,385	-	-	89,385
Investment securities	1,192,557	670,273	-	1,862,830
Total financial assets	2,757,050	1,041,419	45	3,798,514
Financial Liabilities				
Due to reinsurers and coinsurers	310,325	118,671	-	428,996
Due to related parties	4,013	-	-	4,013
Other liabilities	33,665	4,351	-	38,016
Claims liabilities	1,275,721	78,989	-	1,354,710
Total financial liabilities	1,623,724	202,011	-	1,825,735
Net financial position	1,133,326	839,408	45	1,972,779

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.

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)
Foreign currency sensitivity

	% Change in Currency Rate 2018	Increase/ (decrease) in Pre-tax Profit 2018 $'000	% Change in Currency Rate 2017	Increase/ (decrease) in Pre-tax Profit 2017 $'000
USD – J$ Revaluation	2%	(20,194)	2%	(16,836)
USD – J$ Devaluation	4%	40,388	4%	33,673

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.

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)
(iii) Market risk (continued)
Interest rate risk (continued)

	Within 1 Month	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2018:							
Cash and short term investments	619,036	37,069	-	-	-	38	656,143
Due from policyholders, brokers and agents	-	-	-	-	-	920,191	920,191
Due from reinsurers and coinsurers	-	-	-	-	-	793,010	793,010
Other receivables	5,481	3,857	20,588	-	-	77,428	107,354
Due from related parties	-	-	-	-	-	4,108	4,108
Loans receivable	-	-	28,964	-	-	-	28,964
Investment securities	274,821	198,421	1,513,197	63,993	2,496	417,599	2,470,527
Total financial assets	899,338	239,347	1,562,749	63,993	2,496	2,212,374	4,980,297
Due to reinsurers and coinsurers						706,156	706,156
Other liabilities	-	-	-	-	-	316,303	316,303
Claims liabilities	-	-	-	-	-	1,590,807	1,590,807
Total financial liabilities	-	-	-	-	-	2,613,266	2,613,266
Total interest repricing gap	899,338	239,347	1,562,749	63,993	2,496	(400,892)	2,367,031
Cumulative gap	899,338	1,138,685	2,701,434	2,765,427	2,767,923	2,367,031	-
At 31 December 2017:							
Cash and short-term investments	786,238	197,798	-	-	-	-	984,036
Due from policyholders, brokers and agents	-	-	-	-	-	612,086	612,086
Due from reinsurers and coinsurers	-	-	-	-	-	474,963	474,963
Other receivables	-	-	-	-	-	62,256	62,256
Due from related parties	-	-	-	-	-	5,161	5,161
Loans receivable	-	-	89,385	-	-	-	89,385
Investment securities	452,570	31,368	871,077	404,517	79,111	24,187	1,862,830
Total financial assets	1,238,808	229,166	960,462	404,517	79,111	1,178,653	4,090,717
Due to reinsurers and coinsurers	-	-	-	-	-	428,996	428,996
Due to related parties	-	-	-	-	-	4,013	4,013
Other liabilities	-	-	-	-	-	38,016	38,016
Claims liabilities	-	-	-	-	-	1,354,710	1,354,710
Total financial liabilities	-	-	-	-	-	1,825,735	1,825,735
Total interest repricing gap	1,238,808	229,166	960,462	404,517	79,111	(647,082)	2,264,982
Cumulative gap	1,238,808	1,467,974	2,428,436	2,832,953	2,912,064	2,264,982	-

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

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

(iii) **Market risk (continued)**
Interest rate risk (continued)

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

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

Change in Basis points:	Increase/(decrease) in Profit before Taxation	Increase/(decrease) In Other Components of Equity	Change in Basis points:	Increase/(decrease) in Profit before Taxation	Increase/(decrease) In Other Components of Equity
2018	2018	2018	2017	2017	2017
JMD/USD	$'000	$'000	JMD/USD	$'000	$'000
-100/-100	(480)	-	-100/-50	(7,416)	1,793
100/100	480	-	100/50	7,416	(1,793)

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 15% (2017 - 10%) with all other variables held constant.

