

GENERAL ACCIDENT INSURANCE COMPANY (JAMAICA) LIMITED



Report to Stockholders

For the year ended December 31, 2012

We are pleased to present the unaudited financial statements of General Accident Insurance Company (Jamaica) Limited (“General Accident”) for the year ended December 31, 2012.

The highlights are as follows:

- 14th consecutive year of premium growth
- Net profit of \$285.7 million, an increase of 29% (2011: \$220.9 million, excluding non-recurring items)
- Earnings per share of \$0.28 (2011: \$0.25, excluding non-recurring items)
- Book value of \$1.28 billion (2011: \$1.14 billion)
- Annualized return on average equity of 24%

General Accident had another strong year in 2012. In short, higher claims were offset by the continued growth in our premiums and increases in our investment returns. As a result, General Accident improved both its profitability and capital efficiency.

This year gross written premiums grew to \$3.7 billion, an increase of 3%. This marks the 14th year in a row that General Accident has grown its gross written premiums. Net premiums earned on the other hand grew by 14% to \$932 million as our motor portfolio outpaced growth in our other lines of business. Typically, we retain a greater share of premiums (and risk) in our motor business as compared to our commercial property, homeowners and liability businesses.

Despite increasing our net premiums earned considerably, our underwriting profit fell to \$117.8 million. This is well below our record underwriting performance of \$161.4 million last year. In fact, our combined ratio worsened from 88% in 2011 to 94% in 2012. The combined ratio, a widely used measure of insurance underwriting performance, is the sum of claims and management expenses divided by net premiums earned. Since we slightly improved our management expense efficiency, the increase in our combined ratio was caused solely by an uptick in claims. Our loss ratio worsened from 51% last year to 58% in 2012. This increase was as a result of three factors: Hurricane Sandy, a large commercial property claim and an increase in the frequency and severity of our motor claims. Despite these challenges, we are proud of our underwriting performance. In the face of difficult market conditions, we have made an underwriting profit in 5 of the last 6 years and continue to outperform our peers.

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

This week the Government of Jamaica launched a National Debt Exchange. While we expect to fully participate in this exchange offer, given the composition of our portfolio, we also expect the direct impact on our financial performance to be immaterial.

General Accident's core profitability increased significantly this year as greater investment income more than compensated for decreases in underwriting profits. Net profit for the year was \$285.7 million or \$0.28 per share. Last year, we reported a net profit of \$1.28 billion. However, as we stressed at the time and have repeated since, this included over \$1.06 billion of gains from the sale of long-term equity investments and real estate which occurred just before our IPO. These gains had absolutely nothing to do with our core insurance business and are non-recurring. When we exclude these gains, our core net profit last year was \$220.9 million or \$0.25 per share. As a result, our core net profit increased by 29% in 2012.

We continued our dividend policy in 2012, paying just over \$100 million in cash to our shareholders or \$0.097 per share, a slight increase over 2011. General Accident ended 2012 with a book value of \$1.28 billion and generated a return on average equity for shareholders of 24%.

General Accident remains in compliance with the main capital adequacy and liquidity metrics prescribed by the Financial Services Commission. In addition, we successfully renewed our treaty with our international reinsurance partners for 2013.

In 2012, General Accident faced a stagnant economy, significant market uncertainty and a hurricane. Nevertheless, it increased its premiums, profits and dividends. This result speaks to the resiliency of our business built over 30 years. As we enter 2013, we expect the negative economic headwinds we face to continue. However, by continuing our disciplined underwriting principles and sticking to our conservative approach to risk management, we also expect to generate satisfactory returns for our shareholders over the long-term.

We wish to thank all of our policyholders, brokers, reinsurers, and employees for their loyal support.

