

This Prospectus is issued by General Accident Insurance Company (Jamaica) Limited and dated Tuesday 13<sup>th</sup> September 2011. A copy of this Prospectus was delivered to the Registrar of Companies for registration pursuant to section 40(2) of the Companies Act, 2004 and was so registered on Tuesday 13<sup>th</sup> September 2011. The Registrar of Companies accepts no responsibility whatsoever for the contents of this Prospectus. A copy of this Prospectus was also delivered to the Financial Services Commission for the purposes of the registration of the Company as an issuer pursuant to section 26 of the Securities Act and the Company was so registered Tuesday 13<sup>th</sup> September 2011. The FSC has not approved the Shares for which subscription is invited nor has the FSC passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence.

## INVITATION FOR SUBSCRIPTION UP TO 206,250,000 ORDINARY SHARES AT THE INVITATION PRICE OF \$2.02 PER SHARE



Up to 77,779,669 Shares in the Invitation (the “Reserved Shares”) are initially reserved for priority application from, and subscription by, the following persons: (a) 54,668,669 Shares (the “Company Reserved Shares”) for directors, senior managers, employees, and the Mentor of the Company; as well as for directors of the Company’s affiliates (the “Company Reserved Share Applicants”); (b) 2,486,000 Shares (the “Key Partner Reserved Shares”) for key insurance agents and insurance brokers (the “Key Partners”); and (c) 20,625,000 Shares (the “Mayberry Reserved Shares”) for Mayberry, the lead financial adviser and broker of the Company in the Invitation. All Reserved Shares are priced at the Invitation Price. If any of the Reserved Shares in any category are not subscribed by the persons entitled to them they will be available for subscription by the other Reserved Share Applicants and thereafter, any remaining Reserved Shares will become available for subscription by the general public. See Section 6.5 of this Prospectus for the terms and conditions of the Invitation.

An Application Form for use by both applicants for Reserved Shares and the general public is provided at the end of this Prospectus together with notes on how to complete it. The subscription list for the Shares will open at 9:00 a.m. on the Opening Date, Wednesday 21<sup>st</sup> September 2011. Application Forms submitted prior to 9:00 a.m. on the Opening Date will be received, but not processed until 9:00 a.m. on the Opening Date. The subscription list for the Shares will close at 4:30 p.m. on the Closing Date, Wednesday 28<sup>th</sup> September 2011 subject to the right of the Company to: (a) close the subscription list at any time after it opens on 9:00 a.m. on the Opening Date once the issue is fully subscribed; and (b) extend the Closing Date for any reason, provided that it does not extend beyond the expiration of 40 days after the publication of this prospectus for the purposes of section 48 of the Companies Act. In the case of an early closing of the subscription list, or an extension to the Closing Date, notice will be posted on the website of the Jamaica Stock Exchange ([www.jamstockex.com](http://www.jamstockex.com)). The issue is fully underwritten. See section 13.1 of the Prospectus for further details.

It is the intention of the Company to apply to the JSE for admission of the Shares to trading on the Junior Market of the JSE, however please note that this statement of the Company's intention is not a guarantee that the Shares will be so admitted. The Company’s application to the JSE is dependent on (i) the full subscription of the Invitation by investors and/or the underwriter; and (ii) other criteria for admission set out in the Junior Market Rules. If the Invitation is not fully subscribed as aforesaid, or if the Shares are not admitted to trading on the Junior Market of the JSE, all payments received from Applicants for Shares in the Invitation will be refunded.

### SHARE CAPITAL

Authorised share capital	1,100,000,000 Shares
Maximum to be issued fully paid assuming all Reserved Shares are subscribed by the Reserved Share Applicants and the remaining Shares are subscribed by the general public:	206,250,000 Shares
• 54,668,669 Company Reserved Shares at the Invitation Price	\$ 110,430,711
• 2,486,000 Key Partner Reserved Shares at the Invitation Price	\$ 5,021,720
• 20,625,000 Mayberry Reserved Shares at the Invitation Price	\$ 41,662,500
• 128,470,331 Shares for the general public at the Invitation Price	<u>\$ 259,510,069</u>
<b>Total Consideration</b>	<b>\$ 416,625,000</b>

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# 1. IMPORTANT DISCLAIMERS

## **Responsibility for the Contents of this Prospectus**

This Prospectus has been reviewed and approved by the Board of Directors of the Company. The Directors of the Company whose names appear in Section 8 of this Prospectus are the persons responsible (both individually and collectively) for the information contained in it. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and no information has been omitted which is likely to materially affect the import of information contained herein.

## **Contents of this Prospectus**

This Prospectus contains important information for prospective investors in the Company. All prospective investors should read this Prospectus carefully in its entirety before submitting an Application. This Prospectus also contains summaries of certain documents, which the Board of Directors of the Company believes are accurate. Prospective investors may wish to inspect the actual documents that are summarised, copies of which will be available for inspection as described in Section 14. Any summaries of such documents appearing in this Prospectus are qualified in their entirety by reference to the complete document. The publication of this Prospectus shall not imply that there has been no change in the business, results of operations, financial condition or prospects of the Company since the date of this Prospectus.

## **Unauthorised representations**

No person is authorised to provide information or to make any representation whatsoever in connection with this Prospectus on behalf of the Company which is not contained in this Prospectus. Neither the FSC nor any Government agency or regulatory authority in Jamaica has made any determination as to the accuracy or adequacy of the matters contained in this Prospectus.

## **Invitation made in Jamaica only**

This Prospectus is intended for use in Jamaica only and is not to be construed as making an invitation to persons outside of Jamaica to subscribe for any Shares. The distribution or publication of this Prospectus and the making of the invitation in certain jurisdictions outside of Jamaica is prohibited by law.

## **Application to Subscribe for Shares**

This Prospectus is not a recommendation by the Company that prospective investors should submit Applications to subscribe for Shares in the Company. Prospective investors in the Company are expected to make their own assessment of the Company, and the merits and risks of subscribing for Shares.

Prospective investors are also expected to seek appropriate advice on the financial and legal implications of subscribing for Shares, including but not limited to any tax implications. Each Applicant who submits an Application acknowledges and agrees that: (1) he/she has been afforded a meaningful opportunity to review this Prospectus (including the terms and conditions in section 6.5), and to gather and review all additional information considered by him/her to be necessary to verify the accuracy of the information contained in this Prospectus; (2) no person connected with the Company has made any representation concerning the Company or this Prospectus not contained in this Prospectus, on which the Applicant has relied in submitting his/her Application.

## 2. SUMMARY OF KEY INFORMATION ON THE INVITATION

<b>Issuer:</b>	General Accident Insurance Company (Jamaica) Limited
<b>Securities:</b>	206,250,000 shares, inclusive of 77,779,669 Reserved Shares ( <i>Reserved Share Applicants see * below</i> )
<b>Pricing:</b>	\$2.02 per Share payable in full on delivery of an Application Form
<b>Application:</b>	See Appendix 1 of this Prospectus
<b>Terms and Conditions:</b>	See Section 6.5 of this Prospectus
<b>Payment Method:</b>	(1) Manager's Cheque payable to "Mayberry Investments Limited" or "JN Fund Managers Limited" (2) Cleared funds held in Mayberry Investments Limited / JN Fund Managers Limited account.
<b>Timetable of Key Dates:</b>	Registration and Publication of Prospectus: Tuesday 13 <sup>th</sup> September 2011 Opening Date: Wednesday 21 <sup>st</sup> September 2011 Closing Date: Wednesday 28 <sup>th</sup> September 2011

APPLICATION FORMS MAY BE SUBMITTED TO MAYBERRY OR JN FUND MANAGERS AND THOSE BRANCHES OF JAMAICA NATIONAL BUILDING SOCIETY SET OUT IN SECTION 6.5, IN ADVANCE OF THE OPENING DATE. Early Applications will be received, but not processed until the Opening Date. All early Applications will be treated as having been received at the same time, being 9:00 a.m. on the Opening Date. All other Applications will be received and processed on a first come, first served basis. \*\*

Confirmation of basis of Share Allotments: All Applicants may refer to the notice that will be posted on the website of the Jamaica Stock Exchange ([www.jamstockex.com](http://www.jamstockex.com)) *after the Closing Date*.

Refund Cheques: Available for collection from Mayberry Investments Limited, 1 1/2 Oxford Road, Kingston 5 or the JN Fund Managers Limited branch where the Application was made *within 10 working days of the Closing Date*.

Final Allotment of Shares and Admission to Junior Market of JSE: \*\*\*  
*Within 3 to 4 weeks of the Closing Date.*

\* Up to 77,779,669 Reserved Shares in the Invitation are initially reserved for priority application from, and subscription by, the following persons at the Invitation Price: (a) 54,668,669 Company Reserved Shares for the Company Applicants; (b) 2,486,000 Key Partner Reserved Shares for the Key Partners; and (c) 20,625,000 Mayberry Reserved Shares for Mayberry. If any of the Reserved Shares are not subscribed by the persons entitled to them they will become available for subscription by the other Reserved Share Applicants and thereafter, by the general public.

\*\*The subscription list for the Shares will open at 9:00 a.m. on the Opening Date, Wednesday 21<sup>st</sup> September 2011. The subscription list for the Shares will close at 4:30 p.m. on the Closing Date, Wednesday 28<sup>th</sup> September 2011 subject to the right of the Company to: (a) close the subscription list at any time after it opens on 9:00 a.m. on the Opening Date once the issue is fully subscribed and (b) extend the Closing Date for any reason, provided that it does not extend beyond the expiration of 40 days after the publication of this prospectus for the purposes of section 48 of the Companies Act. In the case of an early closing of the subscription list, or an extension to the Closing Date, notice will be posted on the website of the Jamaica Stock Exchange ([www.jamstockex.com](http://www.jamstockex.com)).

\*\*\*It is the intention of the Company to apply to the JSE for admission of the Shares to the Junior Market, however this is not a guarantee that the Shares will be so admitted. The outcome of the Company's application is dependent on (i) the full subscription of the Invitation by investors and/or the underwriter; and (ii) other criteria for admission set out in the Junior Market Rules. If the Invitation is not fully subscribed as aforesaid, or if the Shares are not admitted to trading on the Junior Market of the JSE, all payments received from Applicants for Shares in the Invitation will be refunded.

### 3. CHAIRMAN’S LETTER TO PROSPECTIVE INVESTORS



#### General Accident Insurance Company Jamaica Limited

58 Half Way Tree Road, P.O Box 631, Kingston 10, Jamaica Telephone:  
929-8450 929-8451 929-8454929-9643-8 Fax: 929-1074/960-1270  
Website: www.genac.com Email: genac@cwjamaica.com

Tuesday 13<sup>th</sup> September 2011

Dear Prospective Investors,

We are pleased to invite you to apply to subscribe for up to 206,250,000 Shares in the capital of the Company on the terms set out in this Prospectus.

#### The Company

The Company started business in 1981 as a joint venture between Musson (Jamaica) Limited and General Accident Fire & Life Assurance Corporation (“GAFLAC”) of the United Kingdom, a company which had an international presence and, the Directors believe, a prudent approach to insurance underwriting and management. In 1998, the Company became a wholly-owned subsidiary of Musson (Jamaica) Limited, retaining the General Accident brand.

According to independent industry data published by the Insurance Association of Jamaica, over the past 5 years the Company’s gross written premium income has grown at a faster rate than that of the Jamaican general insurance industry as a whole. Our gross written premium income has increased at an average annual rate of 29%, totaling over \$2.2 billion at the end of financial year 2010. In the same period, the aggregate gross written premium income of the Jamaican general insurance industry grew at an average annual rate of 9%. At the same time, our management and staff continued to observe the conservative risk management philosophies that have served our policyholders well for over 3 decades. Their efforts have contributed to the Company’s success as one of the most profitable general insurers in Jamaica.

Going forward, our strategy is to maintain the Company’s financial position while encouraging its continued growth. The Directors believe that the Company’s key strengths include its reputation, claims service, deep customer relationships, strategic partnerships with key business originators and reinsurers, and its ability to maintain some of the lowest loss and expense ratios of its local industry peers. The Directors also believe that, despite the sometimes unpredictable nature of the insurance industry in the short term, the management expertise of the Company and also, its risk management processes and disciplined organisational culture, will assist it to generate attractive returns on its equity that meet or exceed those of the general insurance industry over the long term. The net proceeds of the Invitation will further enable us to drive an agenda for growth and brand awareness while maintaining controls on expenses and risk.

#### The Rationale for the Invitation and the Use of Proceeds

The Company seeks to raise \$416.625 million in the Invitation by inviting Applications from prospective investors. The Directors of the Company intend to use the proceeds of the Invitation for the following purposes:

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*Directors: P.B. Scott, (Chairman), M. Subratie, Dr. R.C. Thompson, J.D.C.D., S. E. Donaldson (Managing Director),  
G. Messado (Company Secretary), C.A. Nakash, J. Scott, N.A Scott, Dr. N.L. Clarke, D. Stewart*

- Improved regulatory capital and liquidity for growth

The Company intends to use the bulk of the proceeds of the Invitation, after payment of related expenses (see below for details), to purchase investment securities that comply with the regulatory requirements set out in the Insurance Act and the Insurance Regulations, 2001.

The Directors believe that if the Company makes such investments it will improve its capital adequacy and liquidity position for regulatory purposes. They also believe that the making of such investments, together with the Company's recent divestment of the bulk of its holdings in Seprod, will increase its regulatory capital to a level in excess of the minimum benchmarks prescribed by the FSC. The Directors also believe that this position will enable the Company to continue its growth trajectory. Details on the Company's capital adequacy, liquidity and concentration risk before and after the listing are outlined in Section 9 of this Prospectus.

- Increased marketing and brand awareness

The Company also intends to use a part of the proceeds of the Invitation, after payment of related expenses, to increase awareness of its brand and marketing of its products. Such efforts will include campaigns and reward schemes directed at prospective customers of the Company, and others directed at insurance brokers who originate business on its behalf.

- Pay the expenses of the Invitation

The Company intends to use the balance of the proceeds of the Invitation to pay the expenses associated with it. The Directors believe such expenses will not exceed \$20 million (inclusive of brokerage and financial advisory fees, legal fees, accountant's fees, filing fees, initial listing fees, underwriting fees, marketing expenses, and GCT).

### **Concessionary Tax Regime for Junior Market Companies**

The Directors of the Company believe that a Junior Market listing will enable it to take advantage of a special concessionary tax regime, provided that the Company remains listed on the JSE's Junior Market and/or Main Market for 15 years. In its first 5 years on the Junior Market, the Company will not be liable to pay any corporate income tax. In years 6 to 10 on the Junior Market, the Company will only be liable to pay corporate income tax at half the usual rate. See Sections 7.9 and 13.2 of this Prospectus for further details of the concessionary tax regime for Junior Market Companies.

### **Dividend Policy**

If the Company gains admission to the Junior Market of the JSE, the Directors intend to pay an annual dividend of not less than 25% of net profits available for distribution, subject to regulatory approval by the Insurance Division of the FSC and the need to maintain sufficient capital for both regulatory purposes and growth. See Section 7.18 of this Prospectus for further information.

### **How to Make an Application for Shares**

Prospective investors who are interested in subscribing for Shares should read this Prospectus in its entirety, including the full terms and conditions set out in Section 6.5, and then complete the Application set out in Appendix 1.

We hope that prospective investors will join the Company in this exciting new phase of its development.

On behalf of the Board of the Company,



P.B. Scott

Chairman

## 4. DEFINITIONS USED IN THIS PROSPECTUS

<b>Term</b>	<b>Meaning</b>
<b>Act</b>	means the Companies Act, 2004
<b>Allotment</b>	means the allotment of the Shares to successful Applicants by the Company
<b>Applicant(s)</b>	means a person (being an individual or a body corporate resident in Jamaica, whether a Reserved Share Applicant or a member of the general public) who submits an Application
<b>Application(s)</b>	means the form of application to be used by all Applicants who wish to make an offer to subscribe for Shares in the Invitation, which is set out in Appendix 1
<b>Articles of Incorporation</b>	means the Articles of Incorporation of the Company adopted by the shareholders of the Company as of Wednesday 31 <sup>st</sup> August 2011, together with any amendments thereto
<b>Auditor's Report</b>	means an Independent auditors' report issued by PWC on (1) the financial statements of the Company and its group as at and for the year ended 31 December 2010; and (2) the Historical Financial Information exclusive of the Unaudited Financial Information.
<b>Board of Directors</b>	means the Board of Directors of the Company
<b>Company Reserved Share(s)</b>	means 54,668,669 Shares in the invitation that are initially reserved for application from, and subscription by, the Company Applicant(s) at the Invitation Price
<b>Company Applicant(s)</b>	means the directors, management, staff and Mentor of the Company and the directors of the Company's affiliates
<b>Company</b>	means General Accident Insurance Company (Jamaica) Limited, a company incorporated in Jamaica (number 17,561) with its registered and principal office at 58 Half Way Tree Road, Kingston 10, Jamaica
<b>Closing Date</b>	means the date on which the subscription list in respect of the Invitation closes, being Wednesday 28 <sup>th</sup> September 2011 at 4:30 p.m., subject to the right of the Company to shorten or extend the Closing Date in the circumstances described in this Prospectus
<b>Director(s)</b>	means a director of the Board of the Company whose name and details are set out in Section 8 of this Prospectus
<b>Forward Looking Statements</b>	means the forward looking statements referred to in Section 5 of this Prospectus which are disclaimed by the Company on the terms and for the reasons set out therein
<b>FSC</b>	means the Financial Services Commission of Jamaica of 39 Barbados Avenue,

<b>Term</b>	<b>Meaning</b>
	Kingston 5, Jamaica
<b>Historical Financial Information</b>	means the figures set out in Section 10 including those extracted from the financial statements of the Company and its group as audited by PWC for each of the 5 annual reporting periods ended 31 December in the years 2006 to 2010 inclusive, as well the Unaudited Financial Information (the latter not having been audited by PWC)
<b>Invitation</b>	means the invitation to subscribe for up to 206,250,000 Shares in the capital of the Company on the terms and conditions set out in this Prospectus
<b>Invitation Price</b>	means \$2.02 per Share or Reserved Share (as the case may be)
<b>JSE</b>	means The Jamaica Stock Exchange Limited, a company incorporated under the laws of Jamaica (no. 6351) with its principal office at 40 Harbour Street, Kingston, Jamaica
<b>JN Fund Managers</b>	means JN Fund Managers Limited, a company incorporated under the laws of Jamaica (no. 62008) with its principal office at 17 Belmont Road, Kingston 5, Jamaica, being the sole selling agent of Mayberry in the Invitation
<b>Junior Market</b>	means the Junior Market of the JSE
<b>Key Partner(s)</b>	means the insurance agents and insurance brokers who are key originators of insurance business for the Company
<b>Key Partner(s) Reserved Share(s)</b>	means 2,486,000 Shares in the invitation that are initially reserved for application from, and subscription by, the Key Partner(s) at the Invitation Price
<b>Mayberry</b>	means Mayberry Investments Limited, a company incorporated under the laws of Jamaica (no. 26905) with its registered office at 1½ Oxford Road, Kingston 5, Jamaica, being the lead financial adviser and broker to the Company in the Invitation
<b>Mayberry Reserved Share(s)</b>	means 20,625,000 Shares in the Invitation which are initially reserved for application from, and subscription by Mayberry at the Invitation Price
<b>Mentor</b>	means Mr. Maxim Rochester, the Mentor of the Company required to be appointed under the rules of the Junior Market
<b>Musson Group</b>	means Musson (Jamaica) Limited and its subsidiaries and affiliated companies
<b>Opening Date</b>	means the date on which the subscription list in respect of the Invitation opens, being 9:00 a.m. on Wednesday 21 <sup>st</sup> September 2011
<b>Orrett and Musson</b>	means Orrett and Musson Investment Company Limited, a company incorporated under the laws of Jamaica (no. 11444) with its registered and principal office at 58 Half Way Tree Road, Kingston 10, Jamaica, being, at the publication date of this Prospectus, a former subsidiary of the Company whose

<b>Term</b>	<b>Meaning</b>
	principal business is the financing of insurance premiums
<b>Prospectus</b>	means this document dated as of Tuesday 13 <sup>th</sup> September 2011, which constitutes a prospectus for the purposes of the Companies Act, 2004 and the Securities Act
<b>PWC</b>	means PricewaterhouseCoopers, Chartered Accountants of Scotiabank Centre, P.O. Box 372, Duke Street, Kingston, Jamaica
<b>Reserved Share(s)</b>	means up to 77,779,669 Shares in the Invitation comprising the Company Reserved Shares, the Key Partner(s) Reserved Shares and the Mayberry Reserved Shares and the term “Reserved Share(s)” shall include any one or more category of Reserved Share(s) where the context so requires
<b>Seprod</b>	means Seprod Limited, a company incorporated under the laws of Jamaica (no. 1024) with its registered office at 3 Felix Fox Boulevard, Kingston General Post Office box no. 271, Kingston, Jamaica
<b>Share(s)</b>	means the ordinary shares in the capital of the Company inclusive of the 206,250,000 Shares that are offered for subscription in the Invitation on the terms and conditions set out in this Prospectus and the expression “Shares” shall include Reserved Shares where the context so requires
<b>Shareholder(s)</b>	means holders of the shares
<b>Terms and Conditions</b>	means the terms and conditions of the Invitation set out in Section 6.5 of this Prospectus
<b>Unaudited Financial Information</b>	means the unaudited financial information set out in Section 10 of this Prospectus in respect of the 6 month period ended 30 <sup>th</sup> June 2011 (actual and pro-forma) along with comparative information for the period ended 30 <sup>th</sup> June 2010 (actual only) that is taken from the management accounts of the Company or prepared by management taking into account transactions that have occurred since the reporting date
<b>\$</b>	means the Jamaican dollar unless otherwise indicated

## 5. DISCLAIMER - FORWARD LOOKING STATEMENTS

Save for the Historical Financial Information contained in this Prospectus, certain matters discussed in this Prospectus contain forward-looking statements including but not limited to statements of expectations, future plans or future prospects, and pro forma financial information and/or financial projections.

Forward-looking statements are statements that are not about historical facts and speak only as of the date they are made, taking into account any assumptions set out in this Prospectus for that purpose. Although the Directors believe that in making any such statements its expectations are based on reasonable assumptions, such statements may be influenced by factors that could cause actual outcomes and results to be materially different from those projected. Prospective investors in the Company are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the dates on which they have been made. Future events or circumstances could cause actual results to differ materially from historical or anticipated results.

When used in this Prospectus, the words "anticipates", "believes", "expects", "intends", "considers", "pro forma", "forecast", "projection" and similar expressions, as they relate to the Company, are intended to identify those forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties. Once this Prospectus has been signed by or on behalf of the Company, and prior to the admission of the Company to the Junior Market of the JSE, the Company undertakes no obligation to update publicly or revise any of the forward-looking statements in light of new information or future events, including changes in the Company's financial or regulatory position, or to reflect the occurrence of unanticipated events (subject to any legal or regulatory requirements for such disclosure to be made).

There are important factors that could cause actual results to differ materially from those in forward-looking statements, certain of which are beyond the Company's control. These factors include, without limitation, the following:

- economic, social and other conditions prevailing both within and outside of Jamaica, including actual rates of growth of the Jamaican and CARICOM regional economies, instability and volatility in domestic interest rates and regional and international exchange rates
- adverse climatic events and natural disasters
- unfavourable market receptiveness to renewals of current products, or any new products
- changes in any legislation or policy adversely affecting the recognition of revenues or expenses by the Company
- any other factor negatively impacting on the realisation of the assumptions on which the Company's pro forma financial statements or financial projections are based
- other factors identified in this Prospectus
- factors as yet unknown to the Company

Neither the FSC nor any Government agency or regulatory authority in Jamaica has made any determination on the accuracy or adequacy of the matters

## 6. THE INVITATION

### 6.1 General Information

The Company is seeking to raise \$416.625 million from subscriptions for up to 206,250,000 Shares in the Invitation. Of those Shares, 128,470,331 Shares are initially reserved for application from, and subscription by, the general public at the Invitation Price of \$2.02 a Share. Up to 77,779,669 Shares in the Invitation are Reserved Shares that are initially reserved for application from, and subscription by, the Company Applicants, the Key Partners, and Mayberry.

**Prospective investors should read this Prospectus carefully.** Those prospective investors who wish to subscribe for Shares should review the full terms and conditions of the Invitation set out in Section 6.5 before completing the Application set out in Appendix 1.

The subscription list will open at 9:00 a.m. on the Opening Date, Wednesday 21<sup>st</sup> September 2011 and will close at 4:30 p.m. on the Closing Date, Wednesday 28<sup>th</sup> September 2011 subject to the right of the Company to:

- (a) close the subscription list at any time after 9:00 a.m. on the Opening Date once the issue is fully subscribed, and
- (b) extend the Closing Date for any reason, provided that it does not extend beyond the expiration of 40 days after the publication of this prospectus for the purposes of section 48 of the Companies Act.

In either case the Company will arrange for an informational notice to be posted on the website of the JSE - [www.jamstockex.com](http://www.jamstockex.com)

### 6.2 Minimum Fundraising, Irrevocable Underwriting Commitment, and Application for Listing

For the purposes of the requirement for disclosure set out in section 48 of the Act, the minimum amount which, in the opinion of the Directors, must be received by the Company in order to provide for the matters set out in paragraph two of the Third Schedule to the Act is \$416.625 million.

The issue is fully underwritten by Mayberry, who has given an irrevocable commitment to take up any Shares that are not subscribed in the Invitation to an aggregate value of \$416.625 million on the Closing Date. See further details of the commitment at Section 13.1 of this Prospectus.

Assuming that all 206,250,000 Shares in the Invitation are taken up by Applicants and/or the underwriter, the Company will make application to the JSE for the Shares to be admitted to the Junior Market. Please note that this statement of the Company's intention is not a guarantee that the Shares will in fact be so admitted. Please also note that the outcome of the Company's application to the JSE is dependent on (i) the full subscription of the Invitation by Applicants and/or the underwriter; and (ii) other criteria set out in the Junior Market Rules. If the Invitation is not fully subscribed as aforesaid, or if the Shares are not admitted to trading on the Junior Market of the JSE, all payments received for Shares will be refunded to the Applicants making them. If the application is successful, it is anticipated that the Shares will be admitted to trading within 3 to 4 weeks of the Closing Date.

### 6.3 Concessionary Tax Regime for Junior Market Companies

The Directors of the Company believe that a Junior Market listing will enable it to take advantage of a special concessionary tax regime, provided that the Company remains listed on the JSE's Junior Market and/or Main Market for 15 years. In its first 5 years on the Junior Market, the Company will not be liable to pay any corporate income tax. In years 6 to 10 on the Junior Market, the Company will only be liable to pay corporate income tax at half the usual rate. See Sections 7.9 and 13.2 of this Prospectus for further details of the concessionary tax regime for Junior Market Companies.

## **6.4 Use of Proceeds**

The Directors of the Company intend to use the proceeds of the Invitation for the following purposes:

- Improved regulatory capital and liquidity for growth

The Company intends to use the bulk of the proceeds of the Invitation, after payment of related expenses (see below for details), to purchase investment securities that comply with the regulatory requirements set out in the Insurance Act and the Insurance Regulations, 2001.

The Directors believe that if the Company makes such investments it will improve its capital adequacy and liquidity position for regulatory purposes. They also believe that the making of such investments, together with the Company's recent divestment of the bulk of its holdings in Seprod, will increase its regulatory capital to a level in excess of the minimum benchmarks prescribed by the FSC. The Directors also believe that this position will enable the Company to continue its growth trajectory. Details on the Company's capital adequacy, liquidity and concentration risk before and after the listing are outlined in Section 9 of this Prospectus.

- Increased marketing and brand awareness

The Company also intends to use a part of the proceeds of the Invitation, after payment of related expenses, to increase awareness of its brand and marketing of its products. Such efforts will include campaigns and reward schemes directed at prospective customers of the Company, and others directed at the insurance brokers who originate business on its behalf.

- Pay the expenses of the Invitation

The Company intends to use the balance of the proceeds of the Invitation to pay the expenses associated with it. The Directors believe such expenses will not exceed \$20 million (inclusive of brokerage and financial advisory fees, legal fees, accountant's fees, filing fees, initial listing fees, underwriting fees, marketing expenses, and GCT).

## **6.5 Terms and Conditions for All Applicants**

1. All Applicants (whether Reserved Share Applicants or members of the general public) must submit the Application in the form provided at Appendix 1 to this Prospectus.
2. Reserved Share Applicants must specify their status on the Application and provide reasonably verifiable proof of their status.
3. All Applicants will be deemed to have accepted the terms and conditions of the Invitation and any other terms and conditions set out in this Prospectus, including any terms and conditions set out in this Section 6, the Prospectus generally, and the Application.
4. Each Applicant acknowledges and agrees that: (a) he/she has been afforded a meaningful opportunity to review this Prospectus (including the terms and conditions in this Section 6.5), and to gather and review all additional information considered by him/her to be necessary to verify the accuracy of the information contained in this Prospectus; (b) save for Mayberry and/or its Selling Agent, JN Fund Managers no person connected with the Company has made any representation concerning the Company or this Prospectus not contained herein, on which the Applicant has relied in submitting his/her Application.
5. Applications from the general public must request a minimum of 2,000 Shares and be made in multiples of 1,000. Applications requesting Shares in other denominations may not be accepted.
6. All Shares in the Invitation, including Reserved Shares, are priced at the Invitation Price of \$2.02 per Share. All Shares inclusive of the Mayberry Reserved Shares will be allotted on a first come, first served basis. All Company Reserved Shares and Key Partners Reserved Shares will be allotted in the discretion of the Board of the Company taking into account, in the case of the Company Applicants, seniority, length of service, and other factors, and in the case of the Key Partners, levels of business originated and introduced to the Company, and other factors.