	Equity Securities				Pooled real estate investment	
	Increase/ (decrease) in Profit before Taxation	Increase/ (decrease) in Profit before Taxation	Effect on Other Components of Equity:	Effect on Other Components of Equity	Effect on Other Components of Equity	Effect on Other Components of Equity
	2018	2017	2018	2017	2018	2017
Change in index:	$'000	$'000	JMD/USD	$'000	$'000	$'000
-10% (2017 – 15%)	-	-	(41,760)	(3,628)	(18,437)	(27,065)
+10% (2017 – 15%)	-	-	41,760	3,628	18,437	27,065

(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%.

In January 2017, the Financial Services Commission (FSC) announced a measure to allow for the relaxation of the MCT ratio of 250% to 150% for a period of two years. The measure will reduce the amount of capital that he general insurance industry would need to hold for the purpose of meeting capital adequacy requirements. During this period of regulatory forbearance, the FSC will carry out a Quantitative Impact Study (QIS) to determine the optimal position for the MCT that balances growth and stability of the insurance industry. In this period, the amount of dividends paid to shareholders of the company should not exceed 50% of profit that was achieved for the previous year.

To qualify for the special provisions for relaxed MCT ratio, investment proposals must be approved by the FSC and commence within the 2-year window provided for in the January 2017 advisory. The company took advantage of this relaxation through a strategic investment, and as such, the FSC has granted forbearance on the MCT ratio requirement allowing the company to maintain a minimum MCT ratio of 200.8%.

The MCT ratio for the company for the years ended 31 December 2018 and 2017 are as follows:

	2018	2017
Actual MCT ratio	211.6%	258%
Minimum Required MCT ratio	200.8%	250%

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 2018	**$'000**	**$'000**	**$'000**	**$'000**
Assets				
Equity securities	417,599	-	-	417,599
Investment property	-	92,909	113,746	206,655
Pooled real estate investment	-	-	184,367	184,367
Total assets measured at fair value	417,599	92,909	298,113	808,621
At 31 December 2017				
Assets				
Equity securities	24,187	-	-	24,187
Debt securities	-	672,912	-	672,912
Investment property	-	60,000	70,000	130,000
Pooled real estate investment	-	-	180,435	180,435
Total assets measured at fair value	24,187	732,912	250,435	1,007,534

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 in the prior year 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.

6. Fair Value Estimation (Continued)

Fair Value of Investment Properties and Pooled Real Estate Fund
An independent valuation of the Company's Investment Properties and Pooled Real Estate Fund was performed by valuers to determine the fair value as at 31 December 2018. The revaluation surplus has been credited to the statement of comprehensive income.

Valauation process of the Company
On an annual basis the Company engages external, independent and qualified valuers to determine the fair value of its Investment Properties and Pooled Real Estate Fund.

Sales Comparison Approach
The comparison method of valuation was taken in account by examining values of similar properties in and around surrounding areas. This approach incorporates unobservable inputs which in the valuer's judgement reflects suitable adjustments regarding size size, age, condition, time of sale, quality of land and buildings and improvements. The higher the price per suare foot the higher the fair value.

Income Approach
The projected net income of the subject properties is discounted using an appropriate capitalisation rate. The most significant inputs to this valuation is the rental rate per square foot and the capitalisation rate. Rental rates of the subject properties are adjusted to reflect the market rent for properties of similar size, location and condition. The higher rental rate per suare foot the higher the fair value. The higher the capitalisation rate the lower the fair value. The average rent per square foot ranges between $US8 - $US14.

7. Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

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

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

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

(b) Income taxes

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

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

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

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

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

8. Segment Information

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

The company is organised into 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.

