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General Accident Insurance Company Jamaica Limited

Financial Statements
31 December 2014

General Accident Insurance Company Jamaica Limited

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Independent Auditor's Report

To the Members of
General Accident Insurance Company Jamaica Limited

Report on the Financial Statements

We have audited the accompanying financial statements of General Accident Insurance Company Jamaica Limited, set out on pages 1 to 54, which comprise the statement of financial position as at 31 December 2014 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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G.A. Reece P.A. Williams R.S. Nathan

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of General Accident Insurance Company Jamaica Limited as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Other Legal and Regulatory Requirements

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

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

PricewaterhouseCoopers

Chartered Accountants
2 April 2015
Kingston, Jamaica

General Accident Insurance Company Jamaica Limited

Statement of Comprehensive Income

Year ended 31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2014 $'000	2013 $'000
Gross Premiums Written		5,072,375	4,479,755
Reinsurance ceded		(3,878,197)	(3,314,356)
Excess of loss reinsurance cost		(127,640)	(147,001)
Net premiums written		1,066,538	1,018,398
Changes in unearned premiums, net		2,560	(24,205)
Net Premiums Earned		1,069,098	994,193
Commission income		335,967	269,094
Commission expense		(182,938)	(176,920)
Claims expense	10	(678,558)	(646,791)
Management expenses		(441,628)	(381,073)
Underwriting Profit		101,941	58,503
Investment income	11	160,396	141,407
Other income	12	88,124	151,091
Other operating expenses		(30,496)	(27,299)
Profit before Taxation		319,965	323,702
Taxation	15	113	4,212
Net Profit for the Year		320,078	327,914
Other Comprehensive Income:			
Items that may be subsequently reclassified to profit or loss			
Unrealised gains/(losses) on available-for-sale investments,	15	6,192	(16,776)
Tax credit	29	46	1,155
Gains recycled to profit or loss on disposal and maturity of available-for-sale investments		-	(4,174)
Total Other Comprehensive Income		6,238	(19,795)
TOTAL COMPREHENSIVE INCOME		326,316	308,119
EARNINGS PER SHARE	16	$0.31	$0.32

General Accident Insurance Company Jamaica Limited

Statement of Financial Position

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2014 $'000	2013 $'000
ASSETS			
Cash and short term investments	18	1,272,527	1,169,530
Taxation recoverable		127,445	101,283
Due from policyholders, brokers and agents		380,606	464,421
Due from reinsurers and coinsurers	19	528,584	1,055,294
Deferred policy acquisition cost		202,900	163,627
Other receivables	20	26,273	27,034
Due from related parties	9	2,275	122
Loans receivable	21	169,591	167,515
Leases receivable	22	44,556	97,582
Investment securities	23	910,145	934,671
Pooled real estate investment	24	143,549	-
Property, plant and equipment	25	95,138	66,620
Intangible assets	26	7,463	13,163
Deferred tax assets	29	499	340
Total assets		3,911,551	4,261,202
LIABILITIES			
Due to reinsurers and coinsurers	27	268,437	361,147
Other liabilities	28	75,159	78,453
Insurance reserves	30	1,988,573	2,364,658
Total liabilities		2,332,169	2,804,258
SHAREHOLDER'S EQUITY			
Share capital	31	470,358	470,358
Capital reserves	32	152,030	152,030
Fair value reserve	33	54,561	48,323
Retained earnings		902,433	786,233
Total shareholder's equity		1,579,382	1,456,944
Total liabilities and shareholder's equity		3,911,551	4,261,202

Approved by the Board of Directors on 30 March 2015 and signed on its behalf by:

Paul B. Scott	Chairman	Sharon Donaldson-Levine	Director

General Accident Insurance Company Jamaica Limited

Statement of Changes in Equity

Year ended 31 December 2014

(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 2012		470,358	152,030	68,118	598,344	1,288,850
Comprehensive income :						
Net profit for the year		-	-	-	327,914	327,914
Other comprehensive income		-	-	(19,795)	-	(19,795)
Total comprehensive income		-	-	(19,795)	327,914	308,119
Transactions with owners						
Dividends	17	-	-	-	(140,025)	(140,025)
Balance at 31 December 2013		470,358	152,030	48,323	786,233	1,456,944
Comprehensive income :						
Net profit for the year		-	-	-	320,078	320,078
Other comprehensive income		-	-	6,238	-	6,238
Total comprehensive income		-	-	54,561	320,078	326,316
Transactions with owners						
Dividends	17	-	-	-	(203,878)	(203,878)
Balance at 31 December 2014		470,358	152,030	54,561	902,433	1,579,382

General Accident Insurance Company Jamaica Limited

Statement of Cash Flows

Year ended 31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2014 $'000	2013 $'000
Cash Flows from Operating Activities			
Net profit		320,078	327,914
Adjustments for items not affecting cash:			
Depreciation	25	24,066	17,352
Amortisation of intangible assets	26	6,430	9,947
Amortisation of investment premium	11	2,790	
Gain on sale of investments		-	(4,498)
Gain on disposal of property, plant and equipment	12	-	(1,378)
Interest income	11	(147,653)	(129,638)
Dividend income	11	(7,789)	(7,271)
Deferred taxation	15	(113)	(4,212)
Foreign exchange gains		(79,354)	(146,495)
Increase in deferred policy acquisition cost		(39,273)	(7,724)
(Decrease)/increase in insurance reserves		(376,085)	165,526
		(296,903)	219,523
Changes in operating assets and liabilities:			
Due from policyholders, brokers and agents		128,790	4,775
Other receivables		1,577	(13,528)
Loans receivable		(2,076)	70,418
Other liabilities		(3,294)	12,125
Due from related parties		(2,153)	628
Due from reinsurers and coinsurers, net		383,714	(4,075)
		209,655	289,866
Tax deducted at source		(26,162)	(34,172)
Net cash provided by operating activities		183,493	255,694
Cash Flows from Investing Activities			
Acquisition of investments		(486,646)	(667,546)
Acquisition of pooled real estate investment		(143,549)	-
Leases receivable, net		51,514	(33,017)
Acquisition of property, plant and equipment	25	(52,584)	(26,923)
Acquisition of intangible asset	26	(730)	(537)
Proceeds from disposal of property, plant and equipment		-	1,415
Proceeds from disposal and maturity of investments		543,377	218,787
Dividend received		6,972	7,271
Interest received		148,579	123,000
Net cash provided by /(used in) investing activities		66,933	(377,550)
Cash Flows from Financing Activities			
Dividends paid	17	(203,878)	(140,025)
Net cash used in by financing activities		(203,878)	(140,025)
Increase/(decrease) in cash and cash equivalents		46,548	(261,881)
Effect of exchange rate changes on cash and cash equivalents		56,449	114,208
Cash and cash equivalents at beginning of year		1,169,530	1,317,203
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (NOTE 18)		1,272,527	1,169,530

1. Identification and Activities

General Accident Insurance Company Jamaica Limited (the company) is incorporated and domiciled in Jamaica. The company is a public listed company with its listing on the Jamaica Junior Stock Exchange. The company is an 80% subsidiary of Musson (Jamaica) Limited (Musson). The registered office of the company is located at 58 Half-Way-Tree Road, Kingston 10. The company's ultimate parent company, Musson, is incorporated and domiciled in Jamaica.