7. If any of the Reserved Shares in any category are not subscribed for by the persons entitled to them they will be available for subscription by other Reserved Share Applicants and thereafter, any unsubscribed Reserved Shares will become available for subscription by the general public.
8. All Applications must be delivered with payment for the Shares in the form of either:
  - (a) a manager's cheque made payable to “**Mayberry Investments Limited**”, or “**JN Fund Managers Limited**” (as the case may be); or
  - (b) authorisation from the Applicant on the Application, instructing Mayberry or JN Fund Managers to make payment from cleared funds held in an investment account in the Applicant's name at Mayberry or JN Fund Managers (as the case may be).
9. All completed Applications must be delivered to any of the following addresses:

<b>Kingston</b>	<b>Lead Broker:</b> Mayberry Investments Limited 1 1/2 Oxford Road, Kingston 5	
	<b>Selling Agent:</b> JN Fund Managers Limited 17 Belmont Road, Kingston 5	
	<b>Half Way Tree:</b> Jamaica National Building Society 2 – 4 Constant Spring Road Kingston 10	<b>New Kingston:</b> Jamaica National Building Society 10 – 12 Grenada Crescent Kingston 5
	<b>Downtown:</b> Jamaica National Building Society 32 1/2 Duke Street Kingston	<b>Papine:</b> Jamaica National Building Society 17C Gordon Town Road Kingston
<b>Spanish Town</b>	Jamaica National Building Society 26 – 28 Wellington Street Spanish Town, Saint Catherine	
<b>Linstead</b>	Jamaica National Building Society 27 King Street Linstead, Saint Catherine	
<b>Mandeville</b>	Jamaica National Building Society Mandeville Plaza Mandeville, Manchester	
<b>Ocho Rios</b>	Jamaica National Building Society Corner of Graham Street and DaCosta Drive Ocho Rios, Saint Ann	

<b>Montego Bay</b>	Jamaica National Building Society 2 Market Street Montego Bay, Saint James
<b>Port Antonio</b>	Jamaica National Building Society 21 Harbour Street Port Antonio, Portland

10. **Applications submitted to Mayberry or JN Fund Managers in advance of the Opening Date will be received but not processed. All such advance Applications will be treated as having been received at 9:00 a.m. on the Opening Date, Wednesday 21<sup>st</sup> September 2011. All Applications received from 9:00 a.m. onwards on the Opening Date will be time stamped for processing in the order in which they were received and dealt with in that same order (e.g. on a first come first served basis).**
11. The Company may: (a) accept or reject any Application in whole or part without giving reasons, and neither the Company nor its Directors or agents shall be liable to any Applicant or any other person for doing so; and (b) allot Shares to Applicants on a basis to be determined by it in its sole discretion. **Multiple Applications by any person (whether in individual or joint names) may be treated as a single Application.**
12. Neither the submission of an Application by an Applicant nor its receipt by the Company will result in a binding contract between the Applicant and the Company. Applicants may refer to the notice publicising the provisional basis of allotment of the Shares that will be posted on the website of the JSE ([www.jamstockex.com](http://www.jamstockex.com)) **no later than 3 clear business days** after the Closing Date, however the Company shall only make a final allotment of the Shares if (i) the Invitation is fully subscribed by Applicants and/or the underwriter; and (ii) its application for admission to the Junior Market is granted.
13. Only the allotment of Shares by the Company to an Applicant (whether such Shares represent all or part of those specified by the Applicant in his/her Application) will result in a binding contract under which the Applicant will be deemed to have agreed to subscribe for the number of allotted Shares, subject to the Articles of Incorporation of the Company and the terms and conditions set out in this Section 6.5.
14. It is the intention of the Company to apply to the JSE for admission of the Shares to the Junior Market. The issue is fully underwritten by Mayberry, who has given an irrevocable commitment to take up any Shares that are not subscribed in the Invitation at the Closing Date, up to an aggregate subscription of \$416.625 million. See further details at Section 13.1 of this Prospectus. The Company's application to the JSE is dependent on (i) the full subscription of the Invitation by Applicants and/or the underwriter; and (ii) other criteria for admission set out in the Junior Market Rules. If the Invitation is not fully subscribed as aforesaid, or if the Shares are not admitted to trading on the Junior Market of the JSE, all payments received for Shares will be refunded to the Applicants making them.
15. If the Invitation is successful and the Shares are admitted to trading on the Junior Market of the JSE, Applicants will be allotted Shares for credit to their account in the Jamaica Central Securities Depository specified in their Application Forms (persons who do not have an account in the Jamaica Central Securities Depository will receive details of a new account created in their name). Applicants may refer to informational notice that will be posted on the website of the JSE ([www.jamstockex.com](http://www.jamstockex.com)) after the Closing Date. Applicants who wish to receive share certificates must make a specific request to the Jamaica Central Securities Depository.
16. The Company will endeavour to return cheques for the amounts refundable to Applicants whose Applications are not accepted, or whose Applications are only accepted in part, within 10 working days after the Closing Date (or the extended Closing Date, as the case may be) or as soon as practicable thereafter. Each refund cheque will be sent to Mayberry or JN Fund Managers (as the case may be) for

collection by the Applicant (or the first-named joint Applicant) stated in the Application. Any other persons purporting to collect a cheque on behalf of an Applicant must be authorised in writing to do so.

17. Applicants must be at least 18 years old. Applicants who are not 18 years old may not apply as individual holders but may apply jointly with Applicants who are 18 or over.



## 7. INFORMATION ABOUT THE COMPANY



### 7.1 History

The Company was formed in 1981 as a joint venture between Musson (Jamaica) Limited and General Accident Fire & Life Assurance Corporation plc (“GAFLAC”). At the relevant time, the latter was a large, United Kingdom based international insurance company with a presence in over 40 countries across the world, inclusive of Europe, Africa, and the Caribbean. Following a number of acquisitions and mergers, the successor entity of GAFLAC is Aviva Insurance Limited of the United Kingdom.

In 1998, the Company became a wholly-owned subsidiary of Musson (Jamaica) Limited and the Company retained the General Accident brand and underwriting and management philosophies it was known for in the insurance and reinsurance industries, which the Directors consider have served the Company and its policyholders well for 30 years.

### 7.2 Parent company and group

The Company’s parent company is Musson (Jamaica) Limited, a company incorporated in Jamaica (no. 3917) with its registered office at 178 Spanish Town Road, Kingston 11, Saint Andrew, being the ultimate holding company of the Musson Group.

The Musson Group is a conglomerate with subsidiaries and affiliates engaged in the distribution of telecom and information technology products, food and pharmaceutical products, and manufacturing, insurance, specialty lending and real estate services. Today, the Musson Group is one of the largest private companies in the Caribbean and Central America with over 5,000 employees and a presence in over 30 countries.

### 7.3 Products and Services

The Company provides property casualty and general insurance products and related claims and other services to both individual and commercial customers.

<b>MOTOR VEHICLE</b>	
<b>Superior Car</b>	Loss or damage to, or arising in connection with, use of motor vehicles arising from: accidental collision, overturning, fire, external explosion, theft, burglary or malicious damage. Includes liability to third parties resulting in bodily injury or death, and damage to property.
<b>Superior Lady</b>	
<b>Superior Male</b>	
<b>Private commercial</b>	
<b>PROPERTY</b>	
<b>Fire and allied perils</b>	Loss, damage or destruction to insured property as specified on the policy schedule.
<b>Superior Home</b>	Loss, damage or destruction to insured property used for residential purposes as specified on the policy schedule, resulting from fire and allied perils, burglary, theft, or accidental damage. Includes liability to third parties and domestic employees.
<b>Commercial all risks</b>	Loss, damage or destruction to insured property as specified on the policy schedule, resulting from fire and allied perils. Includes loss resulting from burglary, and accidental damage.
<b>Synergy</b>	Loss, damage or destruction to insured property as specified on the policy schedule resulting from fire and allied perils, burglary. Extends to include cover for Increased Cost of Working, Loss of Money, Public & Employers Liability (as defined in the policy document). Designed for small businesses.
<b>Consequential loss</b>	Loss of gross profit or revenue, or Increased Cost of Working (as defined in the policy document) resulting from the operation of an insured peril under the material damage policy.
<b>OTHER</b>	
<b>Public liability</b>	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.
<b>Employers liability</b>	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.
<b>Personal accident</b>	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.
<b>Contractors' all risk</b>	Loss, damage or destruction of, or to, specified contract works, material and/or equipment on site during the contract period up to the sum insured as specified on

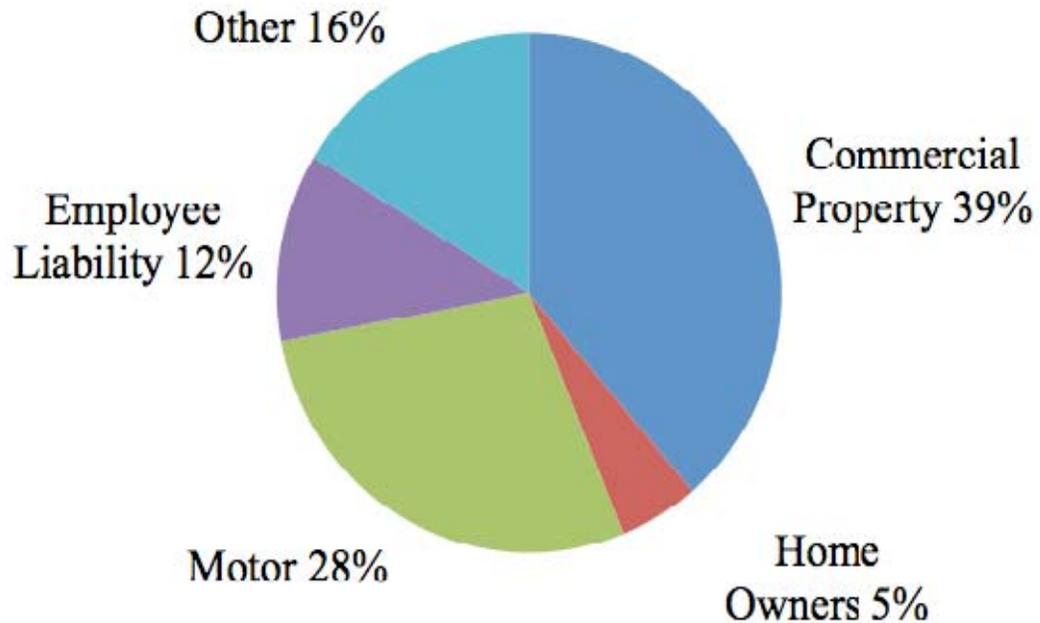
	the policy schedule.
<b>Burglary</b>	Loss of or damage to the insured's property involving forcible and/or violent entry into or exit from the building including damage to the premises.
<b>Goods in Transit</b>	Loss, destruction or damage to insured goods by fire and allied perils, including loss or damage 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.
<b>Engineering and machinery breakdown</b>	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.
<b>Loss of money</b>	Loss, damage or destruction of money including hold-up on premises during and out of business hours and in transit.
<b>Fidelity guarantee</b>	Loss of money or goods owned by the insured (or for which he is responsible) as a result of fraud or dishonesty by any employee.
<b>Plate glass</b>	Accidental breakage to plate glass windows and doors of buildings.
<b>Marine cargo</b>	Loss or damage to goods from the perils of the seas and other perils whilst in transit from destination to destination by sea, air or by land and from warehouse to warehouse.

Please note that the types of coverage described above are set out for illustrative purposes only, and that coverage offered by any particular policies issued by the Company may vary.

Typically, the Company's policies are issued for a one year period. In return for covering losses associated with certain specified risks under its various insurance products and services, the Company receives premiums paid by the customer at the inception of the policy.

The Company's revenues are driven by sales of both commercial property and motor vehicle insurances, which comprised 39% and 28% of its gross written premiums in 2010, respectively. A complete breakdown of the Company's gross written premiums by product category is set out below.

## Gross Written Premiums by Products and Services 2010



The Company also focuses on customer service. Its principal office at 58 Half Way Tree Road is open early, from 7:30 a.m., so that both individual and commercial customers are able to stop by at a time that is convenient to them. The office closes at 4:30 p.m. In addition, certain of the Company's motor vehicle products include the provision of ancillary "Accicare" roadside assistance service in the event of accidents or other difficulties.

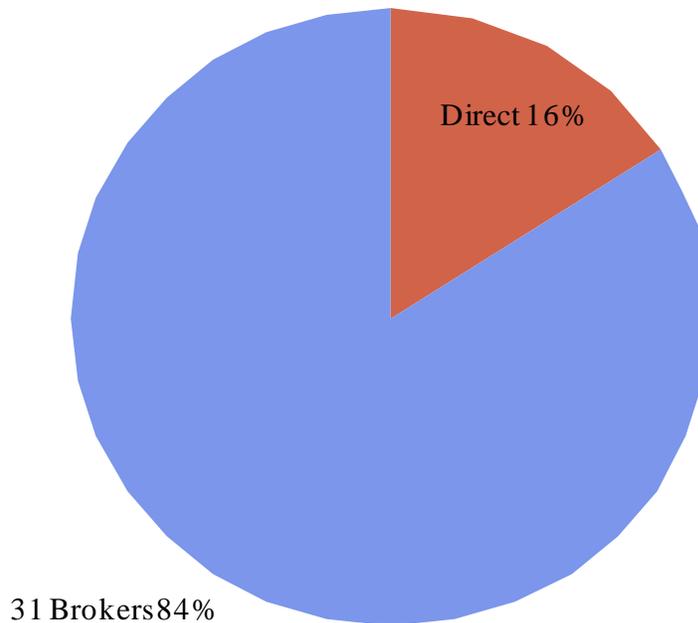
### 7.4 Product Distribution

The Company distributes its products to both its individual and commercial customers primarily through its network of insurance brokers, as well as through its own internal sales force and 3 insurance agents.

In financial year 2010, 31 insurance brokers produced 84% of the Company's gross written premiums in that financial year. In the same financial year, the Company's direct sales, and sales made by its 3 insurance agents, accounted for approximately 16% of the Company's gross written premiums.

A complete breakdown of the Company's gross written premiums by distribution channel is included below.

### Gross Written Premiums by Distribution Channel 2010



#### 7.5 Reinsurance Arrangements

The Company has concluded arrangements with credit worthy international reinsurers that are intended to mitigate the risk of a large loss event . The Company’s reinsurance arrangements fall into 3 major categories: quota share arrangements, excess of loss arrangements and catastrophe excess of loss arrangements. The Directors also believe that the Company’s reinsurance arrangements are such that its maximum exposure net of reinsurance, even in the event of a large catastrophe, will not exceed \$40 million if the security is called on and met and provided that, amongst other things, the Company does not breach specified underwriting limits.

##### Proportional reinsurance: quota share arrangements

Under its quota share arrangements, the Company typically cedes 80% of the premiums it receives on its non-motor vehicle policies to its reinsurers. It retains 20% of its premium income and accordingly it also bears the risk of up to 20% of the losses associated with the non-motor vehicle policies it writes.

##### Non – proportional reinsurance: excess of loss and catastrophe arrangements

Under its excess of loss policies, the Company pays the reinsurers a fixed premium in exchange for coverage of losses on any one event above certain limits.

Finally, under its catastrophe excess of loss policies, the Company pays reinsurers a fixed premium in exchange for coverage on losses associated with any one catastrophic event.

The Company renews its reinsurance arrangements annually and reports operational, financial and actuarial information to its reinsurers periodically.

### Facultative reinsurance

On occasion the Company enters into fronting arrangements, acting as agent on behalf of foreign insurers who are not registered in Jamaica, and also for local companies who wish to place risks in foreign insurance and reinsurance markets. These activities are not necessarily recurring and are accounted for in the gross written premium results posted by the Company.

### Quality of security

All of the Company's reinsurers are rated at least A- by Standard and Poor's. Details of their credit ratings as at 23rd August 2011, being the latest practicable date prior to publication of the prospectus, are provided below:

<b>Name of Reinsurer</b>	<b>S&amp;P Rating</b>	<b>AM Best Rating</b>
Amlin	A	A+
Amlin Bermuda	A	A
Broadgate BGT 1301	A	A+
Catlin SJP 2003	A	A+
Catlin Bermuda	A	A
China Re	A	Not rated
Everest Re Miami	A	A+
GIC London	A-	Not Rated
Kiln KLN 501	A	A+
Liberty LIB 4472	A	A+
Markel International	A	Not rated
Mathers SDM 807	A	A+
Munich Re	A+	AA-
Omega GSC 508	A	A+
Scor Re Miami	A	A
Shelter Re	A	BBB
Sirius International	A	A-
Swiss Re	A	A+
Taiping Re	A-	A-
White Mountains Re Toronto	A-	A-

Please note that the ratings set out above are subject to change. Such changes may or may not cause the Company to reconsider its reinsurance programme arrangements.

## **7.6 Regulation**

### Registration as an insurer

The Company is registered to write the classes of non - life and general insurance business for the purposes of the Insurance Act

- Accident
- Liability
- Marine Aviation & Transport
- Motor Vehicle
- Pecuniary Loss
- Property

Please note that the coverage offered by any particular policies issued by the Company may vary.

### Ongoing FSC supervision

The business of the Company is regulated by the Insurance Act and regulations made thereunder, including the Insurance Regulations 2001.

The FSC Insurance Division is responsible for the supervision of life, general and health insurance companies (inclusive of the Company) and also, insurance intermediaries.

The Insurance Act, 2001 grants wide supervisory powers to the FSC including, but not limited to, the following:

- the power to grant, refuse, suspend and cancel the registration of an insurance company
- the power to approve all insurance policies before they are offered to the public
- the power to conduct examinations of each insurance company's affairs or business at least once annually and to order corrective measures as may be required
- the power to investigate operational irregularities and take corrective action
- the power to review annual statements, corporate data, partnerships and business practices of insurance companies
- the power to verify the competence and integrity of directors, managers and other decision makers acting on behalf of insurance companies, in keeping with the fit and proper criteria
- the power to consent (or not consent) to the amalgamation or transfer of the business of the Company in whole or part
- the power to apply to the courts for the winding up of the Company (whether or not it is insolvent).

The Company has entered into certain transactions prior to the publication of the Prospectus and the launch of the Invitation that are designed to strengthen its regulatory capital position. See further details in section 7.16 (Recent Related Party Transactions), below.

## **7.7 People**

The Company employs 73 persons, organised into the following divisions:

- Accounting and Finance
- Underwriting and Marketing
- Claims
- Human Resources and Facilities



The Company's management team is comprised of 6 people, 5 of whom have been with the Company for more than 10 years. The team is guided by an experienced Board that includes a majority of non-executive and independent directors. The Board's collective experience in business, law, accounting and regulation, gained both locally and internationally, is noteworthy. Biographies of the Directors, the Mentor and the Management team are included in section 8 of this Prospectus.

## **7.8 Competition**

There are 10 general insurers registered under the Insurance Act, 2001 operating in Jamaica. Based on independent data published by the Insurance Association of Jamaica (IAJ) in 2010, the Company controlled 9% of the general insurance market in the aggregate, and 11% of the general insurance market excluding motor insurance. (General insurance statistics are collated by the IAJ on bases which both include, and exclude, motor insurance.)

The market for general insurance is fragmented with no single general insurer controlling more than 19% of the market.

## **7.9 Junior Market Taxation**

If the Shares are admitted to trading on the Junior Market of the JSE, the Company will benefit from a 10 year concessionary tax regime that starts from the date its shares are listed. In the first 5 years, the Company will be eligible for a full remission of corporate income tax, and in the subsequent 5 year period, it will be eligible for a partial (50%) remission of corporate income tax. In order to take advantage of the concession, the Company must remain listed on the JSE for at least 15 years.

In addition, prospective investors should note that transfers of any Shares on the JSE are exempt from transfer tax and stamp duty. Dividends may also be received by Jamaican resident Shareholders at a nil rate of income tax. See Section 13.2 of this Prospectus for further information.

## **7.10 Details of the Authorised and Issued Share Capital and the Shares in the Invitation**

### Capital Structure of the Company

As at Monday 5<sup>th</sup> September 2011, the latest practicable date prior to publication of this Prospectus, the authorised and issued share capital of the Company was as follows:

- **Authorised:** 1,100,000,000
- **Issued:** 825,000,000

The Shares in the Invitation will be newly issued Shares of the Company.

#### Recent Capital Reorganisation

At an extraordinary general meeting of the Company held on Wednesday 31<sup>st</sup> August 2011, Musson (Jamaica) Limited, being the sole shareholder of the Company at the time, approved the following actions in respect of the capital structure of the Company:

- The increase of the authorised share capital of the Company by 25 million ordinary shares
- The subdivision of each of the authorised and issued Shares into 11 shares
- The re-registration of the Company as a public company under the Companies Act, 2004
- The adoption of new Articles of Incorporation, which are available for inspection as set out in Section 14
- The declaration of an interim dividend in the amount of \$970 million for payment to shareholders on record as at 31<sup>st</sup> August 2011 on 1<sup>st</sup> September 2011

The Directors also intend to propose a resolution to the shareholders as soon as practicable, to convert the issued Shares to stock following the Invitation if it is successful.

#### **7.11 Shareholdings in the Company Before and After the Invitation**

As at Monday 5<sup>th</sup> September 2011, the latest practicable date prior to publication of this Prospectus, the holdings of Shares in the capital of the Company (including legal and, where known to the Company, beneficial holdings) were as follows:

<b>Name of Shareholder</b>	<b>Number of Shares</b>	<b>% of Issued Shares</b>
Musson (Jamaica) Limited	824,999,989	100.00%
Estate of A.D. Blades	11	0.00%
Total	825,000,000	100.00%

After the subscription lists for the Invitation are closed, and assuming that the Invitation is fully subscribed by the public and also, by the Reserved Share Applicants, the percentage shareholdings in the Company will be as follows:

Name of Shareholder	Number of Shares	% of Issued Shares
Musson (Jamaica) Limited	824,999,989	80.00%
Estate of A.D. Blades	11	0.00%
General public	128,470,331	12.46%
Company Reserved Share Applicants	54,668,669	5.30%
Key Partners	2,486,000	0.24%
Mayberry and/or clients	20,625,000	2.00%
Total	1,031,250,000	100.00%

Please note that the Invitation is fully underwritten by Mayberry, who has given an irrevocable commitment to take up any Shares that are not subscribed in the Invitation, to an aggregate value of \$416.625 million on the Closing Date. In the event that the Invitation is not fully subscribed by the general public and Reserved Share Applicants and the Company is required to call on the underwriting facility the holdings and percentage results shown in the illustrative table, above, would be affected.

### 7.12 Applicable Certifications

As at Monday 5<sup>th</sup> September 2011, the latest practicable date prior to publication of this Prospectus, the Company has the following applicable certifications:

Type of Certificate	Brief Details
Certificate of Registration for Company under the Insurance Act, 2001 (Fourth Schedule)	Dated 30 <sup>th</sup> April 2008. Supercedes certificate issued on 31 <sup>st</sup> December 1980.  Classes of insurance business: Accident, Liability, Marine Aviation & Transport, Motor Vehicle, Pecuniary Loss, Property
Tax Compliance Certificate	Valid up to and including 14 <sup>th</sup> November 2011.  Certifies that the Company has satisfied applicable statutory requirements in respect of Income Tax (including P.A.Y.E.), General Consumption Tax, Special Consumption Tax, Education Tax, and also in respect of N.I.S., N.H.T. and H.E.A.R.T. Trust contributions for the period up to and ending 30 <sup>th</sup> April 2011.

### 7.13 Real and Intellectual Property

As at Monday 5<sup>th</sup> September 2011, the latest practicable date prior to publication of this Prospectus, the Company has the following interests in real and intellectual property:

## Real Property

The Company owns no real property, having disposed of its interest in its principal premises in favour of a lease arrangement as described in section 7.14 (Material Contracts) and section 7.15 (Related Party Arrangements) below.

## Intellectual Property

Trademark	Class	Registration Details
General Accident name and hummingbird logo (Jamaica Intellectual Property Office registration no. 41,036)	36	Valid for 10 years expiring 3 September 2021. Renewal for further 10 year periods available on payment of a nominal fee.
General Accident name and hummingbird logo with "Simply Superior" slogan	36	Application pending
Superior Lady	36	Application pending
Superior Male	36	Application pending

## **7.14 Material Contracts**

The following material contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company with the following persons ("Counterparties" and each of them a "Counterparty") in the 2 years preceding Monday 5<sup>th</sup> September 2011, the latest practicable date prior to the publication of this Prospectus:

Date	Counterparty	Amount	Brief Details
<b>REINSURERS</b>			
1 <sup>st</sup> January 2011 subject to termination by notice	<u>Various reinsurers as follows:</u> Lloyd's of London syndicates_Nos. 2001, 510, 4472, 1301, 958, 807 Markel International Insurance Co. Ltd. (UK) Amlin AG (Switz) GIC of India (UK) Sirius International Insurance Corp. (Sweden) Shelter Reinsurance Company (USA) Everest Re (USA) China Reinsurance Group Corp. (China) Swiss Reinsurance Company Limited (Canada Branch) Catlin insurance Company Limited	Various as stated in the agreement	Up to 80% property quota share treaty reinsurance.  Up to 80% of premium and associated risk may be ceded by the Company to reinsurers subject to stated limits.  Covers business ceded by the Company that is classified by the reinsurers as follows: (1) fire and accessory risks, including consequential loss (2) homeowners' and householders' policies but excluding the liability section thereof (3) machinery breakdown (subject to limits) (4) burglary when written in conjunction with fire and all risks policies other than industrial all risks policies.  Maximum aggregate cession limit on windstorm or earthquake liability applies. Other exclusions and limits apply as stated in the agreement.

Date	Counterparty	Amount	Brief Details
	(Bermuda)  Taiping Reinsurance Company Limited (Hong Kong, China)  White Mountains Reinsurance Company of America (Toronto Canada)  SCOR Reinsurance Company Limited (Miami USA)  Munich Re (Germany)		Separate policy conditions may apply to individual reinsurers' participations.
1 <sup>st</sup> January 2011  subject to termination by notice	Swiss Reinsurance Company Limited (Canada Branch)	As stated in the agreement	Up to 50% engineering quota share and surplus reinsurance.  Up to 50% may be ceded by the Company to the reinsurer subject to stated limits in respect of the following policies: (1) contractors' all risks and erection all risks including liability sections thereof (2) machinery breakdown including loss of profits (3) boiler explosion (4) computer and low voltage equipment (5) contractors plant and equipment and deterioration of stock.  Additional surplus treaty.  Maximum aggregate cession limit on 50% quota share and 100% surplus for windstorm or earthquake liability applies. Other exclusions and limits apply as stated in the agreement.
1 <sup>st</sup> January 2011  subject to termination by notice	Swiss Reinsurance Company Limited (Canada Branch)	As stated in the agreement	Miscellaneous first surplus reinsurance treaty in respect of all business classified by the reinsured as all risks, burglary, cash/money, fidelity, performance (or contract guarantee) bid, tender, mobilisation, customs, supply, warehouse and travel agency bonds, goods in transit, personal accident / personal accident travel. Subject to stated limit for losses arising out of windstorm / earthquake. Other exclusions and limits apply as stated in the agreement.
12 months from 1 <sup>st</sup> January 2011	<u>Various reinsurers as follows:</u>  Munich Re (Germany)	As stated in the agreement	Catastrophe excess of loss reinsurance to apply to policies written by the Company in the following classes of business: fire & accessory risks (when written in

Date	Counterparty	Amount	Brief Details
	Swiss Reinsurance Company Limited (Canada Branch)  Lloyd's Syndicates 807 and 2001		conjunction with fire, consequential loss, homeowner's and householder's policies (excluding the liability section thereof), burglary when written in conjunction with fire, material damage section of C.A.R. policies, all risks policies other than industrial all risks policies, marine and motor physical damage from natural perils.  Exclusions and limits apply as stated in the agreement.
12 months from 1 <sup>st</sup> January 2011	SCOR Reinsurance Company (Miami USA)	As stated in the agreement	Property excess of loss reinsurance to apply to policies written by the Company in the following classes of business: fire and accessory risks including consequential loss, homeowner's and householder's policies (excluding the liability section thereof, machinery breakdown subject to specified sub-limits and conditions, burglary when written in conjunction with fire and all risks policies other than industrial all risks policies.  Exclusions and limits apply as stated in the agreement.
12 months from 1 <sup>st</sup> January 2011	Catlin Insurance Company Limited (Bermuda)	As stated in the agreement.	Reinstatement premium protection reinsurance. Applies to the actual cost incurred by the Company in respect of reinstatement premiums payable on losses incurred under the catastrophe excess of loss reinsurance programme described above.  Exclusions and limits apply as stated in the agreement.
12 months from 1 <sup>st</sup> January 2011	Swiss Reinsurance Company Limited (Toronto Canada branch) SCOR Reinsurance Company Limited (Miami USA)	As stated in the agreement.	Motor & liability excess of loss reinsurance. Applies to all business written by the Company in the following classes: motor vehicle (all hazards), general third party liability, employer's liability, workmen's compensation, products liability, liability section of contractors all risks / erection all risks and liability section of householders and homeowners policies.  Exclusions and limits apply as stated in the agreement.