8. Segment Information (Continued)

The segment information provided to the board of directors for the reportable segments for the year ended 31 December 2018 is as follows:

2018	Fire $'000	Motor $'000	Marine $'000	Liability $'000	Homeowners & Burglary $'000	Engineering & Misellaneous Accident $'000	Total $'000
Gross Premiums Written	5,169,027	2,130,860	106,395	646,520	201,635	481,360	8,735,797
Reinsurance ceded	(5,102,386)	(529,810)	(89,292)	(460,818)	(181,332)	(382,111)	(6,745,749)
Excess of loss reinsurance cost	(56,181)	(46,104)	-	(5,868)	(19,601)	-	(127,754)
Net premiums written	10,460	1,554,946	17,103	179,834	702	99,249	1,862,294
Changes in unearned premiums, net	(6,040)	(200,118)	(239)	(11,770)	(2,769)	(10,928)	(231,864)
Net Premiums Earned	4,420	1,354,828	16,864	168,064	(2,067)	88,321	1,630,430
Commission income	258,203	245,135	17,204	33,353	62,750	79,023	695,668
Commission expense	(108,798)	(149,736)	(2,426)	(15,365)	(21,892)	(36,030)	(334,247)
Claims expense	(8,516)	(955,062)	(550)	(30,184)	(2,959)	(25,751)	(1,023,022)
Management expenses	(26,752)	(642,724)	(6,866)	(74,549)	(8,151)	(35,019)	(794,061)
Segment results	118,557	(147,559)	24,226	81,319	27,681	70,544	174,768
Unallocated income -							
Investment income							174,675
Other Income							47,041
							221,716
Depreciation and amortisation							(43,915)
Profit before tax							352,569
Taxation							(67,199)
Net profit							285,370

8. Segment Information (Continued)

2017	Fire $'000	Motor $'000	Marine $'000	Liability $'000	Homeowners & Burglary $'000	Engineering & Misellaneous Accident $'000	Total $'000
Gross Premiums Written	4,079,260	1,536,304	151,383	555,193	138,813	645,301	7,106,254
Reinsurance ceded	(4,028,761)	(307,133)	(133,111)	(396,814)	(122,925)	(566,807)	(5,555,551)
Excess of loss reinsurance cost	(46,181)	(29,798)	-	(5,779)	(9,601)	-	(91,359)
Net premiums written	4,318	1,199,373	18,272	152,600	6,287	78,494	1,459,344
Changes in unearned premiums, net	(79)	(122,840)	1,248	(5,525)	367	(2,615)	(129,444)
Net Premiums Earned	4,239	1,076,533	19,520	147,075	6,654	75,879	1,329,900
Commission income	221,232	200,580	19,703	22,716	47,038	56,768	568,037
Commission expense	(80,074)	(127,647)	(1,918)	(17,719)	(17,440)	(28,794)	(273,592)
Claims expense	(27,511)	(889,005)	(1,033)	(163,016)	(552)	(6,473)	(1,087,590)
Management expenses	(18,928)	(460,728)	(6,848)	(59,365)	(5,955)	(20,463)	(572,287)
Segment results	98,958	(200,267)	29,424	(70,309)	29,745	76,917	(35,532)
Unallocated income -							
Investment income							328,382
Other income							(25,827)
							302,555
Depreciation and amortisation-							(30,946)
Profit before tax							236,077
Taxation							(14,841)
Net profit							221,236

Total capital expenditure was as follows:

	2018 $'000	2017 $'000
Property, plant and equipment	111,053	57,317
Intangible assets	-	1,245
	111,053	58,562

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

9. Related Party Transactions and Balances

(a) Related party transactions are as follows:

	2018 $'000	2017 $'000
Interest income -		
Fellow subsidiary	21,586	22,021
Parent	15,355	22,041
Affiliated company	-	571
	36,941	44,633
Rental and maintenance income -		
Affiliated company	-	1,222
Rental expense -		
Fellow subsidiary	-	18,106
Affiliated company	34,753	-
Premium income -		
Key management	2,244	322
Parent company	27,728	3,442
Fellow subsidiaries	184,826	190,467
Affiliates	19,601	35,757
	234,399	229,988
Claims expense -		
Parent company	8,126	862
Fellow subsidiaries	7,190	3,385
Affiliates	220	3,782
	15,536	8,029
Dividends declared -		
Key management	1,881	3,446
Parent company	120,000	160,000
	121,881	163,446
Key management compensation -		
Salaries and other short term benefits	137,189	95,980
Post employment benefits	7,721	4,289
Directors emoluments		
Directors' fees (included above)	2,100	1,710