The company is licensed to operate as a general insurance company under the Insurance Act, 2001. Its principal activity is the underwriting of commercial and personal property and casualty insurance.

2. Summary of Significant Accounting Policies

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

(a) Basis of preparation

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

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

Accounting pronouncements effective in 2014 which are relevant to the company's operations

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

- **IAS 32, (Amendment), 'Financial instruments: Presentation', (effective 1 January 2014).** These amendments clarify some of the requirements for offsetting financial assets and a financial liability on the statement of financial position. There was no material impact on operations from the adoption of this amendment.

- **IAS 36, (Amendment), Recoverabl Amount Disclosures for Non-Financial Assets', (effective 1 January 2014).** The amendments to IAS 36 require disclosure of the recoverable amount of an individual asset (including goodwill) or a cash – generating unit and additional information about the fair value less costs of disposal for which an impairment loss has been recognized or reversed during the reporting period. The requirement to disclose the recoverable amount of each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite life intangible assets allocated to that unit is significant when compared to the total carrying amount of goodwill or indefinite life intangible assets has been removed. There is no impact from the adoption of this standard.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Accounting pronouncements effective in 2014 which are relevant to the company's operations (continued)

- **IFRIC 21, 'Levies', (effective 1 January 2014).** This is an interpretation of IAS 37, 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation addresses what the obligating event is that gives rise to the payment of a levy and when a liability should be recognised. There is no material impact from the adoption of this standard.

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

- **Amendment to IAS 1, 'Disclosure initiative'**. These amendments clarify the existing requirements of IAS 1 and provide additional assistance to apply judgement when meeting the presentation and disclosure requirements in IFRS. The amendment does not affect recognition and measurement and is effective for accounting periods beginning on or after 1 January 2016. The amendment is not expected to have a significant impact on the financial statements.

- **IFRS 9, 'Financial instruments'**, addresses the classification, measurement and recognition of financial assets and financial liabilities.The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The company is yet to assess IFRS 9's full impact.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

IFRS 15, 'Revenue from Contracts with Customers'. The IASB has published its new revenue standard, IFRS 15 'Revenue from Contracts with Customers'. The U.S. Financial Accounting Standards Board (FASB) has concurrently published its equivalent revenue standard which is the result of a convergence project between the two Boards. IFRS 15 applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. It specifies how and when an entity will recognise revenue. It also requires entities to provide more informative, relevant disclosures. The standard supersedes IAS 18, 'Revenue', IAS 11, 'Construction Contracts' and a number of revenue-related interpretations. Application of the standard is mandatory for accounting periods beginning on or after 1 January 2017.The company is assessing the impact of future adoption of the standard.

IASB Annual Improvements -

The IASB annual improvements project for the 2010 - 2012 cycle resulted in amendments to the following standards which may be relevant to the company's operations. The company is assessing the impact of future adoption of the amendments.

Amendments effective for the accounting periods beginning on or after 1 July 2014:

IFRS 8, 'Operating Segments'. The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.

- IFRS 13, 'Fair value measurements'. When IFRS 13 was published, certain paragraphs of IAS 39 were deleted as consequential amendments. This led to a concern that entities no longer had the ability to measure short-term receivables and payables at invoice amounts where the impact of not discounting is immaterial. The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases.

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

- IFRS 7, 'Financial instruments: Disclosures'. The amendment clarifies, among other things, that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34.

- IAS 34, 'Interim financial reporting'. The amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment further amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information.

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

2. Summary of Significant Accounting Policies (Continued)

(b) Revenue and income recognition

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

Insurance services

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

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

Interest income

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

Dividend

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

Rental income

Rental income is recognised on an accrual basis.

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(d) Financial instruments

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

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

2. Summary of Significant Accounting Policies (Continued)

(e) Cash and cash equivalents

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

(f) Investments

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

(i) Financial assets at fair value through profit or loss

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

(ii) Available for sale financial assets

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

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

(iii) Impairment of financial assets

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

2. Summary of Significant Accounting Policies (Continued)

(g) Loans and receivables

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

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

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

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

(h) Leases

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(i) Insurance contracts

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

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

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

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

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

(j) Receivables and payables related to insurance contracts

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

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

2. Summary of Significant Accounting Policies (Continued)

(k) Reinsurance ceded

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

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

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

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

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

(l) Deferred policy acquisition costs

The cost of acquiring and renewing insurance contracts, including commissions, underwriting and policy issue expenses, which vary with and are directly related to the contracts, are deferred over the unexpired period of risk carried. Deferred policy acquisition costs are subject to recoverability testing at the time of policy issue and at the end of each accounting period.

(m) Property, plant and equipment

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

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

2. Summary of Significant Accounting Policies (Continued)

(m) Property, plant and equipment (continued)

Property, plant and equipment are reviewed periodically for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

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

(n) Intangible assets

Computer software

Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful life, which is between three to five years.

(o) Impairment of long-lived assets

Long-lived assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(p) Insurance reserves

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

(i) Provision for unearned premium

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

(ii) Unearned commission

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

(iii) Claims outstanding

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

2. Summary of Significant Accounting Policies (Continued)

(p) Insurance reserves (continued)

(iv) Claims incurred but not reported
The reserve for IBNR claims has been calculated by an independent actuary using the Paid Loss Development method, the Incurred Loss Development method, the Bornhuetter-Ferguson Paid Loss method, the Bornhuetter-Ferguson Incurred Loss method, the Expected Loss Ratio method and the Frequency-Severity method (Note 30). This calculation is done in accordance with the Insurance Act 2001.