OTHERS			
21 <sup>st</sup> July 2011	Mayberry Investment Limited 1½ Oxford Road Kingston 5, Jamaica	See section 13.1	Financial advisory and lead brokerage services in the Invitation.
31 <sup>st</sup> August 2011	Musson (Jamaica) Limited	\$887,286,585	Sale of the Company's beneficial interest in 38,544,188 of the ordinary issued shares of Seprod. The consideration for the sale, being the market value of the shares on 24 <sup>th</sup> August 2011, is given in the form of a 3 month promissory note carrying interest at the rate of 9% per annum that is issued by the counterparty, being the holding company of the Company. The promissory note was repaid on 2 <sup>nd</sup> September 2011. See further details in Section 7.16 below.
31 <sup>st</sup> August 2011	Musson Investments Limited	\$66,288,000	Sale of the entire issued share capital of Orrett & Musson by the Company to a subsidiary of the holding company of the Company. The consideration for the sale is given in the form of a 12 month promissory note carrying interest at 9% per annum that is issued by the counterparty and guaranteed by Musson (Jamaica) Limited the common holding company of the counterparty and the Company. See further details in Section 7.16 below.
31 <sup>st</sup> August 2011	Unity Capital Incorporated	\$210 million	Sale of the freehold principal premises of the Company being all that parcel of land known as 58 Half Way Tree Road, Kingston that is registered under Volume 1128 Folio 126 of the Register Book of Titles of the National Land Agency. The sale is to a subsidiary of the holding company of the Company. The consideration is payable by a deposit on signing from the counterparty in the amount of \$21 million and a 20 year vendor's mortgage in the amount of \$189 million carrying interest at 12% per annum that is guaranteed by the common holding company. Provision for interest to reset each year based on the 30 day GoJ Treasury Bill rate plus 6%. See further details in Section 7.16 below.
31 <sup>st</sup> August	As above	US\$11,785 per	Leaseback of the principal premises of the

2011		month	Company. Lease is for a 5 year term at a fixed rental charge. There is an option to renew for a further 5 year period on similar terms save for rent payable.
31 <sup>st</sup> August 2011	Mayberry Investment Limited 1½ Oxford Road Kingston 5, Jamaica	Up to \$416.625 million	Irrevocable commitment to underwrite the Invitation and to subscribe for any Shares not taken up to an aggregate value of \$416.625 million. See further details in Section 13.1 of the Prospectus.

The material contracts referred to in this section (together with certain other documents) will be available for inspection as described in Section 14.

### **7.15 Recent Related Party Arrangements**

The Company has recently entered into the following related party arrangements with its holding company, Musson (Jamaica) Limited and certain of its other subsidiary companies:

#### Sale of Seprod Holding

Until recently, the Company held 42,888,207 shares in Seprod which represented approximately 8% of the issued ordinary share capital of that company. The Company acquired the shares over a 15 year period commencing in 1987. The legal title to the shares is held by Musson (Jamaica) Limited and that holding company has acknowledged that it holds the shares on trust for the benefit of the Company.

The market value of the Company's investment in Seprod increased considerably over time. At the time the Company began to acquire the investment in the late 1980s and for a long time thereafter, there were no regulatory limits on the size of the holding. However, following the introduction of the Insurance Act and the Insurance Regulations, 2001 the Company is prohibited from holding any investment that represents more than 5% of its assets. Due to a large appreciation in the market price per Seprod share since the Company acquired its holdings, and a change in accounting standards that required the holdings to be accounted for with reference to market prices, the value of the Seprod investment represented 17% of the Company's assets as at 30<sup>th</sup> June 2011.

Given that the current value of the Company's investment in Seprod breached the Insurance Regulations, 2001 it entered into discussions with its regulators with a view to resolving the issue. The regulators required the Company to begin a disposal programme to bring the value of the Seprod investment in line with regulation and in the meantime, they also required the Company to hold significant regulatory capital against it.

As a result, on 31<sup>st</sup> August 2011 the Board of the Company approved the sale of its beneficial interest in 38,544,158 shares in Seprod to its holding company, Musson (Jamaica) Limited, at the market closing price per Seprod share on the Jamaica Stock Exchange of \$23.02 on 24<sup>th</sup> August 2011. The transfer of the beneficial interest does not require the legal title of the shares to be transferred as Musson (Jamaica) Limited already held the shares in its own name under a trust arrangement that continues to apply to the remaining Seprod shares held by the Company.

The consideration for the sale was given in the form of a 3 month promissory note issued by Musson (Jamaica) Limited on 31<sup>st</sup> August 2011 for the benefit of the Company in the principal amount of \$887,286,585 carrying interest at 9% per annum. On the same date, the Company declared a dividend in the amount of \$970 million that was paid on 1<sup>st</sup> September 2011. As of 2<sup>nd</sup> September 2011, Musson (Jamaica) Limited repaid the promissory note with accrued interest.

The disposal of the Seprod stake was reviewed by the Conduct Review Committee of the Board in accordance with FSC regulations, and recommended for approval. The Board gave its approval on 31<sup>st</sup> August 2011.

Following the Invitation, the Directors believe that the Company's remaining holdings of Seprod shares will constitute approximately 1.9% of the Company's assets given their current market values.

#### Disposal of Subsidiary

On 31<sup>st</sup> August 2011, the Board of the Company also approved the sale of 100% of the shares of its only subsidiary, Orrett and Musson, which is engaged in insurance premium financing. The shares were purchased by Musson Investments Limited, a subsidiary of Musson (Jamaica) Limited, for a consideration of \$66,288,000 which was given in the form of a one-year promissory note carrying interest at 9% per annum.

The consideration paid was equivalent to the unaudited book value of the subsidiary as at 30<sup>th</sup> June 2011. The Directors of Company believe that the consideration paid to the Company represents a fair value of the subsidiary at the date of the transaction using commonly agreed upon principles of valuation. The disposal was reviewed by the Conduct Review Committee of the Board of Directors as required by FSC regulations and recommended for approval by the full Board, which was given on 31<sup>st</sup> August 2011.

The Directors' rationale for the disposal is to concentrate the resources and focus of the Company following the Invitation on its core business.

#### Disposal of principal premises

On 31<sup>st</sup> August 2011, the Board of the Company also approved the sale of the Company's principal business premises at 58 Half Way Tree Road to Unity Capital Incorporated, another subsidiary of its holding company, for a consideration of \$210,000,000. A deposit in the amount of \$21,000,000 was paid on signing and the balance was funded by a 20 year vendor's mortgage given by Unity Capital Limited, and guaranteed by Musson (Jamaica) Limited. The mortgage carries interest at a rate of 12% for the first year with an annual reset. It is in the process of being registered.

The sale price was supported by an independent valuation conducted by D.C. Tavares & Finson Realty Limited on 24<sup>th</sup> August 2011. The disposal was reviewed by the Conduct Review Committee of the Board of Directors as required by FSC regulations and full Board approval was given on 31<sup>st</sup> August 2011.

Following the sale, the Musson group now owns the entire 6 acre site on which the principal premises of the Company is located. The sale is expected to allow for the improved execution of a development plan for this property. As a result, Company will no longer receive rental income from other tenants of its business premises, but instead will collect such payments and remit them to the purchaser. It will also lease the portion of the premises it occupies on what the Directors consider to be arm's length terms, taking into account rental values of comparable facilities. The Directors also consider that the impact of foregone rental income from tenants vis a vis the receipt of interest and principal payments under the vendor's mortgage to be immaterial from the point of view of the Company.

### Effect of Related Party Arrangements on Regulatory Metrics: Illustrative Pro Forma

The Directors believe that, following the related party arrangements the Company's regulatory position will improve and even exceed prescribed FSC benchmarks, thereby enabling the Directors to execute future growth strategies more efficiently. This is illustrated by the pro forma table set out in Section 9 which takes into account the disposals made by the Company that are not yet reflected in the Historical Financial Information presented elsewhere in this Prospectus.

#### **7.16 Litigation**

As at Monday 5<sup>th</sup> September 2011, the latest practicable date prior to publication of this Prospectus, and save as described below, there were no material litigation, arbitration, or similar proceedings pending or threatened against the Company as defendant, nor do the Directors believe that there are circumstances which may give rise to such proceedings.

Please note that, in the course of the Company's business as a general insurer it is subject to claims from other insurers which may or may not proceed to litigation, arbitration, or similar proceedings. In addition, the Company makes such claims against other insurers in the course of its own business.

#### **7.17 Charges Registered Against the Assets of the Company**

As at Monday 5<sup>th</sup> September 2011, the latest practicable date prior to publication of this Prospectus, there are no charges within the meaning of section 93 of the Companies Act registered against the Company, or liens or other encumbrances on the assets of the Company that the Directors are aware of (having made appropriate enquiries for that purpose)

#### **7.18 Dividend Policy**

The Directors expect that, in the absence of any adverse changes in the Jamaican economic climate or the occurrence of large catastrophic events of loss, the profits of the Company will continue to grow. Accordingly, the Board anticipates a payment of an annual dividend of not less than 25% of the annual after tax profits where such profits are available for distribution, subject to the Company's need for reinvestment of some or all of its profits from time to time in order to finance its growth and development, and maintain sufficient regulatory capital.

Assuming that the Company issues 206,250,000 Shares in the Invitation equivalent to 20% of its issued share capital on a fully diluted basis, at the Invitation Price, the issued equity capitalisation of the Company at the Closing Date will be \$2,083,125,000. In the 2010, the Company declared a final dividend of \$95 million. The dividend yield of the Company at issue, assuming an equity capitalisation of \$2,083,125,000 and the 2010 final dividend of \$95 million will be approximately 4.5%.

## 8. BOARD OF DIRECTORS AND MANAGEMENT TEAM

### 8.1 Biographical details of the Directors and Managers of the Company

Brief biographical details of the Directors and Managers of the Company appear below. The Directors' residential addresses are set out in Section 13.1 and all of them may be contacted for business purposes c/o the registered office of the Company.

#### BOARD OF DIRECTORS

##### **P.B. Scott (appointed November 1998)**

###### **Chairman**



P.B. Scott is the Chairman of the Company. He provides the Board with strategic direction and has oversight of its corporate governance. Mr. Scott is also the Chairman of the Compensation Committee of the Board required to be formed under the Junior Market Rules.

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

The Musson Group has traditionally enjoyed a strong presence in food manufacturing and distribution in Jamaica, and Mr. Scott led its regional expansion into new business areas including telecommunications, business solutions, financial services and the manufacturing and distribution of consumer goods.

Mr. Scott serves as a Director of several local companies and organisations including, but not limited to, Seprod and its subsidiaries (Chairman), Scotia Life Insurance Company Limited, the Jamaica Chamber of Commerce and the American International School in Kingston. He is a former Vice-President of the Private Sector Organisation of Jamaica and he currently serves as Honorary Consul General in Jamaica for the Republic of Guatemala.

Mr. Scott is married to Jennifer Scott, who is also a non – executive Director of the Company.

##### **Melanie Subratie (appointed March 2002)**

###### **Deputy Chairman**



Melanie Subratie is the Deputy Chairman of the Company, and Chairman of the Investment and Loan Committee of the Board.

Mrs. Subratie is also Deputy Chairman of the principal holding company of the Company, Musson (Jamaica) Limited and is also a director of all of its principal subsidiaries and its affiliates.

Mrs. Subratie holds a B.Sc. (Hons) from the London School of Economics. She began her career in the United Kingdom in the Financial Services Division of Deloitte & Touche and also worked for startup political newswire service DeHavilland prior to returning to Jamaica in 2002 and joining the Musson Board at that time with responsibility for Business Development, and specifically Managing Director of Productive Business Solutions Limited.

**Sharon Donaldson (appointed March 2008)**  
**Managing Director**



Sharon Donaldson is the Managing Director of the Company. She has been responsible for driving its growth in the 5 years represented by the Historical Financial Information, and for overseeing its prudent underwriting and risk management strategy inclusive of establishing the Company's strong relationships with international reinsurers.

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. She also represents the local general insurance industry in discussions with the FSC and chairs the Finance and Accounting Committee of the Jamaica Association of General Insurance Companies (JAGIC), the local

industry association.

As a past president of the Jamaica Netball Association Ms. Donaldson also encourages the sport. During her presidency she actively promoted the Tri Nation Test Series between Jamaica, a Caribbean team and one of the 3 top ranking netball nations.

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

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



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

Dr. Thompson is currently the Managing Director of C.D. Alexander Realty Company Limited and was formerly the Chief Executive Officer of Seprod Limited. He serves as a director of several entities within the Musson Group including Musson (Jamaica) Limited and T. Geddes Grant Limited. Dr. Thompson also serves as a Trustee of the Seprod Pension Fund.

Dr. Thompson is a former member of the Early Childhood Commission. He has also published 3 collections of poetry in the United Kingdom and his poems are represented in a number of international anthologies. Dr. Thompson is also a former member of the New York Bar.

**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 required to be formed under the Junior Market Rules.

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

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

**Christopher Nakash (appointed December 2006)  
Independent Non Executive Director**



Christopher Nakash is an independent Non Executive Director of the Board of the Company. As such, he serves as an independent member of the committees of the Board that are set up for the purposes of its good corporate governance, including the Audit and Compensation Committees required to be formed under the Junior Market Rules, and the Investment and Loan and Conduct Review Committees.

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

**Jennifer Scott (appointed December 2009)  
Non Executive Director**



Jennifer Scott is a Non Executive Director of the Board of the Company and a member of the Conduct Review Committee of the Board.

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

Mrs. Scott is married to P.B. Scott, who is also the Chairman of the Board.

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



Nicholas Scott is a Non Executive Director of the Company and a member of the Investment and Loan Committee of the Board.

Mr. Scott is the Chief Investment Officer of the Investment and Financial Services businesses of the Musson Group. Prior to that, he was the Managing Director of Corporate Finance at Stocks and Securities Limited. He returned to Jamaica in 2009 after working as a private equity investor and investment banker at the Blackstone Group, and Morgan Stanley in New York and Brazil.

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

Mr. Scott is currently a Vice-President of the Private Sector Organization of Jamaica. He also serves as a director of Track Price Plus Limited, IWC Opportunity Fund I and Jake's Holdings Limited and was a former director of the H.E.A.R.T. Trust.

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



Dr. Nigel Clarke is a Non Executive Director of the Company. He is also a member of the Audit Committee and the Conduct Review Committee of the Board.

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

Prior to his return to Jamaica, Dr. Clarke worked as an Equity Derivatives Trader at Goldman Sachs in London, England.

Dr. Clarke is currently a Director of the Bank of Jamaica, Chairman of both the National Youth Orchestra of Jamaica and also, the H.E.A.R.T. Trust. He is a former Vice President of the Private Sector Organization of Jamaica and a former director of the National Commercial Bank (Jamaica) Limited, Desnoes & Geddes Limited, and Jamaica Broilers Limited.

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

**Duncan Stewart (appointed August 2011)**  
**Independent Non Executive Director**



Duncan Stewart is an independent Non Executive Director of the Board of the Company. As such, he will serve as an independent member of the committees of the Board that are set up for the purposes of its good corporate governance, including the Audit and Compensation Committees required to be formed under the Junior Market Rules and the Investment and Loan and Conduct Review Committees.

Mr. Stewart is the General Manager of Stewart Motors Limited and he is also involved in related family businesses Stewart's Auto Sales Limited and its affiliated companies, Stewart's Auto Paints Limited, Tropic Island Trading Company Limited and Silver Star Motors Limited. Mr. Stewart joined as a third generation member after graduating from McGill University with a B.Eng. (Mech). He learned the business by working his way through the ranks, learning and following the family's culture of service.

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

Mr. Stewart is a past National Rally Champion, an avid motorsport fan, with interest in rallying, go-karting and road racing.

## MENTOR TO THE BOARD

### **Maxim Rochester** **Mentor (appointed August 2011)**

As Mentor to the Board of the Company for the purposes of the Junior Market Rules, Maxim Rochester is responsible for ensuring that the Company has adequate procedures, systems and controls for financial reporting, compliance with Junior Market Rules, and corporate governance generally.

Mr. Rochester is the former Territory Partner at PricewaterhouseCoopers in Jamaica responsible for quality and delivery of the audit of the financial statements of several major companies. Mr. Rochester worked extensively in the banking and insurance sectors and in the role of manager and engagement leader for the purposes of regulated entities' audits.

Mr. Rochester holds a B.Sc. (Accounting) Hons. FCA, FCCA. He is also a member of the Chartered Association of Certified Accountants (UK) and the Institute of Chartered Accountants of Jamaica. He served as a member of the Accounting Standards Committee of the Institute of Chartered Accountants of Jamaica and played a significant role in the adoption of the International Financial Reporting Standards in Jamaica.

## MANAGEMENT TEAM

### **Maureen Hall** **General Manager**



Ms. Maureen Hall is the General Manager of the Company with direct responsibility for the Claims and Underwriting / Marketing Departments. In the view of the Directors, she has been instrumental in growing the Company's premium income over the past 5 years.

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

Ms. Hall has also held executive posts at Kingston Terminal Operators Limited and Allied Insurance Brokers Limited. She also served as Coach of Jamaica's National Netball Team for many years and remains a member of the sport's international coaching committee.

Ms. Hall holds a B. Ed (Hons) degree from the University of Sussex, England, as well as a Diploma in Mass Communication from the University of the West Indies, and a M.B.A from Manchester, University England. Ms. Hall is also an associate member of the Chartered Insurance Institute (UK).

### **Angella Reynolds** **Deputy General Manager**



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

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

Ms. Reynolds is the holder of the Jamaican Insurance Diploma from the College of Insurance & Professional Studies. She is an associate member of the Chartered

Insurance Institute (UK) and also holds a Diploma in Commercial Insurance Contract Wording from that organisation.

**Lochinvar Lungren  
Financial Controller**



Mr. Lochinvar Lungren is the Financial Controller of the Company with responsibility for leading the finance, accounting and treasury functions.

Mr. Lungren has been with Company for over 20 years, joining in 1988 as an Accounting Clerk. He advanced to the position of Credit Officer in 1996 and he was then seconded to the Company's founding joint venture partner, together with Musson (Jamaica) Limited, General Accident Fire and Life Assurance Company in Scotland. Mr. Lungren rejoined the Company in 1998. He left briefly to work as Financial Controller of JN's finance arm before rejoining General Accident in 2005 as Financial Controller.

**Michelle Robinson  
Broker Services Manager**



Ms. Michelle Robinson is the Broker Services Manager of the Company with responsibility for managing the distribution of the Company's products by some 31 independent insurance brokers in Jamaica, which forms the largest part of its revenue stream.

Ms. Robinson has been with the Company for over 20 years, first joining in 1988 as a Management Trainee. In 1989 she was appointed Assistant Claims Manager and in 2001, she became Claims Manager. In 2008 Ms. Robinson moved to become Manager of the Marketing Department and has since been given new responsibilities as Broker Services Manager.

Ms. Robinson is an associate member of the Chartered Insurance Institute (UK).

**Cheryll Henry  
Human Resources & Facilities Manager**



Ms. Cheryll Henry is the Human Resources and Facilities Manager of the Company.

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

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

## 8.2 Directors' and Senior Managers' interest in Ordinary Shares

The Directors' and Senior Managers' interests in the Shares of the Company (including legal and beneficial holdings) as at Monday 5<sup>th</sup> September 2011, the latest practicable date prior to the publication of this Prospectus, are set out below:

Name of Director	Number of Shares before Opening Date of Invitation
P.B. Scott	Interest in Musson (Jamaica) Limited* (*holder of 824,999,989 Shares in the Company) Interest in Estate of A.D. Blades** (** holder of 11 shares in the Company)
Melanie Subratie	Interest in Musson (Jamaica) Limited* (*holder of 824,999,989 Shares in the Company) Interest in Estate of A.D. Blades** (** holder of 11 shares in the Company)

Save as set out above, no Director or Senior Manager receives Ordinary Shares, or options in respect of Ordinary Shares, in consideration of the services rendered by him or her to the Company. Please note however that the Mentor, the Directors and the senior managers are eligible to apply for Company Reserved Shares in the Invitation.

Please also note that the Invitation is fully underwritten by Mayberry, who has given an irrevocable commitment to take up any Shares that are not subscribed in the Invitation to an aggregate value of \$416.625 million.

If any of the Mentor, or the Directors, or the senior managers or the underwriter subscribed for Shares in the Invitation then, immediately after allotment of the Shares was made, the holdings and percentage results shown in the illustrative table, above, would be affected.

## 8.3 Corporate Governance and Accountability

The Board has 4 committees. Two of those committees, namely the Audit Committee and the Compensation Committee, are required to be set up in accordance with the Junior Market Rules. The other 2 committees, namely the Investment and Loan Committee and the Conduct Review Committee, also have an oversight role for insurance regulatory purposes.

The members of each committee of the Board and are as follows:

Audit Committee	Compensation Committee
Geoffrey Messado (Committee Chairman and Non Executive Director)	P.B. Scott (Committee Chairman and Chairman of the Board)
Chris Nakash (Member and Independent Director)	Chris Nakash (Member and Independent Director)
Duncan Stewart (Member and Independent Director)	Duncan Stewart (Member and Independent Director)
Nigel Clarke (Member and Non Executive Director)	

Conduct Review Committee	Investment and Loan Committee
Ralph Thompson (Committee Chairman, Non Executive Director)	Melanie Subratie (Committee Chairman, Deputy Chairman of the Company)
Jennifer Scott (Member, Non Executive Director)	Chris Nakash (Member, Independent Non Executive Director)
Duncan Stewart (Member, Independent Non Executive Director)	Duncan Stewart Member, Independent Non Executive Director)
Nigel Clarke (Member, Non Executive Director)	Sharon Donaldson (Member, Managing Director of the Company)
Chris Nakash (Independent Non Executive Director)	Nicholas Scott (Member, Non Executive Director)

### 8.3 Directors' Fees and Executive Emoluments

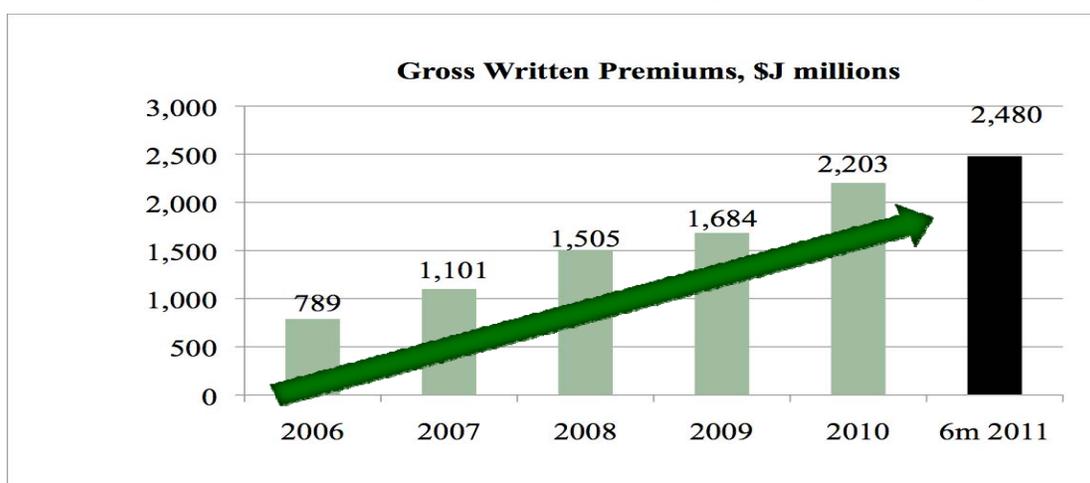
In 2010 and 2011, each non - executive Director of the Company at the relevant time received fees per meeting of \$30,000 and an annual retainer of \$100,000. The Compensation Committee will be meeting to recommend appropriate compensation for, amongst others, executive Directors and senior managers.

## 9. MANAGEMENT DISCUSSION AND ANALYSIS

### 9.1 Financial and Investment Highlights

#### Robust, consistent and resilient growth

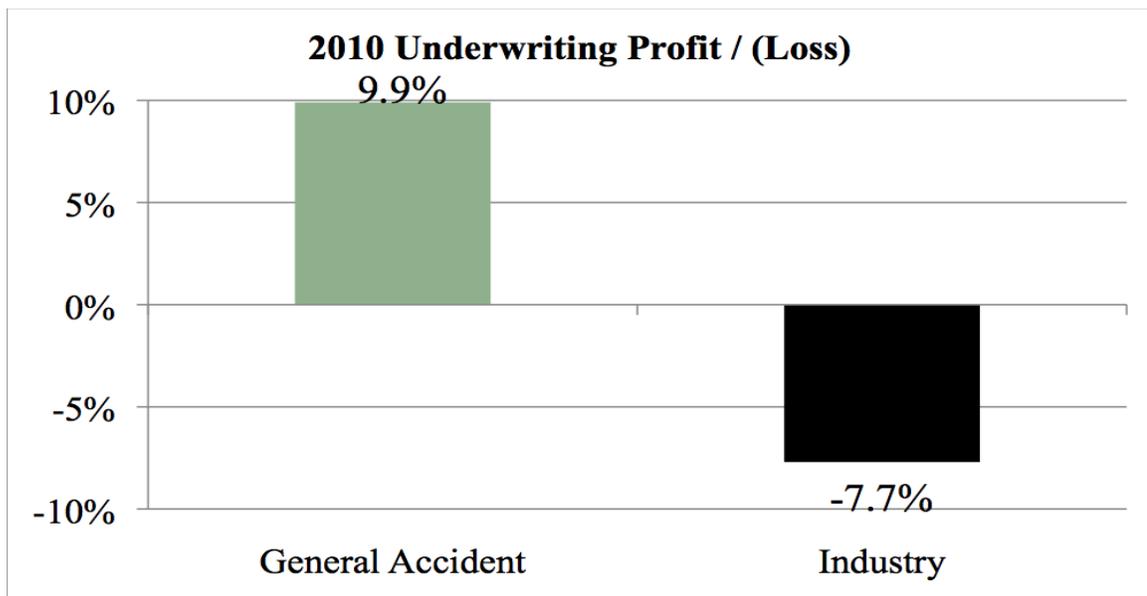
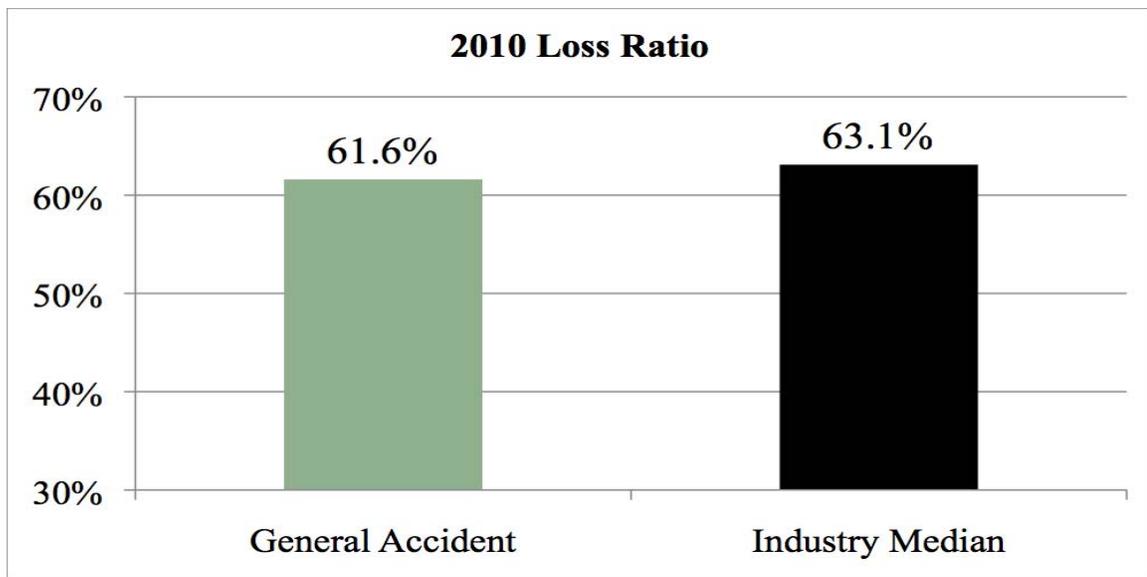
The Company has grown its gross written premiums and pre-tax profits by compound average growth rates of 29% and 17.6%, respectively over the last 5 years covered by the Historical Financial Information. During this period, the Company's gross written premiums have grown every year and its pre-tax profits have also grown in all but one year (2008, during which the profit level was maintained). Taking into account information published by the Insurance Association of Jamaica (the "IAJ") for the period, the Company's growth rates were more than 3 times greater than those experienced by the local general insurance industry as a whole. The Directors consider it notable that the Company's favourable results were achieved during a severe global economic crisis and a recession in Jamaica and following the Jamaica Debt Exchange, events which had the effect of significantly lowering the Company's returns on its investment portfolio. The Directors also consider it notable that Company's year-to-date performance as at 30<sup>th</sup> June 2011, being the period represented by the Unaudited Financial Information, suggests continued growth in gross written premiums and pre-tax profits<sup>1</sup>.



<sup>1</sup> The pre-tax profit of the Company in 2010 shown in the table of Pre-Tax Profit, above, excludes a dividend of \$90.046 million from Orrett & Musson, a former subsidiary. The pre-tax profit of the Company in 2010 as reported in its audited financial statements is \$244.8 million.