On behalf of the Board of Directors,



P.B. Scott
Chairman



Sharon Donaldson
Managing Director



**UNAUDITED FINANCIAL STATEMENTS
FOR QUARTER ENDED 31 DECEMBER 2012**



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

Statement of Comprehensive Income

For year ended December 31, 2012

	Unaudited December 31, 2012 \$'000	Audited December 31, 2011 \$'000	Unaudited 3 months ended Dec. 2012 \$'000	Unaudited 3 months ended Dec. 2011 \$'000
Gross Premiums Written				
Reinsurance ceded	3,741,369	3,626,395	547,857	543,931
Excess of Loss Reinsurance Cost	(2,627,544)	(2,632,089)	(262,453)	(283,038)
	<u>(132,041)</u>	<u>(127,793)</u>	<u>(25,992)</u>	<u>(33,256)</u>
Net Premiums Written	981,784	866,513	259,412	227,637
Changes in unearned premiums, net	(49,884)	(47,023)	16,936	5,110
Net Premiums Earned	931,900	819,490	276,349	232,747
Commission Income	294,982	294,374	93,687	102,976
Commission Expense	(235,432)	(231,689)	(39,523)	(25,805)
Claims Expense	(540,775)	(420,142)	(166,008)	(122,805)
Management Expenses	(332,903)	(300,592)	(111,540)	(118,556)
Underwriting Profit/(Loss)	117,772	161,441	52,965	68,557
Investment Income	136,062	1,015,010	4,362	(119,742)
Other Income	61,711	193,669	50,857	182,851
Other Operating Expenses	(29,866)	(28,642)	(9,719)	(8,159)
(Loss)/Profit before Taxation	285,679	1,341,478	98,466	123,507
Taxation	-	(56,662)	-	(14,534)
(NET LOSS)/PROFIT FOR THE YEAR	285,679	1,284,816	98,466	108,973
Unrealised gains/(losses) on available-for-sale investments, net of tax	(33,377)	98,193	(1,640)	33,937
Gains recycled to profit or loss on disposal and maturity of available-for-sale investments	(11,440)	(847,201)	-	(48,676)
	(44,817)	(749,008)	(1,640)	(14,739)
TOTAL COMPREHENSIVE INCOME	240,862	535,808	96,826	94,234
EARNINGS PER SHARE	0.28	1.25	0.10	0.11



General Accident Insurance Company Jamaica Limited
Statement of Financial Position
Quarter ended December 31, 2012

	Unaudited December 31, 2012 \$'000	Audited December 31, 2011 \$'000
ASSETS		
Cash and Short Term Investments	1,391,296	1,134,278
Taxation Recoverable	67,111	13,028
Due from policyholders, brokers and agents	402,934	394,303
Due from reinsurers and co-insurers	1,032,931	1,022,870
Deferred policy acquisition cost	155,903	149,587
Other Receivables	13,506	10,304
Due from related parties	66,884	1,156
Loans receivable	171,798	236,896
Leases receivable	64,565	41,962
Investment Securities	409,840	468,454
Property, Plant & Equipment	57,086	41,709
Intangible assets	22,573	26,624
Total Assets	3,856,427	3,541,171
LIABILITIES		
Due to reinsurers and coinsurers	305,153	253,009
Other liabilities	66,328	81,596
Taxation payable	-	10,599
Deferred tax liabilities	12,713	12,713
Insurance Reserves	2,190,659	2,042,511
Total Liabilities	2,574,853	2,400,428
SHAREHOLDERS' EQUITY		
Share capital	470,358	470,358
Capital reserves	152,030	152,030
Fair value reserve	65,700	110,517
Retained earnings	593,486	407,838
Total shareholders' equity	1,281,574	1,140,743
Total liabilities and shareholder's equity	3,856,427	3,541,171

Approved by the Board of Directors on February 14, 2013, and signed on its behalf by:

Director

Director



General Accident Insurance Company Jamaica Limited

Statement of Changes in Equity

Quarter ended December 31, 2012

	Share Capital \$'000	Capital Reserves \$'000	Fair Value Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 31 December 2010	75,000	129,456	859,525	206,521	1,270,502
					-
Comprehensive income:					
Net profit for the year	-	-	-	1,284,816	1,284,816
Other Comprehensive Income	-	-	(749,008)	-	(749,008)
Total comprehensive income	-	-	(749,008)	1,284,816	535,808
Transactions with owners					
Issue of shares	395,358	-	-	-	395,358
Dividends	-	-	-	(1,060,925)	(1,060,925)
Profits capitalised - Capital distribution received	-	22,574	-	(22,574)	-
Total transactions with owners	395,358	22,574	-	(1,083,499)	(665,567)
Balance as 31 December 2011	470,358	152,030	110,517	407,838	1,140,743
Comprehensive income:					
Net profit for the year	-	-	-	285,679	285,679
Other Comprehensive Income	-	-	(44,817)	-	(44,817)
Total comprehensive income	-	-	(44,817)	285,679	240,862
Transactions with owners					
Dividends	-	-	-	(100,031)	(100,031)
Total transactions with owners	-	-	-	(100,031)	(100,031)
Balance as at 31 December 2012	470,358	152,030	65,700	593,486	1,281,574



General Accident Insurance Company Jamaica Limited
Statement of Cash Flows
Quarter ended December 31, 2012

	2012 December \$'000	2011 December \$'000
Cash Flows from Operating Activities		
Net profit	285,679	1,284,816
Adjustments for items not affecting cash:		
Depreciation	15,058	15,563
Amortisation of intangible assets	14,808	13,079
Gain on sale of investments	(11,798)	(848,471)
Gain on disposal of subsidiary	-	(61,928)
Realised gain on Unit Trust Fund	(4,510)	(7,103)
Gain on disposal of property, plant and equipment	(6,980)	(157,554)
Interest income	(111,748)	(74,934)
Dividend income	(8,007)	-
Capital distribution received	-	(22,574)
Current taxation	-	49,993
Deferred taxation	-	6,669
Foreign exchange (gains)/ losses	(50,052)	(6,506)
Increase in deferred policy acquisition cost	(6,316)	(8,587)
Increase in insurance reserves	148,148	530,607
	<u>264,283</u>	<u>713,070</u>
Changes in operating assets and liabilities:		
Due from policyholders, brokers and agents	(8,631)	46,656
Other receivables	(3,202)	3,182
Loans receivable	65,098	(25,669)
Other liabilities	(15,268)	23,982
Due from related parties	(65,758)	12,693
Due from reinsurers and coinsurers, net	42,083	(455,211)
	<u>14,322</u>	<u>(394,367)</u>
Taxation (paid)	-	(37,439)
Net cash provided by operating activities	<u>278,605</u>	<u>281,264</u>



General Accident Insurance Company Jamaica Limited
Statement of Cash Flows
Quarter ended December 31, 2012

	2012 December \$'000	2011 December \$'000
Cash Flows from Investing Activities		
Acquisition of investments	(169,467)	(125,519)
Lease receivables, net	(22,603)	(41,962)
Acquisition of property, plant and equipment	(27,274)	(9,081)
Acquisition of intangible asset	(10,757)	(10,732)
Disposal of subsidiary	-	(3,314)
Proceeds from disposal of property, plant and equipment	8,955	12,315
Proceeds from disposal and maturity of investments	191,231	31,271
Capital distribution received	-	22,574
Dividend received	7,847	20,000
Interest received	100,511	72,868
Net cash provided (used in) by investing activities	78,444	(31,580)
Cash Flows from Financing Activities		
Proceeds from issue of shares	-	395,358
Dividends paid	(100,031)	(90,925)
Net cash used in financing activities	(100,031)	304,433
Increase in cash and cash equivalents	257,018	554,117
Effect of exchange rate changes on cash and cash equivalents		4,667
Cash and cash equivalents at beginning of year	1,134,278	575,494
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,391,296	1,134,278



General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

Quarter ended December 31, 2012

Identification and Activities

General Accident Insurance Company (Jamaica) Limited is a limited liability company 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 is a public company listed on the Jamaica Stock Exchange at September 30, 2011.

Statement of Compliance and Basis of Preparation

These unaudited interim financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board (IASB), and the relevant provisions of the Companies Act.

The interim financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets carried at fair value.

The accounting policies and method of computation are consistent with the audited financial statements for year ended December 31, 2011. These financial statements are expressed in Jamaican dollars which is the currency of the primary economic environment in which the company operates.