(q) Accounts payable
Payables are recognised at fair value and subsequently measured at amortised cost.

(r) Taxation
Taxation on the profit or loss for the year comprises current and deferred tax. Current and deferred taxes are recognised as income tax expense or benefit in net profit or loss in the statement of comprehensive income except where they relate to items recorded in other comprehensive income or equity, in which case they are also charged or credited to other comprehensive income or equity.

(i) Current taxation
Current tax is the expected taxation payable on the taxable income for the year, using tax rates enacted at date of the statement of financial position, and any adjustment to tax payable and tax losses in respect of the previous years.

(ii) Deferred income taxes
Deferred tax liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred tax assets are recognised for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on enacted rates.

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

(t) Employee benefits

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

2. Summary of Significant Accounting Policies (Continued)

(t) Employee benefits (continued)

(ii) Accrued vacation

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of the statement of financial position.

(iii) Termination benefits

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

(iv) Profit-sharing and bonus plan

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

(u) Dividend distribution

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

(v) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

3. Responsibilities of the Appointed Actuary and External Auditors

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

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

4. Insurance and Financial Risk Management

(a) Insurance risk

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

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

(i) Investment and Loan Committee
The Investment and Loan Committee is responsible for monitoring and approving investment strategies for the company.

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

(iii) Conduct Review Committee
The Conduct Review Committee is responsible for monitoring the company's adherence to regulatory and statutory requirements.

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

(v) Remuneration Committee
The remuneration committee is responsible for reviewing and recommending for approval, the remuneration arrangements of the directors and senior officers.

4. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

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

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

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

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

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The company has developed its insurance underwriting strategy to diversify the types of insurance risks accepted to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

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

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

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

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

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4. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

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

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

The initial loss-ratio estimate is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as premium rate changes, anticipated market experience and historical claims inflation. The initial estimate of the loss ratios used for the current year (before reinsurance) is analysed by type of risk for current and prior year premiums earned.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the company, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims. For casualty contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities.

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

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4. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Management sets policy and retention limits based on guidelines set by the Board of Directors. The policy limit and maximum net retention of any one risk for each class of insurance for the year are as follows:

	2014		2013	
	Policy Limit '000	Maximum Net Retention '000	Policy Limit '000	Maximum Net Retention '000
Commercial property –				
Fire and consequential loss	US$6,000	US$900	US$6,000	US$1,200
Personal property	US$6,000	US$900	US$6,000	US$1,200
Engineering	US$3,000	US$75	US$3,000	US$75
Liability	J$40,000	J$20,000	J$40,000	J$20,000
Marine, aviation and transport	US$750	US$125	US$750	US$125
Motor	J$10,000	J$5,000	J$10,000	J$5,000
Miscellaneous Accident –				
All Risk	J$30,000	J$2,000	J$30,000	J$2,000
Burglary	J$5,000	J$1,000	J$5,000	J$1,000
Cash/Money	J$5,000	J$1,000	J$5,000	J$1,000
Fidelity	J$5,000	J$1,000	J$5,000	J$1,000
Bonds	J$20,000	J$4,000	J$20,000	J$4,000
Goods in Transit	J$5,000	J$1,000	J$5,000	J$1,000
Personal Accident	J$7,500	J$1,500	J$7,500	J$1,500

4. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

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

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

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

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

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

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

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

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

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

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4. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Development Claim Liabilities

In addition to sensitivity analysis, the development of insurance liabilities provides a measure of the company's ability to estimate the ultimate value of claims. The table below illustrates how the company's estimate of the ultimate claims liability for accident years 2010 - 2014 has changed at successive year-ends, up to 2014. 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.

		2010	2010 and prior	2011	2011 and prior	2012	2012 And Prior	2013	2013 and prior	2014	2014 and prior
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2010	Paid during year	98,674	175,978	171,620	347,598						
	UCAE, end of year	96,738	189,412	235,477	424,889						
	IBNR, end of year	9,744	14,553	68,193	82,746						
	Ratio: excess (deficiency)	20.79%	9.93%								
2011	Paid during year	38,747	80,363	100,861	181,224	183,148	364,372				
	UCAE, end of year	61,664	119,722	120,936	240,659	232,245	472,903				
	IBNR, end of year	6,200	7,205	15,834	23,039	65,680	88,719				
	Ratio: excess (deficiency)	20.75%	9.14%	21.75%	12.35%						
2012	Paid during year	16,227	33,189	43,783	76,972	142,264	219,236	210,963	430,200		
	UCAE, end of year	45,535	88,599	60,033	148,633	155,272	303,904	272,082	575,987		
	IBNR, end of year	5,154	8,260	8,241	16,501	20,258	36,759	60,864	97,263		
	Ratio: excess (deficiency)	21.11%	8.40%	29.89%	16.61%	(6.67%)	0.31%				
2013	Paid during year	11,394	33,884	23,866	57,750	69,298	127,048	156,978	284,026	239,700	523,726
	UCAE, end of year	35,281	66.043	43,048	109,091	111,383	220,474	161,264	381,738	291,198	672,936
	IBNR, end of year	2,993	2,993	5,225	8,218	12,732	20,950	25,397	46,347	70,085	116,433
	Ratio: excess (deficiency)	21.30%	6.96%	28.61%	14.65%	(12.67%)	(4.64%)	(3.21%)	(5.72%)	-	-
2014	Paid during year	9,973	28,154	46,319	74,473	54,090	128,563	152,205	280,768	222,509	503,277
	UCAE, end of year	30,927	81,360	89,683	171,043	120,005	291,048	187,444	478,492	337,765	816,257
	IBNR, end of year	4,476	6,654	6,418	13,072	18,724	31,796	34,383	66,179	78,835	145,014
	Ratio: excess (deficiency)	29.64%	14.88%	(18.82%)	(7.70%)	(5.06%)	(9.18%)	(3.53%)	(4.57%)	-	-

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4. Insurance and Financial Risk Management (Continued)

(b) Reinsurance risk

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

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

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

(b) The company has treaty arrangements as follows:

(i) Property and allied perils 85%:15% Quota Share of premiums i.e. 85% ceded premiums and 15% retention.
(ii) Excess of loss treaty for motor and third party liability, which covers losses in excess of J$5,000,000 for any one loss or event.
(iii) First surplus and a quota share treaty for engineering business with retention of US$75,000.
(iv) First surplus treaty for miscellaneous accident, losses covered in excess of J$2,000,000.
(v) Catastrophe excess of loss treaty which covers losses in excess of J$100,000,000 for any one catastrophic event as defined.