Industry leading underwriting performance

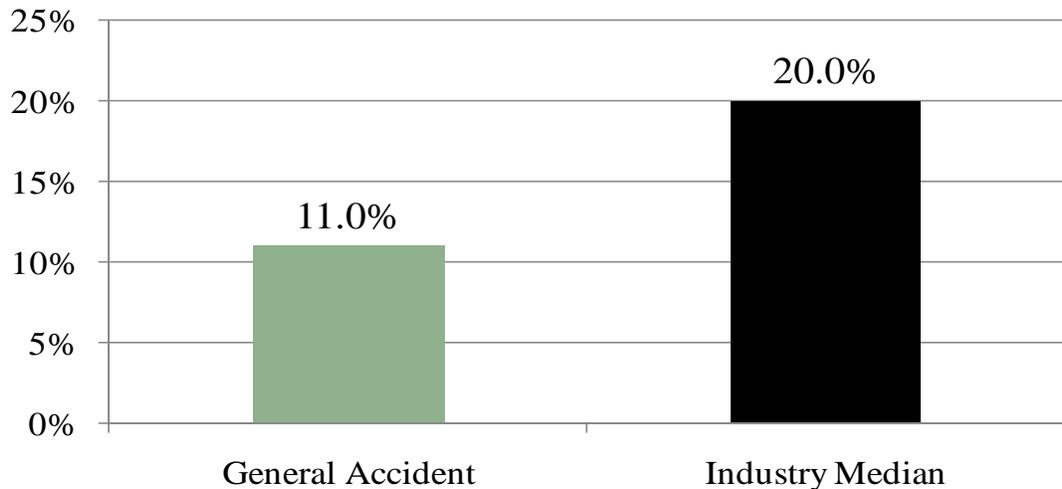
Notwithstanding the Company's recent growth trajectory, it has maintained its conservative approach to underwriting. In 2010, the Company's loss ratio, being a measure of net claims incurred to net premiums earned, was 61.6%. Given IAJ data the Company's loss experience was below the median experienced by its peers. The Directors also consider that the Company's low loss ratio helped it to earn an underwriting profit of \$69 million in 2010, and they note that in that year, the Company was only one of 6 general insurers to earn an underwriting profit. By comparison, the Jamaican general insurance industry as a whole experienced an underwriting loss amounting to \$815 million in the aggregate in the same year. In 2010, the Company's underwriting profit margin of 9.9% also compared favourably with the overall industry's underwriting loss margin of 7.7%. The Historical Financial Information set out in section 10 of the Prospectus also demonstrates that the Company made an underwriting profit in 3 of the last 5 financial years, while the industry as a whole made an underwriting loss in all of the last 5 financial years.



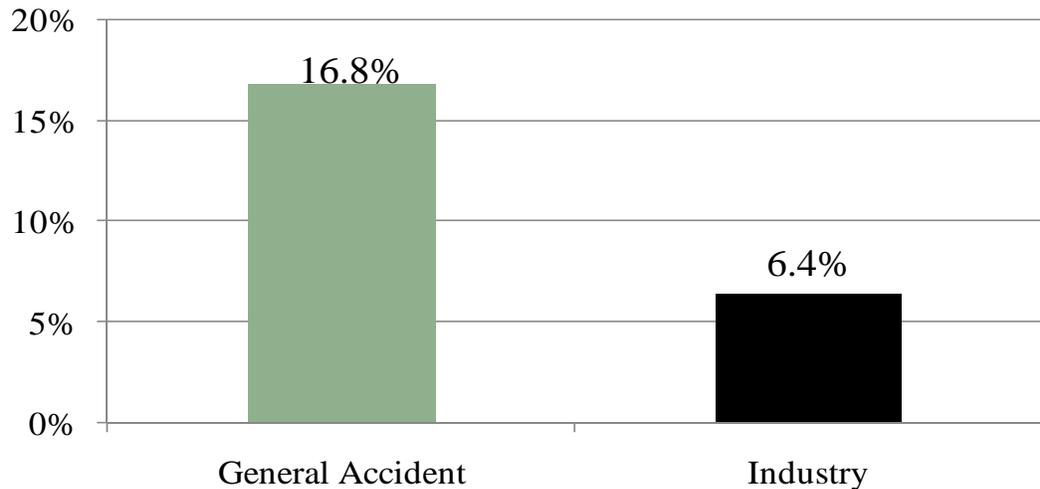
Industry leading cost efficiency and capital management

The Directors have taken steps to ensure that, while the Company grows its premiums and profits, it also maintains a lean operating cost structure and manages its capital in a disciplined manner. In 2010, the Company's operating expense ratio, which is a measure of its expenses as compared to its gross written premiums, was 11%. IAJ data indicates the Jamaican general insurance industry overall had a median operating expense ratio of 20% in that year. As a result of its operating cost structure, amongst other things, the Company produced a return on equity in 2010 of 16.8% compared to a median return on equity of 6% for its industry peers overall. The Directors expect that the Company's 2010 return on equity, calculated on a pro forma basis taking into account the full subscription of the Invitation, would increase to 20%.

**2010 Expense Ratio**



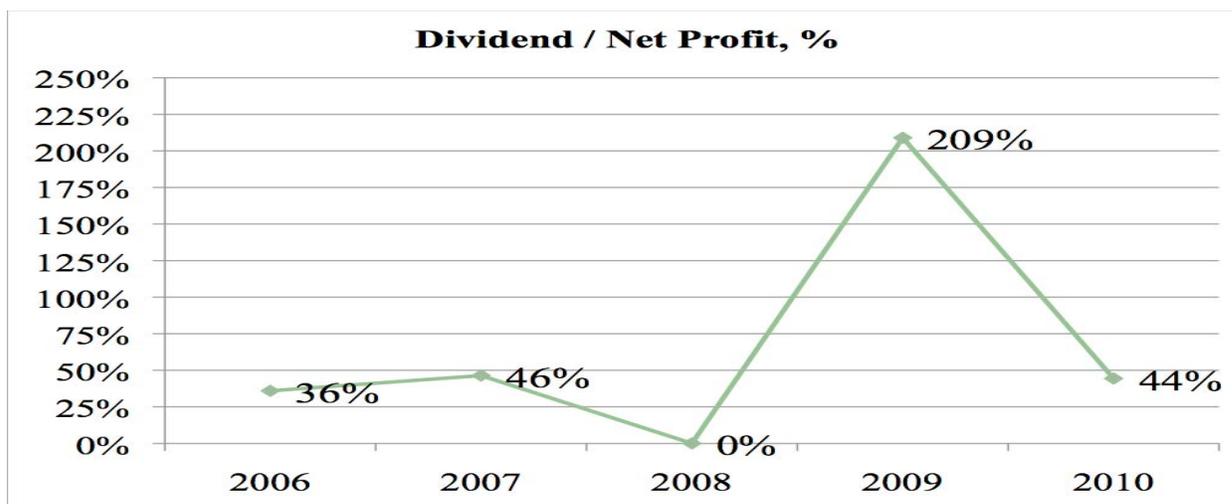
**2010 Return on Equity**



### Attractive dividend policy and dividend yield

The Company has paid an annual dividend in excess of 30% of its net profits in 4 of the last 5 financial years covered in the Historical Financial Information – see section 13.1 for further details. The Directors intend to pay an annual dividend of not less than 25% of the net profits of the Company where such profits are available for distribution, subject to regulatory approval and the need for maintenance of sufficient capital for growth.

Assuming that the Company issues 206,250,000 Shares in the Invitation equivalent to 20% of its issued share capital on a fully diluted basis at the Invitation Price, the issued equity capitalisation of the Company at the Closing Date will be \$2,083,125,000. In financial year 2010, the Company declared a final dividend of \$95 million. On that basis, the dividend yield of the Company, assuming an equity capitalisation of \$2,083,125,000 and the 2010 final dividend of \$95 million, will be approximately 4.5% on listing.



### Prudent Risk Management and Reinsurance Arrangements

The Directors consider the Company's risk management strategy to be founded in the culture established by General Accident Fire and Life Assurance Company Limited, a founding joint partner of the Company together with Musson (Jamaica) Limited. They also consider that the culture was, and still remains, one of conservative financial management and adherence to underwriting principles. In addition, the Company is reinsured via both proportional (quota share) and non proportional (excess of loss and catastrophe) contracts with credit worthy international reinsurers. The Directors periodically monitor the credit ratings of the reinsurers in an effort to mitigate both underwriting risk, and counterparty risk. They currently believe that the security offered by the reinsurers is good. The Directors also believe that the Company's reinsurance arrangements are such that its maximum exposure net of reinsurance, even in the event of a large catastrophe, will not exceed \$40 million if the security is called on and met and provided that, amongst other things, the Company does not breach specified underwriting limits.

### Strong Board and Management Team

In recognition of the need for the Company to have good corporate governance, the majority of the Board consists of appropriately qualified non executive directors and also, a Mentor for the purposes of the Junior Market Rules. As a collective, they have both local and international experience in the areas of business management, investing, accounting, law and regulation of financial institutions. In addition, the Directors consider the Company's management team to be highly qualified and experienced. They also believe that it is notable that a number of the members of the Company's senior management team have been with the Company for longer than a decade.

## **9.2 Highlights of Our Future Growth Strategy**

The Directors intend to support the continuation of the Company's recent growth trajectory by increasing its marketing activity, promoting brand awareness, leveraging the strength it gains from being a member of the Musson Group, and by forming strategic partnerships with key originators of general insurance business.

The Directors consider that the Company has achieved high rates of growth over the past 5 years, in part because of its good reputation for service and settlement of claims. They now intend to build on this by investing in marketing to enhance the equity of the Company's brand, and to achieve greater awareness of its products and services. The Directors believe that the Invitation will also increase the Company's prominence among the investment and business community, which forms an important component of its target market.

In formulating strategies for the Company's continued growth, the Directors have noted that it has not yet achieved a high level of penetration among customers of the Musson Group, or their employees. As a result, the Company is launching a strategy to target this particular group. In the short to medium term, the Company also intends to maintain its current relationships with the insurance brokers and agents who produce business for it, and also, to form strategic partnerships with key potential originators of business such as mortgage lenders and motor vehicle retailers.

## **9.3 Rationale for the Listing and Impact on Regulatory Metrics**

Until recently, the Company had significant holdings in Seprod. As at 30<sup>th</sup> June 2011, it had a beneficial interest in 42,888,207 ordinary Seprod shares representing approximately 8% of the ordinary issued share capital of that company. The shares were in the name of the Company's holding company, Musson (Jamaica) Limited, and held in trust for it. The Company acquired the holdings over a 15 year period commencing in 1987, for an aggregate cost of \$45.85 million. Since then, the market price of the Seprod shares increased significantly, and accordingly, so did the market value of the Company's holding (as of 30<sup>th</sup> June 2011 the holding was worth \$948,684,927 and as of 24<sup>th</sup> August 2011 it was worth \$987,286,525).

The regulatory treatment of the Company's holding changed and became difficult following the introduction of the Insurance Act and the Insurance Regulations in 2001. The value of the holding grew to a level that exceeded the maximum permitted under the Insurance Regulations, 2001 and in addition, the Company was required to hold relatively large amounts of regulatory capital (15%) against it. Furthermore, regulators required the Company to treat the holding as illiquid, despite the fact that the Seprod shares are listed on the JSE, for the purposes of the regulatory liquidity ratio. This restricted the Company's flexibility to invest its assets and ultimately, its ability to optimise the returns on its investment portfolio. As a result, the Company entered into a disposal agreement with its holding company, Musson (Jamaica) Limited, who agreed to purchase the Company's beneficial interest in the Seprod shares.

Given the increasing value of its holding in Seprod, the Company's liquidity ratio as at 30<sup>th</sup> June 2011 was 93%, and this fell just below the minimum level required by the FSC, being 95%. As a result, on 31<sup>st</sup> August 2011 the Directors approved the disposal of 38,544,158 shares in Seprod to Musson (Jamaica) Limited. The sale was effected at the prevailing closing market price of \$23.02 per share on 24<sup>th</sup> August 2011, being the date on which the Conduct Review Committee of the Board of Directors approved it for regulatory purposes. The aggregate consideration for the sale, being \$887,286,585, was given in the form of a 3 month promissory note carrying interest at the rate of 9% per annum. On 31<sup>st</sup> August, the Directors also declared an interim dividend of \$970 million, that was paid to shareholders on record at that date on 1<sup>st</sup> September 2011. On 2<sup>nd</sup> September 2011, Musson (Jamaica) Limited repaid the amount owing under the promissory note with accrued interest.

Following the Invitation, the Directors expect that the Company's remaining holdings of Seprod shares will constitute approximately 1.9% of the Company's assets for regulatory purposes, which is below the level of 5% prescribed by the Insurance Regulations, 2001. The Directors also intend to use the bulk of the net proceeds of the Invitation, after payment of associated professional costs and other fees and expenses, to purchase additional investments that comply with regulatory requirements.

The Directors also approved the sale of the Company's subsidiary Orrett and Musson and its principal premises to Musson Investments Limited and Unity Capital Limited, respectively. Both are associates of the Company who share its holding company, Musson (Jamaica) Limited. The sales were recommended for approval by the Conduct Review committee of the Board on 24<sup>th</sup> August 2011 and later, on 31<sup>st</sup> August 2011 by the full Board.

The Directors consider that both of these sales were concluded at a fair value. In the case of the subsidiary, the purchase consideration was equivalent to net book value as set out in its latest unaudited accounts up to 30<sup>th</sup> June 2011. The purchase consideration amounted to \$66,288,000 and was given in the form of a one year promissory note carrying interest at 9% per annum issued by Musson Investments Limited that is also guaranteed by Musson (Jamaica) Limited. In the case of the sale of the premises, the purchase consideration of \$210 million was supported by an independent valuation. It was given in the form of a cash down payment of \$21 million and a 20 year vendor's mortgage issued by Unity Capital Limited that is also guaranteed by Musson (Jamaica) Limited. The mortgage is in the process of being registered. It is for a principal sum of \$189 million with interest at 12% in year one and provisions for reset in each subsequent year.

The Directors believe that the 3 transactions described above, as well as their intended use of the net proceeds of the Invitation, if it is successful, will improve the Company's regulatory position, and allow it to continue to grow without unnecessary constraint. At 30<sup>th</sup> June 2011, the Company's regulatory capital adequacy position, as measured by the Minimum Capital Test (MCT), was 275%. Following a successful Invitation, the Directors reasonably expect their intended use of the net proceeds to further improve the Company's regulatory capital adequacy position to an MCT of 279%. This is significantly above the minimum MCT level of 200% currently prescribed by the FSC and also, the minimum MCT level of 250% that is to be take effect from January 2013.

The Company's selected regulatory metrics, taking into account the impact of the transactions described above, both before and after the Invitation, and taking into account the Company's use of the bulk of the net proceeds of the Invitation to purchase investments that are compliant with the Insurance Regulations, 2001 are outlined below.

<b>Regulatory Metric</b>	<b>As at 30<sup>th</sup> June 2011</b>	<b>Pro Forma: Impact of Investments Purchased as a Result of the Invitation and Concurrent Transactions June 2011</b>	<b>FSC Benchmark</b>
Minimum Capital Test	275%	279%	Minimum of 200%
Liquidity Ratio	93%	104%	Minimum of 95%
Concentration Limit	17%	3%	Maximum of 5%

The table above sets out pro – forma financial information which the Directors reasonably believe to be complete and accurate as at Monday 5<sup>th</sup> September 2011, being the latest practicable date prior to the publication of the Prospectus. Prospective investors should note that the table is prepared for convenience only, to illustrate the effect of the transactions described above and the effect of the Invitation, all of which that have or are to occur since 30<sup>th</sup> June 2011, being the date to which the Unaudited Financial Information set out in the Prospectus is made up. Prospective Investors should note that the Company's actual regulatory metric results could differ from those set out in the table, above.

# **10. AUDITORS' REPORT & HISTORICAL FINANCIAL INFORMATION**



## ***Independent Auditors' Report***

To the Board of Directors of  
General Accident Insurance Company Limited

### ***Report on Summarised Financial Statements***

The accompanying summarised financial statements, titled "Historical Financial Information: Group Income Statement", "Historical Financial Information: Group Statements of Financial Position", "Historical Financial Information: Company Income Statements" and "Historical Financial Information: Company Statements of Financial Position" "set out on pages 51 - 54 have been derived from the financial statements of General Accident Insurance Company Limited (General Accident/the Company) as at, and for the financial year ends, referred to in the table below.

The accompanying summarised financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on whether the summarised financial statements are consistent, in all material respects, with the financial statements from which they were derived.

We have audited the financial statements of the Group and Company as at and for the financial year ends detailed in the table below, from which the summarised financial statements were derived. These audits were conducted in accordance with International Standards on Auditing. In our reports, dated as indicated in the table below, we expressed unqualified opinions on the financial statements from which the summarised financial statements were derived.

<i>Financial year end</i>	<i>Audit report date</i>
31 December 2006	13 April 2007
31 December 2007	31 March 2008
31 December 2008	9 April 2009
31 December 2009	31 March 2010
31 December 2010	12 April 2011

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



**To the Board of Directors of  
General Accident Insurance Company Limited  
Independent Auditors' Report  
Page 2**

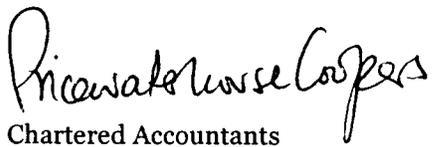
***Emphasis of Matter***

We draw your attention to the fact that the summarised financial statements are not a complete set of financial statements, with all the required disclosures of International Financial Reporting Standards. For a better understanding of the financial position and the results of its operations for the Group and the Company for as at and for the respective periods, and of the scope of our audit, the summarised financial statements should be read in conjunction with the financial statements from which the summarised financial statements were derived and our audit reports thereon.

We have not qualified our opinion in relation to the above matter.

***Opinion***

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the financial statements from which they were derived.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.  
Chartered Accountants

13 September 2011  
Kingston, Jamaica

## AUDITED FINANCIAL INFORMATION (GROUP)

### Historical Financial Information: Group Income Statement

	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007	December 31, 2006
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Gross Premiums Written</b>	2,203,074	1,683,911	1,504,687	1,101,424	789,399
Reinsurance ceded	(1,316,892)	(992,019)	(983,476)	(516,930)	(368,666)
Excess of Loss Reinsurance Cost	<u>(101,620)</u>	<u>(99,151)</u>	<u>(87,094)</u>	<u>(81,773)</u>	<u>(57,864)</u>
Net Premiums Written	784,562	592,741	434,117	502,721	362,869
Changes in unearned premiums, net	<u>(91,477)</u>	<u>6,922</u>	<u>(77,684)</u>	<u>(24,947)</u>	<u>62,127</u>
<b>Net Premiums Earned</b>	<b>693,085</b>	<b>599,663</b>	<b>356,433</b>	<b>477,774</b>	<b>424,996</b>
Commission Income	206,210	172,536	136,453	87,405	71,327
Commission Expense	(162,168)	(142,608)	(87,604)	(109,589)	(86,304)
Claims Expense	(426,624)	(391,416)	(360,568)	(273,074)	(267,314)
Management Expenses	<u>(241,641)</u>	<u>(204,357)</u>	<u>(169,613)</u>	<u>(159,080)</u>	<u>(146,646)</u>
<b>Underwriting Profit/(Loss)</b>	<b>68,862</b>	<b>33,818</b>	<b>(124,899)</b>	<b>23,436</b>	<b>(3,941)</b>
Investment Income	244,112	247,751	342,822	83,075	72,177
Other Income	246	24,798	23,829	18,405	17,816
Other Operating Expenses	(68,860)	(44,416)	(32,641)	(27,483)	(17,767)
Finance Costs	<u>(43,836)</u>	<u>(45,028)</u>	<u>(21,849)</u>	<u>9,713</u>	<u>14,990</u>
<b>(Loss)/Profit before Taxation</b>	200,524	216,923	187,262	107,146	83,275
Taxation	<u>(47,276)</u>	<u>(62,156)</u>	<u>(7,757)</u>	<u>(12,664)</u>	<u>(17,220)</u>
<b>(NET LOSS)/PROFIT FOR THE YEAR</b>	<b><u>153,248</u></b>	<b><u>154,767</u></b>	<b><u>179,505</u></b>	<b><u>94,482</u></b>	<b><u>66,055</u></b>

## AUDITED FINANCIAL INFORMATION (GROUP, CONTINUED)

### Historical Financial Information: Group Statements of Financial Position

	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007	December 31, 2006
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>					
Cash and Short Term Investments	591,115	324,243	233,951	204,421	193,623
Taxation Recoverable	14,984	53,719	34,554	28,230	22,044
Due from policyholders, brokers and agents	440,959	235,522	222,388	193,029	159,516
Due from reinsurers and co-insurers	627,038	475,323	443,863	552,772	301,584
Due from related parties	-	-	196,919	-	-
Insurance premium financing receivables	66,994	61,418	56,443	50,784	45,719
Loans receivable	345,514	466,484	368,163	-	-
Other receivables	13,486	16,991	22,251	78,533	67,222
Investment Securities	1,156,624	1,065,702	1,037,834	983,854	1,084,779
Property, Plant & Equipment	95,084	100,897	93,960	61,528	55,618
Intangible assets	29,914	30,508	20,713	7,168	15,196
Deferred tax asset	-	-	15,919	-	-
Deferred policy acquisition cost	141,000	95,567	103,307	59,143	34,650
<b>Total Assets</b>	<b>3,522,712</b>	<b>2,926,374</b>	<b>2,850,265</b>	<b>2,219,462</b>	<b>1,979,951</b>
<b>LIABILITIES</b>					
Due to reinsurers and coinsurers	312,388	186,682	173,853	180,112	199,098
Other Liabilities	67,441	72,548	41,498	98,901	59,670
Due to related party	12,836	1,817	31,817	-	-
Taxation payable	29,874	15,187	11,739	21,195	5,029
Deferred Tax Liability	5,521	22,280	1,098	1,759	9,920
Insurance Reserves	1,511,904	1,163,257	1,100,096	854,434	571,361
Borrowings	258,335	315,767	267,781	-	-
<b>Total Liabilities</b>	<b>2,198,299</b>	<b>1,777,538</b>	<b>1,627,882</b>	<b>1,156,401</b>	<b>845,078</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share Capital	75,000	75,000	75,000	75,000	75,000
Capital Reserves	129,456	96,390	67,668	42,618	63,127
Fair Value Reserve	859,525	742,196	730,510	720,693	846,987
Retained Earnings	260,432	235,250	349,205	224,750	149,759
<b>Total Shareholders' Equity</b>	<b>1,324,413</b>	<b>1,148,836</b>	<b>1,222,383</b>	<b>1,063,061</b>	<b>1,134,873</b>
<b>Total Liabilities &amp; Equity</b>	<b>3,522,712</b>	<b>2,926,374</b>	<b>2,850,265</b>	<b>2,219,462</b>	<b>1,979,951</b>

## AUDITED FINANCIAL INFORMATION (COMPANY)

### Historical Financial Information: Company Income Statements

	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007	December r 31, 2006
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Gross Premiums Written</b>	2,203,074	1,683,911	1,504,687	1,101,424	789,399
Reinsurance ceded	(1,316,892)	(992,019)	(983,476)	(516,930)	(368,666)
Excess of Loss Reinsurance Cost	<u>(101,620)</u>	<u>(99,151)</u>	<u>(87,094)</u>	<u>(81,773)</u>	<u>(57,864)</u>
Net Premiums Written	784,562	592,741	434,117	502,721	362,869
Changes in unearned premiums, net	<u>(91,477)</u>	<u>6,922</u>	<u>(77,684)</u>	<u>(24,947)</u>	<u>62,127</u>
<b>Net Premiums Earned</b>	<b>693,085</b>	<b>599,663</b>	<b>356,433</b>	<b>477,774</b>	<b>424,996</b>
Commission Income	206,210	172,536	136,453	87,405	71,327
Commission Expense	(162,168)	(142,608)	(87,604)	(109,589)	(86,304)
Claims Expense	(426,624)	(391,416)	(360,568)	(273,074)	(267,314)
Management Expenses	<u>(241,641)</u>	<u>(204,357)</u>	<u>(169,613)</u>	<u>(150,519)</u>	<u>(135,000)</u>
<b>Underwriting Profit/(Loss)</b>	<b>68,862</b>	<b>33,818</b>	<b>(124,899)</b>	<b>31,997</b>	<b>7,705</b>
Investment & Other Income	206,343	134,106	288,007	76,796	71,606
Finance Income				13,038	18,100
Other Operating Expenses	<u>(30,430)</u>	<u>(26,624)</u>	<u>(20,298)</u>	<u>(27,146)</u>	<u>(16,521)</u>
<b>(Loss)/Profit before Taxation</b>	<b>244,775</b>	<b>141,300</b>	<b>142,810</b>	<b>94,685</b>	<b>80,890</b>
Taxation	<u>(30,831)</u>	<u>(36,001)</u>	<u>6,208</u>	<u>(8,464)</u>	<u>(16,577)</u>
<b>(NET LOSS)/PROFIT FOR THE YEAR</b>	<b><u>213,944</u></b>	<b><u>105,299</u></b>	<b><u>149,018</u></b>	<b><u>86,221</u></b>	<b><u>64,313</u></b>

## AUDITED FINANCIAL INFORMATION (COMPANY, CONTINUED)

### Historical Financial Information: Company Statements of Financial Position

	December 31, 2010 \$'000	December 31, 2009 \$'000	December 31, 2008 \$'000	December 31, 2007 \$'000	December 31, 2006 \$'000
<b>ASSETS</b>					
Cash & Short Term Investments	575,494	296,208	231,679	196,612	190,943
Taxation Recoverable	14,984	53,719	34,321	28,080	21,949
Due from policyholders, brokers & agents	440,959	235,522	222,388	193,029	159,516
Due from reinsurers & Co-insurers	627,038	475,323	443,863	552,772	301,584
Loans receivable	36,683	81,601	54,684	-	-
Due from related parties	33,849	12,427	217,507	59,290	47,438
Other Receivables	13,486	14,960	21,830	8,670	14,204
Investment Securities	1,152,094	1,061,557	1,034,159	980,514	1,081,724
Investment in subsidiary	1,046	1,046	1,046	1,046	1,046
Property, Plant & Equipment	91,952	98,385	93,309	60,820	54,973
Intangible assets	28,971	30,508	20,713	7,168	15,196
Deferred tax asset	-	-	15,919	-	-
Deferred policy acquisition cost	141,000	95,567	103,307	59,143	34,650
<b>Total Assets</b>	<b>3,157,556</b>	<b>2,456,823</b>	<b>2,494,725</b>	<b>2,147,144</b>	<b>1,923,223</b>
<b>LIABILITIES</b>					
Due to reinsurers and coinsurers	312,388	186,682	173,853	180,112	199,098
Other Liabilities	57,614	61,381	33,532	66,988	33,417
Taxation payable	-	-	-	15,633	974
Deferred Tax Liability	5,148	8,911	-	1,568	9,890
Due to related party	-	-	30,000	-	-
Insurance Reserves	1,511,904	1,163,257	1,100,096	854,434	571,362
Borrowings	-	2,363	-	-	-
<b>Total Liabilities</b>	<b>1,887,054</b>	<b>1,422,594</b>	<b>1,337,481</b>	<b>1,118,735</b>	<b>814,741</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share Capital	75,000	75,000	75,000	75,000	75,000
Capital Reserves	129,456	96,390	67,668	42,618	63,127
Fair Value Reserve	859,525	742,196	730,510	720,693	846,987
Retained Earnings	206,521	120,643	284,066	190,098	123,368
<b>Total Shareholders' Equity</b>	<b>1,270,502</b>	<b>1,034,229</b>	<b>1,157,244</b>	<b>1,028,409</b>	<b>1,108,482</b>
<b>Total Liabilities &amp; Equity</b>	<b>3,157,556</b>	<b>2,456,823</b>	<b>2,494,725</b>	<b>2,147,144</b>	<b>1,923,223</b>

# **AUDITED ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2010**

**General Accident Insurance  
Company Jamaica Limited**

**Financial Statements  
31 December 2010**

# General Accident Insurance Company Jamaica Limited

Index

31 December 2010

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### 3. EXPRESSION OF OPINION

I have examined the financial condition and valued the policy and claims liabilities of GAICJL for its balance sheet as at December 31, 2010 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:	593,657	593,657
Assumed unpaid claims and adjustment expenses:	0	0
Gross unpaid claims and adjustment expenses:	593,657	593,657
Ceded unpaid claims and adjustment expenses:	86,023	86,023
Other amounts to recover:	0	0
Other net liabilities:	0	0
Net unpaid claims and adjustment expenses:	507,634	507,634

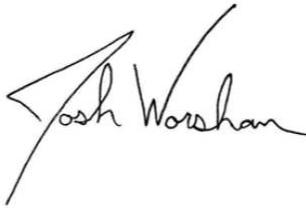
Policy Liabilities (J\$000)	Carried in Annual Return	Actuary's Estimate
Gross policy liabilities in connection with unearned premiums:		284,590
Net policy liabilities in connection with unearned premiums:		191,162
Gross unearned premiums:	841,105	
Net unearned premiums:	367,754	
Premium deficiency:	0	
Other net liabilities:	0	

In my opinion:

- (i) The methods and procedures used in the verification of the data are sufficient and reliable and fulfill acceptable standards of care;
- (ii) The valuation of policy and claims liabilities has been made in accordance with generally accepted actuarial practice with such changes as determined and directions made by the Commission;
- (iii) The methods and assumptions used to calculate the policy and claims liabilities are appropriate to the circumstances of the company and of the said policies and claims;
- (iv) The amount of policy and claims liabilities represented in the balance sheet of General Accident Insurance Company Jamaica Limited makes proper provision for the future payments under the company's policies and meet the requirements of the Insurance Act and other appropriate regulations of Jamaica;
- (v) A proper charge on account of these liabilities has been made in the statement of comprehensive income;
- (vi) There is sufficient capital available to meet the solvency standards as established by the Commission

Josh Worsham, FCAS, MAAA

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



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

April 7, 2011

Date

## Independent Auditors' Report

To the Members of  
General Accident Insurance Company Jamaica Limited

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of General Accident Insurance Company Jamaica Limited and its subsidiary (the Group), and the accompanying financial statements of General Accident Insurance Company Jamaica Limited standing alone (the Company), set out on pages 1 to 71, which comprise the consolidated and company statements of financial position as of 31 December 2010 and the consolidated and company statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

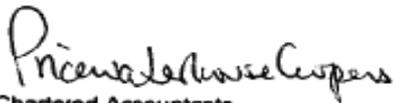
**Opinion**

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as of 31 December 2010, and of financial performance and cash flows of the Group and the Company for the year then ended, so far as concerns the members of the Company, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