9. Related Party Transactions and Balances (Continued)

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

	2018 $'000	2017 $'000
Due from related parties -		
Affiliated company	4,108	5,161
Due from policyholders, brokers and agents -		
Fellow subsidiary	91,727	43,997
Parent company	7	-
Affilated company	57,060	4,480
	148,794	48,477
Loans receivable -		
Parent company (Note 21)	28,964	53,385
Affilated company (Note 21)	-	36,000
	28,964	89,385
Investment securities -		
Shares in affiliated entities (Note 22)	396,839	5,205
Due to related parties -		
Parent company	-	4,013
	-	4,013
Claims liabilities		
Parent company	5,526	9,775
Affiliated company	39,070	11,622
Fellow subsidiary	18,674	44,339
	63,270	65,736

Included in the investments of the company are shares in related parties. At 31 December 2018, these shares represented 5.6% of the total assets (2017 – 0.09%).

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.

10. Claims Expense

	2018 $'000	2017 $'000
Gross claims expense	1,243,597	1,249,526
Reinsurers share of claims expense (Note 4(b) (d))	(220,575)	(161,936)
Net claims expense	1,023,022	1,087,590

11. Investment Income

	2018 $'000	2017 $'000
Interest income -		
Leases receivable	-	300
Loan due from fellow subsidiary	21,586	22,021
Loan due from parent	15,355	22,041
Cash and deposits and investment securities	103,801	117,898
	140,742	162,260
Bond premium amortisation	(4,822)	(7,915)
	135,920	154,345
Dividend income	109	6,560
Pooled real estate investment income	11,455	12,578
Rental income from investment property	12,210	-
Revaluation gains on investment property	9,800	3,000
Gain on sale of investment securities	-	151,899
Loss allowance reversed on ECL	5,181	-
	174,675	328,382

12. Other Income/(Expense)

	2018 $'000	2017 $'000
Foreign exchange gains/(losses)	34,886	(38,872)
Rental income	900	2,579
Gain on disposal of property, plant and equipment	2,663	2,732
Miscellaneous income	8,592	7,734
	47,041	(25,827)

13. Expenses by Nature

Management and other expenses by nature are as follows:

	2018 $'000	2017 $'000
Advertising costs	44,445	14,679
Audit fees	6,613	7,239
Computer expenses	39,116	31,850
Directors fees	2,100	1,710
Depreciation and amortisation	43,915	30,946
Insurance	4,587	2,481
Other operating expenses	45,482	42,092
Professional fees	31,366	32,181
Printing and stationery	9,250	6,839
Registration fees	15,000	14,749
Rent	31,516	18,439
Repairs and maintenance	34,645	23,963
Staff costs (Note 14)	494,651	343,070
Transportation expenses	7,798	11,847
Utilities	27,492	21,148
	837,976	603,233

14. Staff Costs

	2018 $'000	2017 $'000
Wages and salaries	379,297	259,308
Statutory contributions	32,286	23,401
Pension costs	8,631	5,559
Other	74,437	54,802
	494,651	343,070

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 S62,348,000 (2017 - $13,528,000).

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

	2018 $'000	2017 $'000
Current taxation	62,348	13,588
Deferred income taxes (Note 29)	4,851	1,253
	67,199	14,841

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

	2018 $'000	2017 $'000
Profit before tax	352,569	236,077
Tax calculated at a rate of 33 ⅓%	117,523	78,692
Adjusted for the effects of:		
Income tax remission	(62,348)	(13,528)
Income not subject to tax	(3,212)	(51,728)
Expenses not deductible for tax	4,100	804
Adjustment to prior year deferred tax	4,866	-
Net effect of other charges and allowances	6,270	601
	67,199	14,841

16. Earnings Per Share

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

	2018	2017
Net profit from continuing operations ($'000)	285,370	221,236
Weighted average number of ordinary shares in issue ('000)	1,031,250	1,031,250
Earnings per share ($)	0.28	0.21

17. Dividends per Share

The dividends paid in 2018 and 2017 were as follows:

	2018 $'000	2017 $'000
Interim dividends:-		
14.55 cents per stock unit – December 2018	150,047	-
19.34 cents per stock unit – July 2017	-	200,001
	150,047	200,001

The dividends declared in December were not paid until January 2019 and are included in other liabilities at year end.