(c) The company reinsures with several reinsurers. Of significance are Munich Reinsurance, R & V Reinsurance, Scor Reinsurance and Swiss Reinsurance Company. All other reinsurers carry lines under 10%. The company's business model supports the placement of specialty risk directly in the overseas market on a per risk basis. In keeping with the Company's risk policy, placement of these risks are with several reinsures. Of significance are Munich Reinsurance Company and Swiss Reinsurance Company. At 31 December, the A. M. Best ratings for the major reinsurers are as follows:

	2014	2013
Munich Reinsurance Company	A+	A+
Swiss Reinsurance Company	A+	A+

4. Insurance and Financial Risk Management (Continued)

(b) Reinsurance risk (continued)

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

	2014 $'000	2013 $'000
Property	54,875	87,973
Motor	8,988	11,312
Marine	15,720	5,424
Liability	8,918	162
Burglary	3,962	558
Miscellaneous Accidents	13,255	10,234
	105,718	115,663

(c) Financial risk

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

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

(i) Credit risk

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

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

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Credit review process

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

(i) Reinsurance

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

(ii) Premium receivables

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

(iii) Loans and leases receivable

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

(iv) Investments

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

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

Maximum exposure to credit risk

The maximum exposure to credit risk, of the company, equal the respective carrying amounts on the statements of financial position, for all financial assets which are subject to credit risk.

Ageing analysis of premium receivables past due but not impaired:
Premium receivables that are less than forty-five (45) days old are not considered impaired. At year end, premium receivables of $174,406,000 (2013 - $138,724,000) 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:

	2014 $'000	2013 $'000
46 to 60 days	37,708	41,782
61 to 90 days	53,092	56,538
More than 90 days	83,606	40,404
	174,406	138,724

There are no premium receivables balances that are considered impaired.

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

	2014 $'000	2013 $'000
Brokers and Insurance Companies	272,378	361,360
Direct	108,228	103,061
	380,606	464,421

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

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

	2014 $'000	2013 $'000
Government of Jamaica	513,319	634,377
Other government	139,597	130,370
Corporate	94,852	13,950
	747,768	778,697

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4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk

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

Liquidity risk management process

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

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

(ii) Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruptions to cash flow;

(iii) Optimising cash returns on investments;

(iv) Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and

(v) Managing the concentration and profile of debt maturities.

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

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

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

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4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk (continued)

Liquidity risk management process (continued)

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

	Within 1 Month $'000	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	No Specific Maturity $'000	Total $'000
At 31 December 2014:							
Cash and short term investments	993,141	280,447	-	-	-	-	1,273,588
Due from policyholders, brokers and agents	342,527	38,079	-	-	-	-	380,606
Due from reinsurers and coinsurers	22,625	90,564	18,099	36,199	-	-	167,487
Other receivables	-	-	-	-	-	18,356	18,356
Due from related parties	-	-	-	-	-	2,275	2,275
Loans receivable	1,922	3,844	17,297	92,250	270,984	-	386,297
Leases receivable	4,554	7,089	27,724	9,436	-	-	48,803
Investment securities	32,053	10,451	250,051	436,386	168,402	-	897,343
Total financial assets	1,396,822	430,474	313,171	574,271	439,386	20,631	3,174,755
Due to reinsurers and coinsurers	32,393	236,044	-	-	-	-	268,437
Other liabilities	22,323	12,153	26,712	-	-	-	61,188
Claims liabilities	225,468	135,281	180,374	360,747	-	-	901,870
Total financial liabilities	280,184	383,478	207,086	360,747	-	-	1,231,495
Net Liquidity Gap	1,116,638	46,996	106,085	213,524	439,386	20,631	1,943,260
Cumulative gap	1,116,638	1,163,634	1,269,719	1,483,243	1,922,629	1,943,260	-

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4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk

Financial asset and financial liabilities cash flows (continued)

	Within 1 Month $'000	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	No Specific Maturity $'000	Total $'000
At 31 December 2013:							
Cash and short term investments	468,927	703,916	-	-	-	-	1,172,843
Due from policyholders, brokers and agents	162,547	301,874	-	-	-	-	464,421
Due from reinsurers and coinsurers	25,367	88,635	20,293	40,587	-	-	174,882
Other receivables	-	-	-	-	-	7,088	7,088
Due from related parties	-	-	-	-	-	122	122
Loans receivable	1,922	3,844	17,297	92,250	294,047	-	409,360
Leases receivable	5,126	10,252	46,134	52,759	-	-	114,271
Investment securities	11,325	244,988	181,924	264,237	195,153	156,690	1,054,317
Total financial assets	675,214	1,353,509	265,648	449,833	489,200	163,900	3,397,304
Due to reinsurers and coinsurers	-	361,147	-	-	-	-	361,147
Other liabilities	12,537	6,040	41,788	-	-	-	60,365
Claims liabilities	191,390	114,834	153,112	306,223	-	-	765,559
Total financial liabilities	203,927	482,021	194,900	306,223	-	-	1,187,071
Net Liquidity Gap	471,287	871,488	70,748	143,610	489,200	163,900	2,210,233
Cumulative gap	471,287	1,342,775	1,413,523	1,557,133	2,046,333	2,210,233	-

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

(iii) Market risk

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

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

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Currency risk

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

The company is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises primarily from transactions for re-insurance and investing activities. The statement of financial position at 31 December 2014 includes aggregate net foreign assets of approximately US$7,517,000 (2013 – US$5,677,000), in respect of such transactions.