**Report on Other Legal and Regulatory Requirements**

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

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



Chartered Accountants  
12 April 2011  
Kingston, Jamaica

# General Accident Insurance Company Jamaica Limited

Group Statement of Comprehensive Income

Year ended 31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
<b>Gross Premiums Written</b>		2,203,074	1,683,911
Reinsurance ceded		(1,316,892)	(992,019)
Excess of loss reinsurance cost		(101,620)	(99,151)
Net premiums written		784,562	592,741
Changes in unearned premiums, net		(91,477)	6,922
<b>Net Premiums Earned</b>		693,085	599,663
Commission income		206,210	172,536
Commission expense		(162,168)	(142,608)
Claims expense	9	(426,624)	(391,416)
Management expenses		(241,641)	(204,357)
<b>Underwriting Profit</b>		68,862	33,818
Investment income	10	244,112	247,751
Other income	11	246	24,798
Other operating expenses		(68,860)	(44,416)
Finance costs	12	(43,836)	(45,028)
<b>Profit before Taxation</b>		200,524	216,923
Taxation	15	(47,276)	(62,156)
<b>Net Profit for the Year</b>	16	153,248	154,767
<b>Other Comprehensive Income:</b>			
Unrealised gains on available-for-sale investments, net of tax		138,136	8,282
(Gains)/losses recycled to profit or loss on disposal and maturity of available-for-sale investments		(20,807)	3,404
<b>Total Other Comprehensive Income</b>		117,329	11,686
<b>TOTAL COMPREHENSIVE INCOME</b>		270,577	166,453
<b>EARNINGS PER SHARE</b>	17	\$2.04	\$2.06

# General Accident Insurance Company Jamaica Limited

Group Statement of Financial Position

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000	2008 \$'000
<b>ASSETS</b>				
Cash and short term investments	18	591,115	324,243	233,951
Taxation recoverable		14,984	53,719	34,554
Due from policyholders, brokers and agents		440,959	235,522	222,388
Due from reinsurers and coinsurers	19	627,038	475,323	443,863
Due from related party	8	-	-	196,919
Insurance premium financing receivables	20	66,994	61,418	56,443
Loans receivable	21	345,514	466,484	368,163
Other receivables	22	13,486	16,991	22,251
Investment securities	23	1,156,624	1,065,702	1,037,834
Property, plant and equipment	24	95,084	100,897	93,960
Intangible assets	25	29,914	30,508	20,713
Deferred tax asset	27	-	-	15,919
Deferred policy acquisition cost		141,000	95,567	103,307
<b>Total assets</b>		<b>3,522,712</b>	<b>2,926,374</b>	<b>2,850,265</b>
<b>LIABILITIES</b>				
Due to reinsurers and coinsurers		312,388	186,682	173,853
Other liabilities	26	67,441	72,548	41,498
Due to related parties	8	12,836	1,817	31,817
Taxation payable		29,874	15,187	11,739
Deferred tax liability	27	5,521	22,280	1,098
Insurance reserves	28	1,511,904	1,163,257	1,100,096
Borrowings	29	258,335	315,767	267,781
<b>Total liabilities</b>		<b>2,198,299</b>	<b>1,777,538</b>	<b>1,627,882</b>
<b>SHAREHOLDER'S EQUITY</b>				
Share capital	30	75,000	75,000	75,000
Capital reserves	31	129,456	96,390	67,668
Fair value reserve	32	859,525	742,196	730,510
Retained earnings	16	260,432	235,250	349,205
<b>Total shareholders' equity</b>		<b>1,324,413</b>	<b>1,148,836</b>	<b>1,222,383</b>
<b>Total liabilities and shareholders' equity</b>		<b>3,522,712</b>	<b>2,926,374</b>	<b>2,850,265</b>

Approved by the Board of Directors on 12 April 2011 and signed on its behalf by:

Paul B. Scott Chairman

Sharon Donaldson-Levine Director

# General Accident Insurance Company Jamaica Limited

## Group Statement of Changes in Equity

Year ended 31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital \$'000	Capital Reserves \$'000	Fair Value Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 31 December 2008		75,000	67,668	730,510	349,205	1,222,383
<b>Comprehensive income :</b>						
<b>Net profit for the year</b>		-	-		154,767	154,767
<b>Other comprehensive income –</b>						
Unrealised gains on available-for-sale investments, net of tax		-	-	8,282	-	8,282
Losses recycled to profit or loss on disposal and maturity of available-for-sale investments		-	-	3,404	-	3,404
Total other comprehensive income		-	-	11,686	-	11,686
<b>Total comprehensive income</b>		-	-	11,686	154,767	166,453
<b>Transactions with owners</b>						
Dividends	8(a)	-	-	-	(240,000)	(240,000)
Profits capitalised – Capital distribution received	31	-	28,722	-	(28,722)	-
<b>Total transactions with owners</b>		-	28,722	-	(268,722)	(240,000)
<b>Balance at 31 December 2009</b>		75,000	96,390	742,196	235,250	1,148,836
<b>Comprehensive income :</b>						
<b>Net profit for the year</b>		-	-	-	153,248	153,248
<b>Other comprehensive income –</b>						
Unrealised gains on available-for-sale investments, net of tax		-	-	138,136	-	138,136
Gains recycled to profit or loss on disposal and maturity of available-for-sale investments		-	-	(20,807)	-	(20,807)
Total other comprehensive income		-	-	117,329	-	117,329
<b>Total comprehensive income</b>				117,329	153,248	270,577
<b>Transactions with owners</b>						
Dividends	8(a)	-	-	-	(95,000)	(95,000)
Profits capitalised – Capital distribution received	31	-	33,066	-	(33,066)	-
<b>Total transactions with owners</b>		-	33,066	-	(128,066)	(95,000)
<b>Balance at 31 December 2010</b>		75,000	129,456	859,525	260,432	1,324,413

# General Accident Insurance Company Jamaica Limited

## Group Statement of Cash Flows

Year ended 31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

	2010 \$'000	2009 \$'000
<b>Cash Flows from Operating Activities</b>		
Net profit	153,248	154,767
Adjustments for items not affecting cash:		
Depreciation	19,991	17,860
Amortisation of intangible asset	11,169	9,054
Gain on sale of investment	(24,980)	(1,597)
Unrealised gain on units in unit trust fund	(4,356)	(5,170)
Gain on disposal of property, plant and equipment	(158)	(3,204)
Interest income	(181,664)	(212,262)
Interest expense	43,836	45,028
Dividend income	(46)	-
Capital distribution	(33,066)	(28,722)
Current taxation	66,460	24,283
Deferred taxation	(19,184)	37,873
Foreign exchange losses/(gains)	17,965	(1,314)
(Increase)/decrease in deferred policy acquisition cost	(45,433)	7,740
Increase in insurance reserves	348,647	63,161
	<u>352,429</u>	<u>107,497</u>
Changes in operating assets and liabilities:		
Due from policyholders, brokers and agents	(205,437)	(13,134)
Insurance premium financing receivables	(5,576)	(4,975)
Loans receivable	49,153	(25,546)
Interest received	199,902	64,204
Other receivables	3,505	5,260
Other liabilities	(5,107)	31,050
Due to related parties	11,019	196,919
Due from reinsurers and coinsurers, net	(26,009)	(18,631)
	21,450	235,147
Taxation paid	(13,038)	(40,000)
Net cash provided by operating activities carried forward	<u>360,841</u>	<u>302,644</u>

# General Accident Insurance Company Jamaica Limited

Group Statement of Cash Flows (Continued)

Year ended 31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

	2010 \$'000	2009 \$'000
<b>Net cash provided by operating activities brought forward</b>	360,841	302,644
<b>Cash Flows from Investing Activities</b>		
Acquisition of investments	(13,630)	(84,149)
Acquisition of property, plant and equipment	(14,178)	(27,209)
Acquisition of intangible asset	(10,575)	(18,849)
Proceeds from disposal of property, plant and equipment	158	5,616
Proceeds from disposal and maturity of investments	65,997	72,029
Capital distribution received	33,066	28,722
Dividend received	46	-
Interest received	54,427	72,216
Net cash provided by investing activities	<u>115,311</u>	<u>48,377</u>
<b>Cash Flows from Financing Activities</b>		
Borrowings, net	(21,028)	17,527
Dividends paid	(95,000)	(270,000)
Interest paid	(80,461)	(10,000)
Net cash used in financing activities	<u>(196,489)</u>	<u>(262,473)</u>
Increase in cash and cash equivalents	279,663	88,548
Effect of exchange rate changes on cash and cash equivalents	(10,428)	6,313
Cash and cash equivalents at beginning of year	<u>321,880</u>	<u>227,019</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR (NOTE 18)</b>	<u><u>591,115</u></u>	<u><u>321,880</u></u>

Principal non-cash transactions comprise investments exchanged under the Jamaica Debt Exchange transaction of \$191,877,000 (2009 - Nil).

# General Accident Insurance Company Jamaica Limited

Company Statement of Comprehensive Income

Year ended 31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
<b>Gross Premiums Written</b>		2,203,074	1,683,911
Reinsurance ceded		(1,316,892)	(992,019)
Excess of loss reinsurance cost		(101,620)	(99,151)
Net Premiums Written		784,562	592,741
Changes in unearned premiums, net		(91,477)	6,922
<b>Net Premiums Earned</b>		693,085	599,663
Commission income		206,210	172,536
Commission expense		(162,168)	(142,608)
Claims expense	9	(426,624)	(391,416)
Management expenses		(241,641)	(204,357)
<b>Underwriting Profit</b>		68,862	33,818
Investment income	10	204,565	114,614
Other income	11	1,778	19,492
Other operating expenses		(30,430)	(26,624)
<b>Profit before Taxation</b>		244,775	141,300
Taxation	15	(30,831)	(36,001)
<b>Net Profit for the Year</b>	16	213,944	105,299
<b>Other Comprehensive Income:</b>			
Unrealised gains on available-for-sale investments, net of tax		138,136	8,282
(Gains)/losses recycled to profit or loss on disposal and maturity of available-for-sale investments		(20,807)	3,404
<b>Total Other Comprehensive Income</b>		117,329	11,686
<b>TOTAL COMPREHENSIVE INCOME</b>		331,273	116,985

# General Accident Insurance Company Jamaica Limited

Company Statement of Financial Position

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000	2008 \$'000
<b>ASSETS</b>				
Cash and short term investments	18	575,494	296,208	231,679
Taxation recoverable		14,984	53,719	34,321
Due from policyholders, brokers and agents		440,959	235,522	222,388
Due from reinsurers and coinsurers	19	627,038	475,323	443,863
Loans receivable	21	36,683	81,601	54,684
Due from related parties	8	33,849	12,427	217,507
Other receivables	22	13,486	14,960	21,830
Investment securities	23	1,152,094	1,061,557	1,034,159
Investment in subsidiary		1,046	1,046	1,046
Property, plant and equipment	24	91,952	98,385	93,309
Intangible assets	25	28,971	30,508	20,713
Deferred tax asset		-	-	15,919
Deferred policy acquisition cost		141,000	95,567	103,307
<b>Total assets</b>		<u>3,157,556</u>	<u>2,456,823</u>	<u>2,494,725</u>
<b>LIABILITIES</b>				
Due to reinsurers and coinsurers		312,388	186,682	173,853
Other liabilities	26	57,614	61,381	33,532
Deferred tax liability	27	5,148	8,911	-
Due to related party		-	-	30,000
Insurance reserves	28	1,511,904	1,163,257	1,100,096
Borrowings	29	-	2,363	-
<b>Total liabilities</b>		<u>1,887,054</u>	<u>1,422,594</u>	<u>1,337,481</u>
<b>SHAREHOLDER'S EQUITY</b>				
Share capital	30	75,000	75,000	75,000
Capital reserves	31	129,456	96,390	67,668
Fair value reserve	32	859,525	742,196	730,510
Retained earnings	16	206,521	120,643	284,066
<b>Total shareholder's equity</b>		<u>1,270,502</u>	<u>1,034,229</u>	<u>1,157,244</u>
<b>Total liabilities and shareholder's equity</b>		<u>3,157,556</u>	<u>2,456,823</u>	<u>2,494,725</u>

Approved by the Board of Directors on 12 April 2011 and signed on its behalf by:

Paul B. Scott

Chairman

Sharon Donaldson-Levine

Director

# General Accident Insurance Company Jamaica Limited

## Company Statement of Changes in Equity

Year ended 31 December 2010

(expressed in Jamaican dollars unless otherwise stated)

	Note	Share Capital \$'000	Capital Reserves \$'000	Fair Value Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 31 December 2008		75,000	67,668	730,510	284,066	1,157,244
<b>Comprehensive income :</b>						
<b>Net profit for the year</b>		-	-	-	105,299	105,299
<b>Other comprehensive income –</b>						
Unrealised gains on available-for-sale investments, net of tax		-	-	8,282	-	8,282
Losses recycled to profit or loss on disposal and maturity of available-for-sale investments		-	-	3,404	-	3,404
Total other comprehensive income		-	-	11,686	-	11,686
<b>Total comprehensive income</b>		-	-	11,686	105,299	116,985
<b>Transactions with owners</b>						
Dividends	8(a)	-	-	-	(240,000)	(240,000)
Profits capitalised – Capital distribution received	31	-	28,722	-	(28,722)	-
<b>Total transactions with owners</b>		-	28,722	-	(268,722)	(240,000)
<b>Balance at 31 December 2009</b>		75,000	96,390	742,196	120,643	1,034,229
<b>Comprehensive income :</b>						
<b>Net profit for the year</b>		-	-	-	213,944	213,944
<b>Other comprehensive income –</b>						
Unrealised gains on available-for-sale investments, net of tax		-	-	138,136	-	138,136
Gains recycled to profit or loss on disposal and maturity of available-for-sale investments		-	-	(20,807)	-	(20,807)
Total other comprehensive income		-	-	117,329	-	117,329
<b>Total comprehensive income</b>		-	-	117,329	213,944	331,273
<b>Transactions with owners</b>						
Dividends	8(a)	-	-	-	(95,000)	(95,000)
Profits capitalised – Capital distribution received	31	-	33,066	-	(33,066)	-
<b>Total transactions with owners</b>		-	33,066	-	(128,066)	(95,000)
<b>Balance at 31 December 2010</b>		75,000	129,456	859,525	206,521	1,270,502

# General Accident Insurance Company Jamaica Limited

## Company Statement of Cash Flows

Year ended 31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

	2010 \$'000	2009 \$'000
<b>Cash Flows from Operating Activities</b>		
Net profit	213,944	105,299
Adjustments for items not affecting cash:		
Depreciation	19,497	17,570
Amortisation of intangible assets	10,933	9,054
Gain on sale of investments	(24,980)	(1,597)
Unrealised gain on Unit Trust Fund	(3,971)	(4,700)
Gain on disposal of property, plant and equipment	( 158)	(3,204)
Interest income	(52,502)	(79,595)
Dividend income	(90,046)	-
Capital distribution received	(33,066)	(28,722)
Current taxation	37,019	10,399
Deferred taxation	(6,188)	25,602
Foreign exchange losses/(gains)	15,267	(1,103)
(Increase)/decrease in deferred policy acquisition cost	(45,433)	7,740
Increase in insurance reserves	348,647	63,161
	<u>388,963</u>	<u>119,904</u>
Changes in operating assets and liabilities:		
Due from policyholders, brokers and agents	(205,437)	(13,134)
Other receivables	1,474	6,870
Loans receivable	44,918	(17,263)
Other liabilities	(3,767)	27,849
Due from related parties	(1,422)	195,426
Due from reinsurers and coinsurers, net	(26,009)	(18,631)
	<u>(190,243)</u>	<u>181,117</u>
Taxation recovered/(paid)	1,716	(29,797)
Net cash provided by operating activities	<u>200,436</u>	<u>271,224</u>
<b>Cash Flows from Investing Activities</b>		
Acquisition of investments	(14,015)	(84,150)
Acquisition of property, plant and equipment	(13,064)	(25,058)
Acquisition of intangible asset	(9,396)	(18,849)
Proceeds from disposal of property, plant and equipment	158	5,616
Proceeds from disposal and maturity of investments	66,368	72,030
Capital distribution received	33,066	28,722
Dividend received	70,046	-
Interest received	53,350	76,528
Net cash provided by investing activities	<u>186,513</u>	<u>54,839</u>
<b>Cash Flows from Financing Activities</b>		
Dividends paid	(95,000)	(270,000)
Net cash used in financing activities	<u>(95,000)</u>	<u>(270,000)</u>
Increase in cash and cash equivalents	291,949	56,063
Effect of exchange rate changes on cash and cash equivalents	(10,300)	6,103
Cash and cash equivalents at beginning of year	293,845	231,679
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR (NOTE 18)</b>	<u><u>575,494</u></u>	<u><u>293,845</u></u>

Principal non-cash transactions comprise investments exchanged under the Jamaica Debt Exchange transaction of \$191,877,000 (2009 - Nil).

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

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### 1. Identification and Activities

General Accident Insurance Company Jamaica Limited (the company) is a limited liability company incorporated and domiciled in Jamaica. The company is a wholly owned subsidiary of Musson (Jamaica) Limited, which is also incorporated and domiciled in Jamaica. The registered office of the company is located at 58 Half-Way-Tree Road, Kingston 10.

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.

The company owns and controls its wholly owned subsidiary, Orrett and Musson Investment Company Limited (Orrett and Musson), the principal activity of which is the provision of loans and insurance premium financing. Orrett and Musson is also incorporated and domiciled in Jamaica. The company and its subsidiary together are referred to as 'the Group'.

### 2. Summary of Significant Accounting Policies

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

#### (a) Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Although these estimates are based on managements' best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 7.

#### ***Accounting pronouncements effective in 2010 which are relevant to the Group's operations***

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

- **IAS 1 (Amendment), 'Presentation of financial statements'**. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The adoption of this standard did not have any effect on the Group as there were no transactions to which it applied.

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

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

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

#### ***Accounting pronouncements effective in 2010 which are relevant to the Group's operations (continued)***

- **IAS 39 (Amendment), 'Financial instruments: Recognition and Measurement'**. The amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in a cash flow or net investment hedge. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. The amendment clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. The adoption of this amendment did not have a material impact on the Group's financial statements.

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

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

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

- **IAS 1, 'Presentation of financial statements'** (effective for annual periods beginning on or after 1 January 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Retrospective application is required. The amendment will affect the presentation of the financial statements and the Group will apply these amendments from 1 January 2011.
- **IAS 24 (revised), 'Related party disclosures'** (effective from 1 January 2011). The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply IAS 24 (revised) from 1 January 2011.
- **IFRS 7, 'Financial instruments'** (effective for annual periods beginning on or after 1 January 2011). The amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. Retrospective application is required. The Group will apply these amendments from 1 January 2011.
- **IFRS 9, 'Financial instruments'**. The standard introduces new requirements for the classification and measurement of financial assets and liabilities and is effective from 1 January 2013 with early adoption permitted. The standard divides all financial assets and liabilities that are currently in the scope of IAS 39 into two classifications – those measured at amortised cost and those measured at fair value. This standard is a work in progress and will eventually replace IAS 39 in its entirety. Management is currently assessing the impact this may have on the Group.

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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

### (b) Consolidation

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

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

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition.

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

### (c) Revenue recognition

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

#### **Sale of 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 respectively over the life of the policies.

#### **Interest income**

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

#### **Dividend**

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

#### **Rental fees**

Rental fees are recognised on an accrual basis.

### (d) Foreign currency translation

#### (i) *Functional and presentation currency*

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

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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

### (d) Foreign currency translation (continued)

#### (ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

### (e) Financial instruments

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

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

### (f) Cash and cash equivalents

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

### (g) Investments

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

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

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

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

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

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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

### (g) Investments (continued)

#### (iii) Available for sale financial assets

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

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

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

### (h) Loans and receivables

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

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

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

### (i) Insurance premium financing receivable

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

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

# General Accident Insurance Company Jamaica Limited

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

### (j) Loans receivable

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

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

### (k) Insurance contracts

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

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

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

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

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

### (l) Receivables and payables related to insurance contracts

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

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

# General Accident Insurance Company Jamaica Limited

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

### (m) Reinsurance ceded

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

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

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

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

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

### (n) 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.

### (o) Property, plant and equipment

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

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

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.

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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

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

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

### (p) 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.

### (q) 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.

### (r) Insurance reserves

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

#### (i) *Provision for unearned premium*

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

#### (ii) *Unearned commission*

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

#### (iii) *Claims outstanding*

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

# General Accident Insurance Company Jamaica Limited

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

### (r) Insurance reserves (continued)

#### (iv) *Claims incurred but not reported*

The reserve for IBNR claims has been calculated by an independent actuary using the Paid Loss Development method, the Incurred Loss Development method, the Bornhuetter-Ferguson Paid Loss method, the Bornhuetter-Ferguson Incurred Loss method, the Expected Loss Ratio method and the Frequency-Severity method (Note 28). This calculation is done in accordance with the Insurance Act 2001.

### (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, in which case they are also charged or credited to other comprehensive income.

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

#### (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.

# General Accident Insurance Company Jamaica Limited

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

### (u) Employee benefits (continued)

#### (iii) Termination benefits

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

#### (iv) Profit-sharing and bonus plan

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

### (v) Borrowings

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

### (w) Dividend distribution

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

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

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

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

## 4. Insurance and Financial Risk Management

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

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

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

(i) Investment and Loan Committee

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

(ii) Finance Department

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

(iii) Compliance Committee

The Compliance Committee is responsible for monitoring the Group's adherence to regulatory and statutory requirements.

(iv) Audit Committee

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

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

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

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

### (a) Insurance risk

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

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

# General Accident Insurance Company Jamaica Limited

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## 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 Group has developed its insurance underwriting strategy to diversify the types of insurance risks accepted to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

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

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

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

Claims on insurance contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. This is subject to the policy limit and the claims notification condition of 30 days. Liability claims are settled over a long period of time and a portion of the claims provision relates to incurred but not reported (IBNR) claims. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted. The compensation paid on these contracts is the monetary awards granted for bodily injury suffered by employees (for employer's liability covers) or members of the public (for public liability covers). Such awards are lump-sum payments that are calculated as the present value of the lost earnings and rehabilitation expenses that the injured party will incur as a result of the accident.

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

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

# General Accident Insurance Company Jamaica Limited

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

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

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:

	<b>The Group and The Company</b>			
	<b>2010</b>		<b>2009</b>	
	<b>Policy Limit '000</b>	<b>Maximum Net Retention '000</b>	<b>Policy Limit '000</b>	<b>Maximum Net Retention '000</b>
Commercial property –				
Fire and consequential loss	US\$5,000	US\$1,000	US\$4,000	US\$800
Personal property	US\$5,000	US\$1,000	US\$4,000	US\$800
Engineering	US\$2,000	US\$50	US\$2,000	US\$50
Liability	J\$40,000	J\$20,000	J\$40,000	J\$20,000
Marine, aviation and transport	US\$500	US\$100	US\$500	US\$100
Motor (Average)	J\$10,000	J\$5,000	J\$10,000	J\$3,500
Miscellaneous Accident –				
All Risk	J\$10,000	J\$1,000	J\$10,000	J\$1,000
Burglary	J\$5,000	J\$1,000	J\$5,000	J\$1,000
Cash/Money	J\$5,000	J\$1,000	J\$5,000	J\$1,000
Fidelity	J\$5,000	J\$1,000	J\$5,000	J\$1,000
Bonds	J\$5,000	J\$1,000	J\$5,000	J\$1,000
Goods in Transit	J\$5,000	J\$1,000	J\$5,000	J\$1,000
Personal Accident	J\$4,000	J\$1,000	J\$4,000	J\$1,000

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

### (a) Insurance risk (continued)

#### *Sensitivity Analysis of Actuarial Liabilities*

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

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

- (i) Claims inflation has remained relatively constant and there have been no material legislative changes in the Jamaican civil justice system that would cause claim inflation to increase dramatically.
- (ii) There is no latent environmental or asbestos exposure embedded in the Group's loss history.
- (iii) The Group's case reserving and claim payments rates have remained and will remain relatively constant.
- (iv) The overall development of claims costs gross of reinsurance is not materially different from the development of claims costs net of reinsurance. This assumption is supported by the following:
  - The majority of the Group's reinsurance program consists of proportional reinsurance agreements.
  - The Group's non-proportional reinsurance agreements consist primarily of high attachment points.
- (ii) Claims are expressed at their estimated ultimate undiscounted value, in accordance with the requirement of the Insurance Act, 2001.
- (ii) Provision for adverse deviation assumptions  
 The basic assumptions made in establishing insurance reserves are best estimates for a range of possible outcomes. To recognise the uncertainty in establishing these best estimates, to allow for possible deterioration in experience and to provide greater comfort that the reserves are adequate to pay future benefits, the appointed actuary is required to include a margin for adverse deviation in each assumption.

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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

#### (a) Insurance risk (continued)

##### *Development Claim Liabilities*

In addition to sensitivity analysis, the development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The table below illustrates how the Group's estimate of the ultimate claims liability for accident years 2006 - 2009 has changed at successive year-ends, up to 2010. Updated unpaid claims and adjustment expenses (UCAE) and IBNR estimates in each successive year, as well as amounts paid to date are used to derive the revised amounts for the ultimate claims liability for each accident year, used in the development calculations.

	2006	2006	2007	2007	2008	2008	2009	2009	2010	2010
		and		and		and		and		and
	\$'000	prior	\$'000	prior	\$'000	prior	\$'000	prior	\$'000	prior
		\$'000		\$'000		\$'000		\$'000		\$'000
<b>2006</b>										
Paid during year	141,765	248,067								
UCAE, end of year	87,827	183,917								
IBNR, end of year	17,565	36,783								
Ratio: excess (deficiency)										
<b>2007</b>										
Paid during year	63,629	92,101	118,030	200,131						
UCAE, end of year	48,038	110,489	114,103	224,592						
IBNR, end of year	9,608	22,098	22,163	44,261						
Ratio: excess (deficiency)		(1.81%)								
<b>2008</b>										
Paid during year	20,687	21,839	56,592	78,432	180,368	258,800				
UCAE, end of year	47,546	107,689	47,763	155,452	150,154	305,606				
IBNR, end of year	9,509	19,151	9,553	28,703	30,030	58,733				
Ratio: excess (deficiency)	(34.14%)	(9.10%)	16.41%	2.33%						
<b>2009</b>										
Paid during year	17,996	41,092	22,207	63,299	92,444	155,743	175,935	331,678		
UCAE, end of year	31,889	40,206	21,638	61,844	85,910	147,754	200,976	348,730		
IBNR, end of year	905	1,684	2,709	4,393	10,644	15,037	58,042	73,079		
Ratio: excess (deficiency)	(28.19%)	10.77%	24.31%	22.65%	(4.89%)	12.57%				
<b>2010</b>										
Paid during year	7,513	9,590	12,873	22,463	54,841	77,304	98,674	175,978	171,620	347,598
UCAE, end of year	21,389	29,270	13,222	42,492	50,182	92,674	96,738	189,412	235,477	424,889
IBNR, end of year	437	437	673	1,111	3,698	4,809	9,744	14,553	68,193	82,746
Ratio: excess (deficiency)	(24.92%)	11.95%	22.53%	22.71%	(11.64%)	9.28%	20.79%	9.93%		

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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

### (b) Reinsurance risk

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

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

- (a) Facultative reinsurance treaties are accepted on a per risk basis.
- (b) The Group has treaty arrangements as follows:
- (i) Property and allied perils 80%:20% Quota Share of premiums i.e. 80% ceded premiums and 20% retention.
  - (ii) Excess of loss treaty for motor and third party liability, which covers losses in excess of J\$5,000,000 for any one loss or event.
  - (iii) First surplus treaty for engineering business with retention of US\$50,000.
  - (iv) First surplus treaty for miscellaneous accident, losses covered in excess of J\$1,000,000.
  - (v) Catastrophe excess of loss treaty which covers losses in excess of J\$30,000,000 for any one catastrophic event as defined.
- (c) The Group reinsures with several reinsurers. Of significance are Munich Reinsurance Company, Munich, Federal Republic of Germany and Swiss Reinsurance Company, Ontario, Canada. All other reinsurers carry lines under 10%. At 31 December, the Standard & Poor ratings for the major reinsurers are as follows:

	2010	2009
Munich Reinsurance Company	A <sup>+</sup>	A <sup>+</sup>
Swiss Reinsurance Company	A <sup>+</sup>	A <sup>+</sup>

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

	<b>The Group and The Company</b>	
	2010	2009
	\$'000	\$'000
Property	25,197	40,402
Motor	7,987	1,640
Marine	1,307	2,830
Other	15,417	7,202
	<u>49,908</u>	<u>52,074</u>

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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

### (c) Financial risk

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

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

### (i) Credit risk

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

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

#### ***Credit review process***

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

### (i) Reinsurance

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

### (ii) Premium receivables

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

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

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

### (c) Financial risk (continued)

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

##### (iii) Insurance premium financing, and other loans receivable

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

##### (iv) Investments

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

#### **Maximum exposure to credit risk**

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash and short term investments	591,115	324,243	575,494	296,208
Due from policyholders, brokers and agents	440,959	235,522	440,959	235,522
Due from reinsurers and coinsurers	153,687	140,881	153,687	140,881
Due from related parties	-	-	33,849	12,427
Insurance premium financing receivables	66,994	61,418	-	-
Loans receivable	345,514	466,484	36,683	81,601
Other receivables	10,418	11,179	10,418	9,836
Investment securities	199,943	226,080	199,943	226,080
	<u>1,808,630</u>	<u>1,465,807</u>	<u>1,451,033</u>	<u>1,002,555</u>

The above table represents a worst case scenario of credit risk exposure to the Group and company at year end.