18. Cash and Cash Equivalents

	2018 $'000	2017 $'000
Cash and bank balances	421,460	747,064
Short term deposits	234,683	236,972
	656,143	984,036

Short term deposits comprise term deposits and repurchase agreements with an average maturity of 75 days (2017 – 86 days) and include interest receivable of $282,000 (2017 – S898,000).

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

	2018 %	2017 %
J$	2.2	4.6
US$	1.6	1.6

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

	2018 %	2017 %
J$	1.0	1.0
US$	0.1	0.1
GBP	0.1	0.1

19. Due from Reinsurers and Coinsurers

	2018 $'000	2017 $'000
Reinsurers' portion of unearned premium (Note 30)	851,167	612,558
Reinsurers' portion of claims liabilities (Note 30)	487,730	292,203
Other amounts recoverable from reinsurers and coinsurers	305,280	182,760
	1,644,177	1,087,521

20. Other Receivables

	2018 $'000	2017 $'000
Prepayments	52,393	12,223
Other receivables	107,354	62,256
	159,747	74,479

21. Loans Receivable

	2018 $'000	2017 $'000
Short-term loan receivable from parent (a)	28,964	53,385
Short-term loan receivable from affiliate (b)	-	36,000
	28,964	89,385

(a) Short-term loan represents loan extended by the company to the parent at a rate of 12.25% for 1 year maturing in November 2019. Partial payment of the loan was satisfied by the transfer of investment property totalling $25 million (Note 23).

(b) This represents loans extended by the company to an affiliated company at a rate of 12.0% for 1 year and was repaid in July 2018.

22. Investment Securities

	2018 $'000	2017 $'000
Debt securities -		
At amortised cost:		
Government of Jamaica Securities		
Benchmark Investment Notes	172,662	-
Certificate of Deposits	1,175,968	-
United States Dollar Long Term Deposits	321,824	-
United States Dollar Corporate Bonds	244,255	-
Other Government Securities	96,604	-
	2,011,313	-
Equity investments at fair-value through OCI	417,599	-
Previous classified as available-for-sale		
Government of Jamaica Securities		
Benchmark Investment Notes	-	328,718
Certificate of Deposits	-	1,118,661
	-	1,447,379
United States Dollar Corporate Bonds	-	247,216
Other Government Securities	-	96,978
Interest receivable	41,615	47,070
	2,470,527	1,838,643
Quoted shares	-	24,187
Unquoted shares	-	105
Less: Provision for diminution in value	-	(105)
	-	-
	-	24,187
	2,470,527	1,862,830

Weighted average effective interest rate:

	2018 %	2017 %
Government of Jamaica Securities –		
Benchmark Investment Notes	7.34	6.82
Certificate of Deposits	4.20	-
United States Long Term Deposits	2.99	-
United States Dollar Corporate Bonds	5.86	5.86
Other Government Securities	6.2	6.20

22. Investment Securities (Continued)

Included in investments are Government of Jamaica Benchmark Investment Notes valued at $48,000,000 (2017 - $48,000,000) which have been pledged with the FSC, pursuant to Section 8(1)(b) of the Insurance Regulations, 2001.

The company's holdings in equity investments (2017 - quoted shares) includes investment in affiliated companies (Note 9).

23. Investment Property

	2018 $'000	2017 $'000
At 1 January	130,000	-
Additions	28,219	127,000
Construction work-in-progress	38,636	-
Revaluation (charged to profit or loss)	9,800	3,000
Closing	206,655	130,000

During 2018, the company acquired an investment property valuing $25 million as partial settlement of a loan to a related party (Note 21).

Property income and direct expenses including repairs and maintenance in relation to investment properties are as follows:

	2018 $'000	2017 $'000
Rental income (Note 11)	12,210	-
Direct costs	-	-

The properties were valued at current market value as at November 2018 by NAI Jamaica Langford and Brown, independent qualified property appraisers and valuators. The values for the properties have been established using the sales comparison method, which considers the values of similar properties in and around surrounding areas.