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

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

Foreign currency sensitivity

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

	% Change in Currency Rate 2014	Increase/ (decrease) in Pre-tax Profit 2014 $'000	% Change in Currency Rate 2013	Increase/ (decrease) in Pre-tax Profit 2013 $'000
USD – J$ Revaluation	1%	(8,512)	1%	(10,191)
USD – J$ Devaluation	10%	85,122	15%	152,870

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4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Interest rate risk

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

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

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

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

	Within 1 Month $'000	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
At 31 December 2014:							
Cash and short term investments	993,164	279,360	-	-	-	3	1,272,527
Due from policyholders, brokers and agents	-	-	-	-	-	380,606	380,606
Due from reinsurers and coinsurers	-	-	-	-	-	76,989	76,989
Other receivables	-	-	-	-	-	18,356	18,356
Due from related parties	-	-	-	-	-	2,275	2,275
Loans receivable	-	-	169,591	-	-	-	169,591
Leases receivable			27,349	17,207	-	-	44,556
Investment securities	244,904	114,272	90,950	208,291	89,351	162,377	910,145
Total financial assets	1,238,068	393,632	287,890	225,498	89,351	640,606	2,875,045
Due to reinsurers and coinsurers	-	-	-	-	-	268,437	268,437
Other liabilities	-	-	-	-	-	60,365	60,365
Claims liabilities	-	-	-	-	-	901,870	901,870
Total financial liabilities	-	-	-	-	-	1,230,672	1,230,672
Total interest repricing gap	1,238,068	393,632	287,890	225,498	89,351	(590,066)	1,644,373
Cumulative gap	1,238,068	1,631,700	1,919,590	2,145,088	2,234,439	1,644,373	-

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4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

	Within 1 Month $'000	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
At 31 December 2013:							
Cash and short term investments	468,860	700,667	-	-	-	3	1,169,530
Due from policyholders, brokers and agents	-	-	-	-	-	464,421	464,421
Due from reinsurers and coinsurers	-	-	-	-	-	174,883	174,883
Other receivables	-	-	-	-	-	7,088	7,088
Due from related parties	-	-	-	-	-	122	122
Loans receivable	-	-	-	-	167,515	-	167,515
Leases receivable	-	-	-	97,582	-	-	97,582
Investment securities	-	117,867	293,196	196,952	169,966	156,690	934,671
	468,860	818,534	293,196	294,534	337,481	803,207	3,015,812
Due to reinsurers and coinsurers	-	-	-	-	-	361,147	361,147
Other liabilities	-	-	-	-	-	60,365	60,365
Claims liabilities	-	-	-	-	-	765,559	765,559
Total financial liabilities	-	-	-	-	-	1,187,071	1,187,071
Total interest repricing gap	468,860	818,534	293,196	294,534	337,481	(383,864)	1,828,741
Cumulative gap	468,860	1,287,394	1,580,590	1,875,124	2,212,605	1,828,741	-

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4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Interest rate risk (continued)

Interest rate sensitivity

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

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

Change in Basis points: 2014 JMD/USD	Increase/(decrease) in Profit before Taxation 2014 $'000	Increase/(decrease) in Other Components of Equity 2014 $'000	Change in Basis points: 2013 JMD/USD	Increase/(decrease) in Profit before Taxation 2013 $'000	Increase/(decrease) in Other Components of Equity 2013 $'000
-100/-50	(3,725)	305	-100/-50	(1,973)	3,438
+250/+200	9,312	(5,174)	+250/+200	4,932	(11,965)

Price risk

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

The table below summarises the impact of increases/(decreases) on the company's pre-tax profit for the year and on equity. The analysis is based on the assumption that the equity prices had increased/decreased by 10% (2013 - 10%) with all other variables held constant.

	Equity Securities		Pooled real estate investment	
	Effect on Other Components of Equity 2014 $'000	Effect on Other Components of Equity 2013 $'000	Effect on Other Components of Equity 2014 $'000	Effect on Other Components of Equity 2013 $'000
Change in index:				
-10% (2013 -10%)	(16,238)	(15,597)	(14,355)	-
+10% (2013+ 10%)	16,238	15,597	14,355	-

(expressed in Jamaican dollars unless otherwise indicated)

5. Capital Management

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

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

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

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

To assist in evaluating the current business and strategies, a risk-based capital approach is used in the form of the Minimum Capital Test (MCT) as stipulated by the regulators. The MCT is calculated by management. This information is required to be filed with the Financial Services Commission on a monthly, quarterly and annual basis. The required MCT ratio is 250%. The MCT for the company as at 31 December 2014 is as follows:

	Actual	Required	Actual
	2014	**2014**	**2013**
MCT	270%	250%	308%

6. Fair Value Estimation

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

In accordance with IFRS 13, the company discloses fair value measurements for items carried on the statement of financial position at fair value, by level of the following fair value measurement hierarchy:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities are disclosed as Level 1.
(b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) are disclosed as Level 2.
(c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) are disclosed as Level 3.

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6. Fair Value Estimation (Continued)

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

	Level 1	Level 2	Level 3	Total balance
At 31 December 2014	$'000	$'000	$'000	$'000
Assets				
Available-for-sale financial assets –				
Equity securities	162,377	-	-	162,377
Debt securities	-	451,892	-	451,892
Pooled real estate investment	-	-	143,549	143,549
Total assets measured at fair value	162,377	451,892	143,549	757,818
At 31 December 2013				
Assets				
Available-for-sale financial assets –				
Equity securities	155,974	-	-	155,974
Debt securities	-	541,557	-	541,557
Total assets measured at fair value	155,974	541,557	-	697,531

There were no transfers between levels during the year.

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

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

The following methods have been used to value financial instruments:

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

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

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

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

The disclosure in relation to the sensitivity of the item classified as level 3 is shown under price risk in Note 4 ciii).

7. Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

(a) Liabilities arising from claims made under insurance contracts

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

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

(b) Income taxes

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

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

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

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

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

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8. Segment Information

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

The company is organised into six operating segments. These segments represent the different types of risks that are written by the entity through various forms of brokers, agents and direct marketing programmes, which are all located in Jamaica. Management identifies its reportable operating segments by product line consistent with the reports used by the board of directors. These segments and their respective operations are as follows:

(a) Motor - Losses involving motor vehicles, this includes liabilities to third parties.

(b) Fire and allied perils - Loss, damage or destruction to insured property as specified on the policy schedule.

(c) Marine - Loss or damage to goods from the perils of the seas and other perils whilst in transit from destination to destination by sea, air or land and from warehouse to warehouse.

(d) Liability - Legal liability of the insured to third parties for accidental bodily injury, death and/or loss of or damage to property occurring in connection with the insured's business, subject to a limit of indemnity. In the case of an employee liability this is legal liability of the insured to pay compensation to its employees in respect of death, injury or disease sustained during and in the course of their employment, subject to a limit of indemnity.

(e) Homeowners and Burglary-
Homeowners - Loss, damage or destruction to insured property used for residential purposes as specified on the policy schedule, resulting from fire and allied perils, burglary, theft, or accidental damage. This includes liability to third parties and domestic employees.

Burglary - Loss of or damage to the insured's property involving forcible and/or violent entry into or exit from the building including damage to the premises.