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

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

### (c) Financial risk (continued)

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

*Ageing analysis of premium receivables past due but not impaired:*

Premium receivables that are less than forty-five (45) days old are not considered impaired. At year end, premium receivables of \$123,167,000 (2009 - \$96,699,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	<u>The Group and Company</u>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
46 to 60 days	63,178	21,484
61 to 90 days	55,601	52,333
More than 90 days	4,388	22,882
	<u>123,167</u>	<u>96,699</u>

*Premium receivables*

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

	<u>The Group and Company</u>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Brokers	308,438	159,905
Direct	132,521	75,617
	<u>440,959</u>	<u>235,522</u>

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

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

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

### (c) Financial risk (continued)

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

##### *Insurance premium financing receivables*

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

	<b>The Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Over 90 days	5,563	15,901

As of 31 December 2010, IPF receivables of \$8,090,000 (2009 – \$4,722,000) were impaired and have been fully provided for. These receivables were in arrears for over 90 days and the related insurance policies had expired.

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

	<b>The Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
At 1 January	4,722	3,635
Provision for doubtful debts	7,361	1,087
Bad debts written off	(3,993)	-
At 31 December	8,090	4,722

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

##### *Loans receivable*

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

	<b>The Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Over 90 days	5,768	352,576

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

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

### (c) Financial risk (continued)

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

##### *Loans receivable (continued)*

During the prior year, the Group renegotiated the terms of loans receivable of \$276,027,000 from one customer. Interest receivable on this loan amounted to \$73,756,000 at the prior year end. Although the loan was not being serviced, no provision was recorded as the Group held collateral in the form of quoted equity shares. The value of the collateral at the prior year end was \$459,816,000. The loan was settled during the financial year.

As of 31 December 2010, loans receivable of \$13,288,000 were considered to be impaired and are fully provided for. These receivables were all aged over 90 days. In the prior year, there were no loans receivable considered to be impaired and as such no provision was recorded in the financial statements.

##### *Debt securities*

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

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Government of Jamaica	199,943	226,080	199,943	226,080

#### (ii) Liquidity risk

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

##### ***Liquidity risk management process***

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

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

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

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

### (c) Financial risk (continued)

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

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

- (ii) Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruptions to cash flow;
- (iii) Optimising cash returns on investments;
- (iv) Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and
- (v) Managing the concentration and profile of debt maturities.

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

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

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

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

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

### (c) Financial risk (continued)

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

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

Financial assets and financial liabilities cash flows

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

	The Group						Total \$'000
	Within 1 Month \$'000	Within 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	No Specific Maturity \$'000	
<b>At 31 December 2010:</b>							
Cash and short term investments	200,673	392,721	-	-	-	-	593,394
Due from policyholders, brokers and agents	117,875	323,084	-	-	-	-	440,959
Due from reinsurers and coinsurers	-	153,687	-	-	-	-	153,687
Insurance premium financing receivables	22,129	35,215	20,607	-	-	-	77,951
Loans receivable	20,187	15,873	52,561	340,953	-	-	429,574
Other receivables	8,868	-	-	-	-	1,550	10,418
Investment securities	893	18,098	8,259	184,431	60,030	956,681	1,228,392
<b>Total financial assets</b>	<b>370,625</b>	<b>938,678</b>	<b>81,427</b>	<b>525,384</b>	<b>60,030</b>	<b>958,231</b>	<b>2,934,375</b>
Due to reinsurers and coinsurers	-	312,388	-	-	-	-	312,388
Other liabilities	21,461	6,562	39,418	-	-	-	67,441
Due to related parties	12,836	-	-	-	-	-	12,836
Claims liabilities	35,625	100,938	320,625	136,469	-	-	593,657
Borrowings	1,932	3,864	17,387	271,758	-	500	295,441
<b>Total financial liabilities</b>	<b>71,854</b>	<b>423,752</b>	<b>377,430</b>	<b>408,227</b>	<b>-</b>	<b>500</b>	<b>1,281,763</b>
<b>Net Liquidity Gap</b>	<b>298,771</b>	<b>514,926</b>	<b>(296,003)</b>	<b>117,157</b>	<b>60,030</b>	<b>957,731</b>	<b>1,652,612</b>
<b>Cumulative gap</b>	<b>298,771</b>	<b>813,697</b>	<b>517,694</b>	<b>634,851</b>	<b>694,881</b>	<b>1,652,612</b>	

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

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

### (c) Financial risk (continued)

#### (ii) Liquidity risk

*Financial assets and financial liabilities cash flows (continued)*

	The Group						Total \$'000
	Within 1 Month \$'000	Within 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	No Specific Maturity \$'000	
<b>At 31 December 2009:</b>							
Cash and short term investments	152,654	196,888	-	-	-	-	349,542
Due from policyholders, brokers and agents	55,695	179,827	-	-	-	-	235,522
Due from reinsurers and coinsurers	-	140,881	-	-	-	-	140,881
Insurance premium financing receivables	19,422	43,946	6,059	-	-	-	69,427
Loans receivable	36,176	393,162	32,201	52,224	-	-	513,763
Other receivables	8,075	1,326	1,778	-	-	-	11,179
Investment securities	12,672	9,079	97,957	118,787	50,992	839,622	1,129,109
<b>Total financial assets</b>	<b>284,694</b>	<b>965,109</b>	<b>137,995</b>	<b>171,011</b>	<b>50,992</b>	<b>839,622</b>	<b>2,449,423</b>
Due to reinsurers and coinsurers	-	186,682	-	-	-	-	186,682
Other liabilities	23,794	17,372	31,382	-	-	-	72,548
Due to related parties	1,817	-	-	-	-	-	1,817
Claims liabilities	25,838	84,631	269,515	118,813	-	-	498,797
Borrowings	317,576	-	-	-	-	-	317,576
<b>Total financial liabilities</b>	<b>369,025</b>	<b>288,685</b>	<b>300,897</b>	<b>118,813</b>	<b>-</b>	<b>-</b>	<b>1,077,420</b>
<b>Net Liquidity Gap</b>	<b>(84,331)</b>	<b>676,424</b>	<b>(162,902)</b>	<b>52,198</b>	<b>50,992</b>	<b>839,622</b>	<b>1,372,003</b>
<b>Cumulative gap</b>	<b>(84,331)</b>	<b>592,093</b>	<b>429,191</b>	<b>481,389</b>	<b>532,381</b>	<b>1,372,003</b>	<b>-</b>

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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

### (c) Financial risk (continued)

#### (ii) Liquidity risk

*Financial assets and financial liabilities cash flows (continued)*

	The Company						Total
	Within 1 Month	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No Specific Maturity	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 31 December 2010:</b>							
Cash and short term investments	195,052	382,593	-	-	-	-	577,645
Due from policyholders, brokers and agents	117,875	323,084	-	-	-	-	440,959
Due from reinsurers and coinsurers	-	153,687	-	-	-	-	153,687
Due from related parties	33,849	-	-	-	-	-	33,849
Loans receivable	36,683	-	-	-	-	-	36,683
Other receivables	8,868	-	-	-	-	1,550	10,418
Investment securities	893	18,098	8,259	184,431	60,030	952,151	1,223,862
<b>Total financial assets</b>	<b>393,220</b>	<b>877,462</b>	<b>8,259</b>	<b>184,431</b>	<b>60,030</b>	<b>953,701</b>	<b>2,477,103</b>
Due to reinsurers and coinsurers	-	312,388	-	-	-	-	312,388
Other liabilities	16,208	5,001	36,405	-	-	-	57,614
Claims liabilities	35,625	100,938	320,625	136,469	-	-	593,657
<b>Total financial liabilities</b>	<b>51,833</b>	<b>418,327</b>	<b>357,030</b>	<b>136,469</b>	<b>-</b>	<b>-</b>	<b>963,659</b>
<b>Net Liquidity Gap</b>	<b>341,387</b>	<b>459,135</b>	<b>(348,771)</b>	<b>47,962</b>	<b>60,030</b>	<b>953,701</b>	<b>1,513,444</b>
<b>Cumulative gap</b>	<b>341,387</b>	<b>800,522</b>	<b>451,751</b>	<b>499,713</b>	<b>559,743</b>	<b>1,513,444</b>	<b>-</b>

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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

### (c) Financial risk (continued)

#### (ii) Liquidity risk

*Financial asset and financial liabilities cash flows (continued)*

	The Company						
	Within 1 Month	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No Specific Maturity	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 31 December 2009:</b>							
Cash and short term investments	129,434	191,682	-	-	-	-	321,116
Due from policyholders, brokers and agents	55,695	179,827	-	-	-	-	235,522
Due from reinsurers and coinsurers	-	140,881	-	-	-	-	140,881
Due from related parties	12,427	-	-	-	-	-	12,427
Loans receivable	81,601	-	-	-	-	-	81,601
Other receivables	6,732	1,326	1,778	-	-	-	9,836
Investment securities	12,672	9,079	97,957	118,787	50,992	835,477	1,124,964
<b>Total financial assets</b>	<b>298,561</b>	<b>522,795</b>	<b>99,735</b>	<b>118,787</b>	<b>50,992</b>	<b>835,477</b>	<b>1,926,347</b>
Due to reinsurers and coinsurers	-	186,682	-	-	-	-	186,682
Other liabilities	23,793	6,206	31,382	-	-	-	61,381
Claims liabilities	25,838	84,631	269,515	118,813	-	-	498,797
Borrowings	2,363	-	-	-	-	-	2,363
<b>Total financial liabilities</b>	<b>51,994</b>	<b>277,519</b>	<b>300,897</b>	<b>118,813</b>	<b>-</b>	<b>-</b>	<b>749,223</b>
<b>Net Liquidity Gap</b>	<b>246,567</b>	<b>245,276</b>	<b>(201,162)</b>	<b>(26)</b>	<b>50,992</b>	<b>835,477</b>	<b>1,171,124</b>
<b>Cumulative gap</b>	<b>246,567</b>	<b>491,843</b>	<b>290,681</b>	<b>290,655</b>	<b>341,647</b>	<b>1,177,124</b>	<b>-</b>

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

#### (iii) Market risk

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

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

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

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

### (c) Financial risk (continued)

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

##### Currency risk

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

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

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

##### Concentrations of currency risk

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

	The Group			Total J\$'000
	Jamaican\$ J\$'000	US\$ J\$'000	GBP J\$'000	
<b>At 31 December 2010:</b>				
<b>Financial Assets</b>				
Cash and short term investments	231,611	357,672	1,832	591,115
Due from policyholders, brokers and agents	231,828	209,131	-	440,959
Due from reinsurers and coinsurers	136,623	17,064	-	153,687
Insurance premium financing receivables	53,042	13,952	-	66,994
Loans receivable	170,453	175,061	-	345,514
Other receivables	10,418	-	-	10,418
Investment securities	1,135,080	21,544	-	1,156,624
<b>Total financial assets</b>	<b>1,969,055</b>	<b>794,424</b>	<b>1,832</b>	<b>2,765,311</b>
<b>Financial Liabilities</b>				
Due to reinsurers and coinsurers	144,539	167,849	-	312,388
Other liabilities	67,441	-	-	67,441
Due to related parties	12,836	-	-	12,836
Claims liabilities	556,233	37,424	-	593,657
Borrowings	-	258,335	-	258,335
<b>Total financial liabilities</b>	<b>781,049</b>	<b>463,608</b>	<b>-</b>	<b>1,244,657</b>
<b>Net financial position</b>	<b>1,188,006</b>	<b>330,816</b>	<b>1,832</b>	<b>1,520,654</b>

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

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

### (c) Financial risk (continued)

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

#### Currency risk (continued)

#### Concentrations of currency risk (continued)

	The Group			Total J\$'000
	Jamaican\$ J\$'000	US\$ J\$'000	GBP J\$'000	
<b>At 31 December 2009:</b>				
<b>Financial Assets</b>				
Cash and short term investments	219,464	102,095	2,684	324,243
Due from policyholders, brokers and agents	158,930	76,592	-	235,522
Due from reinsurers and coinsurers	116,518	24,363	-	140,881
Insurance premium financing receivables	43,650	17,768	-	61,418
Loans receivable	466,484	-	-	466,484
Other receivables	11,179	-	-	11,179
Investment securities	1,041,933	23,769	-	1,065,702
<b>Total financial assets</b>	<b>2,058,158</b>	<b>244,587</b>	<b>2,684</b>	<b>2,305,429</b>
<b>Financial Liabilities</b>				
Due to reinsurers and coinsurers	114,825	71,857	-	186,682
Other liabilities	49,413	23,135	-	72,548
Due to related parties	1,817	-	-	1,817
Claims liabilities	480,005	18,792	-	498,797
Borrowings	290,688	25,079	-	315,767
<b>Total financial liabilities</b>	<b>936,748</b>	<b>138,863</b>	<b>-</b>	<b>1,075,611</b>
<b>Net financial position</b>	<b>1,121,410</b>	<b>105,724</b>	<b>2,684</b>	<b>1,229,818</b>

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

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

### (c) Financial risk (continued)

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

#### Currency risk (continued)

#### Concentrations of currency risk (continued)

	The Company			Total J\$'000
	Jamaican\$ J\$'000	US\$ J\$'000	GBP J\$'000	
<b>At 31 December 2010:</b>				
<b>Financial Assets</b>				
Cash and short term investments	217,560	356,102	1,832	575,494
Due from policyholders, brokers and agents	231,828	209,131	-	440,959
Due from reinsurers and coinsurers	136,623	17,064	-	153,687
Due from related parties	33,849	-	-	33,849
Loans receivable	36,683	-	-	36,683
Other receivables	10,418	-	-	10,418
Investment securities	1,130,550	21,544	-	1,152,094
<b>Total financial assets</b>	<b>1,797,511</b>	<b>603,841</b>	<b>1,832</b>	<b>2,403,184</b>
<b>Financial Liabilities</b>				
Due to reinsurers and coinsurers	144,539	167,849	-	312,388
Other liabilities	57,614	-	-	57,614
Claims liabilities	556,233	37,424	-	593,657
<b>Total financial liabilities</b>	<b>758,386</b>	<b>205,273</b>	<b>-</b>	<b>963,659</b>
<b>Net financial position</b>	<b>1,039,125</b>	<b>398,568</b>	<b>1,832</b>	<b>1,439,525</b>

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

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

### (c) Financial risk (continued)

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

#### Currency risk (continued)

#### Concentrations of currency risk (continued)

	The Company			Total J\$'000
	Jamaican\$ J\$'000	US\$ J\$'000	GBP J\$'000	
<b>At 31 December 2009:</b>				
<b>Financial Assets</b>				
Cash and short term investments	195,549	97,975	2,684	296,208
Due from policyholders, brokers and agents	158,930	76,592	-	235,522
Due from reinsurers and coinsurers	116,518	24,363	-	140,881
Due from related parties	12,427	-	-	12,427
Loans receivable	81,601	-	-	81,601
Other receivables	9,836	-	-	9,836
Investment securities	1,037,788	23,769	-	1,061,557
<b>Total financial assets</b>	<b>1,612,649</b>	<b>222,699</b>	<b>2,684</b>	<b>1,838,032</b>
<b>Financial Liabilities</b>				
Due to reinsurers and coinsurers	114,826	71,856	-	186,682
Other liabilities	38,941	22,440	-	61,381
Claims liabilities	480,005	18,792	-	498,797
Borrowings	2,363	-	-	2,363
<b>Total financial liabilities</b>	<b>636,135</b>	<b>113,088</b>	<b>-</b>	<b>794,223</b>
<b>Net financial position</b>	<b>976,514</b>	<b>109,611</b>	<b>2,684</b>	<b>1,088,809</b>

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

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

### (c) Financial risk (continued)

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

##### Currency risk (continued)

##### *Foreign currency sensitivity*

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

	<b>The Group</b>			
	% Change in Currency Rate	Effect on Pre-tax Profit	% Change in Currency Rate	Effect on Pre-tax Profit
	2010	2010 \$'000	2009	2009 \$'000
	2010	\$'000	2009	\$'000
USD – J\$Revaluation	5%	(16,540)	1%	(1,057)
USD – J\$Devaluation	5%	16,540	5%	5,287

	<b>The Company</b>			
	% Change in Currency Rate	Effect on Pre-tax Profit	% Change in Currency Rate	Effect on Pre-tax Profit
	2010	2010 \$'000	2009	2009 \$'000
	2010	\$'000	2009	\$'000
USD – J\$Revaluation	5%	(19,928)	1%	(1,096)
USD – J\$Devaluation	5%	19,928	5%	5,482

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

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

### (c) Financial risk (continued)

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

##### Interest rate risk

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

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

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

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

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

# General Accident Insurance Company Jamaica Limited

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(expressed in Jamaican dollars unless otherwise indicated)

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

### (c) Financial risk (continued)

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

##### Interest rate risk (continued)

	The Group						Total \$'000
	Within 1 Month	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>At 31 December 2009:</b>							
Cash and short term investments	131,579	192,664	-	-	-	-	324,243
Due from policyholders, brokers and agents	-	-	-	-	-	235,522	235,522
Due from reinsurers and coinsurers	-	-	-	-	-	140,881	140,881
Insurance premium financing receivables	22,122	38,466	830	-	-	-	61,418
Loans receivable	105,986	280,255	36,880	43,363	-	-	466,484
Other receivables	-	-	-	-	-	11,179	11,179
Investment securities	18,381	2,000	57,646	120,210	27,843	839,622	1,065,702
<b>Total financial assets</b>	<b>278,068</b>	<b>513,385</b>	<b>95,356</b>	<b>163,573</b>	<b>27,843</b>	<b>1,227,204</b>	<b>2,305,429</b>
Due to reinsurers and coinsurers	-	-	-	-	-	186,682	186,682
Other liabilities	-	-	-	-	-	72,548	72,548
Due to related parties	-	-	-	-	-	1,817	1,817
Claims liabilities	-	-	-	-	-	498,797	498,797
Borrowings	315,267	-	-	-	-	500	317,767
<b>Total financial liabilities</b>	<b>315,267</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>760,344</b>	<b>1,075,611</b>
<b>Total interest repricing gap</b>	<b>(37,199)</b>	<b>513,385</b>	<b>95,356</b>	<b>163,573</b>	<b>27,843</b>	<b>466,860</b>	<b>1,229,818</b>
<b>Cumulative gap</b>	<b>(37,199)</b>	<b>476,186</b>	<b>571,542</b>	<b>735,115</b>	<b>762,958</b>	<b>1,229,818</b>	<b>-</b>

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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

### (c) Financial risk (continued)

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

##### Interest rate risk (continued)

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

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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

### (c) Financial risk (continued)

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

##### Interest rate risk (continued)

	The Company						Total \$'000
	Within 1 Month \$'000	Within 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non- Interest Bearing \$'000	
	<b>At 31 December 2009:</b>						
Cash and short term investments	108,544	187,664	-	-	-	-	296,208
Due from policyholders, brokers and agents	-	-	-	-	-	235,522	235,522
Due from reinsurers and coinsurers	-	-	-	-	-	140,881	140,881
Loans receivable	17,300	-	-	-	-	64,301	81,601
Due from related parties	-	-	-	-	-	12,427	12,427
Other receivables	-	-	-	-	-	9,836	9,836
Investment securities	18,381	2,000	57,646	120,210	27,843	835,477	1,061,557
<b>Total financial assets</b>	<b>144,225</b>	<b>189,664</b>	<b>57,646</b>	<b>120,210</b>	<b>27,843</b>	<b>1,298,444</b>	<b>1,838,032</b>
Due to reinsurers and coinsurers	-	-	-	-	-	186,682	186,682
Other liabilities	-	-	-	-	-	61,381	61,381
Claims liabilities	-	-	-	-	-	498,797	498,797
Borrowings	2,363	-	-	-	-	-	2,363
<b>Total financial liabilities</b>	<b>2,363</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>746,860</b>	<b>749,223</b>
<b>Total interest repricing gap</b>	<b>141,862</b>	<b>189,664</b>	<b>57,646</b>	<b>120,210</b>	<b>27,843</b>	<b>551,584</b>	<b>1,088,809</b>
<b>Cumulative gap</b>	<b>141,862</b>	<b>331,526</b>	<b>389,172</b>	<b>509,382</b>	<b>537,225</b>	<b>1,088,809</b>	<b>-</b>

# General Accident Insurance Company Jamaica Limited

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31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

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

### (c) Financial risk (continued)

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

##### Interest rate risk (continued)

##### *Interest rate sensitivity*

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

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

#### The Group

Change in Basis points:	Effect on Profit before Taxation	Effect on Other Components of Equity	Change in Basis points:	Effect on Profit before Taxation	Effect on Other Components of Equity
2010	2010	2010	2009	2009	2009
JMD/USD	\$'000	\$'000	JMD/USD	\$'000	\$'000
-100/-50	-	772	-1,000/-200	(11,000)	1,699
+200/+50	-	(737)	+300/+200	3,300	(723)

#### The Company

Change in Basis points:	Effect on Profit before Taxation	Effect on Other Components of Equity	Change in Basis points:	Effect on Profit before Taxation	Effect on Other Components of Equity
2010	2010	2010	2009	2009	2009
JMD/USD	\$'000	\$'000	JMD/USD	\$'000	\$'000
-100/-50	-	772	-1,000/-200	(11,000)	1,699
+200/+50	-	(737)	+300/+200	3,300	(723)

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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

### (c) Financial risk (continued)

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

##### Price risk

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

The table below summarises the impact of increases/decreases on the Group's and the company's pre-tax profit for the year and on equity. The analysis is based on the assumption that the equity prices had increased/decreased by 20% (2009 - 10%) with all other variables held constant.

	The Group			
	Effect on	Effect on	Effect on	Effect on
	Profit	Other	Profit	Other
	before	Components	before	Components
	Taxation	of	Taxation	of
	Equity		Equity	
	2010	2010	2009	2009
	\$'000	\$'000	\$'000	\$'000
<b>Change in index:</b>				
- 20% (2009 -10%)	(11,120)	(180,216)	(4,560)	(79,402)
+ 20% (2009 + 10%)	11,120	180,216	4,560	79,402

	The Company			
	Effect on	Effect on	Effect on	Effect on
	Profit	Other	Profit	Other
	before	Components	before	Components
	Taxation	of	Taxation	of
	Equity		Equity	
	2010	2010	2009	2009
	\$'000	\$'000	\$'000	\$'000
<b>Change in index:</b>				
-20% (2009 -10%)	(10,214)	(180,216)	(4,145)	(79,402)
+20% (2009 + 10%)	10,214	180,216	4,145	79,402

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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## 5. Capital Management

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

- To comply with the capital requirements set by the regulators of the insurance markets where the Group operates;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy is managed at the Group level. The Group seeks to maintain internal capital adequacy at levels higher than the regulatory requirements. To assist in evaluating the current business and strategies, a risk-based capital approach is used in the form of the Minimum Asset Test (MAT) as stipulated by the regulators. The MAT is calculated by management and reviewed by the Appointed Actuary. This information is required to be filed with the Financial Services Commission (FSC) on a quarterly and annual basis. The minimum standard stipulated by Section 17 (4) of the Insurance (Actuaries) (General Insurance Companies) Regulation 2002 is that a general insurance company shall have a minimum MAT percentage of 150% for the financial year end 2010 (2009 – 135%). As at the year end the MAT for the company is as follows:

	<b>Actual</b>	<b>Required</b>	<b>Actual</b>	<b>Required</b>
	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
MAT	129%	150%	128%	135%

The FSC has indicated that the MAT will be replaced by a Minimum Capital Test (MCT) as a measure of capital adequacy in financial reporting period commencing after the date of the statement of financial position. The required MCT ratio will be initially set at 200% and will be gradually increased to 250%. As the original intention of the FSC was to have the MCT implemented for 2010 financial year, they have decided to allow all the general insurance companies to file both the MAT and MCT for the year ended 31 December 2010. Further, they have clearly indicated that no action will be taken against companies that fail to meet the MAT capital requirement of 150% but satisfy the MCT capital requirement of 200%. The MCT for the company for the year ended 31 December 2010 is as follows:

	<b>Actual</b>	<b>Required</b>
	<b>2010</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
MCT	260%	200%

The company is therefore in technical breach of Section 17 (4) of the Insurance (Actuaries) (General Insurance Companies) Regulation 2002 of Jamaica. However, having satisfied the MCT capital requirement as previously noted, no action is required by the company.

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

### 6. Fair Value Estimation

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

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

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

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

	The Group		
	Level 1	Level 2	Total balance
	\$'000	\$'000	\$'000
<b>At 31 December 2010</b>			
<b>Assets</b>			
Financial assets at fair value through profit or loss –			
Equity securities	55,601	-	55,601
Available-for-sale financial assets –			
Equity securities	901,080	-	901,080
Debt securities	-	21,544	21,544
Total assets measured at fair value	956,681	21,544	978,225

	The Group		
	Level 1	Level 2	Total balance
	\$'000	\$'000	\$'000
<b>At 31 December 2009</b>			
<b>Assets</b>			
Financial assets at fair value through profit or loss –			
Equity securities	45,595	-	45,595
Available-for-sale financial assets –			
Equity securities	794,027	-	794,027
Debt securities	-	66,271	66,271
Total assets measured at fair value	839,622	66,271	905,893

# General Accident Insurance Company Jamaica Limited

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## 6. Fair Value Estimation (Continued)

	The Company		
	Level 1	Level 2	Total balance
	\$'000	\$'000	\$'000
<b>At 31 December 2010</b>			
<b>Assets</b>			
Financial assets at fair value through profit or loss –			
Equity securities	51,071	-	51,071
Available-for-sale financial assets –			
Equity securities	901,080	-	901,080
Debt securities	-	21,544	21,544
Total assets measured at fair value	952,151	21,544	973,695

	The Company		
	Level 1	Level 2	Total balance
	\$'000	\$'000	\$'000
<b>At 31 December 2009</b>			
<b>Assets</b>			
Financial assets at fair value through profit or loss –			
Equity securities	41,450	-	41,450
Available-for-sale financial assets –			
Equity securities	794,027	-	794,027
Debt securities	-	66,271	66,271
Total assets measured at fair value	835,477	66,271	901,748

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

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

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

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### 6. Fair Value Estimation (Continued)

The following methods have been used to value financial instruments:

- (a) Investment securities classified as available-for-sale and fair value through profit or loss are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques;
- (b) Investment securities classified as held-to-maturity are carried at amortised cost. The fair value of these securities is disclosed in Note 23. The fair value is determined by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques;
- (c) The fair value of short-term assets and liabilities maturing within one year is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;
- (d) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts, as these instruments are expected to reprice at the prevailing market rates;
- (e) Insurance premium financing and other loans are carried at amortised cost which is assumed to approximate fair value as loans are issued at terms and conditions available in the market for similar transactions; and
- (f) The carrying value of the borrowings from affiliated company, Seprod Limited (Note 29) is assumed to approximate fair value as these borrowings were acquired at terms and conditions available in the market for similar transactions. The fair value of other borrowings could not be reliably measured as there are no fixed repayment terms.

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

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

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

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

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

# General Accident Insurance Company Jamaica Limited

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

### (b) Income taxes

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

## 8. Related Party Transactions and Balances

(a) Related party transactions are as follows:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Dividend income -				
Subsidiary (Note 10)	-	-	90,000	-
Interest income -				
Key management	674	577	-	-
Parent company	3,852	-	-	-
Fellow subsidiary	4,967	-	-	-
Subsidiary (Note 10)	-	-	1,298	6,115
	<u>9,493</u>	<u>577</u>	<u>1,298</u>	<u>6,115</u>
Rental and maintenance income -				
Fellow subsidiary	816	668	816	668
Subsidiary	-	-	1,007	917
	<u>816</u>	<u>668</u>	<u>1,823</u>	<u>1,585</u>
Capital distribution received -				
Other related parties (Note 10)	<u>33,066</u>	<u>28,722</u>	<u>33,066</u>	<u>28,722</u>
Premium income -				
Key management	2,753	848	2,753	848
Parent company	37,032	36,023	37,032	36,023
Fellow subsidiaries	197,949	45,078	197,949	45,078
Affiliates	530	9,256	530	9,256
	<u>238,264</u>	<u>91,205</u>	<u>238,264</u>	<u>91,205</u>
Claims expense -				
Key management	111	131	111	131
Parent company	2,061	5,433	2,061	5,433
Fellow subsidiaries	5,113	4,449	5,113	4,449
Affiliates	5,673	3,343	5,673	3,343
	<u>12,958</u>	<u>13,356</u>	<u>12,958</u>	<u>13,356</u>

# General Accident Insurance Company Jamaica Limited

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

### (a) Related party transactions (continued)

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Gain on sale of investment - Parent company	23,952	1,597	23,952	1,597
Dividends declared - Parent company	95,000	240,000	95,000	240,000
Interest expense (Note 12) - Other related parties	255	-	-	-
Parent company	43,581	45,028	-	-
	43,836	45,028	-	-
Key management compensation - Salaries and other short term benefits	37,368	31,595	37,368	31,545
Directors emoluments Directors' fees (included above)	1,560	1,380	1,510	1,330

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

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Due from related parties - Receivables - Subsidiary	-	-	13,849	12,427
Dividend receivable - Subsidiary	-	-	20,000	-
	-	-	33,849	12,427

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

### (b) Balances with group companies (continued)

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Due to related parties -				
Payable -				
Parent company	1,816	1,817	-	-
Fellow subsidiary	11,020	-	-	-
	12,836	1,817	-	-
Loans due to parent company (Note 29) -				
Balance at the beginning of year	312,904	251,849	-	-
Loans received	-	24,178	-	-
Interest charged	42,947	45,028	-	-
Repayments	(355,851)	(8,151)	-	-
Balance at end of year	-	312,904	-	-
Loan due to fellow subsidiary (Note 29) -				
Balance at beginning of year	500	9,000	-	-
Repayments	-	(8,500)	-	-
Balance at end of year	500	500	-	-
Loans due to affiliated company (Note 29) -				
Balance at the beginning of year	-	-	-	-
Loans received	257,583	-	-	-
Interest charged	889	-	-	-
Repayments	(637)	-	-	-
	257,835	-	-	-

# General Accident Insurance Company Jamaica Limited

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

### (b) Balances with group companies (continued)

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Due from policyholders, brokers and agents -				
Fellow subsidiary	34,873	63,384	34,873	63,384
Parent company	4,085	8,388	4,085	8,388
	<u>38,958</u>	<u>71,772</u>	<u>38,958</u>	<u>71,772</u>
Insurance premium financing receivables -				
Fellow subsidiary (Note 20)	<u>15,763</u>	<u>17,768</u>	<u>-</u>	<u>-</u>
Loans receivable -				
Subsidiary (Note 21)	-	-	36,683	81,601
Fellow subsidiary (Note 21)	262,884	-	-	-
Key management	10,939	5,039	-	-
	<u>273,823</u>	<u>5,039</u>	<u>36,683</u>	<u>81,601</u>
Investment securities -				
Shares in affiliated entity (Note 23)	<u>901,080</u>	<u>794,027</u>	<u>901,080</u>	<u>794,027</u>

The subsidiary loans are due and receivable from a wholly owned subsidiary. The loans include an amount denominated in United States dollars (US\$ 221,000) with a tenure of 8 months (repayment date of February 2011) and have interest rates of 0%. During the year the company also disbursed loans to the subsidiary totalling \$87 million which attracted interest rates of 8%. These loans were repaid during the year. The prior year amount included a loan totalling \$17,300,000 which attracted interest of 15% per annum. The remaining prior year loans include an amount denominated in United States dollars (US\$ 280,000) and had interest rates of 0%.