The valuation of investment property have been classified as Level 3 of the fair value hierarchy under IFRS 13, *Fair Value Measurement*. The valuations have been performed using a comparable sales approach but, as there have been a limited number of similar sales in the location, unobservable inputs determined based on the valuators' judgement regarding size, age, condition were utilised.

24. Pooled Real Estate Investment

	2018 $'000	2017 $'000
At 1 January	180,435	143,549
Revaluation (charged to other comprehensive income)	3,932	36,886
Closing	184,367	180,435

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 $11,455,000 (2017 - $12,578,000).

24. Pooled Real Estate Investment (Continued)

The property was last valued at current market value in May 2018 by NAI Jamaica Langford and Brown, independent qualified property appraisers and valuators.

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 2017	78,513	124,420	75,913	8,170	287,016
Additions	9,410	21,767	25,440	700	57,317
Disposals		(614)	(7,097)	-	(7,711)
Transfer from Intangible Assets	-	-	-	1,457	1,457
At 31 December 2017	87,923	145,573	94,256	10,327	338,079
Additions	30,806	32,538	47,709	-	111,053
Disposals	-	(9,058)	(17,705)	-	(26,763)
At 31 December 2018	118,729	169,053	124,260	10,327	422,369
Depreciation -					
At 1 January 2017	18,370	75,437	56,437	-	150,244
Charge for the year	4,524	13,358	11,696	-	29,578
On disposals	-	(426)	(6,447)	-	(6,873)
At 31 December 2017	22,894	88,369	61,686	-	172,949
Charge for the year	6,442	15,611	19,774	-	41,827
On disposals	-	(5,439)	(17,645)	-	(23,084)
Adjustments	(86)	-	-		(86)
At 31 December 2018	29,250	98,541	63,815	-	191,606
Net Book Value -					
31 December 2018	89,479	70,512	60,445	10,327	230,763
31 December 2017	65,029	57,204	32,570	10,327	165,130

26. Intangible Assets

	Computer Software $'000
At Cost -	
At 1 January 2017	83,415
Additions	1,245
Transfer	(1,457)
Adjustments	(158)
At 31 December 2017	83,045
Adjustments	223
At 31 December 2018	83,268
Amortisation -	
At 1 January 2017	78,045
Charge for the year	1,366
Adjustments	(543)
At 31 December 2017	78,868
Charge for the year	2,075
At 31 December 2018	80,943
Net Book Value -	
31 December 2018	2,325
31 December 2017	4,177

27. Due to Reinsurers and Coinsurers

	2018 $'000	2017 $'000
Local reinsurers	53,186	50,629
Overseas reinsures	652,970	378,367
	706,156	428,996

28. Other Liabilities

	2018 $'000	2017 $'000
Statutory contributions payable	6,082	4,806
Accrued expenses	63,304	47,183
General consumption tax	38,269	48,249
Other payables	58,601	38,016
Dividend payable	150,047	-
	316,303	138,254

29. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 16.67⅓% (33⅓% restricted to 50% based on remission year 5 to 10).

	2018 $'000	2017 $'000
Deferred income tax assets	1,023	5,851
Deferred income tax liabilities	(8,167)	(7,844)
Net liabilities	(7,144)	(1,993)

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

	2018 $'000	2017 $'000
Balance as at 1 January	(1,993)	521
Amounts restates through opening equity	(300)	-
Profit or loss (Note 15)	(4,851)	(1,253)
Other comprehensive income	-	(1,261)
Balance as at 31 December	(7,144)	(1,993)

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

	2018 $'000	2017 $'000
Deferred income tax assets		
Accelerated depreciaton	-	5,232
Unrealised fair value losses	-	300
Accrued vacation	1,023	319
	1,023	5,851
Deferred income tax liabilities		
Accelerated depreciaton	2,254	-
Interest receivable	5,913	7,844
	8,167	7,844