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

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

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8. Segment Information (Continued)

The segment information provided to the board of directors for the reportable segments for the year ended 31 December 2014 is as follows:

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

8. Segment Information (Continued)

2013	Fire $'000	Motor $'000	Marine $'000	Liability $'000	Homeowner & Burglary $'000	Misellaneous Accident $'000	Total $'000
Gross Premiums Written	2,788,787	850,344	128,746	302,810	120,166	288,902	4,479,755
Reinsurance ceded	(2,682,216)	(20,308)	(103,411)	(185,108)	(95,212)	(228,101)	(3,314,356)
Excess of loss reinsurance cost	(86,233)	(29,564)	-	(5,569)	(25,635)	-	(147,001)
Net premiums written	20,338	800,472	25,335	112,133	(681)	60,801	1,018,398
Changes in unearned premiums, net	(2,128)	(19,186)	821	(1,229)	232	(2,715)	(24,205)
Net Premiums Earned	18,210	781,286	26,156	110,904	(449)	58,086	994,193
Commission income	183,368	3,330	18,162	8,946	20,214	35,074	269,094
Commission expense	(62,118)	(72,402)	(1,309)	(4,157)	(12,670)	(24,264)	(176,920)
Claims expense	(7,860)	(541,913)	(5,516)	(85,750)	(3,897)	(1,855)	(646,791)
Management expenses	(34,962)	(272,303)	(8,312)	(38,613)	(8,187)	(18,696)	(381,073)
Segment results	96,638	(102,002)	29,181	(8,670)	(4,989)	48,345	58,503
Unallocated income -							
Investment income							141,407
Other income							151,091
							292,498
Depreciation and amortisation							(27,299)
Profit before tax							323,702
Taxation							4,212
Net profit							327,914

Total capital expenditure was as follows:

	2014 $'000	2013 $'000
Property, plant and equipment	52,584	26,923
Intangible assets	730	537
	53,314	27,460

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

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9. Related Party Transactions and Balances

(a) Related party transactions are as follows:

	2014 $'000	2013 $'000
Interest income -		
Fellow subsidiary (Note 11)	25,741	21,522
Parent	104	-
Affiliated company	72	-
	25,917	21,522
Rental and maintenance income -		
Affiliated company	959	868
Rental expense		
Fellow subsidiary	15,630	14,132
Premium income -		
Key management	2,311	3,644
Parent company	31,414	35,079
Fellow subsidiaries	243,750	124,800
Affiliates	211,669	127,223
	489,144	290,746
Claims expense -		
Key management	506	94
Parent company	8,129	1,264
Fellow subsidiaries	20,693	18,867
Affiliates	7,549	4,484
	36,877	24,709
Dividends declared -		
Key management	3,818	2,657
Parent company	166,072	112,018
	169,890	114,675
Key management compensation -		
Salaries and other short term benefits	68,243	54,512
Directors emoluments		
Directors' fees (included above)	1,853	2,040

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9. Related Party Transactions and Balances (Continued)

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

	2014 $'000	2013 $'000
Due from related parties -		
Receivables -		
Fellow subsidiary	2,275	122
Due from policyholders, brokers and agents -		
Fellow subsidiary	114,223	81,369
Parent company	146	-
Affilated company	1,152	-
	115,521	81,369
Loans receivable -		
Fellow subsidiary (Note 21)	169,591	167,515
Investment securities -		
Shares in affiliated entity (Note 23)	83,198	79,867
Claims liabilities		
Parent company	6,917	7,556
Affiliated company	26,482	14,152
Fellow subsidiary	6,550	26,840
	650	-

Included in the investments of the company are shares in related parties. At 31 December 2014, these shares represented 2.13% of the total assets (2013 – 1.87%).

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

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

10. Claims Expense

	2014 $'000	2013 $'000
Gross claims expense	784,291	762,454
Reinsurers share of claims expense (Note 4(b) (d))	(105,733)	(115,663)
Net claims expense	678,558	646,791

11. Investment Income

	2014 $'000	2013 $'000
Interest income -		
Leases receivable	11,966	18,018
Loan due from parent	104	-
Loan due from fellow subsidiary (Note 9(a))	25,741	21,522
Loan due from associated company	72	-
Cash and deposits and investment securities	109,769	91,312
Bond premium amortisation	(2,790)	(1,214)
	144,862	129,638
Gain on sale of investments	-	4,498
Dividend income	7,789	7,271
Pooled real estate investment income	7,745	-
	160,396	141,407

12. Other Income

	2014 $'000	2013 $'000
Foreign exchange gains	79,978	143,381
Rental income	2,654	2,082
Gain on disposal of property, plant and equipment	-	1,378
Miscellaneous income	5,492	4,250
	88,124	151,091

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13. Expenses by Nature

Management and other expenses by nature are as follows:

	2014 $'000	2013 $'000
Advertising costs	9,841	13,810
Audit fees	5,073	4,982
Computer expenses	19,142	16,859
Directors fees	1,853	2,040
Depreciation and amortisation	30,496	27,299
Insurance	2,208	1,779
Other operating expenses	53,730	28,861
Professional fees	13,913	14,830
Printing and stationery	4,284	4,493
Registration fees	13,232	12,505
Rent	15,630	14,132
Repairs and maintenance	17,223	15,148
Staff costs (Note 14)	259,939	231,662
Transportation expenses	7,164	4,541
Utilities	18,396	15,431
	472,124	408,372

14. Staff Costs

	2014 $'000	2013 $'000
Wages and salaries	199,948	174,915
Statutory contributions	17,055	15,722
Pension costs	3,817	3,500
Other	39,119	37,525
	259,939	231,662

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15. Taxation

(a) The company's shares were listed on the Junior Market of the Jamaica Stock Exchange, effective 21 September 2011. Consequently, the company is entitled to a remission of tax for ten (10) years in the proportions set out below, provided the shares remain listed for at least 15 years:

Years 1 to 5	100%
Years 6 to 10	50%

The financial statements have been prepared on the basis that the company will have the full benefit of the tax remissions. Subject to agreement with the Minister of Finance and Planning, the income tax payable for which remission has been granted is $117,015,000 (2013 - $115,024,000).

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

	2014 $'000	2013 $'000
Deferred income taxes (Note 29)	(113)	(4,212)
	(113)	(4,212)

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

	2014 $'000	2013 $'000
Profit before tax	319,965	323,702
Tax calculated at a rate of 33 1/3%	106,655	107,901
Adjusted for the effects of:		
Income tax remission	(117,015)	(115,024)
Income not subject to tax	(24,985)	(14,543)
Expenses not deductible for tax	29,829	19,993
Net effect of other charges and allowances	5,403	(2,539)
	(113)	(4,212)

16. Earnings Per Share

The calculation of earnings per share is based on the net profit for the year and 1,031,250,000 (2013 - 1,031,250,000) ordinary shares in issue.

	2014	2013
Net profit from continuing operations ($'000)	320,078	327,914
Weighted average number of ordinary shares in issue ('000)	1,031,250	1,031,250
Earnings per share ($)	0.31	0.32

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17. Dividends per Share

The dividends paid in 2014 and 2013 were as follows:

	2014 $'000	2013 $'000
Interim dividends:-		
4.85 cents per stock unit – March 2013	-	50,017
8.72 cents per stock unit – October 2013	-	90,008
7.64 cents per stock unit – April 2014	78,787	-
12.13 cents per stock unit – December 2014	125,091	-
	203,878	140,025

18. Cash and Cash Equivalents

	2014 $'000	2013 $'000
Cash and bank balances	290,378	96,007
Short term deposits	966,917	1,026,917
Short term investments	15,232	46,606
	1,272,527	1,169,530

Short term deposits comprise term deposits and repurchase agreements with an average maturity of 57 days (2013 – 67 days), and include interest receivable of $5,927,000 (2013 – $4,648,000).

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

	2014 %	2013 %
J$	7.0	7.6
US$	2.1	3.2

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

	2014 %	2013 %
J$	1.0	1.0
US$	0.1	0.1
GBP	0.1	0.1

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19. Due from Reinsurers and Coinsurers

	2014 $'000	2013 $'000
Reinsurers' portion of unearned premium (Note 30)	361,097	880,411
Reinsurers' portion of claims liabilities (Note 30)	90,498	101,468
Other amounts recoverable from reinsurers and coinsurers	76,989	73,415
	528,584	1,055,294

20. Other Receivables

	2014 $'000	2013 $'000
Prepayments	7,917	19,946
Other receivables	18,356	7,088
	26,273	27,034

21. Loans Receivable

	2014 $'000	2013 $'000
Mortgage receivable from fellow subsidiary (Note 9)	169,591	167,515

Mortgage receivable represents a loan extended by the company to a fellow subsidiary for land and building sold to that fellow subsidiary. The loan attracts an interest of 12% per annum and has tenure of 30 years.

22. Lease Receivables

	2014 $'000	2013 $'000
Gross investment in finance leases –		
Not later than one year	39,366	71,384
Later than one year and not later than five years	9,437	42,887
	48,803	114,271
Less: Unearned income	(4,247)	(16,689)
	44,556	97,582
Net investment in finance leases may be classified as follows:		
Not later than one year	36,675	60,187
Later than one year and not later than five years	7,881	37,395
	44,556	97,582

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23. Investment Securities

	2014 $'000	2013 $'000
Debt securities -		
Available for sale – at fair value		
Government of Jamaica Securities		
Benchmark Investment Notes	216,668	216,741
United States Dollar Benchmark Notes	3,830	7,127
Certificate of Deposits	284,478	224,815
United States Dollar Indexed Notes	-	176,575
	504,976	625,258
United States Dollar Corporate Bond	93,786	12,613
Other Government Securities	137,608	128,502
Interest receivable	11,398	12,324
	747,768	778,697
Equity securities -		
Available for sale, at fair value –		
Quoted shares	162,377	155,974
Available for sale, at cost –		
Unquoted shares	105	105
Less: Provision for diminution in value	(105)	(105)
	-	-
	162,377	155,974
	910,145	934,671

Weighted average effective interest rate:

	2014 %	2013 %
Government of Jamaica Securities –		
Benchmark Investment Notes	8.00	7.96
United States Dollars Benchmark Notes	4.00	6.13
United States Dollar Corporate Bonds	6.25	11.00
Other Government Securities	6.12	6.34

23. Investment Securities (Continued)

Included in investments, are Government of Jamaica Benchmark Investment Notes valued at $45,000,000 (2013-$45,000,000) which have been pledged with the FSC, pursuant to Section 8(1)(b) of the Insurance Regulations, 2001.

Included in investments are shares in Seprod Limited, a related party, with a fair value of approximately $55,385,000 (2013 - $52,127,000). The company is the beneficial owner of these shares, which are held in trust by the company's parent, Musson Jamaica Limited, which is the registered owner.

24. Pooled Real Estate Investment

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

Rental income from the pooled real estate investment for the year was $7,745,000.

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

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

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25. Property, Plant and Equipment

	Buildings $'000	Furniture, Fixtures & Equipment $'000	Motor Vehicles $'000	Total $'000
At Cost -				
At 1 January 2013	22,395	61,538	44,906	128,839
Additions	2,915	15,142	8,866	26,923
Disposals	-	(150)	(2,000)	(2,150)
At 31 December 2013	25,310	76,530	51,772	153,612
Additions	22,396	14,679	15,509	52,584
Disposals	-	(1,555)	-	(1,555)
At 31 December 2014	47,706	89,654	67,281	204,641
Depreciation -				
At 1 January 2013	7,116	36,053	28,584	71,753
Charge for the year	1,265	8,395	7,692	17,352
On disposals	-	(113)	(2,000)	(2,113)
At 31 December 2013	8,381	44,335	34,276	86,992
Charge for the year	2,385	10,112	11,569	24,066
On disposals	-	(1,555)	-	(1,555)
At 31 December 2014	10,766	52,892	45,845	109,503
Net Book Value -				
31 December 2014	36,940	36,762	21,436	95,138
31 December 2013	16,929	32,195	17,496	66,620

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26. Intangible Assets

	Computer Software
	$'000
At Cost -	
At 1 January 2013	76,154
Additions	537
At 31 December 2013	76,691
Additions	730
At 31 December 2014	77,421
Amortisation -	
At 1 January 2013	53,581
Charge for the year	9,947
At 31 December 2013	63,528
Charge for the year	6,430
At 31 December 2014	69,958
Net Book Value -	
31 December 2014	7,463
31 December 2013	13,163

27. Due to reinsurers and coinsurers

	2014 $'000	2013 $'000
Local reinsurers	14,220	17,158
Overseas reinsures	254,217	343,989
	268,437	361,147

28. Other Liabilities

	2014 $'000	2013 $'000
Statutory contributions payable	4,144	4,293
Accrued expenses	41,917	51,780
General consumption tax	9,901	11,755
Other payables	19,197	10,625
	75,159	78,453

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29. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 16.57⅓% (33⅓% restricted to 50% based on remission year 5 to 10).

	2014 $'000	2013 $'000
Deferred income tax assets	1,200	1,155
Deferred income tax liabilities	(701)	(815)
Net assets	499	340

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

	2014 $'000	2013 $'000
Balance as at 1 January	340	(5,027)
Credited to profit or loss (Note 15)	113	4,212
Credited to other comprehensive income	46	1,155
Balance as at 31 December	499	340

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

	2014 $'000	2013 $'000
Deferred income tax assets		
Unrealised fair value losses	1,200	1,155
Deferred income tax liabilities		
Accelerated tax depreciation	(701)	(815)

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30. Insurance Reserves

(a) These reserves are as follows:

	2014 $'000	2013 $'000
Gross -		
Unearned premiums	844,525	1,377,948
Claims liabilities	1,063,053	900,384
Unearned commission	80,995	86,326
	1,988,573	2,364,658
Recoverable from reinsurers -		
Reinsurers' portion of unearned premiums (Note 19)	(361,097)	(880,411)
Reinsurers' portion of claims liabilities (Note 19)	(90,498)	(101,468)
	(451,595)	(981,879)
Net -		
Unearned premiums	483,428	497,537
Claims liabilities	972,555	798,916
Unearned commission	80,995	86,326
	1,536,978	1,382,779

(b) Claims liabilities comprise:

	2014 $'000	2013 $'000
Gross -		
Outstanding claims	901,870	765,559
IBNR	149,899	125,278
Unallocated loss adjustment expense	11,284	9,547
	1,063,053	900,384
Recoverable from reinsurers -		
Outstanding claims	85,613	92,623
IBNR	4,885	8,845
	90,498	101,468
Net -		
Outstanding claims	816,257	672,936
IBNR	145,014	116,433
Unallocated loss adjustment expense	11,284	9,547
	972,555	798,916

General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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30. Insurance Reserves (Continued)

An actuarial valuation was performed to value the policy and claims liabilities of the company as at 31 December 2014 in accordance with the Insurance Act of Jamaica by the appointed actuary, Josh Worsham, FCAS, MAAA of Mid Atlantic Actuarial. The Insurance Act requires that the valuation be in accordance with accepted actuarial principles. The actuary has stated that his report conforms to the standards of practice as established by the Canadian Institute of Actuaries, with such changes as directed by the Financial Services Commission, specifically, that the valuation of some policy and claims liabilities not reflect the time value of money.

In arriving at his valuation, the actuary employed the Paid Loss Development method, the Incurred Loss Development method, the Bornhuetter-Ferguson Paid Loss method, the Bornhuetter-Ferguson Incurred Loss method and the Frequency-Severity method.

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

In his opinion dated 21 March 2015 the actuary found that the amount of policy and claims liabilities represented in the statement of financial position at 31 December 2014 makes proper provision for the future payments under the company's policies and meets the requirements of the Insurance Act and other appropriate regulations of Jamaica; that a proper charge on account of these liabilities has been made in profit or loss; and that there is sufficient capital available to meet the solvency standards as established by the Financial Services Commission.

The movement in claims outstanding was as follows:

	2014 $'000	2013 $'000
Net reserves for claims outstanding at beginning of year –		
Gross reserves for claims outstanding	900,384	822,246
Reinsurance ceded	(101,468)	(148,637)
	798,916	673,609
Movement during the year –		
Claims incurred, including IBNR	678,558	646,791
Claims paid	(506,353)	(523,643)
Translation differences on foreign currency claims	1,434	2,159
	173,639	125,307
Net reserves for claims outstanding at end of year	972,555	798,916
Reinsurance ceded	90,498	101,468
Gross reserves for claims outstanding at end of year	1,063,053	900,384

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

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30. Insurance Reserves (Continued)

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

Movement in unearned premiums:

	2014			2013		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January	1,377,948	880,411	497,537	1,293,349	820,016	473,333
Premiums written during the year	5,072,375	4,005,837	1,066,538	4,479,755	3,461,358	1,018,397
Premiums earned during the year	(5,605,798)	(4,536,700)	(1,069,098)	(4,395,156))	(3,400,963)	(994,193)
Portfolio adjustment	-	11,549	(11,549)	-	-	-
	(533,423)	(519,314)	(14,109)	84,599	60,395	24,204
Balance at 31 December	844,525	361,097	483,428	1,377,948	880,411	497,537

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

	2014	2013
	$'000	$'000
Fire, consequential loss and liability	350,786	854,900
Motor	384,645	390,118
Marine	6,181	8,507
Accident	102,913	124,423
	844,525	1,377,948

31. Share Capital

	2014	2013
	$'000	$'000
Authorised -		
1,100,000,000 Ordinary shares of no par value		
Issued and fully paid -		
1,031,250,000 Ordinary shares of no par value	470,358	470,358

32. Capital Reserves

	2014 $'000	2013 $'000
At beginning of and end of year	152,030	152,030

The capital reserves at year end represent realised surpluses.

33. Fair Value Reserve

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

34. Pension Scheme

Employees participate in a defined contribution pension scheme operated by a related company, T. Geddes Grant (Distributors) Limited. The scheme is open to all permanent employees, as well as the employees of certain related companies. The scheme is funded by employees' compulsory contribution of 5% of earnings and voluntary contributions up to a further 5%, as well as employer's contribution of 5% of employees' earnings. The scheme is valued triennially by independent actuaries. The results of the most recent actuarial valuation, as at 31 December 2009, indicated that the scheme was adequately funded at that date.

Pension contributions for the period totalled $3,817,000 (2013 – $3,500,000), and are included in staff costs (Note 14).

35. Contingency

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

36. Commitments

Operating lease commitments

The company leases its office situated at 58 Half Way Tree Road from fellow subsidiary Unity Capital Incorporated under a non-cancellable operating lease agreement.

The lease is for a term of five (5) years, and is renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows

	2014 US$'000	2013 US$'000
No later than 1 year	141	141
Later than 1 year and no later than	118	246
	259	387

37. Subsequent Events

In a meeting held on 26 March 2015, the board of directors approved dividend payment of 9.7 cents per share to be paid on 27 April 2015 for shareholders on record as at 13 April 2015.