Loans receivable from key management attract interest at an average rate of 11.67% (2009 – 13.64%) and have varying repayment terms.

Included in the investments of the company are shares in a related party. At 31 December 2010, these shares represented 28.54% of the total assets (2009: 33.27%). This is above the maximum allowable investment limits stipulated by the Insurance Regulations, 2001. Management of the company and the FSC have put in place a structured plan to remediate this issue.

The company declared dividends of \$1.27 per share (2009 - \$3.20) to shareholders on record at 31 December.

# General Accident Insurance Company Jamaica Limited

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## 9. Claims Expense

	<b>The Group and The Company</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Gross claims expense	476,532	443,490
Reinsurers share of claims expense	(49,908)	(52,074)
Net claims expense	<u>426,624</u>	<u>391,416</u>

## 10. Investment Income

	<b>The Group</b>		<b>The Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Interest income -				
Insurance premium financing	25,775	28,971	-	-
Loans receivable	102,310	108,008	-	-
Loan due from subsidiary (Note 8(a))	-	-	1,298	6,115
Cash and deposits and investment securities	53,579	75,283	51,204	73,480
	<u>181,664</u>	<u>212,262</u>	<u>52,502</u>	<u>79,595</u>
Capital distribution	33,066	28,722	33,066	28,722
Gain on sale of equity investments	24,980	1,597	24,980	1,597
Dividend income	46	-	90,046	-
Unrealised gain on Unit Trust Fund	4,356	5,170	3,971	4,700
	<u>244,112</u>	<u>247,751</u>	<u>204,565</u>	<u>114,614</u>

## 11. Other Income

	<b>The Group</b>		<b>The Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Foreign exchange (losses)/gains	(11,955)	4,971	(7,715)	5,846
Rental income	7,842	8,260	8,435	9,177
Gain on disposal of property, plant and equipment	158	3,204	158	3,204
Miscellaneous income	4,201	8,363	900	1,265
	<u>246</u>	<u>24,798</u>	<u>1,778</u>	<u>19,492</u>

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## 12. Finance Costs

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Interest expense (Note 8(a))	43,836	45,028	-	-

## 13. Expenses by Nature

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Advertising costs	15,074	8,990	14,133	8,321
Audit fees	4,000	3,519	3,500	3,024
Bad debt expense	20,649	1,087	-	-
Computer expenses	5,612	4,509	5,612	4,509
Directors fees	1,560	1,380	1,510	1,330
Depreciation and amortisation	31,160	26,914	30,430	26,624
Insurance	4,146	2,884	4,146	2,884
Professional fees	9,924	10,797	9,691	9,561
Printing and stationery	4,202	4,726	3,349	3,501
Registration fees	9,614	9,598	9,614	9,598
Repairs and maintenance	16,705	13,124	16,129	12,741
Staff costs (Note 14)	152,979	123,717	140,337	112,843
Transportation expenses	4,906	4,344	4,840	4,258
Utilities	11,768	10,591	11,216	9,955
Other operating expenses	18,202	22,593	17,564	21,832
	<u>310,501</u>	<u>248,773</u>	<u>272,071</u>	<u>230,981</u>

## 14. Staff Costs

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Wages and salaries	116,291	92,144	104,807	82,281
Statutory contributions	8,545	6,713	7,934	6,356
Pension costs	3,047	2,246	2,919	2,132
Other	25,096	22,614	24,677	22,074
	<u>152,979</u>	<u>123,717</u>	<u>140,337</u>	<u>112,843</u>

# General Accident Insurance Company Jamaica Limited

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## 15. Taxation

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

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current income taxes:				
Income tax charge	65,227	24,283	37,019	10,399
Prior year income tax adjustment	1,233	-	-	-
	66,460	24,283	37,019	10,399
Deferred income taxes (Note 27)	(19,184)	37,873	(6,188)	25,602
	47,276	62,156	30,831	36,001

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

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Profit before tax	200,524	216,923	244,775	141,300
Tax calculated at a rate of 33 1/3%	66,841	72,308	81,592	47,100
Adjusted for the effects of:				
Income not subject to tax	(21,450)	(11,850)	(51,322)	(11,693)
Expenses not deductible for tax	283	1,882	200	1,877
Prior year income tax adjustment	1,233	-	-	-
Net effect of other charges and allowances	369	(184)	361	(1,283)
	47,276	62,156	30,831	36,001

## 16. Net Profit and Retained Earnings

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

	2010 \$'000	2009 \$'000
Parent company	213,944	105,299
Less dividends received from subsidiary	(90,000)	-
	123,944	-
Subsidiary	29,304	49,468
	153,248	154,767

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

## 16. Net Profit and Retained Earnings (Continued)

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

	2010 \$'000	2009 \$'000
Parent company	206,521	120,643
Subsidiary	53,911	114,607
	<u>260,432</u>	<u>235,250</u>

## 17. Earnings Per Share

The calculation of earnings per share is based on the net profit for the year and 75,000,000 ordinary shares in issue.

	<u>The Group</u>	
	2010	2009
Net profit (\$'000)	153,248	154,767
Weighted average number of ordinary shares in issue ('000)	75,000	75,000
Earnings per share	<u>\$2.04</u>	<u>\$2.06</u>

## 18. Cash and Cash Equivalents

	<u>The Group</u>		<u>The Company</u>	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash and bank balances	37,528	46,394	31,907	28,359
Short term deposits	548,554	277,849	538,554	267,849
Short term investments	5,033	-	5,033	-
	591,115	324,243	575,494	296,208
Bank overdraft (Note 29)	-	(2,363)	-	(2,363)
	<u>591,115</u>	<u>321,880</u>	<u>575,494</u>	<u>293,845</u>

Short term deposits comprise term deposits and repurchase agreements with an average maturity of 77 days (2009 – 83 days), and include interest receivable of \$1,546,000 (2009 – \$1,607,000) for the Group and the company.

Short term investments comprise Treasury Bills with an original maturity of 28 days, and include interest receivable of \$14,000 (2009 – Nil).

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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## 18. Cash and Cash Equivalents (Continued)

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

	2010 %	2009 %
J\$	7.1	15.2
US\$	<u>3.9</u>	<u>5.7</u>

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

	2010 %	2009 %
J\$	2.5%	3.0%
US\$	0.9%	1.0%
GBP	<u>0.1%</u>	<u>1.0%</u>

## 19. Due from Reinsurers and Coinsurers

	<u>The Group and The Company</u>	
	2010 \$'000	2009 \$'000
Reinsurers' portion of unearned premium (Note 28)	473,351	334,442
Reinsurers' portion of claims liabilities (Note 28)	86,022	76,988
Other amounts recoverable from reinsurers and coinsurers	<u>67,665</u>	<u>63,893</u>
	<u>627,038</u>	<u>475,323</u>

## 20. Insurance Premium Financing

	<u>The Group</u>	
	2010 \$'000	2009 \$'000
IPF loans receivable from fellow subsidiary (Note 8)	15,763	17,768
IPF loans receivable from external customers	70,278	56,381
Unearned interest	<u>(10,957)</u>	<u>(8,009)</u>
	75,084	66,140
Less: Provision for doubtful debts	<u>(8,090)</u>	<u>(4,722)</u>
	<u>66,994</u>	<u>61,418</u>

# General Accident Insurance Company Jamaica Limited

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## 21. Loans Receivable

	The Group			The Company		
	2010 \$'000	2009 \$'000	2008 \$'000	2010 \$'000	2009 \$'000	2008 \$'000
Loans receivable from fellow subsidiary (Note 8)	262,884	-	-	-	-	-
Loans receivable from subsidiary (Note 8)	-	-	-	36,683	81,601	54,684
Loans receivable from external customers	95,918	466,484	-	-	-	-
	358,802	466,484	-	36,683	81,601	54,684
Less: Provision for doubtful debts	(13,288)	-	-	-	-	-
	345,514	466,484		36,683	81,601	54,684

These represent loan financing extended by the subsidiary to customers and include interest receivable of \$4,657,000 (2009 – \$76,474,000). These loans attract interest at an average rate of 18% and have average tenures of 2 years.

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

Certain balances relating to previous years were reclassified as disclosed in Note 35.

## 22. Other Receivables

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Prepayments	3,068	5,812	3,068	5,124
Other receivables	10,418	11,179	10,418	9,836
	13,486	16,991	13,486	14,960

## 23. Investment Securities

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Debt securities -				
Available for sale – at fair value				
Government of Jamaica Securities -				
Local Registered Stock (2010 – 2022)	-	12,410	-	12,410
Bonds (2011 – 2023)	-	38,593	-	38,593
United States Dollar Bonds (2010 – 2022)	21,544	15,268	21,544	15,268
	21,544	66,271	21,544	66,271
Held to maturity – at amortised cost				
Government of Jamaica Securities -				
Benchmark Investment Notes	165,586	-	165,586	-
United States Dollar Benchmark Notes	4,993	-	4,993	-
Local Registered Stock (2010 – 2022)	-	4,999	-	4,999
Bonds (2010 – 2023)	-	140,993	-	140,993
Treasury Bills (180 days)	-	5,149	-	5,149
	170,579	151,141	170,579	151,141
Interest receivable	7,820	8,668	7,820	8,668
	199,943	226,080	199,943	226,080

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 23. Investment Securities (Continued)

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Equity securities -				
Fair value through profit or loss				
Units in Unit Trust Funds	55,601	45,595	51,071	41,450
Available for sale, at fair value –				
Quoted shares	901,080	794,027	901,080	794,027
Available for sale, at cost –				
Unquoted shares	16,990	16,990	16,990	16,990
Less: Provision for diminution in value	(16,990)	(16,990)	(16,990)	(16,990)
	-	-	-	-
	956,681	839,622	952,151	835,477
	<u>1,156,624</u>	<u>1,065,702</u>	<u>1,152,094</u>	<u>1,061,557</u>

Weighted average effective interest rate:

	2010 %	2009 %
Government of Jamaica Securities –		
Benchmark Investment Notes	12.42	-
United States Dollars Benchmark Notes	6.9	-
Local Registered Stock	-	18.03
Bonds	-	20.40
United States Dollar Bonds	<u>11.63</u>	<u>11.63</u>

Included in investments, are Units Trust Funds valued at \$45,000,000 which have been pledged with the FSC, pursuant to Section 8(1)(b) of the Insurance Regulations, 2001. In the prior year Government of Jamaica Local Registered Stocks with a face value of \$45,000,000 were similarly pledged with the FSC

Included in investments are shares in Seprod Limited, a related party, with a fair value of approximately \$901,080,000 (2009 - \$794,027,000). The company is the beneficial owner of these shares, which are held in trust by the company's parent, Musson Jamaica Limited, who is the registered owner.

The fair value of held-to-maturity investments carried at amortised cost is \$183,042,000 (2009 - \$155,325,000).

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

## 24. Property, Plant and Equipment

	The Group					Total \$'000
	Land \$'000	Buildings \$'000	Furniture, Fixtures & Equipment \$'000	Motor Vehicles \$'000	Capital Work-in - Progress \$'000	
At Cost -						
At 1 January 2009	4,569	70,997	38,184	38,742	1,413	153,905
Additions	-	3,749	11,405	12,055	-	27,209
Transfer	-	1,413	-	-	(1,413)	-
Disposals	-	-	(1,426)	(7,552)	-	(8,978)
At 31 December 2009	4,569	76,159	48,163	43,245	-	172,136
Additions	-	4,101	6,730	3,347	-	14,178
Disposals	-	-	(914)	-	-	(914)
At 31 December 2010	4,569	80,260	53,979	46,592	-	185,400
Depreciation -						
At 1 January 2009	-	24,209	16,551	19,185	-	59,945
Charge for the year	-	3,773	4,528	9,559	-	17,860
On disposals	-	-	(1,152)	(5,414)	-	(6,566)
At 31 December 2009	-	27,982	19,927	23,330	-	71,239
Charge for the year	-	3,978	6,663	9,350	-	19,991
On disposals	-	-	(914)	-	-	(914)
At 31 December 2010	-	31,960	25,676	32,680	-	90,316
Net Book Value -						
31 December 2010	4,569	48,300	28,303	13,912	-	95,084
31 December 2009	4,569	48,177	28,236	19,915	-	100,897

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 24. Property, Plant and Equipment (Continued)

	The Company					Total \$'000
	Land \$'000	Buildings \$'000	Furniture, Fixtures & Equipment \$'000	Motor Vehicles \$'000	Capital Work- in- Progress \$'000	
At Cost -						
At 1 January 2009	4,569	70,997	37,461	38,742	1,413	153,182
Additions	-	3,749	10,204	11,105	-	25,058
Transfer		1,413			(1,413)	
Disposals	-	-	(1,426)	(7,552)		(8,978)
At 31 December 2009	4,569	76,159	46,239	42,295	-	169,262
Additions	-	4,101	5,616	3,347	-	13,064
Disposals	-	-	(914)	-	-	(914)
At 31 December 2010	4,569	80,260	50,941	45,642	-	181,412
Depreciation -						
At 1 January 2009	-	24,209	16,479	19,185	-	59,873
Charge for the year	-	3,773	4,428	9,369	-	17,570
On disposals	-	-	(1,152)	(5,414)	-	(6,566)
At 31 December 2009	-	27,982	19,755	23,140	-	70,877
Charge for the year	-	3,978	6,359	9,160	-	19,497
On disposals	-	-	(914)	-	-	(914)
At 31 December 2010	-	31,960	25,200	32,300	-	89,460
Net Book Value -						
31 December 2010	4,569	48,300	25,741	13,342	-	91,952
31 December 2009	4,569	48,177	26,484	19,155	-	98,385

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

## 25. Intangible Assets

	<u>The Group</u>	<u>The Company</u>
	\$'000	\$'000
At Cost -		
At 1 January 2009	26,420	26,420
Additions	18,849	18,849
At 31 December 2009	45,269	45,269
Additions	10,575	9,396
At 31 December 2010	55,844	54,665
Amortisation -		
At 1 January 2009	5,707	5,707
Charge for the year	9,054	9,054
At 31 December 2009	14,761	14,761
Charge for the year	11,169	10,933
At 31 December 2010	25,930	25,694
Net Book Value -		
31 December 2010	29,914	28,971
31 December 2009	30,508	30,508

## 26. Other Liabilities

	<u>The Group</u>		<u>The Company</u>	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Statutory contributions payable	2,461	2,558	2,461	2,558
Accrued expenses	34,143	24,321	29,842	18,577
Other payables	30,837	45,669	25,311	40,246
	67,441	72,548	57,614	61,381

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 27. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 33 $\frac{1}{3}$ %.

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Deferred income tax assets	3,571	13,549	1,989	1,224
Deferred income tax liabilities	(9,092)	(35,829)	(7,137)	(10,135)
Net liabilities	<u>(5,521)</u>	<u>(22,280)</u>	<u>(5,148)</u>	<u>(8,911)</u>

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

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Balance as at 1 January	(22,280)	14,821	(8,911)	15,919
Credited/(charged) to profit or loss (Note 15)	19,184	(37,873)	6,188	(25,602)
(Charged)/credited to other comprehensive income	(2,425)	772	(2,425)	772
Balance as at 31 December	<u>(5,521)</u>	<u>(22,280)</u>	<u>(5,148)</u>	<u>(8,911)</u>

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

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Deferred income tax assets</b>				
Accrued vacation	1,171	354	1,087	321
Interest payable	84	12,292	-	-
Unrealised foreign exchange losses	2,316	-	902	-
Unrealised fair value losses	-	903	-	903
	<u>3,571</u>	<u>13,549</u>	<u>1,989</u>	<u>1,224</u>
<b>Deferred income tax liabilities</b>				
Accelerated tax depreciation	(3,163)	(2,748)	(2,761)	(2,545)
Interest receivable	(4,407)	(28,916)	(2,854)	(3,425)
Unrealised foreign exchange gains	-	(4,165)	-	(4,165)
Unrealised fair value gains	(1,522)	-	(1,522)	-
	<u>(9,092)</u>	<u>(35,829)</u>	<u>(7,137)</u>	<u>(10,135)</u>

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 28. Insurance Reserves

(a) These reserves are as follows:

	<u>The Group and The Company</u>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Gross -			
Unearned premiums	841,105	611,636	612,613
Claims liabilities	593,657	498,797	434,057
Unearned commission	77,142	52,824	53,426
	<u>1,511,904</u>	<u>1,163,257</u>	<u>1,100,096</u>
Recoverable from reinsurers -			
Reinsurers' portion of unearned premiums (Note 19)	(473,351)	(334,442)	(328,497)
Reinsurers' portion of claims liabilities (Note 19)	(86,022)	(76,988)	(69,718)
	<u>(559,373)</u>	<u>(411,430)</u>	<u>(398,215)</u>
Net -			
Unearned premiums	367,754	277,194	284,116
Claims liabilities	507,635	421,809	364,339
Unearned commission	77,142	52,824	53,426
	<u>952,531</u>	<u>751,827</u>	<u>701,801</u>

Certain balances relating to previous years were reclassified as disclosed in Note 35.

(b) Claims liabilities comprise:

	<u>The Group and The Company</u>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Gross -		
Outstanding claims	485,632	382,168
IBNR	101,644	112,091
Unallocated loss adjustment expense	6,381	4,538
	<u>593,657</u>	<u>498,797</u>
Recoverable from reinsurers -		
Outstanding claims	67,124	37,976
IBNR	18,898	39,012
	<u>86,022</u>	<u>76,988</u>
Net -		
Outstanding claims	418,508	344,192
IBNR	82,746	73,079
Unallocated loss adjustment expense	6,381	4,538
	<u>507,635</u>	<u>421,809</u>

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

## 28. Insurance Reserves (Continued)

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

	<u>The Group and The Company</u>	
	2010 \$'000	2009 \$'000
Fire, consequential loss and liability	435,224	353,658
Motor	277,060	195,099
Marine	6,386	2,534
Accident	122,435	60,345
	<u>841,105</u>	<u>611,636</u>

## 29. Borrowings

	<u>The Group</u>			<u>The Company</u>		
	2010 \$'000	2009 \$'000	2008 \$'000	2010 \$'000	2009 \$'000	2008 \$'000
<b>Current</b>						
(a) Bank overdraft	-	2,363	6,932	-	2,363	-
(b) Short term loans	500	313,404	260,849	-	-	-
(c) Current portion of long term loan	252	-	-	-	-	-
	<u>752</u>	<u>315,767</u>	<u>267,781</u>	<u>-</u>	<u>2,363</u>	<u>-</u>
<b>Non - Current</b>						
(c) Long term loan	257,583	-	-	-	-	-
	<u>258,335</u>	<u>315,767</u>	<u>267,781</u>	<u>-</u>	<u>2,363</u>	<u>-</u>

Certain balances relating to previous years were reclassified as disclosed in Note 35.

- (a) Bank overdraft  
The Group does not have an overdraft facility. The year end bank overdraft balance was due to unrepresented cheques
- (b) Short term loans (Note 8(b))

	<u>The Group</u>		
	2010 \$'000	2009 \$'000	2008 \$'000
(i) Parent company	-	312,904	251,849
(ii) Fellow subsidiary	500	500	9,000
	<u>500</u>	<u>313,404</u>	<u>260,849</u>

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

## 29. Borrowings (Continued)

(b) Short term loans (continued) (Note 8(b))

- (i) The prior year loans granted to the subsidiary, Orrett and Musson, from the parent company attracted interest rate of 16%, was unsecured and had no set repayment date. The proceeds of these loans were used to issue loans of equal amounts to the subsidiary's customers in the normal course of business. The loans issued by the subsidiary were fully collateralised by equity securities with a fair value which exceeded the carrying value of the loan (Note 4 (c)(i)). The prior year loan balance included interest payable of \$36,877,000. The loans were repaid during the year.
- (ii) The loan granted by fellow subsidiary, Facey Commodity Limited, to the subsidiary, Orrett and Musson Investment Company Limited, does not attract interest, is unsecured and has no set repayment date.

(c) Long term loan (Note 8(b))

	<b>The Group</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Affiliated company	257,583	-	-
Interest payable	252	-	-
	<u>257,835</u>	<u>-</u>	<u>-</u>
Less: current portion	(252)	-	-
	<u>257,583</u>	<u>-</u>	<u>-</u>

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

## 30. Share Capital

	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Authorised, issued and fully paid -		
75,000,000 (2009 – 75,000,000) Ordinary shares of no par	<u>75,000</u>	<u>75,000</u>

# General Accident Insurance Company Jamaica Limited

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31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 31. Capital Reserves

	<u>The Group and The Company</u>	
	<u>2010</u>	<u>2009</u>
	<u>\$'000</u>	<u>\$'000</u>
At beginning of year	96,390	67,668
Movement during the year -		
Capital distribution income transferred from retained earnings	<u>33,066</u>	<u>28,722</u>
At end of year	<u>129,456</u>	<u>96,390</u>

The capital reserves at year end represent realised surpluses.

## 32. Fair Value Reserve

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

## 33. 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 2005, indicated that the scheme was adequately funded at that date.

Pension contributions for the period totalled \$3,047,000 (2009 – \$2,046,000) and \$2,919,000 (2009 – \$2,132,000) for the Group and the company, respectively, and are included in staff costs (Note 14).

## 34. Contingency

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

## 35. Reclassification

Certain balances on the Group's and company's statements of financial position were reclassified as discussed below. These reclassifications had no impact on the statement of comprehensive income or opening retained earnings.

- (a) The Group reclassified deferred policy acquisition costs previously netted against 'insurance reserves' on the statement of financial position to a separate line under assets.
- (b) The Group reclassified loans from parent company and fellow subsidiary previously included in 'due to related parties' and bank overdraft previously included on the face of the statement of financial position to 'borrowings'. The specific balances reclassified are disclosed in the related parties note.
- (c) The company reclassified loans to subsidiary previously included in 'due from related parties' to 'loans receivable'. The specific balances reclassified are disclosed in the related parties note.

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

## 35. Reclassification (Continued)

The tables below reflect the effect of the above reclassifications on the affected balances for the years ended 31 December 2009 and 2008 respectively.

	<b>The Group</b>		
	<b>As previously reported</b>	<b>Effect of reclassification</b>	<b>As restated</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
	<b>2009</b>		
<b>ASSETS</b>			
Deferred policy acquisition costs (a)	-	95,567	95,567
<b>LIABILITIES</b>			
Bank overdraft (b)	2,363	(2,363)	-
Due to related parties (b)	315,221	(313,404)	1,817
Insurance reserves (a)	1,067,690	95,567	1,163,257
Borrowings (b)	-	315,767	315,767
	<u>1,385,274</u>	<u>95,567</u>	<u>1,480,841</u>
	<b>2008</b>		
<b>ASSETS</b>			
Deferred policy acquisition cost (a)	-	103,307	103,307
<b>LIABILITIES</b>			
Bank overdraft (b)	6,932	(6,932)	-
Due to related parties (b)	292,666	(260,849)	31,817
Insurance reserves (a)	996,789	103,307	1,100,096
Borrowings (b)	-	267,781	267,781
	<u>1,296,387</u>	<u>103,307</u>	<u>1,399,694</u>

# General Accident Insurance Company Jamaica Limited

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## 35. Reclassification (Continued)

	The Company		
	2009		
	As previously reported \$'000	Effect of reclassification \$'000	As restated \$'000
	<b>2009</b>		
<b>ASSETS</b>			
Loans receivable (c)	-	81,601	81,601
Due from related party (c)	94,028	(81,601)	12,427
Deferred policy acquisition cost (a)	-	95,567	95,567
	<u>94,028</u>	<u>95,567</u>	<u>189,595</u>
<b>LIABILITIES</b>			
Bank overdraft (b)	2,363	(2,363)	-
Insurance reserves (a)	1,067,690	95,567	1,163,257
Borrowings (b)	-	2,363	2,363
	<u>1,070,053</u>	<u>95,567</u>	<u>1,165,620</u>
	<b>2008</b>		
<b>ASSETS</b>			
Loans receivable (c)	-	54,684	54,684
Due from related party (c)	272,191	(54,684)	217,507
Deferred policy acquisition cost (a)	-	103,307	103,307
	<u>272,191</u>	<u>103,307</u>	<u>375,498</u>
<b>LIABILITIES</b>			
Insurance reserves (a)	<u>996,789</u>	<u>103,307</u>	<u>1,100,096</u>

## UNAUDITED FINANCIAL INFORMATION (COMPANY)

### Historical Financial Information: Statements of Comprehensive Income

	June 30, 2011 \$'000	June 30, 2010 \$'000
<b>Gross Premiums Written</b>	2,479,978	1,167,298
Reinsurance ceded	(1,966,176)	(732,762)
Excess of Loss Reinsurance Cost	(71,565)	(65,445)
Net Premiums Written	<u>442,237</u>	<u>369,092</u>
Changes in unearned premiums, net	<u>(76,842)</u>	<u>(88,208)</u>
<b>Net Premiums Earned</b>	<b>365,395</b>	<b>280,883</b>
Commission Income	148,296	86,565
Commission Expense	(153,247)	(66,587)
Claims Expense	(177,279)	(211,360)
Management Expenses	<u>(118,434)</u>	<u>(105,731)</u>
<b>Underwriting Profit/(Loss)</b>	<b>64,732</b>	<b>(16,228)</b>
Investment & Other Income	40,058	56,225
Finance Income		
Other Operating Expenses	<u>(14,962)</u>	<u>(14,375)</u>
<b>(Loss)/Profit before Taxation</b>	<b>89,828</b>	<b>25,623</b>
Taxation	(23,105)	(8,541)
<b>(NET LOSS)/PROFIT FOR THE YEAR</b>	<b><u>66,723</u></b>	<b><u>17,082</u></b>

## UNAUDITED FINANCIAL INFORMATION (COMPANY, CONTINUED)

### Historical Financial Information: Statements of Financial Position

	June 30, 2011 \$'000	June 30, 2010 \$'000
<b>ASSETS</b>		
Cash & Short Term Investments	1,171,173	472,099
Taxation Recoverable	21,820	51,897
Due from policyholders Brokers & agents	1,042,515	536,618
Due from reinsurers & co-insurers	1,577,063	551,431
Loans receivable	-	-
Due from related parties	251,560	62,649
Other Receivables	237	19,946
Investment Securities	1,193,156	1,210,068
Investment in subsidiary	1,046	1,046
Property, Plant & Equipment	88,984	95,914
Intangible assets	28,363	35,378
Deferred tax asset	-	-
Deferred policy acquisition cost	137,604	133,730
<b>Total Assets</b>	<b>5,513,520</b>	<b>3,170,776</b>
<b>LIABILITIES</b>		
Due to reinsurers and coinsurers	1,444,423	522,943
Other Liabilities	62,349	30,803
Taxation payable	-	-
Deferred Tax Liability	5,148	8,910
Due to related party	-	-
Insurance Reserves	2,631,491	1,451,493
Borrowings	-	-
<b>Total Liabilities</b>	<b>4,143,411</b>	<b>2,014,149</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share Capital	75,000	75,000
Capital Reserves	95,346	66,625
Fair Value Reserve	907,131	911,999
Retained Earnings	292,632	103,003
<b>Total Shareholders' Equity</b>	<b>1,370,109</b>	<b>1,156,627</b>
<b>Total Liabilities &amp; Equity</b>	<b>5,513,520</b>	<b>3,170,776</b>

## UNAUDITED PRO FORMA FINANCIAL INFORMATION (COMPANY)

This section of the Prospectus sets out unaudited pro – forma financial information (“pro forma financial information”) which the Directors reasonably believe to be complete and accurate.