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

	2018 $'000	2017 $'000
Accelerated depreciaton	(7,486)	748
Accrued vacation	705	(30)
Interest receivable	1,930	(1,971)
	(4,851)	(1,253)

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

	2018 $'000	2017 $'000
Unrealised fair value losses	-	(1,261)

30. Insurance Reserves

(a) These reserves are as follows:

	2018 $'000	2017 $'000
Gross -		
Unearned premiums	1,839,972	1,369,500
Claims liabilities	1,956,370	1,695,902
Unearned commission	179,607	127,376
	3,975,949	3,192,778
Recoverable from reinsurers -		
Reinsurers' portion of unearned premiums (Note 19)	(851,167)	(612,558)
Reinsurers' portion of claims liabilities (Note 19)	(487,730)	(292,203)
	(1,338,897)	(904,761)
Net -		
Unearned premiums	988,805	756,942
Claims liabilities	1,468,640	1,403,699
Unearned commission	179,607	127,376
	2,637,052	2,288,017

(b) Claims liabilities comprise:

	2018 $'000	2017 $'000
Gross -		
Outstanding claims	1,590,807	1,354,710
IBNR	349,048	325,326
Unallocated loss adjustment expense	16,515	15,866
	1,956,370	1,695,902
Recoverable from reinsurers -		
Outstanding claims	338,217	169,524
IBNR	149,513	122,679
	487,730	292,203
Net -		
Outstanding claims	1,252,590	1,185,186
IBNR	199,535	202,647
Unallocated loss adjustment expense	16,515	15,866
	1,468,640	1,403,699

30. Insurance Reserves (Continued)

An actuarial valuation was performed to value the policy and claims liabilities of the company as at 31 December 2018 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 10 April 2019, the actuary found that the amount of policy and claims liabilities represented in the statement of financial position at 31 December 2018 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:

	2018 $'000	2017 $'000
Net reserves for claims outstanding at beginning of year –		
Gross reserves for claims outstanding	1,695,902	1,302,630
Reinsurance ceded	(292,203)	(177,146)
	1,403,699	1,125,484
Movement during the year –		
Claims incurred, including IBNR	1,062,241	1,087,811
Claims paid	(1,217,875)	(970,743)
Recovery from reinsurers	220,575	161,936
Translation differences on foreign currency claims	-	(789)
	64,941	278,215
Net reserves for claims outstanding at end of year	1,468,640	1,403,699
Reinsurance ceded	487,730	292,203
Gross reserves for claims outstanding at end of year	1,956,370	1,695,902

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:

	2018			2017		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January	1,369,500	(612,558)	756,942	1,086,991	(459,493)	627,498
Premiums written during the year	8,735,797	(6,745,749)	1,990,048	7,106,254	(5,555,551)	1,550,703
Premiums earned during the year	(8,265,325)	6,507,140	(1,758,185)	(6,823,745)	5,402,486	(1,421,259)
	470,472	(238,609)	231,863	282,509	(153,065)	129,444
Balance at 31 December	1,839,972	(851,167)	988,805	1,369,500	(612,558)	756,942

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

	2018	2017
	$'000	$'000
Fire, consequential loss and liability	569,450	441,239
Motor	1,130,310	801,979
Other	140,212	126,282
	1,839,972	1,369,500

31. Share Capital

	2018	2017
	$'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

	2018	2017
	$'000	$'000
At beginning of and end of year	152,030	152,030

The capital reserves at year end represent realised surpluses.

33. Property Revaluation Reserve

This represents the unrealised surplus, net of tax, on the revaluation of pooled real estate investment.

34. Fair Value Reserve

This represents the unrealised surplus, net of tax, on the revaluation of investments classified as Fair Value through Other Comprehensive Income (FVOCI).

35. 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 2015, indicated that the scheme was adequately funded at that date.

Pension contributions for the period totalled $8,631,000 (2017 – $5,559,000) and are included in staff costs (Note 14).

36. 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.

37. Adoption of New Accounting Standards

New accounting standards have been applied from 1 January 2018 and the financial statement of the company has been restated as of date to reflect the effect of the adoption of IFRS 9 'Financial instruments.

As noted in the accounting policies for the new standards, the transition provisions applied by the Company do not require comparative figures to be restated. The total impact of adoption is therefore recognized in the opening statement of financial position on 1 January 2018 as shown in Tables (i) and (ii) below.

The following tables show the adjustments recognized for each individual line item. Line items that were not affected by the changes have either not been included or are shown in aggregate.

37. Adoption of New Accounting Standards (Continued)

Table 1 – Impact of adopting IFRS 9 on Statement of financial position as at 1 January 2018

	31 December 2017 as previously reported $'000	Effects of IFRS 9 $'000	1 January 2018 as restated $'000
ASSETS			
Due from policyholders, brokers and agents	612,086	(4,133)	607,953
Investment securities	1,862,830	(18,625)	1,844,205
Other assets unaffected by adoption of new standards	3,228,889	-	3,228,889
Total assets	5,703,805	(22,758)	5,681,047
LIABILITIES			
Deferred tax liabilities	1,993	300	2,293
Other assets unaffected by adoption of new	3,764,041	-	3,764,041
Total liabilities	3,766,034	300	3,766,334
EQUITY			
Share capital	470,358	-	470,358
Capital reserves	152,030	-	152,030
Property revaluation reserve	36,886	-	36,886
Fair value reserve	10,754	1,501	12,255
Retained earnings	1,267,743	(24,559)	1,243,184
	1,937,771	(23,058)	1,914,713
	5,703,805	(22,758)	5,681,047

37. Adoption of New Accounting Standards (Continued)

Table 2 – Impact of adopting IFRS 9 on equity components as at 1 January 2018

Effect on equity components as at 1 January 2018

	Fair Value Reserve	Retained Earnings
	$'000	**$'000**
Closing equity components as at 31 December 2017	10,754	1,267,743
IFRS 9 impact:		
Increase in provision for Due from policyholders, brokers and	-	(4,133)
Increase in provision for debt investment at amortised cost	-	(20,426)
Reclassifying investments from AFS to amortised cost	1,801	-
Decrease in deferred tax assets relating to reclassiciation of investments from AFS to amortised cost.	(300)	-
Impact	1,501	(24,559)
Opening equity components 1 January 2018 – IFRS 9	12,255	1,243,184

	Measurement Category		Carrying Amount		
	Original (IAS 39)	**New (IFRS 9)**	**Original $'000**	**New $'000**	**Change $'000**
Closing equity components as at 31 December 2017					
Cash and deposits	Amortised cost	Amortised cost	984,036	984,036	-
Due from policyholders, brokers and agents	Amortised cost	Amortised cost	612,086	607,953	(4,133)
Investmnents securities - debt	AFS	Amortised cost	1,791,573	1,772,648	(18,925)
Investment securities – equity	AFS	FVOCI	24,187	24,187	-
Loans receivable	Amortised cost	Amortised cost	89,385	89,385	-

FORM OF PROXY

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

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

appoint: ____ ***(proxy name)*** of _________________________

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

________________________ ***(alternate proxy)*** of ____

____ ***(address)***

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at ***9:00am on September 11, 2019, 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, 2018.	**For** ◯ **Against** ◯
2. To authorize 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 P.B. Scott a Director of the Board of the Company.	
3. (b) To re-appoint Melanie Subratie as a Director of the Board of the Company.	**For** ◯ **Against** ◯
3. (c) To re-appoint Christopher Nakash as a Director of the Board of the company.	**For** ◯ **Against** ◯
4.(a) To Authorise the Board of Directors to fix the remuneration of the Directors.	**For** ◯ **Against** ◯
5. To approve the aggregated amount of interim dividends declared by the Board during the financial year ended 31st December 2018, being $150,046,875 or 14.55 cent per ordinary share, as the final dividend for the year.	**For** ◯ **Against** ◯

Signed this day of 2019:

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)**

"It" is an accident waiting to happen.
Prepare for "**IT**".

58 Half Way Tree Road, Kingston 10, Jamaica, W.I.
(876) 929-8451 | (876) 929-8454 | (876) 929-9643-8
info@genac.com www.genac.com