Prospective investors should note that the pro – forma financial information is set out for the purposes of their convenience only, in order to illustrate the effect of certain transactions and the Invitation on the financial position and regulatory metrics of the Company after 30<sup>th</sup> June 2011, being the date to which the Unaudited Financial Information and the most recent regulatory returns of the Company are made up. The actual financial position and regulatory metrics of the Company may in differ from that presented here in the future. The pro – forma financial information was prepared using the following information and assumptions:

1. The Unaudited Financial Information presented elsewhere in this Section 10, which is made up to 30<sup>th</sup> June 2011, was used as the starting point for the preparation of the pro – forma financial information.
2. The Unaudited Financial Information was then adjusted to take into account the effect on the Company of the following transactions which were entered into by the Company on or after 30<sup>th</sup> June 2011. Those transactions are described briefly below, and in more detail in sections 7.14 (Material Contracts), 7.15 (Related Party Arrangements) and 9.3 (Rationale for the Listing and Regulatory Metrics) of this Prospectus:
  - (a) The sale of the Company’s beneficial interest in 38,544,158 ordinary shares of Seprod to its holding company, Musson (Jamaica) Limited on 31<sup>st</sup> August 2011, at the prevailing closing JSE market price of \$23.02 per share on 24<sup>th</sup> August 2011 for an aggregate consideration of \$887.3 million payable in the form of a 3 month promissory note carrying interest at 9% per annum;
  - (b) The sale of the Company’s freehold interest in the property which houses its principal office at 58 Half Way Tree Road, to Unity Capital Limited of Saint Lucia, a subsidiary of Musson (Jamaica) Limited, on 31<sup>st</sup> August 2011, for a consideration of \$210 million payable in the form of a cash deposit of \$21 million with the balance subject to a 20 year vendor’s mortgage carrying interest at the rate of 12% per annum in the first year, payments under which are guaranteed by Musson (Jamaica) Limited;
  - (c) The sale of the Company’s beneficial interest in all of the issued shares of its subsidiary, Orrett and Musson Investments Limited, to Musson Investments Limited, a subsidiary of Musson (Jamaica) Limited, on 31<sup>st</sup> August 2011 for a consideration of \$66.3 million payable in the form of a one year promissory note carrying interest at 9% per annum, payments under which are guaranteed by Musson (Jamaica) Limited; and
  - (d) The declaration of an interim dividend in the amount of \$970 million by the Company payable to shareholders on record as at that date on 1<sup>st</sup> September 2011, and the use by Musson (Jamaica) Limited of its portion of that dividend payment to extinguish the promissory note issued by it as consideration for the purchase of the Seprod shares described in paragraph (a), above.
3. The pro – forma financial information also takes into account the use by the Company of the proceeds of the Invitation, assuming that it is successful. Prospective investors should note that the Directors make no representation, warranty or guarantee that the Invitation will be successful in raising \$416.625 million.

## UNAUDITED PRO FORMA FINANCIAL INFORMATION (COMPANY)

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### SUMMARY STATEMENT OF FINANCIAL POSITION FOR REGULATORY CALCULATIONS

As at June 30, 2011

	<b>Current</b>	<b>Pro Forma</b>
<b>Assets</b>		
Cash	372,570	810,195
Investment securities		
Fixed income investments	976,687	976,687
Seprod shares	948,685	100,000
Unit Trusts	55,243	55,243
Investment in O&M	1,046	-
Head office	51,453	-
Musson note	-	172,575
All other assets	3,107,836	3,107,836
<b>Total</b>	<b>5,513,520</b>	<b>5,222,535</b>
<b>Liabilities</b>		
Total liabilities	4,143,411	4,143,411
<b>Shareholders' Equity</b>		
Share capital	75,000	491,625
Capital reserves	95,346	95,346
Fair value reserve	907,131	97,311
Retained earnings	292,632	394,843
<b>Total shareholders' equity</b>	<b>1,370,108</b>	<b>1,079,124</b>
<b>Total liabilities and shareholders' equity</b>	<b>5,513,520</b>	<b>5,222,535</b>

## UNAUDITED PRO FORMA FINANCIAL INFORMATION (COMPANY)

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### CAPITAL REQUIRED FROM ASSETS

As at June 30, 2011

	<b>Current</b>	<b>Pro Forma</b>
Fixed income securities	1,068	1,068
Seprod shares	142,303	15,000
Head office	4,116	-
Musson note	-	8,629
All other assets	138,872	130,585
<b>Total capital required for assets</b>	<b>286,359</b>	<b>155,282</b>

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### MCT RATIO

As at June 30, 2011

	<b>Current</b>	<b>Pro Forma</b>
<b>Capital required</b>		
Assets	286,359	155,282
Policy Liabilities	117,839	117,839
Catastrophes	49,976	49,976
FX Risk	33,256	33,256
<b>Total capital required</b>	<b>487,430</b>	<b>356,354</b>
 <b>Regulatory Capital</b>		
Shareholders Equity	1,370,108	1,079,124
Less:		
Investment in O&M	1,046	-
Other intangibles	28,363	28,363
<b>Total regulatory capital</b>	<b>1,340,699</b>	<b>995,518</b>
 <i>MCT ratio</i>	<i>275.1%</i>	<i>279.4%</i>

## UNAUDITED PRO FORMA FINANCIAL INFORMATION (COMPANY)

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### LIQUIDITY RATIO

As at June 30, 2011

	<b>Current</b>	<b>Pro Forma</b>
Cash and short term investments	1,178,134	1,615,759
Accounts receivable	161,386	161,386
Due from agents and brokers	966,590	966,590
Reinsurance recoverable	1,568,224	1,568,224
<b>Total liquid assets</b>	<b>3,874,335</b>	<b>4,311,960</b>
<b>Total liabilities</b>	<b>4,163,728</b>	<b>4,163,728</b>
<i>Liquidity ratio</i>	<i>93.0%</i>	<i>103.6%</i>

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### CONCENTRATION RATIO

As at June 30, 2011

	<b>Current</b>	<b>Pro Forma</b>
Seprod Shares	948,685	100,000
<b>Total assets</b>	<b>5,513,520</b>	<b>5,222,535</b>
<i>% of total assets</i>	<i>17.2%</i>	<i>1.9%</i>
Musson mortgage and note	-	172,575
<b>Total assets</b>	<b>5,513,520</b>	<b>5,222,535</b>
<i>% of total assets</i>	<i>0.0%</i>	<i>3.3%</i>

## 11. RISK FACTORS

### **Macro Economic Policies**

Changes in fiscal and monetary policies introduced by the Government of Jamaica may affect the behavior of capital markets including the Junior Market of the JSE and the market for securities the Company holds in its investment portfolio. Such changes in policies may create opportunities as well as challenges for the Company.

### **New Regulatory Rules or Standards**

The Company may also become subject to new regulatory rules or standards that differ from those that are presently applicable. Such new regulatory rules or standards could require the company to change its operations, recapitalise or affect its long term profitability.

### **New Accounting Rules or Standards**

The Company may become subject to new accounting rules or standards that differ from those that are presently applicable. Such new accounting rules or standards could require significant changes in the way the Company currently reports its financial position, operating results or cash flows. Such changes could be applied retrospectively. This is a risk that is common to Jamaican companies that apply International Financial Reporting Standards (IFRS), as required under the Companies Act.

### **Admission of the Shares to the Junior Market of the JSE**

After the Closing Date, and assuming that the Company is able to raise \$416.625 million as a result of the Invitation by the Closing Date, including via the underwriting described in section 13.1 as necessary, then the Company will make application to the JSE to admit the Shares to the Junior Market. However, the Company is not able to guarantee the admission of the Shares to the Junior Market as it is in the sole discretion of the Board of the Jamaica Stock Exchange.

### **Volatility in Price of Shares**

Following their proposed admission to trading on the Junior Market the Shares may experience volatility in their market price which may extend beyond the short term and which may be dependent on the Company's financial performance, as well as on investors' confidence and other factors over which the Company has no control.

### **Revocation of Tax Concessions Risk**

If the Invitation is successful in raising \$416.625 million by the Closing Date, and the Company is admitted to the Junior Market, it must remain listed on the JSE trading platforms for a period of 15 years in order to be eligible for the concessionary tax regime described in Section 13.2. The instrument governing the concessionary tax regime is the Income Tax Act (Jamaica Stock Exchange Junior Market) (Remittance) Notice dated 13 August 2009, which was made by the Minister of Finance under section 86 of the Income Tax Act. The instrument provides that if the Company is de-listed at any time during the 15 year period, it will become retrospectively liable to pay corporate income tax at the rate that would otherwise have been applicable to it during the concessionary period.

### **Operational Risk**

The Company is subject to the risk of loss resulting from disruptions to its business, inadequate or failed internal processes, people and systems, or from external events (including severe weather, other acts of God social unrest). This definition also includes systemic risk (including the risk of accounting errors, failure to procure appropriate insurance coverage, and compliance failures), legal risk and reputation risk. This catch-all category of risks also includes employee errors, computer and manual systems failures, security failures, fire, floods or other losses to physical assets, and fraud or other criminal activity or any other risk that affects the volume of visitor arrivals to the island. The Directors consider that the Company is prudent and that it insures itself against some (but not all)

of these risks. It may not be feasible for the Company to insure itself in respect of all of the risks mentioned, because no coverage maybe available or it is not economical to do so.

### **Risk of Catastrophic Events**

Property and casualty insurers are subject to claims for property damage and business interruption arising out of natural disasters and other catastrophes which may have a significant impact on their results of operations and financial condition. Natural disasters and other catastrophes can be caused by various events including, but not limited to, hurricanes, earthquakes, tornadoes, wind, hail, fires and explosions, and the incidence and severity of natural disasters and other catastrophes are inherently unpredictable. The extent of losses from a catastrophe is a function of 2 factors: the total amount of insured exposure in the area affected by the event and the severity of the event. Most natural disasters and other catastrophes are localised; however, hurricanes, earthquakes and floods have the potential to produce significant damage in widespread areas.

Such catastrophic events may trigger the payments of significant claims by the Company. While the Directors seeks to limit the Company's exposure to losses from catastrophes and natural disasters through prudent underwriting and risk management procedures, including but not limited to policy terms and conditions such as price, exclusions, deductibles and application of average clause provisions (which amount in effect to coinsurance by the insured), through the placement of reinsurance and through employment of loss prevention measures, the Company may still have substantial exposure to such losses, particularly with high insured values.

The Directors also consider that the Company mitigates its risk exposure with reinsurance arrangements. Although reinsurance treaties contractually obligate the reinsurers to reimburse the Company for their proportionate share of losses, they do not discharge the Company from its primary liability to its policyholders. Therefore, the Company is contingently liable for the reinsurers' shares of unpaid losses and related expenses, as well as unearned premiums, in excess of funds or other collateral held by the Company in the event the assuming reinsurers are unable to meet their contractual obligations. The Company purchases reinsurance only from reinsurers with a rating of at least A- or higher from Standard & Poor's. As a result the Directors consider that the maximum exposure of the Company in the event of such an event is approximately \$40 million, which is less than 5% of the Company's pro forma capital following this transaction.

### **Reserving Risk**

The Company establishes property loss reserves to cover its estimated ultimate liability for losses and loss adjustment expenses with respect to reported claims and claims incurred but not yet reported as of the end of each accounting period. As required by applicable accounting rules, no specific reserves are established until a loss, including a loss from a catastrophe occurs. Reserves are estimates of what the Company expects the ultimate settlement and administration of claims will cost based on facts and circumstances then known, predictions of future events, estimates of future trends in claims severity, frequency, judicial theories of liability and other factors. The Company regularly reviews and may obtain independent actuarial opinions as to the adequacy of its reserves. Because the establishment of loss and loss adjustment expense reserves is an inherently uncertain process, there can be no assurance that ultimate losses will not exceed the Company's loss and loss adjustment expense reserves.

### **Key Partners**

The Company relies on its business relationships with its key customers and also, its key suppliers, namely independent insurance intermediaries and sales agents. No one customer of the Company represents more than 1% of its gross written premium income however as a group, customers who are affiliated entities of the Company and its holding company, Musson (Jamaica) Limited, represent a material portion of its gross written premium income.

The key partners of the Company also include its reinsurers. The Company typically renews its major reinsurance arrangements annually. The Company's ability to renew its reinsurance arrangements is a function of its financial performance, market conditions and other factors, which ultimately drive reinsurers' continued confidence in the

Company. If the Company's relationship with any of those partners was disrupted or terminated for any reason the Company would have to identify new partners and its sales, profits and market share could be adversely affected in the interim. In addition, the Company also monitors the reinsurers' credit ratings on a periodic basis however the Directors note that the number of credit worthy, international reinsurers that are willing to take exposure to Jamaica is limited and may affect the Company's ability to engage new suitable reinsurers.

**Key Personnel**

It is important that the Company attracts and retains appropriately skilled persons in order to operate its business, and to promote its growth. It is also important for the Company to replace personnel whose employment may be terminated for any reason within a reasonable time. In Jamaica, competition for qualified personnel can be intense, as there are a limited number of people with the requisite skills, knowledge and experience. The Company will need to attract and retain honest qualified personnel and failure to do so could have a material adverse impact on the Group's future prospects.

## **12. PROFESSIONAL ADVISERS TO THE COMPANY**

### **Lead Stockbrokers and Financial Advisers**

Mayberry Investments Limited  
1 1/2 Oxford Road  
Kingston 5

### **Selling Agents**

JN Fund Managers Limited  
17 Belmont Road,  
Kingston 5

### **Attorneys to the Company in the Invitation**

Patterson Mair Hamilton  
7th Floor, Citigroup Building  
63-67 Knutsford Boulevard  
Kingston 5

### **Auditors**

PricewaterhouseCoopers  
ScotiaBank Centre  
Duke Street  
Kingston

### **Registrar**

Jamaica Central Securities Depository Limited  
40 Harbour Street  
Kingston

## 13. STATUTORY AND GENERAL INFORMATION

### 13.1 Statutory information required to be set out in this Prospectus by section 42 and the Schedule to the Companies Act Third

1. The Company has no founders or management or deferred shares.
2. The Articles of Incorporation fix no shareholding qualification for directors and none has been otherwise fixed by the Company in general meeting.
3. The Articles of Incorporation contain the following provisions with respect to the remuneration of Directors:
  - (a) The remuneration of the directors shall from time to time be determined by the Company in general meeting. Such remuneration shall be deemed to accrue from day to day. The directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings or any committee of the Directors or general meetings of the Company in connection with the business of the Company. (Article 77)
  - (b) A director of the Company may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as shareholder or otherwise, and no such director shall be accountable to the Company for any remuneration or other benefits received by him as a director or officer of, or from his interest in, such other company unless the Company otherwise directs. (Article 79)
  - (c) A director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of director for such period and on such terms (as to remuneration and otherwise) as the directors may determine and no director or intending director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract, or any contract or management entered into by or on behalf of the Company in which any director is in any way interested, be liable to be avoided, nor shall any director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such director holding that office or of the fiduciary relation thereby established. (Article 89(3))
  - (d) Any director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a director; provided that nothing herein contained shall authorise a director or his firm to act as auditor to the company. (Article 89(5))
  - (e) The Directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any Director who has held any other salaried office or place of profit with the Company or to his widow or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance. (Article 94)
  - (f) A Managing Director shall receive such remuneration (whether by way of salary, commission or participation in profits, or partly in one way and partly in another) as the directors may determine. (Article 117)
4. The names of the Directors of the Company appear in Section 8 of this Prospectus. The residential addresses of the Directors are as follows:

- P.B. Scott, 4A Manor Court, Kingston 8, Saint Andrew
  - Melanie Subratie, 59 Lady Musgrave Road, Kingston 6, Saint Andrew
  - Sharon Donaldson, 9 Waterloo Mews, Kingston 10, Saint Andrew
  - Dr. Ralph Thompson, 29 Bracknell Avenue, Townhouse 3, Kingston 8, Saint Andrew
  - Geoffrey Messado, 28A Benson Avenue, Kingston 8, Saint Andrew
  - Christopher Nakash, 51 Paddington Terrace, Kingston 6, Saint Andrew
  - Nicholas A. Scott, 184A Constant Spring Road, Kingston 8, Saint Andrew
  - Dr. Nigel L. Clarke, 21 Manor Court Mews, Kingston 8, Saint Andrew
  - Jennifer Scott, 4A Manor Court, Kingston 8, Saint Andrew
  - Duncan Stewart, 6 Orchard Road, Kingston 5, Saint Andrew
5. The minimum amount required to be raised out of the proceeds of the Invitation (inclusive of calling on the underwriting commitment described in paragraph 18 below if necessary) to provide for the matters set out in paragraph 2 of Part 1 of the Third Schedule to the Companies Act (the “minimum subscription”) is \$416.625 million.
  6. The Invitation will open for subscription at 9:00 a.m. on Wednesday 21<sup>st</sup> September 2011 and will close at 4:30pm on the Closing Date, Wednesday 28<sup>th</sup> September 2011 subject to the Company’s right to close the application list at any time after 9:00 a.m. on the Opening Date if Applications have been received for an amount in excess of the Shares offered under this Prospectus, or to extend the Closing Date for any reason whatsoever.
  7. All Applicants including Reserved Share Applicants will be required to pay in full the applicable price per Share as specified in the terms and conditions set out in Section 6.5 of this Prospectus. No further sum will be payable on allotment.
  8. No previous offer of shares in the Company has been made to the public.
  9. Save as set out in paragraphs 17 and 18 below no person has, or is entitled to be given, any option to subscribe for any shares in, or debentures of, the Company.
  10. As at 30<sup>th</sup> June 2011, being the date to which the most recent management accounts of the Company are made up to, the Company held the following investments totalling \$2,365,375,000 :
    - Cash and short term investments (\$1,171,173,000)
    - Investment securities (\$1,193,156,000)
    - Investment in subsidiary (\$1,046,000)

Since 30<sup>th</sup> June 2011 the Company has sold certain of its investment securities and its interest in the subsidiary and its cash position and receivables (being promissory notes and other obligations of its holding company and others in the group) have increased. See details of these transactions in Sections 7.15 and 7.16 of the Prospectus and also, the pro forma financial information in Section 10 for further details.
  11. There is no amount for goodwill, patent, or trade marks shown in the financial statements of the Company and there is no contract for sale and purchase which would involve any goodwill, patent or trade marks.
  12. As at 30<sup>th</sup> June 2011, being the date to which the most recent management accounts of the Company are made up to, the aggregate amount of indebtedness of the Company is \$1,502,919,000 consisting of the following:

- Amounts due to reinsurers and coinsurers (\$1,444,423,000)
- Other liabilities (\$62,438,000)
- Deferred tax liability (\$5,148,000)

13. In the period represented by the Historical Financial Information the Company paid the following dividends:

- 2006 – \$23.125 million (final)
- 2007 – \$40 million (final)
- 2008 – nil
- 2009 – \$220 million (final)
- 2010 - \$95 million (final)

In addition, an interim dividend of \$970 million was declared in favour of shareholders on record as of 31<sup>st</sup> August 2011 for payment on 1<sup>st</sup> September. The dividend policy of the Company following admission to the Junior Market of the Jamaica Stock Exchange, is described in Section 7.18.

14. There is no property that is currently proposed to be purchased or acquired by the Company and its Subsidiaries which is to be paid for wholly or partly out of the proceeds of this Invitation for the purposes of paragraphs 6 to 9 (inclusive) of Part 1 of the Third Schedule of the Companies Act.

15. Save as set out in paragraph 17 below within the 2 preceding years, no commissions have been paid, nor will any be payable to anyone for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares or debentures of the Company.

16. The Company expects to pay the expenses of the Invitation out of the proceeds of its fundraising, and the Company estimates that such expenses will not exceed \$20 million (inclusive of brokerage and financial advisory fees, legal fees, underwriting fees, auditors' fees, Companies Registrar's fees, initial listing and other JSE and JCSD fees and GCT).

17. Within the last 2 years preceding the date of this Prospectus, no amount or benefit has been paid or given or is intended to be paid or given to any promoter save for:-

Mayberry, for financial advisory and brokerage services associated with the Invitation and listing on the Junior Market of the JSE under an agreement dated 6th May 2011. The agreement provides for Mayberry to act as lead broker and financial adviser to the Invitation (inclusive of valuation services, lead brokerage, and the development of a marketing strategy for the purposes of the Invitation) for which Mayberry will receive fees as follows: (i) a project management fee, of 2% and (ii) a success fee for sale and distribution of Shares in the Invitation of 1%, in each case, the fee is calculated as a percentage of the funds raised in the Invitation. As part of its consideration package Mayberry is also eligible to subscribe for the Mayberry Reserved Shares in the Invitation, being 20,625,000 Shares at the Invitation Price.

18. The issue is fully underwritten by Mayberry, who has given the Company an irrevocable commitment dated as of 31<sup>st</sup> August 2011 to take up any Shares not subscribed in the Invitation on the Closing Date, to an aggregate value of \$416.625 million. The underwriting fee is calculated as a flat charge of \$675,000.

19. The material contracts of the Company are set out in Section 7.14.

20. The Company's auditors are: PricewaterhouseCoopers, Chartered Accountants of Scotiabank Centre, Duke Street, Kingston, Jamaica.

21. PricewaterhouseCoopers have given and have not withdrawn their consent to the issue of this Prospectus with the inclusion of their name in the context in which it is included together with the Auditors' Reports on 1) the audited financial statements as at and for the year ended 31 December 2010; and 2) the Historical Financial Information as at and for the years ended 31 December 2006, 31 December 2007, 31 December 2008, 31 December 2009 and 31 December 2010.
22. The Company was incorporated on 3<sup>rd</sup> December 1979 and it has carried on business since that date. As at the date of this Prospectus the Company has no subsidiaries, having disposed of its interest in Orrett and Musson as of 31<sup>st</sup> August 2011.

### **13.2 Taxation of Junior Market Companies: Concessionary Regime**

Companies that successfully apply for admission to the Junior Market of the JSE will benefit from a concessionary tax regime, details of which are set out below.

- On 13th August 2009 the Minister of Finance issued the Income Tax Act (Jamaica Stock Exchange Junior Market) (Remission) Notice 2009 under section 86 of the Income Tax Act. The Remission Notice provides that companies listed on the Junior Market are not liable to pay corporate income tax in the first 5 years after listing (e.g. they will benefit from a full income tax exemption). The Remission Notice also provides that in years 6 to 10 of listing, companies listed on the Junior Market are liable to pay corporate income tax at half of the normal rate (e.g. they will benefit from a 50% income tax exemption). The Remission Notice also requires Jamaican Junior Market companies to maintain their listing on the JSE (on either or both of the Main or Junior Markets) for a period of 15 years. If such a Company is de-listed at any time during the 15 year period, it will become retrospectively liable to pay corporate income tax at the rate that would otherwise have been applicable to it during the concessionary period.
- Section 17(1)(d) of the Transfer Tax Act provides that transfers of shares made in the ordinary course of business on the Jamaica Stock Exchange will not attract transfer tax.
- The Schedule to the Stamp Duty Act provides that transfer documents in respect of share transfers made in the ordinary course of business on the Jamaica Stock Exchange will not attract Stamp Duty.
- Section 30(1)(c) of The Income Tax Act provides that to the rate of income tax payable on dividend income received by holders of shares of companies listed on the Jamaica Stock Exchange is nil.

Prospective investors should seek advice on the taxation of Junior Market companies and their prospective investment in the Company from a professional adviser, and should not rely on the summary set out above.

## 14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected **by appointment only**, at the law offices of Patterson Mair Hamilton, 7th Floor Citigroup Building 63 – 67 Knutsford Boulevard, Kingston 5 between the hours of 9:00 a.m. to 4:00 p.m. on Mondays to Fridays, up to and including the Closing Date (or the extended Closing Date as the case may be):

1. The Applicable Certifications described in section 7.12.
2. The Material Contracts described in section 7.14.
3. The audited accounts of the Company for the 5 financial years ended 31<sup>st</sup> December 2006 to 2010 inclusive.
4. The Unaudited Financial Information set out in section 10.

## 15. DIRECTORS' SIGNATURES

The Directors whose signatures appear below are individually and collectively responsible for the contents of this Prospectus:



P.B. Scott



Melanie Subratie



Sharon Donaldson



Ralph Thompson



Geoffrey Messado



Nigel Clarke



Nicholas Scott



Duncan Stewart



Christopher Nakash

**APPENDIX 1: APPLICATION FORM**

# Appendix 1

# Application Form

 COMPANY RESERVED SHARE APPLICANT  
 KEY PARTNER SHARE APPLICANT


PLEASE READ CAREFULLY BEFORE COMPLETING THIS FORM

To: GENERAL ACCIDENT INSURANCE COMPANY (JAMAICA) LIMITED ("GENERAL ACCIDENT" or the "Company")

Re: Invitation for Subscription in respect of up to 206,250,000 Ordinary Shares at \$2.02 each being offered made pursuant to the Prospectus dated and registered the 13th September 2011. I/We confirm that I/we have read and understood and hereby agree to be bound by the terms and conditions contained in the Prospectus, all of which are incorporated in this Application Form by reference.

I/We hereby apply for  ordinary shares in General Accident on and subject to the terms and conditions of the Invitation set out in the Prospectus at the price of J\$2.02 each, and I/we attach my/our cheque for  *inclusive* of processing fees of J\$100.00 payable to Mayberry Investments Limited ("Mayberry") or Selling Agents JN Fund Managers ("JNFM"), or I/we request Mayberry or JNFM to make payment on my behalf from cleared funds held by them in my name in account numbered  I/We hereby instruct Mayberry or JNFM to debit my/our account with the sum of J\$  for the purposes of my/our subscription of ordinary shares and processing fee as indicated above.

I/We agree to accept the same or any smaller number of Shares in respect of which this application may be accepted, subject to the terms and conditions in the Prospectus and the Articles of Incorporation of General Accident, by which I/We agree to be bound. I/We request you to sell and transfer to me/us the number of shares which may be allocated to me/us at the close of the said Invitation the terms and conditions governing applications, as set forth in the Prospectus. I/We hereby agree to accept the shares that may be allocated to me/us to be credited to an account in my/our name(s) in the Jamaica Central Securities Depository (JCSD).

**INSTRUCTIONS TO COMPLETING APPLICATION FORM:** All fields are relevant and must be completed. If you already have an account with the JCSD, please ensure that you indicate here  JCSD ACCOUNT NUMBER  BROKER CODE otherwise a new account will automatically be created.

**PRIMARY HOLDER DETAILS**

PRIMARY HOLDER (EITHER COMPANY OR INDIVIDUAL)

TITLE

TAXPAYER REGISTRATION NUMBER

CITIZENSHIP

NATIONALITY

CLIENT TYPE

ACCOUNT TYPE

OCCUPATION **OR**, IF EMPLOYED BY THE COMPANY PLEASE STATE YOUR POSITION, **OR** STATUS IF YOU ARE A PRIORITY SHARE APPLICANT

MAILING ADDRESS LINE 1

MAILING ADDRESS LINE 2

MAILING ADDRESS LINE 3

CITY (E.G. KINGSTON)

POSTAL CODE (E.G. 6)

COUNTRY CODE

TELEPHONE NUMBER (HOME)

TELEPHONE NUMBER (WORK)

TELEPHONE NUMBER (CELL)

**SIGNATURES:**

INDIVIDUAL: \_\_\_\_\_

DATE SIGNATURE AFFIXED: \_\_\_\_\_

COMPANIES (COMPANY SEAL OR STAMP REQUIRED):

DIRECTOR: \_\_\_\_\_

DIRECTOR/SECRETARY: \_\_\_\_\_

DATE SIGNATURES AFFIXED: \_\_\_\_\_

**USE BY REGISTRAR ONLY**

Form ID:

Batch #

PLEASE CONTINUE ON REVERSE TO COMPLETE JOINT HOLDER INFORMATION

**ALL APPLICANTS MUST INDICATE THEIR TAXPAYER REGISTRATION NUMBER (TRN) OR OTHER EQUAL IDENTIFIER ON THE APPLICATION**

**ALL APPLICANTS ARE REQUIRED TO PAY J\$100.00 PROCESSING FEE PER APPLICATION SUBMITTED**

THIS OFFER IS NOT MADE TO PERSONS RESIDENT OUTSIDE JAMAICA



**JOINT HOLDER INFORMATION**

--

FIRST NAMED JOINT HOLDER

--

OCCUPATION

--

TAXPAYER REGISTRATION NUMBER

\_\_\_\_\_

SIGNATURE

--

SECOND NAMED JOINT HOLDER

--

OCCUPATION

--

TAXPAYER REGISTRATION NUMBER

\_\_\_\_\_

SIGNATURE

--

THIRD NAMED JOINT HOLDER

--

OCCUPATION

--

TAXPAYER REGISTRATION NUMBER

\_\_\_\_\_

SIGNATURE

**NOTES ON HOW TO COMPLETE THE APPLICATION FORM**

1. Applications that are not from the Reserved Share pool must be for a minimum of 2,000 shares with increments in multiples of 1,000 shares. Applications in other denominations will **not** be processed or accepted.
2. All applicants must attach their payment for the specified number of Shares they have applied for, in the form of either:
  - A. A Manager’s cheque made payable to “Mayberry Investments Limited” or “JN Fund Managers Limited”
  - B. Authorization on the Application Form from the Applicant instructing Mayberry or JN Fund Managers to make payment from cleared funds held in an investment account in the Applicant’s name at Mayberry or JN Fund Managers (as the case may be)

If you are an applicant for any of the Priority Reserved Share pools please clearly specify where indicated in the Application Form.

3. If you are applying jointly with any other person, you must complete the Joint Holder Information and each joint holder **must** sign the Application Form at the place indicated.
4. All Applicants must be at least 18 years old and must attach a certified copy of their T.R.N. card or Jamaican Driver’s Licence displaying the T.R.N.
5. Share Certificates will not be issued unless specifically requested through your broker. Instead, the shares allotted to a successful applicant will be credited to his account at the Jamaica Central Securities Depository (“JCSD”). If the applicant does not have a JCSD account, one will be created and the allotted shares deposited to that account. Applicants may refer to the notice posted on the JSE website ([www.jamstockex.com](http://www.jamstockex.com)) for instructions on confirming Share Allotments
6. All Applicants are deemed to have accepted the terms and conditions set out in the Prospectus and the Articles of Incorporation of the Company generally.

**THIS SECTION FOR USE BY BROKER ONLY**

DATE APPLICATION RECEIVED: \_\_\_\_\_

TIME RECEIVED: \_\_\_\_\_

PAYMENT METHOD: CHEQUE / AUTHORISATION LETTER

CHEQUE NUMBER OR LETTER DATE: \_\_\_\_\_

PAYMENT VALUE: \_\_\_\_\_

POOL: \_\_\_\_\_

BROKER STAMP AND SIGNATURE:

