General Accident resides at the intersection of intelligent risk protection and utmost good faith. We offer products that help a wide range of customers to manage their risks and exposures

About Us

Our Purpose

General Accident has a clear and simple purpose – to make available an affordable risk transfer mechanism through a wide range of insurance products designed to transfer the risk to our shoulders enabling businesses to strive and economies prosper. We believe this financial protection will ultimately help families to realize their ambitions and fulfill their hopes and aspirations.

We believe that this is the best long-term growth path. Our defined purpose and our operational efficiencies will help us to keep our promise to all our stakeholders and realize our vision of accelerating growth. We aim to be a profitable choice by putting the needs of customers at the forefront of our daily tasks.

How We Measure Our Performance

We track our progress by using a variety of financial and non-financial key performance indicators. In 2016, we implemented a dedicated function in the form of a Business Intelligence Unit so we can better respond to the changing regulatory and operating environment. As one of the leading providers of risk transfer solutions we have implemented best practices in our everyday activities.

Our Annual Report is presented in two (2) parts:

1. Our Strategic Report

Our Strategic Report provides details about us, our business model and how we create value for our stakeholders. It also includes market and key performance indicators as well as our approach to sustainable risk management.

2. Goverance and Financial Report

The Corporate Goverance and Financial Report contains corporate goverance information, committee reports, risk mitigation procedures plus our Audited Financial Statements and Notes.

Our Location

We are headquartered at 58 Half-Way Tree Road, Kingston, Jamaica. However, we service clients island-wide through an extensive network of insurance Brokers and Agents.

Online Information

Additional information about us may be found online at *www.genac.com*. Our full Financial Report and Annual Report may be viewed on our website.

Table of Contents

We Are A Great Force

$7.1 BILLION in GROSS WRITTEN PREMIUM

$0.236 BILLION in PROFIT BEFORE TAX

$5.7 BILLION in TOTAL ASSETS

$0.328 BILLION in INVESTMENT INCOME

Who We Are

General Accident is a leading general insurer in Jamaica.

20%
Market Share

24,000
Policies in Force

19,496
Policy holders chose General Accident as their risk partners

111
Employed
(December 31, 2017)

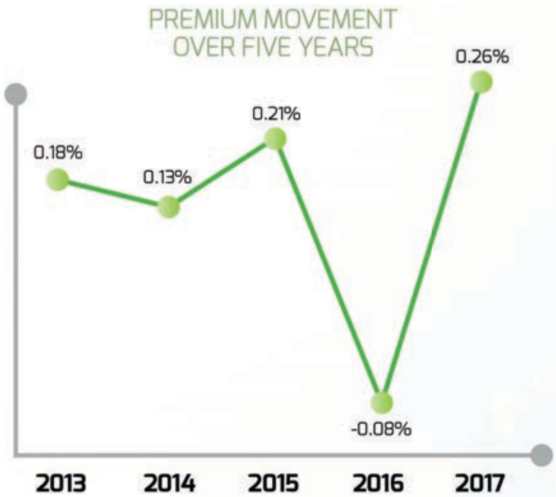
$2.89 BILLION
Market Capitalisation

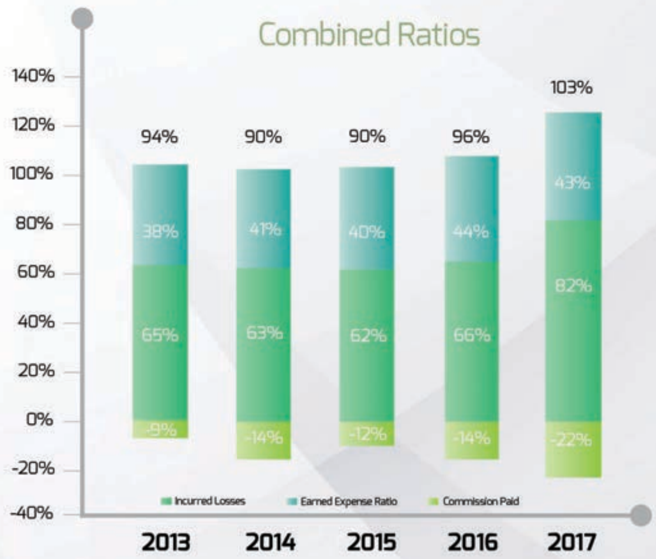
Each policy is designed to deliver value driven risk management solutions aimed at creating peace of mind through our professional handling of risk

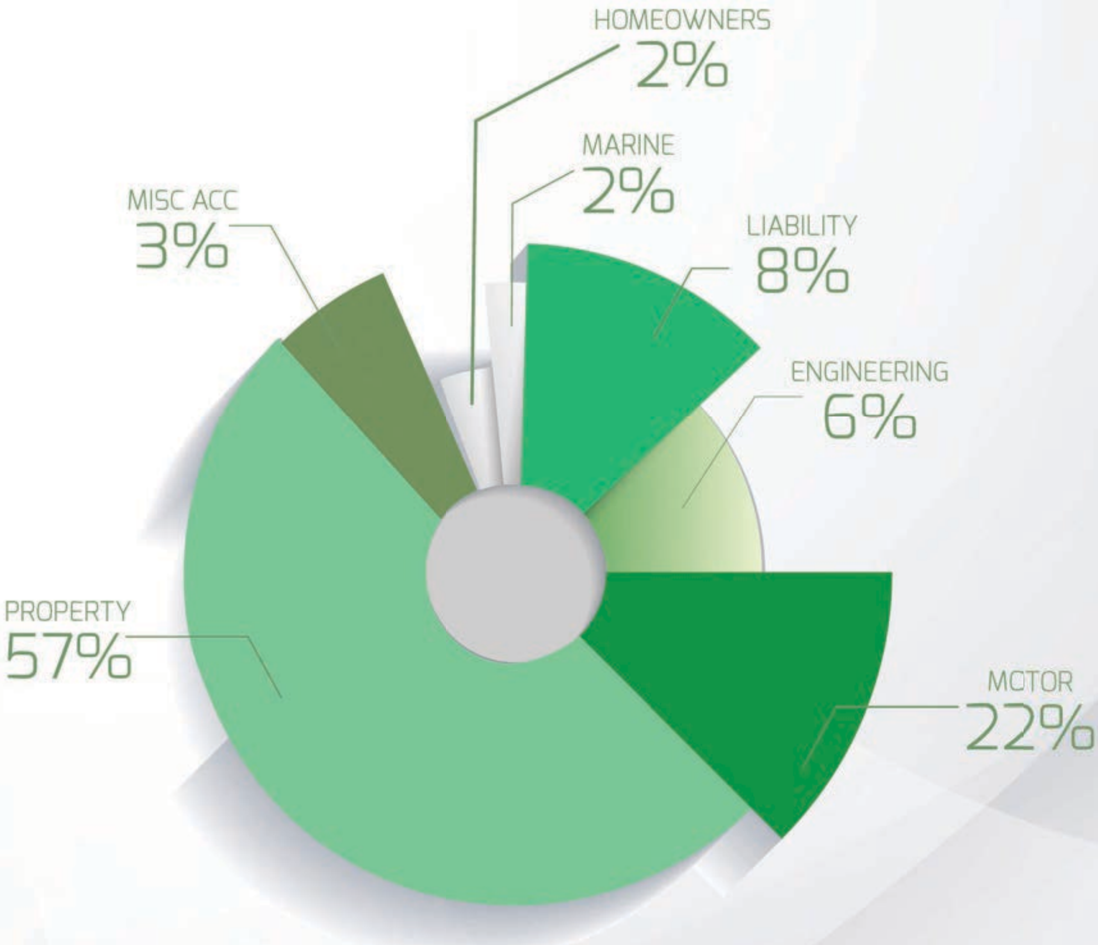
1,035
Our Shareholders
(December 31, 2017)

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

Financial Highlights



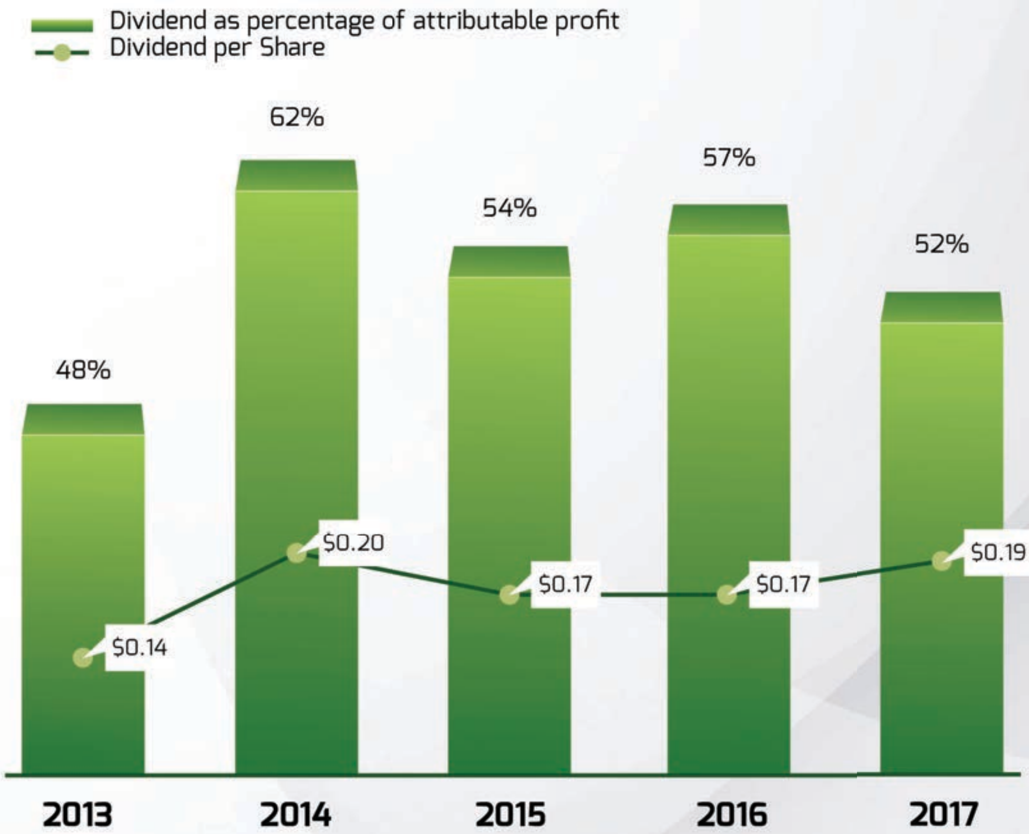




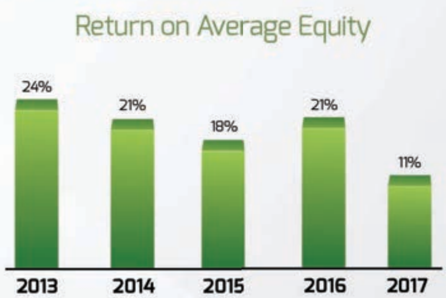
General Accident offers a wide range of product lines to meet the evolving needs of our customers. We offer a suite of commercial solutions to help business owners protect their legacies. We help individuals and their families protect what matters to them the most. We provide an opportunity for professionals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

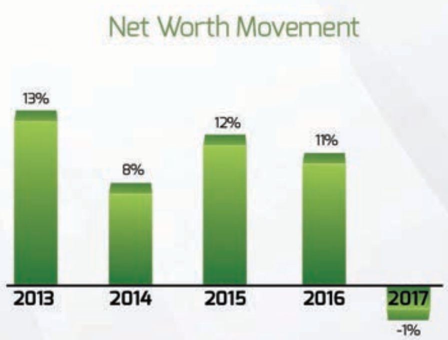
We Create Value For Our Shareholders

CONSISTENT SHAREHOLDER DIVIDEND



Key Performance Indicators





10-Year Financial Statistics

	2017 $'000	2016 $'000	2015 $'000	2014 $'000
Gross Written Premiums	7,106,254	5,649,097	6,112,355	5,072,375
Net Written Premiums	1,459,344	1,221,151	1,190,965	1,066,538
Net Earned Premiums	1,329,900	1,136,262	1,120,055	1,069,098
Claims Expenses	1,087,590	746,073	696,480	678,558
Management Expenses	572,287	500,388	446,362	441,628
Underwriting Profit	(35,532)	45,609	114,656	101,941
Investment Income	328,382	326,762	210,959	240,374
Profit Before Tax	236,077	404,243	303,448	319,965
Profit After Tax	221,236	386,879	304,418	320,078
Cash Dividends	200,001	175,003	172,219	203,878
Investment Assets	3,116,686	3,025,915	2,721,177	2,540,368
Insurance Reserves	3,192,778	2,507,955	2,163,365	1,988,573
Shareholders' Equity	1,937,771	1,964,420	1,775,297	1,579,382

Ratios & Other Information	2017	2016	2015	2014
Employees	111	91	90	78
Policies In Force	24,000	18,205	16,864	16,087
Market Share	20%	15%	16%	15%
Gross Written Premiums Movement	26%	-8%	21%	13%
Loss Ratio	82%	66%	62%	63%
Expense Ratio	8%	9%	7%	9%
Underwriting Margin	(3%)	4%	10%	10%
Investment Return	11%	13%	8%	10%
Return On Average Equity	11%	21%	18%	21%
Dividend Yield On Average Equity	10%	9%	10%	13%
Increase in Net Worth	-1%	11%	12%	8%
Total Return To Shareholders	9%	19%	22%	21%

2013 $'000	2012 $'000	2011 $'000	2010 $'000	2009 $'000	2008 $'000
4,479,755	3,788,969	3,626,395	2,203,074	1,683,911	1,504,687
1,018,398	991,175	866,513	784,562	592,741	434,117
994,193	932,818	819,490	693,085	599,663	356,433
646,791	540,775	420,142	426,624	391,416	360,568
381,073	332,903	300,592	241,641	204,357	169,613
58,503	117,362	161,589	68,862	33,818	-124,899
284,788	186,114	1,015,010	204,565	134,106	288,007
323,702	285,269	1,341,478	244,775	141,300	142,810
327,914	290,537	1,284,816	213,944	105,299	149,018
140,025	100,031	90,925	95,000	270,000	-
2,369,298	1,780,642	1,602,732	1,727,588	1,357,765	1,265,838
2,364,658	2,199,132	2,042,511	1,511,904	1,163,257	1,100,096
1,456,944	1,288,850	1,140,743	1,270,502	1,034,229	1,157,244

2013	2012	2011	2010	2009	2008
83	77	44	69	66	64
16,015	15,876	15,427	13,466	11,727	11,187
15%	13%	13%	10%	7%	7%
18%	4%	65%	31%	12%	37%
65%	58%	51%	62%	65%	101%
9%	9%	8%	11%	12%	11%
6%	13%	10%	3%	6%	(8%)
14%	11%	61%	13%	10%	24%
24%	24%	107%	19%	10%	14%
10%	8%	8%	8%	25%	0%
13%	13%	13%	13%	13%	13%
24%	22%	-3%	32%	13%	13%

Chairman's Report

Paul B. Scott
Chairman

General Accident had a disappointing year in 2017, making its first underwriting loss in recent years and producing our lowest returns on shareholders' equity as a public company.

PERFORMANCE

Despite historically low premium, for the first time in our history General Accident's annual claims topped $1 billion and we failed to produce an underwriting profit for the first time in the past 9 years. Partly due to sale of our remaining equities portfolio, we produced another year of strong investment income. Overall we returned 11% on average shareholders' equity.

STRATEGY

We have now completed an extensive process to align the entire organisation around a new strategy which we believe will deliver improved returns to shareholders. The plan includes reorganising General Accident to focus separately on our Motor and Property & Casualty businesses which we see as fundamentally distinct operations, each requiring vastly different talent, processes and cultures. We are already a leader in the commercial property market. Last year, we launched the AutoSmart brand to focus on Public Passenger Vehicle (PPV) and other specific segments of the motor market. We intend to place an even greater emphasis on building a large, high quality motor business. Across the entire organisation we are aggressively recruiting new talent, revisiting all of our business processes, deploying technology and raising the visibility of our brands.

OUTLOOK

We are confident that our strategy and our management team will deliver improved results in 2018. In addition, there are early signs that the operating environment is finally improving. Premium rates on commercial property in Jamaica are increasing for the first time in many years due to the large losses the industry experienced last year from Hurricane Harvey and Hurricane Irma. If this trend continues, the impact of our strategy will be further enhanced by increased premiums, commissions and underwriting profits on our large portfolio of commercial property risks.

As always, I would like to express my gratitude to our policyholders, brokers, reinsurers and team for their continued support.

On behalf of the Board of Directors,

Paul B. Scott
Chairman

Notice of the Annual General Meeting

General Accident Insurance Company (Jamaica) Limited

NOTICE IS HEREBY GIVEN THAT the annual General Meeting of General Accident Insurance Company (Jamaica) Limited (the "Company") will be held at 10:00 am on June 1, 2018 at 58 Half Way Tree Road, Kingston 10, for shareholders to consider and, if thought fit, to pass the following resolutions:

ORDINARY RESOLUTIONS

1. To receive the report of the Board of Directors and the Audited Accounts of the Company for the financial year ended December 31, 2017.

2. To authorize the Board of Directors to reappoint PricewaterhouseCoopers as the auditors of the Company and to fix their remuneration.

3. To re-appoint the following Directors of the Board who have resigned by rotation in accordance with The Article of Incorporation of the Company and, being eligible, have consented to act on reappointment:

    (a) To reappoint Geoffrey Messado Director of the Board of the Company.
    (b) To reappoint Duncan Stewart Director of the Board of the Company.
    (c) To reappoint Matthew Lyn Director of the Board of the Company.

4. To authorize the Board of Directors to fix the remuneration of the Directors.

5. To approve the aggregate amount of interim dividends declared by the Board during the financial year ended December 31, 2017 being 200 million dollars or 19.34 cents per ordinary share, as the final dividend for that year.

Dated this the 30th day of April, 2018 by Order of the Board

Directors' Report

The Directors are pleased to present their report for General Accident Insurance Company (Jamaica) Limited for the financial year ended December 31, 2017.

FINANCIAL RESULTS

The Statement of Comprehensive Income for the Company shows pre-tax profits for the year of $236.1 Million, Taxation of $14.8 Million, and a net profit after tax of $221.3 Million. Details of these results, along with a comparison with the previous year's performance and the state of affairs of the company are set out in the management Discussion and Analysis and the Financial Statements which are included as part of this Annual Report.

DIRECTORS

The Directors of the company as at December 31, 2017 were P.B. Scott, Melanie Subratie, Sharon Donaldson, Geoffrey Messado, Dr. Nigel Clarke, Christopher Nakash, Jennifer Scott, Nicholas Scott, Duncan Stewart, Matthew Lyn and Brian Jardim.

The Directors to retire by rotation in accordance with the Article of Incorporation are: Duncan Stewart, Geoffrey Messado and Matthew Lyn but being eligible, will offer themselves for reelection.
Non-returning Directors are Dr. Ralph Thompson and Dr. Nigel Clarke.

AUDITORS

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

DIVIDEND

A dividend of 19.34 cents per share paid on July 28,2017, is proposed to be the final dividend in respect of the financial year ended December 31, 2017.

Our Strategic Priorities

VALUE CREATION AND LONGTERM SUSTAINABILITY

Our strategy drives how we conduct our business. We create value by using extensive risk knowledge and disciplined underwriting techniques to ensure that risks from private and business life are manageable for our customers and us.

MANAGING OUR BUSINESS FOR VALUE

Sound Investment Position

Our investment policy is geared towards proper asset liability needs and robust capital management that supports our business model as we strive to maintain good governance and establish best practice benchmarks.

Our investment decisions are influenced by cash flow imperatives, currencies and the inflation sensitivity of our underwriting liabilities. We try at all times to ensure that our investment portfolio meets regulatory benchmarks, applying a knowledge based approach to our investment strategy of targeting the optimal mix of investment assets and adequate returns.

Wide Distribution Channel

We write business directly and through an extensive broker network. Our distribution partners are essential to our business model and our brokers are strategic drivers. Our broker partnerships provide a convenient mechanism for our customers to do business with us.

Accessible Claims Service

We strive to make our claims service meet our customers' expectations, because we see a claim as an opportunity to confirm our insurer's trust and not just a financial obligation.

We want to make sure that we give our brokers and insureds the kind of service they would like by being collaborative and technically sound and making our processes simple and effective. At the heart of our claims strategy is a culture that focuses on fairness, an interactive process and speed of turnaround time. We accept that one size does not fit all and the unit is so structured to ensure that the appropriate resources are available for different types of claims.

Robust Risk Management

Our business is subject to risks and uncertainties. We rely on our risk management framework to ensure that our risk profile remains aligned with our strategic objectives.

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

For us risk management is an ongoing process that drives a culture from top management, while our exposure is mitigated through traditional reinsurance, a good spread of risks, and multi-layered controls. Our risk management practice is sufficiently robust for us to identify, assess and control threats to the company's capital and earnings

BUILDING SUPPORTING CAPABILITIES

Our Staff

The efforts of our staff are crucial to our success and we take seriously our promise to deliver the best possible operational performance. Our staff is the one of our important resources together with our financial capital. It is essential that we find the right people, retain them and keep them engaged and motivated while we instill a culture of excellence and opportunity. Training and development are crucial to us and we strive to create a working environment that promotes equality for all staff.

We create value for our employees by investing in their capabilities and expertise, so each may fulfill his or her potential.

IT Platform

Technology is central to every part of our business. Simply put, it is a core competitive advantage that drives long-term value in several ways — namely, through enhancing our clients' experience, driving efficiency and creating new opportunities. At the same time, we are providing our products and expertise to customers where they need us. Customers can communicate with us through the channels that work best for them, whether online, in person, or on the phone. We ensure that our customers get the same high-quality service no matter how they approach us. Technology is also allowing us to become more cost-effective and efficient. We are investing in technology to ensure we have the best and most secure systems in place for claims, payments and renewals.

We continue to invest in product and underwriting capability by using technology and data analytics to support us in reaching our goals. This approach will help to meet the complex and changing risk management needs of current and future customers.

GROW OUR OPERATIONAL EARNINGS

Profitable Growth

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

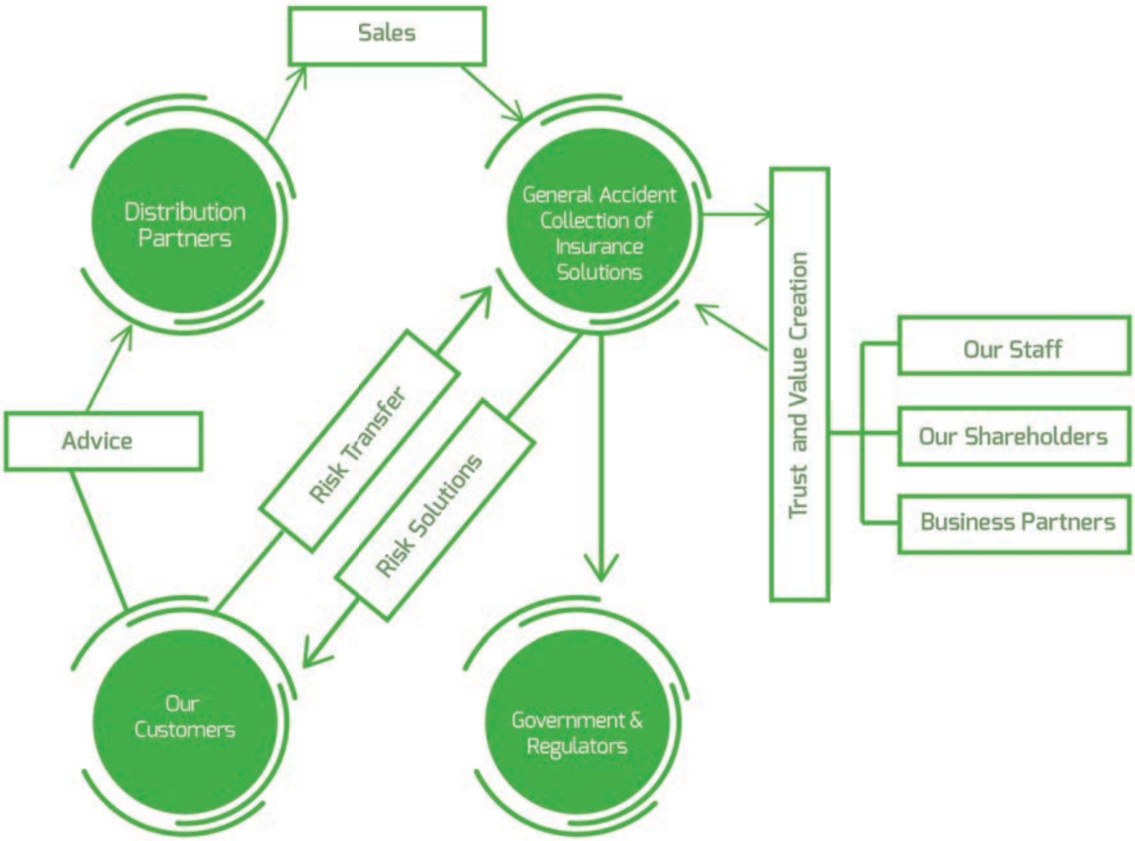
- Growth in value priced product lines and dividend.
- Adherence to best practices standards. We remain committed to best practices that drive a conservative risk profile based on our core philosophy of maintaining balance sheet strength, liquidity and capital adequacy.
- Consistent improvements in operational efficiencies as we aim to deliver service that exceeds our clients and our business partners' expectations through a cost-effective platform.

MAINTAIN CORPORATE RESPONSIBILITY

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

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

Business Model



Although the business model remains fundamentally customer centric, the emergence of the new models that focus on a digital customer centric journey, that makes it easier to do business, is now a critical factor for our business model.
This has pushed us to remodel our clients' interactions with an enhanced digitization that demands new distribution channels. We aim to deploy as far as possible, bearing in mind regulatory limitations, technology based insurance solutions in the long term.

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

Management Discussion & Analysis

Sharon Donaldson
Managing Director

FINANCIAL PERFORMANCE

Profitability

In 2017 General Accident delivered a profit before tax of $236 million, 42% lower than in 2016. Despite a dogged adherence to our policy of disciplined underwriting and robust claims processing, market conditions and motor losses volatility produced a below budget profit performance for 2017 and after several years of positive technical results, the steep decline in property rates and a deteriorating claims experience took a toll on our technical results and the company produced an underwriting loss of $35.5 million, the first in recent years.

PREMIUM INCOME

Our total revenue increased by $1.5 billion year on year to $7.1 billion (prior year – ($5.6 billion). In mid-2016, we entered a new segment of the Motor Market through our AutoSmart brand and for 2017, a large part of the increased revenue came from this new business segment due to strong sales and renewed relationships.

> We continue to enjoy investors' confidence as the company's market capitalisation improved over prior year to $2.89 billion, an increase of 3% up from $2.78 billion.

FINANCIAL HIGHLIGHTS

PARTICULARS	2017 $BILLION	2016 $BILLION
Total Revenue	7.106	5.649
Underwriting Profit (Loss)	(0.355)	0.456
Investment Income	0.328	0.327
Net Profit (PBT)	0.236	0.404
Return on Equity	11%	21%

Net premium earned totalled $1.3 Billion compared to $1.1 Billion for the prior period. All major product lines grew over prior year delivering average year on year growth of 26 %.

PREMIUM INCOME

DEPT CLASS	GROSS PREMIUM DEC. 2017 YTD	GROSS PREMIUM DEC. 2016 YTD	GROWTH
Engineering	434,539,280	196,924,163	121%
Fire	4,213,144,925	3,555,951,990	18%
Misc. Classes	922,265,434	828,266,877	11%
Motor	1,536,304,365	1,067,953,736	44%
GRAND TOTAL	7,106,254,004	5,649,096,766	26%

UNDERWRITING RESULTS

	2017 $BILLION	2016 $BILLION
Net Premiums Earned	1.330	1.136
Claims Cost	(1.088)	(0.746)
Net Commission	0.294	0.156
Operating Expenses	0.572	0.500
Underwriting Result	**(0.353)**	**0.456**

The net underwriting results decreased by $81.1 million to a loss of $35.5 million. The underwriting result decrease was driven by an increase in claims cost mainly from the motor line of business. A further uptick in claims severity for third party claims also aggravated our loss development. The combination of increased severity and frequency produced a deteriorating loss ratio of 82%. A 16 percentage point above prior year of 66%. As a consequence, our combined ratio deteriorated by 7 percentage points to 103% compared to 96% for the prior year.

Our administrative expense ratio remained broadly flat with an increase in commission expense partly offsetting lower underwriting expenses. Despite a year of poor technical results, the company produced a Profit After Tax (PAT) of $221 million. Our commitment to creating long term value to our shareholders and our clients remain unchanged.

INVESTMENT INCOME

In contrast to the technical side of our business, our investment portfolio continues to produce excellent returns and for the period under review, investment and other income amounted to $328.4 million compared to prior year of $326.7 million. We are pleased that we are able to produce a Return On Investment (ROI) of 11% and continued to be responsible in our investment choices.

During the year, although invested assets fell by 2% from $2.56 billion to $2.50 billion the portfolio generated total recognised gains of $394.0 million (including foreign currency losses) with $105.0 million reported in other comprehensive income.

FINANCIAL STRENGTH

We continue to enjoy investor confidence as the company's market capitalisation improved over prior year to $2.89 billion, an increase of 4% up from $2.78 billion. General Accident is well capitalised with an equity book value of $1.94 billion which remains fairly flat despite the negative headwinds of 2017.

Total assets of $5.7 billion increased by 16% up from $4.9 billion. Cash and cash equivalent were $0.98 billion compared to $1.08 billion in 2017.

CAPITAL MANAGEMENT

The company manages its capital to maximise long term shareholders value while maintaining financial strength. We aim to meet regulatory and solvency ratio at all times.

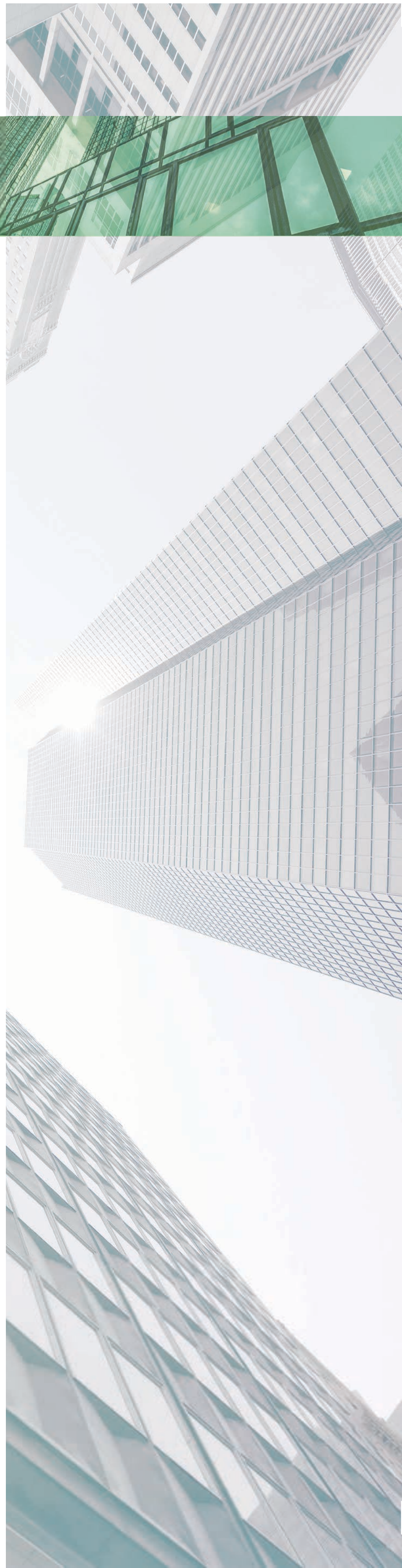
Our policy is to allocate capital to investment opportunities earning the highest risk adjusted returns as we seek to maintain a balance between higher returns and the security of a sound capital position.

We are pleased to report that we consistently met the regulatory capital and liquidity requirements for 2017. At our reporting date the MCT ratio was 258% and our liquidity rate was 111%.

LOOKING AHEAD

Although the economic environment is challenging, and interest rates are expected to remain low we are convinced that the strategy we set out for 2018 is the correct one and we are committed to delivering on our strategic objectives. We have strengthened our operating capacity.

MANAGEMENT ANALYSIS & DISCUSSION CONT'D



We expect prices to increase in the wake of a year of heavy catastrophe losses, such as 2017. We have already seen small increases in late 2017 and we expect this to continue on a much steeper path in 2018. We believe that our investment in technological innovation will produce the desired improvement in operational efficiencies and enhanced customer experience. We continue to invest in our people, as we believe that our staff play a key role in us being the insurer of choice. We are committed to promoting a working environment where our staff can be the best they can and in turn deliver our strategy. We are fully committed to attracting and retaining talent. I am grateful to all our employees for their contribution, ideas and hard work.

During the latter part of 2017 we made significant changes with regards to our governance structure, simplified some of our internal processes, streamlined our reporting and implemented a new management structure, including senior appointments that will help to drive our transformation. Our renewed focus for 2018 is on using our skills, knowledge and experience to ensure we continue to meet the needs of our customer and deliver the best possible experience.

We look ahead with great confidence and enthusiasm as we believe that we have the right approach, culture and mindset to compete in this new exciting digitized customer centric market place.

During 2017, after 23 years as a Senior member of our management team, Maureen Hall retired. I would like to thank her for her great dedication and invaluable contribution including the strategic advice she made available over the years. Our operational efficiency is in the main due to her relentless commitment to excellence.

I would personally like to extend sincere thanks to the Board of Directors for providing insight, guidance and support to the management and staff. To the hardworking staff members my heartfelt gratitude and appreciation to you for your consistent commitment to the continued success of the company. To our brokers, thank you for your continued support and involvement. You all form a part of the dynamic GA team and it is truly my pleasure to be a part of the leadership moving into this new phase in our history.

Sharon Donaldson
Managing Director

Corporate Social Responsibility

General Accident Insurance remains committed to improving the quality of life in our communities, empowering people to achieve better lives, and investing in sustainable business practices. Through charitable contributions to non-profit organisations, we help people improve their lives and contribute to strong, vibrant communities. We encourage our employees to share their time and talents with the communities in which they live and work and ensure that we do business in an ethical and responsible manner.

We are proud of the work being done by our employees to give back to our communities and strive to provide them the encouragement and resources needed to support a diverse range of initiatives.

ENVIRONMENT

In every aspect of our business, General Accident Insurance works to ensure that we meet the long-term needs of our policyholders, shareholders, employees and communities. This commitment to create a brighter future inspires us to set strategies and goals that are focused on the long-term. We strive to reduce our negative impact on the environment and all our actions are focused on ensuring the ongoing health of our organisation and community, so that we can deliver on all our promises. It is for this reason we endorse and continue to provide the Jamaica Environment Trust with the support necessary for them to operate effectively.

Sigma 5k Run

Donation to Walkers Place of Safety

Sigma 5k Run

General Accident Insurance also encourages our employees to practice environmentally friendly behaviours in the workplace, at home, and in their communities.

SPORTS

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

Recognising that as we team together we achieve more, on an annual basis our staff is involved in activities sponsored by other organisations. With our support they have actively participated in the Sigma Run, Relay for Life and the annual Gibson Relays.

COMMUNITY DEVELOPMENT

We believe that our youth have the power to become agents of change within their schools, their communities and in their own lives. In this vein, General Accident supports programmes like the National Youth Service Summer programme that develop and empower our young people.

We are committed to creating a workplace and culture in which our employees are encouraged and supported to work for a brighter future for themselves, for our customers and for our communities.

Corporate Governance

The company remains committed to high standards of corporate governance and while it is not bound by the evolving corporate governance practice code of Jamaica, it seeks to comply voluntarily with key aspects of best practices.

Our corporate governance principles are incorporated in our corporate governance policies - reviewed annually to ensure continuing relevance and appropriateness. Our Board and executive committees are truly diverse with regards to tenure, gender, professional background and experience. Our Board selects nominees based on their diverse skill and experience that will contribute to the overall oversight of the company. During the year Brian Jardim was added as a new member. Mr. Jardim brings a wide ranging experience, skill and knowledge to the Board.

The Board has overall responsibility for the management of the company and the strategic aspect of the company's business. The Board comprises of eleven (11) members: a non-executive Chairman, seven (7) non-executive directors and three (3) executive directors.

The Board generally meets five (5) times a year.

THE COMPENSATION COMMITTEE

The Compensation Committee is responsible for overseeing the decisions on the remuneration package and to ensure that it promotes a high performance culture that is aligned with our risk management principles.

THE CONDUCT REVIEW COMMITTEE

The Conduct Review Committee comprises of three directors.The committee has responsibility for oversight of and advice to the Board on policies and procedures to ensure that the company conducts its affairs responsibly and in keeping with our values and the broad requirements of the Regulators.

The committee meets at least three (3) times a year.

THE AUDIT COMMITTEE

The Audit Committee Comprises of three (3) non-executive directors and one (1) executive director.

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

The Audit Committee meets at least five (5) times for the year.

INVESTMENT AND LOAN COMMITTEE

The Investment and Loan Committee comprises of (3) non-executive directors and one (1) executive director.

The Committee has the responsibility to drive the company's investment strategy ensuring that all compliance requirements are met, inter alia, liquidity, quality and term of investments.

The committee meets at least four (4) times for the year.

BOARD MEETING AND COMMITTEE MEETING

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

Face to face committee meetings are held at least four (4) times each year and more often if warranted.

CORPORATE GOVERNANCE STRUCTURE

The Board of Directors

Paul B. Scott
(appointed November 1998)
Chairman

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

He is currently the Honorary Consul General in Jamaica for the Republic of Guatemala. He is a keen sailor and is married to Jennifer an Attorney at Law. Together they have two children. He served as the President of the Private Sector of Jamaica from August 2016 to November 2017.

Melanie Subratie
(appointed March 2002)
Deputy Chairman

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

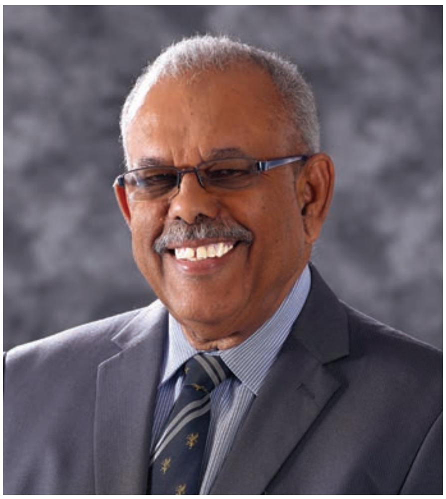
She serves on all the boards of the subsidiaries of the Musson Group. Mrs. Subratie returned to Jamaica over ten years ago, after working the Financial Services Division of Deloitte & Touche, U.K. She also worked for startup political news service DeHavilland.

Sharon Donaldson
(appointed March 2008)
Managing Director

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

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

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



Geoffrey Messado
(appointed May 2001)
Non Executive Director

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

Mr. Messado is also the Company Secretary of the Musson Group, and he serves as a director of certain subsidiaries and affiliated companies. He also serves as Chairman of Mapco Printers Limited and Devon House Development and as a director of Edgechem (Jamaica) Limited, Spirits Pool Association, KRB Lea Jamaica Rums Limited , Ciboney Group Limited and the Jamaica Agricultural Development Foundation.

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

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

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

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

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

Jennifer Scott
(appointed December 2009)
Non Executive Director

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

She attended Norman Manley Law School, and was admitted as an Attorney-at-Law of the Supreme Court of Jamaica in 2014. She is a consultant at Clinton Hart & Co., Attorneys-at-Law specialising in the areas of financial securities and corporate law.

Duncan Stewart
(appointed August 2011)
Independent Non Executive Director

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

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

Christopher Nakash
(appointed December 2006)
Independent Non Executive Director

Christopher Nakash is an independent non-executive Director of the Board of the Company. Mr. Nakash brings to the Board his management experience, gained as Chief Executive Officer of Nakash Construction & Equipment Limited.

In the past, Mr. Nakash also served as General Manager of Netstream Global (2003 to 2008), and he was also a founding member and Director of the Riverton Improvement Association and Intelligent Multimedia Limited. Mr. Nakash holds a BBA from University of New Brunswick, Canada.

Matthew Lyn
(appointed July 2015)
Independent Non Executive Director

Matthew Lyn is an independent non-executive Director of the Board of the company.

Mr Lyn is the Chief Operating Officer of the CB Group and its related companies, including CB Foods Ltd., Newport Mills Ltd. and Imagination Farms Ltd.

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

Brian Jardim
(appointed August 2017)
Independent Non Executive Director

Brian Jardim serves as a partner in the bar and grill chain Margaritaville and he is the owner of Rainforest Seafoods. Mr. Jardim joined the board of General Accident in 2017 and he serves as an independent member.

He is a graduate of the University of Florida with a Bachelors degree in Business Administration and a Masters degree in Accounting.

Management Team

Gregory St Hugh Foster
Chief Financial Officer

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

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

Careen Nolan
Senior Underwriting Manager

Ms. Careen Nolan began her insurance career with General Accident in January 1992, where she worked in the Underwriting department and held various post, the last being Underwriting Supervisor when she resigned in June 1996. She returned in 2007, as the Underwriting Manager and worked briefly with the company for two years, until she decided to follow other career aspirations.

In January 2017, Miss Nolan rejoined the company as the Broker Services Manager and was promoted to Senior Underwriting Manager in January 2018. She brings to her new position a wealth of knowledge in Risk Management.

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

Andrea Muir Gibbs
Broker Services Manager

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

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

Petagae McCook
Claims & Legal Services Manager

Petagae McCook joined General Accident in January 2018 as the Claims and Legal Manager.

She has worked in the general insurance industry for over 20 years and has extensive experience in claims negotiations and settlements.

Ms. McCook holds an LLB from the University of the West Indies, and she is an Attorney-at-Law.

Jamalda Stanford-Brown
Business Development Officer

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

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

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

Lesley Miller
Chief Information Officer

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

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

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

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

Tracey-Ann Thompson
Underwriting Manager

Miss Tracey-Ann Thompson joined the company in 2008 and has over, 10 years of experience in the insurance industry.

She is the holder of a Bachelor of Science Degree in Banking and Finance and is currently pursuing a Master of Science Degree in Enterprise Risk Management. She is a Certified Insurance Technician from the College of Insurance Professional Studies.

Janille Jarrett
Motor Manager

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

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

In January 2018 Mrs. Jarrett was promoted to Motor Manager. She is a Certified Insurance Technician and has a Diploma in Insurance.

Janette Cole Smith
Finance & Compliance Manager

Mrs. Janette Cole Smith is the Finance & Compliance Manager of the Company. She rejoined the Company in January 2014. She has over 20 years of experience as a senior manager in the finance and insurance industry. Her last post was as the AVP of Operations at Proven Wealth Ltd.

Mrs. Cole Smith is a Chartered Accountant and a member of the Institute of Chartered Accountants of Jamaica.

Cheryll Henry
Operations & Facilities Manager

Ms. Cheryll Henry is the Operations & Facilities Manager of the Company. Ms. Henry has been with the Company for over 20 years. She joined the Company in 1996 as an Administrative Supervisor and, notably, within a 10 year period she rotated through every division, and was also appointed Operations Manager of Orrett & Musson Investment Company Limited, a former subsidiary of the Company.

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

Marcia Dwyer
Human Resources Manager

Marcia Dwyer joined the General Accident Team in January 2017, as a Claims Consultant, having previously worked with one of Jamaica's major conglomerate both as a Claims Specialist, as well as a Human Resources Generalist.

Apart from her warm smile and stubborn dedication, Marcia brings to her portfolio expertise in the field of Human Resources and a treasure trove of knowledge and experience in the technical and legal aspects of Insurance.

Marcia has a Law Degree from the University of London with specialization in Labour Law, an Associate In Claims designation from the Insurance Institute of America and is a Chartered Insurer of the Associate of the Chartered Insurance Institute.

Douglas Hayden
Information Technology Manager

Mr. Douglas Hayden joined the company in December 2014. He came to us with over twenty years of experience in the Information Technology field, twelve of those years being at the management level.

He holds a Bachelor's degree in Computer Science from Florida International University, a diploma in Information Technology from the University of Technology and several professional certifications including Information Technology Infrastructure Library (ITIL v3).

Tanya Thomas
Business Intelligence Manager

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

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

Our Team Members

THE AUTOSMART TEAM

Left to Right - A. Daley, G.Foster, N.Senior, C. Nunes, N. Parkes, L. Campbell, P. Thomas, E. Pearson, J. Jarrett, V. Williams, K. Hyde

THE AUTOSMART TEAM CONT'D

Left to Right - P. Dennis, N. Barrett-Collins, O. Ellis, A. Johnson, C. Spence, S. Perry, N. Hewitt, J. Hutchinson

OUR TEAM MEMBERS CONT'D

THE ACCOUNTS TEAM

Front Row Left to Right - R.Smith, S. Davis, J.Cole-Smith, M. Lawrence. E.Scott, D. Dawkins
Back Row Left to Right - T. Brown, S. Dempster. R. Copeland, G. Foster, K.Muir

THE BROKER SERVICES TEAM

Left to Right - T. Hemans, S. Hall, K. Gardener, A. Muir-Gibbs

THE BUSINESS DEVELOPMENT TEAM

Left to Right - J. Stanford-Brown, E. Frazer

OUR TEAM MEMBERS CONT'D

THE CLAIMS & LEGAL TEAM

Front Row Left to Right - R. Forrest, K. Farquharson, S. Wilson, S. Williams, B. Hall, L. Stewart, J. Hoffman, S. Crooks
Back Row Left to Right - A. Montaque, P. McCook, M. Raby, R. Foster, L. Hurd, O. Phillips, L. Cooper, A. Grant

THE HUMAN RESOURCES TEAM

Left to Right - K. Spencer, M. Dwyer

THE I.T. & BUSINESS INTELLIGENCE TEAM

Front Row Left to Right - D. Harris, L. Miller, T. Thomas, S Daniels
Back Row Left to Right - S. Falloon, D. Hayden

OUR TEAM MEMBERS CONT'D

THE MOTOR TEAM

Front Row Left to Right - S. Thomas,J. Jenkins, S. Shaw,T. Parsley, O. Pitterson-Nattie, T. Hamilton, L. Sinclair, J. Jarrett, K. Morgan-Ellis

Back Row Left to Right - C. McCarthy, N. Gordon, N.McKoy, W. Clarke-Gayle, J. Patterson, R. Kerr, M. Morgan, J. Ellis, K.Henry

THE OPERATIONS & FACILITIES TEAM

Front Row Left to Right - E. Edwards, S. Reynolds, C. Malcolm, C. Henry, K. Morris

Back Row Left to Right - C. James, L. Young, K. Anderson, C. Mahoney, R. Douglas, H. Morris

THE PROPERTY & CASUALTY TEAM

Front Row Left to Right - S. Graham, J. Ramanand
Back Row Left to Right - C. Francis, T. Thompson, J. Harvey, I. Russell-Skyers, S. Fairweather, D. Kildare

THE REGISTRY TEAM

Front Row Left to Right - A. Wilson, A. Thompson, T. Thompson,P. Tulloch
Back Row Left to Right - S. Spence, S. Lee

Risk Management

General Accident is regulated by the Financial Services Commission (FSC) and the FSC operates a risk-based approach to supervision.

The Company has in place a board approved risk management framework. The framework identifies the major risk outcomes that pose a threat to the achievement of the company's strategic objectives.

Risks are monitored on a monthly basis and reported under a number of headings which together with our mitigation approach are set out below.

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

Company Profile

DIRECTORS:

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

CORPORATE SECRETARY:

Geoffrey Messado

APPOINTED ACTUARY:

Josh Worsham, FRAS, MAAA

AUDITORS:

PricewaterhouseCoopers

BANKERS:

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

ATTORNEYS:

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

DunnCox
48 Duke Street,
Kingston

REGISTERED OFFICE

58 Half Way Tree Road,
Kingston
Telephone No: (876) 929-2451
Fax No: (876) 929-1074
Email: info@genac.com
Website: www.genac.com

REGISTRAR

Jamaica Central Securities Depository

Disclosure of Shareholdings

Shareholdings of Top 10 Shareholders

Shareholders	Shares	Percentage
1. Musson Jamaica Limited	824,999.989	80.00
2. Mayberry West Indies Limited	34,787,103	3.373
3. Mayberry Managed Clients	13,774,822	1.3357
4. Apex Pharmacy	11,588,279	1.1237
5. JCSD Trustee Services Limited – Sigma Venture	9,121,759	0.8845
6. Lloyd Badal	6,232,040	0.6043
7. Lancedale Farquharson	5,894,181	0.5716
8. PAM – Pooled Equity Fund	5,299,832	0.5139
9. First Caribbean International Sec. Ltd A/C B.U.T	4,889,666	0.4741
10. Sagicor Pooled Equity Fund	4,251,700	0.4123

Shareholdings of Directors

Director	Direct	Connected
1. P.B. Scott	Nil	824,999,989
2. Nigel Clarke	2,475,248	Nil
3. Melanie Subratie	Nil	824,999,989
4. Sharon Donaldson	3,450,198	177,758
5. Duncan Stewart	2,475,190	Nil
6. Nicholas Scott	1,980,198	Nil
7. Christopher Nakash	1,698,020	Nil
8. Geoffrey Messado	1,000,000	Nil
9. Jennifer Scott	Nil	Nil
10. Matthew Lyn	Nil	Nil
11. Brain Jardim	Nil	Nil

Shareholdings of Management Team

Manager	Direct	Connected
Maureen Hall	2,362,000	38,000
Cheryll Henry	1,980,198	Nil
Gregory Foster	350,000	Nil
Tracey-Ann Thompson	50,000	Nil
Janille Jarrett	25,000	Nil
Douglas Hayden	Nil	Nil
Andrea Muir Gibbs	Nil	Nil
Janette Cole Smith	Nil	Nil
Tanya Thomas	Nil	Nil
Careen Nolan	Nil	Nil
Lesley Miller	250,000	Nil

Stock Trading

General Accident's ordinary shares traded on the Jamaica Stock Exchange (JSE) under the symbol GENAC Quarterly high and low closing market of the stock in 2017 were as follows:

Quarters	High	Low
Q1 2017	3.15	3.15
Q2 2017	3.35	3.30
Q3 2017	2.74	2.60
Q4 2017	2.80	2.80

GENERAL ACCIDENT INSURANCE COMPANY JAMAICA LIMITED
31 December 2017

FINANCIAL STATEMENTS

3. EXPRESSION OF OPINION

I have examined the financial condition and valued the policy and claims liabilities of GAICJL for its balance sheet as at December 31, 2017 and the corresponding change in the policy and claims liabilities in the statement of operations for the year then ended. I meet the appropriate qualification standards and am familiar with the valuation and solvency requirements applicable to general insurance companies in Jamaica. I have relied upon PriceWaterhouseCoopers for the substantial accuracy of the records and information concerning other liabilities, as certified in the attached statement.

The results of my valuation together with amounts carried in the Annual Return are the following:

Claims Liabilities (J$000)	Carried in Annual Return	Actuary's Estimate
Direct unpaid claims and adjustment expenses:	1,695,901	1,699,484
Assumed unpaid claims and adjustment expenses:	0	0
Gross unpaid claims and adjustment expenses:	1,695,901	1,699,484
Ceded unpaid claims and adjustment expenses:	292,201	297,743
Other amounts to recover:	0	0
Other net liabilities:	0	0
Net unpaid claims and adjustment expenses:	1,403,700	1,401,742

Policy Liabilities (J$000)	Carried in Annual Return	Actuary's Estimate
Gross policy liabilities in connection with unearned premiums:		637,825
Net policy liabilities in connection with unearned premiums:		547,105
Gross unearned premiums:	1,369,501	
Net unearned premiums:	756,943	
Premium deficiency:	0	
Other net liabilities:	0	

In my opinion:

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

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

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

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

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

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

Josh Worsham, FCAS, MAAA	Josh Worsham	March 29, 2018
Name of Appointed Actuary	Signature of Appointed Actuary	Date

Independent auditor's report

To the Members of General Accident Insurance Company Jamaica Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of General Accident Insurance Company Jamaica Limited (the Company) as at 31 December 2017, and of its financial performance and it's cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and with the requirements of the Jamaican Companies Act.

What we have audited

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

- the statement of financial position as at 31 December 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

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

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

Our audit approach

Audit scope

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

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

Our 2017 audit was planned and executed having regard to the fact that the operations of the Company remain largely unchanged from the prior year.

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Valuation of claims liabilities for general insurance contracts *See notes 2 (r) and 31 to the financial statements* As at year end, the total reserves set aside in relation to the claims liabilities amount to \$1.7 billion or 45% of total liabilities of the Company. We focused on this area as the determination of the value of the claims liabilities requires significant judgement in the selection of key assumptions and methodologies using actuarial methods. In particular, judgement arises over the estimation of liabilities for claims reported as well as those that have been incurred but not reported as at 31 December 2017. There is generally less information available in relation to incurred, but not reported claims which could lead to greater variability between initial estimates and final settlement. Management engaged an actuarial expert to assist in determining the value of the claims liability included in the statement of financial position.	We performed the following procedures aimed at assessing the assumptions and judgements used by management in the determination of claims liabilities: • tested the operating effectiveness of the controls over the claims business process. We determined that we could rely on these controls for the purposes of our audit. • performed detailed testing over the claims provision and claims paid. • tested the completeness, accuracy and reliability of the underlying data utilized by management, and its external actuarial experts, to support the actuarial valuation. • evaluated the independence, experience and objectivity of management's actuarial expert. • assisted by our actuarial expert, we assessed the actuarial assumptions in determining claims liabilities. We considered the suitability of the methodology used in establishing claims liabilities against industry benchmarks and our knowledge and experience. The methodologies and assumptions used by management in establishing claims liabilities were found to be consistently applied and appropriate in the circumstances.

Other information

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

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal and regulatory requirements

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

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

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

PricewaterhouseCoopers

Chartered Accountants
5 April 2018
Kingston, Jamaica

General Accident Insurance Company Jamaica Limited
Statement of Comprehensive Income
Year ended 31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
Gross Premiums Written		7,106,254	5,649,097
Reinsurance ceded		(5,555,551)	(4,331,167)
Excess of loss reinsurance cost		(91,359)	(96,779)
Net premiums written		1,459,344	1,221,151
Changes in unearned premiums, net		(129,444)	(84,889)
Net Premiums Earned		1,329,900	1,136,262
Commission income		568,037	350,748
Commission expense		(273,592)	(194,940)
Claims expense	10	(1,087,590)	(746,073)
Management expenses		(572,287)	(500,388)
Underwriting (Loss)/Profit		(35,532)	45,609
Investment income	11	328,382	326,762
Other (expense)/income	12	(25,827)	56,315
Other operating expenses		(30,946)	(24,443)
Profit before Taxation		236,077	404,243
Taxation	15	(14,841)	(17,364)
Net Profit for the Year		221,236	386,879
Other Comprehensive Income:			
Items that may be subsequently reclassified to profit or loss			
Unrealised gains on available-for-sale investments		68,390	126,605
Gains recycled to profit or loss on disposal and maturity of available-for-sale investments		(151,899)	(148,748)
Tax charge	30	(1,261)	(610)
		(84,770)	(22,753)
Items that may not be subsequently reclassified to profit or loss			
Unrealised gains on revaluation of pooled real estate investment		36,886	-
Total Other Comprehensive Income		(47,884)	(22,753)
TOTAL COMPREHENSIVE INCOME		173,352	364,126
EARNINGS PER SHARE	16	$0.21	$0.38

General Accident Insurance Company Jamaica Limited
Statement of Financial Position
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
ASSETS			
Cash and short-term investments	18	984,036	1,080,023
Taxation recoverable		174,022	162,049
Due from policyholders, brokers and agents		612,086	466,784
Due from reinsurers and coinsurers	19	1,087,521	759,939
Deferred policy acquisition cost		334,543	297,410
Other receivables	20	74,479	78,250
Due from related parties	9	5,161	-
Loans receivable	21	89,385	180,385
Leases receivable	22	-	63
Investment securities	23	1,862,830	1,621,895
Investment property	24	130,000	-
Pooled real estate investment	25	180,435	143,549
Property, plant and equipment	26	165,130	136,772
Intangible assets	27	4,177	5,370
Deferred tax assets	30	-	521
Total assets		5,703,805	4,933,010
LIABILITIES			
Due to reinsurers and coinsurers	28	428,996	284,905
Due to related parties	9	4,013	6,322
Other liabilities	29	138,254	169,408
Deferred tax liabilities	30	1,993	-
Insurance reserves	31	3,192,778	2,507,955
Total liabilities		3,766,034	2,968,590
SHAREHOLDERS' EQUITY			
Share capital	32	470,358	470,358
Capital reserves	33	152,030	152,030
Property revaluation reserve	34	36,886	-
Fair value reserve	35	10,754	95,524
Retained earnings		1,267,743	1,246,508
Total shareholders' equity		1,937,771	1,964,420
Total liabilities and shareholders' equity		5,703,805	4,933,010

Approved by the Board of Directors on 29 March 2018 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 2017

(expressed in Jamaican dollars unless otherwise stated)

	Note	Share Capital $'000	Capital Reserves $'000	Property Revaluation Reserve $'000	Fair Value Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 31 December 2015		470,358	152,030	-	118,277	1,034,632	1,775,297
Comprehensive income:							
Net profit for the year		-	-	-	-	386,879	386,879
Other comprehensive income		-	-	-	(22,753)	-	(22,753)
Total comprehensive income		-	-	-	(22,753)	386,879	364,126
Transactions with owners							
Dividends	17	-	-	-	-	(175,003)	(175,003)
Balance at 31 December 2016		470,358	152,030	-	95,524	1,246,508	1,964,420
Comprehensive income:							
Net profit for the year						221,236	221,236
Other comprehensive income		-	-	36,886	(84,770)	-	(47,884)
Total comprehensive income		-	-	36,886	(84,770)	221,236	173,352
Transactions with owners							
Dividends	17	-	-	-	-	(200,001)	(200,001)
Balance at 31 December 2017		470,358	152,030	36,886	10,754	1,267,743	1,937,771

General Accident Insurance Company Jamaica Limited
Statement of Cash Flows
Year ended 31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
Cash Flows from Operating Activities			
Net profit		221,236	386,879
Adjustments for items not affecting cash:			
Depreciation	26	29,578	20,943
Amortisation of intangible assets	27	1,366	3,500
Amortisation of investment premium	11	7,915	3,292
Gains on revaluation of investment property		(3,000)	-
Adjustment to intangible assets		(385)	-
Gain on sale of investments		(151,899)	(148,748)
Gain on disposal of property, plant and equipment	12	(2,732)	(151)
Interest income	11	(162,260)	(158,110)
Dividend income	11	(6,560)	(9,003)
Current taxation		13,588	14,598
Deferred taxation	15	1,253	2,766
Foreign exchange gains		34,545	(36,208)
Increase in deferred policy acquisition cost		(37,133)	(72,368)
Increase in insurance reserves		684,823	344,590
		630,335	351,980
Changes in operating assets and liabilities:			
Due from policyholders, brokers and agents		(159,882)	113,629
Other receivables		3,770	(37,106)
Loans receivable		(36,000)	(10,385)
Other liabilities		(31,155)	69,360
Due from related parties		(7,470)	3,871
Due from reinsurers and coinsurers, net		(181,444)	(287,006)
		218,154	204,343
Tax deducted at source		(25,561)	(26,485)
Net cash provided by operating activities		192,593	177,858
Cash Flows from Investing Activities			
Acquisition of investments		(744,336)	(876,232)
Leases receivable repaid		63	8,814
Acquisition of property, plant and equipment	26	(57,317)	(31,695)
Acquisition of intangible asset	27	(1,245)	(5,136)
Proceeds from disposal of property, plant and equipment		3,570	255
Proceeds from disposal and maturity of investments		555,853	801,852
Dividend received		6,560	9,820
Interest received		150,323	153,962
Net cash (used in)/provided by investing activities		(86,529)	61,640
Sub-total c/f		106,064	239,498

General Accident Insurance Company Jamaica Limited
Statement of Cash Flows (Continued)
Year ended 31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
Sub-total b/f		106,064	239,498
Cash Flows from Financing Activities			
Dividends paid	17	(200,001)	(175,003)
Net cash used in by financing activities		(200,001)	(175,003)
(Decrease)/Increase in cash and cash equivalents		(93,937)	64,495
Effect of exchange rate changes on cash and cash equivalents		(2,050)	13,212
Cash and cash equivalents at beginning of year		1,080,023	1,002,316
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (NOTE 18)		984,036	1,080,023

Principal non-cash items:

1. Acquisition of investment property - $127,000,000 (Note 24)
2. Loan repayment – $127,000,000 (Note 21)

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 accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial instruments carried at fair value.

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

Accounting pronouncements effective in 2017 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 Amendments to IAS 7, Statement of cash flows on disclosure initiative** (effective for annual periods beginning on or after 1 January 2017). These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. This did not impact on the financial statements as there are no financing activities associated with the liabilities.

- **Amendments to IAS 12, 'Income taxes' on recognition of deferred tax assets for unrealised losses** (effective for annual periods beginning on or after 1 January 2017). These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. This did not have a material impact on the financial statements.

The adoption of the amendments above did not result in any additional material disclosures in the financial statements.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

At the date of authorisation of these financial statements, certain new standards, interpretations and amendments to existing standards have been issued which are mandatory for the group's accounting periods beginning on or after 1 January 2018 or later periods, but were not effective at the statement of financial position date. The company has assessed the relevance of all such new standards, interpretations and amendments and has determined that the following, as shown below, may be immediately relevant to its operations. Unless stated otherwise, the impact of the changes is still being assessed by management.

- **IFRS 9, 'Financial instruments'**, (effective for annual periods beginning on or after 1 January 2018). The standard introduces new requirements for the classification, measurement and recognition of financial assets and financial liabilities, in order to ensure that relevant and useful information is presented to users of financial statements. It replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The determination of classification will be made at initial recognition and depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

  IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

  Management is in the process of assessing the impact of IFRS 9 on the company. An implementation team headed by the Chief Financial Officer was created to oversee the implementation project. The project involves impact assessment to determine the key potential areas of impact and to develop a plan to address the implementation of the standard, conversion assessment to focus on key areas of impact identified and quantify what changes to the financial statements may be required and embedding the new accounting standard into the existing reporting structure.

  Currently management has completed impact assessment and key decisions around the transition approach, practical expedients and data and system needs are currently being reviewed by management. Based on the impact assessment of the effects of applying the new standard, management does not expect any significant impact on the company's financial statements.

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

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

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

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

- **Amendment to IAS 40, Investment property' relating to transfers of investment property,** (effective for annual periods beginning on or after 1 January 2018). These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence. The company does not expect any significant impact on its financial statements arising from the future adoption of the amendment.

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

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

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

2. Summary of Significant Accounting Policies (Continued)

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

- **Annual improvements to IFRS 2015 - 2017 Cycle – Amendments to IAS 12 and IAS 23** (effective for annual periods beginning on or after 1 January 2019). The amendments to IAS 12 clarify that all income tax consequences of dividends should be recognised in profit or loss, regardless of how the tax arises. The amendments to IAS 23 clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

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

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

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

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

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

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

Rental income
Rental income is recognised on an accrual basis.

(c) Cash and cash equivalents
Cash and cash equivalents are stated at 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

2. Summary of Significant Accounting Policies (Continued)

(d) Foreign currency translation

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

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

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

(e) Financial instruments

Financial instruments carried on the statement of financial position include investments, due to and from related parties, due to and from reinsurers and coinsurers, due from policyholders, brokers and agents, loans and other receivables, cash and short term investments, other liabilities and claims liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. The fair values of the company's financial instruments are discussed in Note 6.

(f) Loans and receivables

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(g) Investments

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

(h) Receivables and payables related to insurance contracts

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

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

2. Summary of Significant Accounting Policies (Continued)

(i) Leases

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

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

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

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

(j) Insurance contracts

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

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(k) Deferred policy acquisition costs

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

(l) Reinsurance ceded

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

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

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

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

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

(m) Property, plant and equipment

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

Buildings	5% and 2.5%
Furniture, fixtures and equipment	10%
Motor vehicles	20%

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.

2. Summary of Significant Accounting Policies (Continued)

(n) Intangible assets

Computer software

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

(o) Impairment of long-lived assets

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

(p) Investment properties

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

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

(q) Pooled real estate investment

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

(r) Insurance reserves

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

(i) Provision for unearned premium

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

(ii) Unearned commission

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

2. Summary of Significant Accounting Policies (Continued)

(r) Insurance reserves (continued)

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

(iv) Claims incurred but not reported
The reserve for IBNR claims has been calculated by an independent actuary using the Paid Loss Development method, the Incurred Loss Development method, the Bornhuetter-Ferguson Paid Loss method, the Bornhuetter-Ferguson Incurred Loss method, the Expected Loss Ratio method and the Frequency-Severity method (Note 31). This calculation is done in accordance with the Insurance Act 2001.

(v) The provision for unexpired period of risks is determined by the appointed actuary and represents the expected future costs associated with the unexpired portion of policies in force as of the reporting date, in excess of the net unearned premium minus deferred policy acquisition costs

(vi) At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of the policy liabilities, net of related deferred policy acquisition costs. In performing these tests, current best estimates of future contractual cashflows are compared to the carrying amount of policy liabilities and any deficiency is immediately recognised in profit or loss as unexpired risk provision.

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

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(u) Employee benefits

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

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

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

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

(v) Dividend distribution

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

(w) Segment reporting

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

3. Responsibilities of the Appointed Actuary and External Auditors

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

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

4. Insurance and Financial Risk Management

(a) Insurance risk

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

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

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

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

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

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

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

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

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

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

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

4. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

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

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

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

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

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

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

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

4. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

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

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

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

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

	2017		2016	
	Policy Limit '000	Maximum Net Retention '000	Policy Limit '000	Maximum Net Retention '000
Commercial property –				
Fire and consequential loss	US$7,500	US$700	US$7,500	US$700
Personal property	US$7,500	US$700	US$7,500	US$700
Engineering	US$5,000	US$125	US$5,000	US$125
Liability	J$40,000	J$20,000	J$40,000	J$20,000
Marine, aviation and transport	US$750	US$125	US$750	US$125
Motor	J$10,000	J$5,000	J$10,000	J$5,000
Miscellaneous Accident –				
All Risk	J$30,000	J$2,000	J$30,000	J$2,000
Burglary	J$5,000	J$1,000	J$5,000	J$1,000
Cash/Money	J$5,000	J$1,000	J$5,000	J$1,000
Fidelity	J$5,000	J$1,000	J$5,000	J$1,000
Bonds	J$40,000	J$8,000	J$40,000	J$8,000
Goods in Transit	J$5,000	J$1,000	J$5,000	J$1,000
Personal Accident	J$7,500	J$1,500	J$7,500	J$1,500

4. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

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

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

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

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

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

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

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

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

ScenarioTesting:

The two major assumptions that determine reserve levels are:
- The selection of a-priori loss ratios within the Bornhuetter-Ferguson methods
- The selection of loss development factors.

These factors have been stochastically modeled using various confidence intervals to determine the impact on the net reserves. The net reserves of $1,403,699,000 (Note 31) were determined at the 50% confidence interval. Had the confidence interval increased/(decreased) by 10%, the net reserves would increase/(decrease) by $56,148,000/($70,185,000).

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

General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

4. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Development Claim Liabilities

In addition to sensitivity analysis, the development of insurance liabilities provides a measure of the company's claims liability for accident years 2010 - 2017 has changed at successive year-ends, up to 2017. Updated unpa date are used to derive the revised amounts for the ultimate claims liability for each accident year, used in the d

		2010	2010 and prior	2011	2011 and prior	2012	2012 and prior	2013	2013 And Prior	2014
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2009	Paid during year									
	UCAE, end of year									
	IBNR, end of year									
	Ratio: excess (deficiency)	-	-							
2010	Paid during year	171,620	347,598							
	UCAE, end of year	235,477	424,889							
	IBNR, end of year	68,193	82,746							
	Ratio: excess (deficiency)	-	-	-	-					
2011	Paid during year	100,861	181,224	183,148	364,372					
	UCAE, end of year	120,936	240,659	232,245	472,903					
	IBNR, end of year	15,834	23,039	65,680	88,719					
	Ratio: excess (deficiency)	21.75%	12.35%							
2012	Paid during year	43,783	76,972	142,264	219,236	210,963	210,963			
	UCAE, end of year	60,033	148,633	155,272	303,904	272,082	575,987			
	IBNR, end of year	8,241	16,501	20,258	36,759	60,864	97,263			
	Ratio: excess (deficiency)	29.89%	16.61%	(6.67%)	0.31%	-	-	-	-	
2013	Paid during year	23,866	57,750	69,298	127,048	156,978	284,026	239,700	523,726	
	UCAE, end of year	43,048	109,091	111,383	220,474	161,264	381,738	291,198	672,936	
	IBNR, end of year	5,225	8,218	12,732	20,950	25,397	46,347	70,085	116,433	
	Ratio: excess (deficiency)	28.44%	14.41%	(13.13%)	(5.11%)	(3.91%)	(5.02%)	-	-	-
2014	Paid during year	9,763	28,154	46,319	74,473	54,090	128,563	152,205	280,768	222,509
	UCAE, end of year	35,219	90,791	94,206	184,997	129,287	314,284	190,624	504,908	322,488
	IBNR, end of year	4,258	11,120	5,984	17,104	17,729	34,833	33,965	68,798	76,216
	Ratio: excess (deficiency)	28.29%	12.14%	(20.19%)	(10.90%)	(7.55%)	(6.26%)	(2.97%)	(0.95%)	-
2015	Paid during year	8,438	23,414	25,812	49,226	49,137	98,363	60,574	158,937	185,354
	UCAE, end of year	22,031	64,482	69,795	134,277	83,192	217,469	139,704	357,173	207,194
	IBNR, end of year	3,542	9,572	5,463	15,035	7,898	22,933	18,455	41,388	31,594
	Ratio: excess (deficiency)	30.09%	13.01%	(20.48%)	(10.27%)	(5.51%)	(30.45%)	(1.37%)	(5.14%)	(6.38%)
2016	Paid during year	7,905	23,040	7,026	30,066	20,503	50,569	42,773	93,342	65,100
	UCAE, end of year	14,439	40,361	50,646	91,007	51,896	142,903	100,284	243,187	148,774
	IBNR, end of year	3,934	5,137	2,815	7,952	1,379	9,331	3,047	12,378	15,338
	Ratio: excess (deficiency)	29.86%	14.10%	(15.53%)	(6.66%)	(0.31%)	(6.02%)	(7.25%)	(1.65%)	(9.00%)
2017	Paid during year	5,605	18,257	21,362	39,619	18,264	57,883	19,437	77,320	60,515
	UCAE, end of year	13,058	33,385	41,014	74,399	61,158	135,557	90,733	226,290	119,584
	IBNR, end of year	2,099	3,464	4,585	8,049	4,126	12,175	3,372	15,547	4,937
	Ratio: excess (deficiency)	29.07%	12.21%	(20.06%)	(10.77%)	(9.40%)	(13.88%)	(0.87%)	(6.67%)	(9.23%)

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

2014 and prior	2015	2015 and prior	2016	2016 and prior	2017	2017 and prior
$'000	$'000	$'000	$'000	$'000	$'000	$'000
-						
503,277						
827,396						
145,014						
-	-	-				
344,291	269,589	613,880				
564,367	334,705	899,072				
72,982	84,310	157,292				
(4.37%)	-	-	-	-		
158,442	211,295	369,737	316,867	686,604		
391,961	190,777	582,738	395,079	977,817		
27,716	29,963	57,679	90,131	147,810		
(4.22%)	(9.96%)	(12.36%)	-	-		
137,835	102,601	240,436	354,039	594,475	376,268	970,743
345,874	132,225	478,099	231,093	709,192	491,870	1,201,062
20,484	17,247	37,731	34,818	72,549	128,131	200,680
(3.55%)	(10.59%)	(6.59%)	(27.77%)	(22.26%)	-	-

4. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

The concentration of insurance risk before and after reinsurance by territory in relation to the type of insurance risk accepted is summarized below, with reference to the carrying amount of the insurance liabilities (gross and net of reinsurance) arising from insurance contract.

31 December 2017

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

31 December 2016

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

4. Insurance and Financial Risk Management (Continued)

(b) Reinsurance risk

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

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

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

(b) The company has treaty arrangements as follows:

(i) Property and allied perils 90%:10% Quota Share of premiums i.e. 90% ceded premiums and 10% retention.
(ii) Excess of loss treaty for motor and third party liability, which covers losses in excess of J$5,000,000 for any one loss or event.
(iii) First surplus and a quota share treaty for engineering business with retention of US$75,000.
(iv) First surplus treaty for miscellaneous accident, losses covered in excess of 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 reinsurers. A.M Best (Best) and Standdard & Poor's (S & P) ratings for the major reinsurers are as follows:

	A.M Best		S & P	
	2017	**2016**	**2017**	**2016**
Munich Reinsurance Company	A^{+}	A+	AA^{-}	AA^{-}
R & V Reinsurance	-	-	AA-	AA-
Scor Reinsurarance Company	A+	A+	AA-	AA-
Swiss Reinsurance Company	A^{+}	A^{+}	AA-	A^{+}

:

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

	2017 $'000	2016 $'000
Property	64,517	128,398
Motor	68,090	11,211
Marine	1,489	1,918
Liability	7,565	(62)
Engineering	12,729	7,315
Miscellaneous Accidents	7,546	6,114
	161,936	154,894

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk

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

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

(i) Credit risk

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

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

Credit review process

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

(i) Reinsurance

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

(ii) Premium receivables

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

(iii) Loans and leases receivable

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

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

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

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

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 $362,932,000 (2016 - $330,911,000) 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:

	2017 $'000	2016 $'000
46 to 60 days	100,891	122,165
61 to 90 days	68,540	30,598
More than 90 days	193,501	178,148
	362,932	330,911

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:

	2017 $'000	2016 $'000
Brokers and Insurance Companies	491,132	357,572
Direct	120,954	109,212
	612,086	466,784

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

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(i) Credit risk (continued)

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

	2017 $'000	2016 $'000
Government of Jamaica	1,489,828	1,206,765
Other government	99,174	152,329
Corporate	249,641	43,481
	1,838,643	1,402,575

(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.

(c) Financial risk (continued)

(ii) Liqudity risk (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:

Liquidity risk management process (continued)

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

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk (continued)

Liquidity risk management process (continued)

	Within 1 Month $'000	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	No Specific Maturity $'000	Total $'000
At 31 December 2016:							
Cash and short term investments	766,482	314,329	-	-	-	-	1,080,811
Due from policyholders, brokers and agents	402,576	64,208	-	-	-	-	466,784
Due from reinsurers and coinsurers	44,287	149,872	35,429	70,858	-	-	300,446
Other receivables	-	-	-	-	-	56,658	56,658
Loans receivable	1,917	103,604	7,568	87,463	-	-	200,552
Leases receivable	63	-	-	-	-	-	63
Investment securities	8,508	2,876	961,214	420,775	113,797	219,320	1,726,490
Total financial assets	1,223,833	634,889	1,004,211	579,096	113,797	275,978	3,831,804
Due to reinsurers and coinsurers	56,593	228,312	-	-	-	-	284,905
Due to related parties	-	-	-	-	-	6,322	6,322
Other liabilities	18,654	8,228	93,624	-	-	-	120,506
Claims liabilities	270,917	162,550	216,733	433,466	-	-	1,083,666
Total financial liabilities	346,164	399,090	310,357	433,466	-	6,322	1,495,399
Net Liquidity Gap	877,669	235,799	693,854	145,630	113,797	269,656	2,336,405
Cumulative gap	877,669	1,113,468	1,807,322	1,952,952	2,066,749	2,336,405	-

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(ii) Liquidity risk (continued)

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

(iii) Market risk

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

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

Currency risk

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

The company is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises primarily from transactions for re-insurance and investing activities. The statement of financial position at 31 December 2017 includes aggregate net foreign assets of approximately US$6,810,000 (2016 – US$7,477,000), in respect of such transactions.

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

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

4. Insurance and Financial Risk Management (Continued)

(c) Financial risk (continued)

(iii) Market risk (continued)

Foreign currency sensitivity

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

	% Change in Currency Rate 2017	Increase/ (decrease) in Pre-tax Profit 2016 $'000	% Change in Currency Rate 2016	Increase/ (decrease) in Pre-tax Profit 2015 $'000
USD – J$ Revaluation	2%	(16,836)	1%	(9,531)
USD – J$ Devaluation	4%	33,673	6%	57,188

Interest rate risk

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

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

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

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

4. Insurance and Financial Risk Management (Continued)

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

	Within 1 Month $'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 2017:							
Cash and short term investments	786,238	197,798	-	-	-	-	984,036
Due from policyholders, brokers and agents	-	-	-	-	-	612,086	612,086
Due from reinsurers and coinsurers	-	-	-	-	-	474,963	474,963
Other receivables	-	-	-	-	-	62,256	62,256
Due from related parties	-	-	-	-	-	5,161	5,161
Loans receivable	-	-	89,385	-	-	-	89,385
Investment securities	452,570	31,368	871,077	404,517	79,111	24,187	1,862,830
Total financial assets	1,238,808	229,166	960,462	404,517	79,111	1,178,653	4,090,717
Due to reinsurers and coinsurers	-	-	-	-	-	428,996	428,996
Due to related parties	-	-	-	-	-	4,013	4,013
Other liabilities	-	-	-	-	-	38,016	38,016
Claims liabilities	-	-	-	-	-	1,354,710	1,354,710
Total financial liabilities	-	-	-	-	-	1,825,735	1,825,735
Total interest repricing gap	1,238,808	229,166	960,462	404,517	79,111	(647,082)	2,264,982
Cumulative gap	1,238,808	1,467,974	2,428,436	2,832,953	2,912,064	2,264,982	-
At 31 December 2016:							
Cash and short-term investments	767,101	312,922	-	-	-	-	1,080,023
Due from policyholders, brokers and agents	-	-	-	-	-	466,784	466,784
Due from reinsurers and coinsurers	-	-	-	-	-	300,446	300,446
Other receivables	-	-	-	-	-	56,658	56,658
Loans receivable	-	100,023	-	80,363	-	-	180,386
Leases receivable	63	-	-	-	-	-	63
Investment securities	200,598	-	919,977	198,498	83,502	219,320	1,621,895
Total financial assets	967,762	412,945	919,977	278,861	83,502	1,043,208	3,706,255
Due to reinsurers and coinsurers	-	-	-	-	-	284,905	284,905
Due to related parties	-	-	-	-	-	6,322	6,322
Other liabilities	-	-	-	-	-	61,019	61,019
Claims liabilities	-	-	-	-	-	1,083,666	1,083,666
Total financial liabilities	-	-	-	-	-	1,435,912	1,435,912
Total interest repricing gap	967,762	412,945	919,977	278,861	83,502	(392,704)	2,270,343
Cumulative gap	967,762	1,380,707	2,300,684	2,579,545	2,663,047	2,270,343	-

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: 2017 JMD/USD	Increase/(decrease) in Profit before Taxation 2017 $'000	Increase/(decrease) in Other Components of Equity 2017 $'000	Change in Basis points: 2016 JMD/USD	Increase/(decrease) in Profit before Taxation 2016 $'000	Increase/(decrease) in Other Components of Equity 2016 $'000
-100/-50	(7,416)	1,793	-100/-50	(4,310)	2,050
100/50	7,416	(1,793)	+100/+100	4,310	(2,782)

Price risk

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

The table below summarises the impact of increases/(decreases) on the company's pre-tax profit for the year and on equity. The analysis is based on the assumption that the equity prices had increased/decreased by 15% (2016 - 10%) with all other variables held constant.

	Equity Securities				Pooled real estate investment	
Change in index:	Increase/ (decrease) in Profit before Taxation 2017 $'000	Increase/ (decrease) in Profit before Taxation 2016 $'000	Effect on Other Components of Equity: 2017 JMD/USD	Effect on Other Components of Equity 2016 $'000	Effect on Other Components of Equity 2017 $'000	Effect on Other Components of Equity 2016 $'000
-15% (2016 – 10%)	-	-	(3,628)	(21,932)	(27,065)	(14,355)
+15% (2016 – 10%)	-	-	3,628	21,932	27,065	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 2017 is as follows:

	Actual	Required	Actual
	2017	2017	2016
MCT	258%	250%	270%

6. Fair Value Estimation

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

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

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

6. Fair Value Estimation (Continued)

The following table presents the company's assets that are measured at fair value. There are no liabilities that are measured at fair value at the year end, and the company had no transfers between levels during the year.

	Level 1	Level 2	Level 3	Total balance
At 31 December 2017	**$'000**	**$'000**	**$'000**	**$'000**
Assets				
Available-for-sale financial assets –				
Equity securities	24,187	-	-	24,187
Debt securities	-	672,912	-	672,912
Investment property	-	-	130,000	130,000
Pooled real estate investment	-	-	180,435	180,435
Total assets measured at fair value	24,187	672,912	310,435	1,007,534
At 31 December 2016				
Assets				
Available-for-sale financial assets –				
Equity securities	219,320	-	-	219,320
Debt securities	-	525,886	-	525,886
Pooled real estate investment	-	-	143,549	143,549
Total assets measured at fair value	219,320	525,886	143,549	888,755

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

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

The following methods have been used to value financial instruments:

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

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

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

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

7. Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

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

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

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

(b) *Income taxes*

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

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

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

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

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

8. Segment Information

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

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

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

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

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

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

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

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

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

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

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

8. Segment Information (Continued)

The segment information provided to the board of directors for the reportable segments for the year ended 31 December 2017 is as follows:

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

8. Segment Information (Continued)

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

Total capital expenditure was as follows:

	2017 $'000	2016 $'000
Property, plant and equipment	57,317	31,695
Intangible assets	1,245	5,136
	58,562	36,831

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

9. Related Party Transactions and Balances

(a) Related party transactions are as follows:

	2017 $'000	2016 $'000
Interest income -		
Fellow subsidiary	22,021	16,266
Parent	22,041	20,138
Affiliated company	571	1,371
	44,633	37,775
Rental and maintenance income -		
Affiliated company	1,222	1,191
Rental expense		
Fellow subsidiary	18,106	17,642
Premium income -		
Key management	322	3,011
Parent company	3,442	86,879
Fellow subsidiaries	190,467	171,799
Affiliates	35,757	141,140
	229,988	402,829
Claims expense -		
Parent company	862	3,917
Fellow subsidiaries	3,385	10,534
Affiliates	3,782	15,897
	8,029	30,348
Dividends declared -		
Key management	3,446	3,028
Parent company	160,000	140,002
	163,446	143,030
Key management compensation -		
Salaries and other short term benefits	95,980	78,715
Post employment benefits	4,289	2,731
Directors emoluments		
Directors' fees (included above)	1,710	2,190

9. Related Party Transactions and Balances (Continued)

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

	2017 $'000	2016 $'000
Due from related parties -		
Affiliated company	5,161	-
Due from policyholders, brokers and agents -		
Fellow subsidiary	43,997	57,061
Parent company	-	79
Affilated company	4,480	96
	48,477	57,236
Loans receivable -		
Parent company (Note 21)	53,385	180,385
Affilated company (Note 21)	36,000	-
	89,385	180,385
Investment securities -		
Shares in affiliated entities (Note 23)	5,205	196,520
Due to related parties -		
Parent company	4,013	4,013
Fellow subsidiary	-	2,309
	4,013	6,322
Claims liabilities		
Parent company	9,775	20,138
Affiliated company	11,622	16,013
Fellow subsidiary	44,339	13,504
	65,736	49,655

Included in the investments of the company are shares in related parties. At 31 December 2017, these shares represented 0.09% of the total assets (2016 – 3.98%).

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

	2017 $'000	2016 $'000
Gross claims expense	1,249,526	900,967
Reinsurers share of claims expense (Note 4(b) (d))	(161,936)	(154,894)
Net claims expense	1,087,590	746,073

11. Investment Income

	2017 $'000	2016 $'000
Interest income -		
Leases receivable	300	557
Loan due from parent	22,021	20,138
Loan due from fellow subsidiary	22,041	18,657
Loan due from associated company	-	184
Cash and deposits and investment securities	117,898	118,574
	162,260	158,110
Bond premium amortisation	(7,915)	(3,292)
	154,345	154,818
Gain on money market fund	-	1,732
Dividend income	6,560	9,003
Pooled real estate investment income	12,578	11,617
Revaluation gains on investment property	3,000	-
Gain on sale of investment securities	151,899	149,592
	328,382	326,762

12. Other (Expense)/Income

	2017 $'000	2016 $'000
Foreign exchange (losses)/gains	(38,872)	49,415
Rental income	2,579	2,747
Gain on disposal of property, plant and equipment	2,732	151
Miscellaneous income	7,734	4,002
	(25,827)	56,315

13. Expenses by Nature

Management and other expenses by nature are as follows:

	2017 $'000	2016 $'000
Advertising costs	14,679	10,502
Audit fees	7,239	5,520
Computer expenses	31,850	28,036
Directors fees	1,710	2,190
Depreciation and amortisation	30,946	23,933
Insurance	2,481	2,790
Other operating expenses	42,092	38,739
Professional fees	32,181	26,138
Printing and stationery	6,839	3,927
Registration fees	14,749	13,635
Rent	18,439	17,642
Repairs and maintenance	23,963	19,001
Staff costs (Note 14)	343,070	308,656
Transportation expenses	11,847	6,824
Utilities	21,148	17,298
	603,233	524,831

14. Staff Costs

	2017 $'000	2016 $'000
Wages and salaries	259,308	241,253
Statutory contributions	23,401	19,318
Pension costs	5,559	4,362
Other	54,802	43,723
	343,070	308,656

15. Taxation

(a) The company's shares were listed on the Junior Market of the Jamaica Stock Exchange, effective 21 September 2012. Consequently, the company is entitled to a remission of tax for ten (10) years in the proportions set out below, provided the shares remain listed for at least 15 years:

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

The financial statements have been prepared on the basis that the company will have the full benefit of the tax remissions. Subject to agreement with the Minister of Finance and Planning, the income tax payable for which remission has been granted is $13,528,000 (2016 - $77,614,000).

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

	2017 $'000	2016 $'000
Current taxation	13,588	14,598
Deferred income taxes (Note 30)	1,253	2,766
	14,841	17,364

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

	2017 $'000	2016 $'000
Profit before tax	236,077	404,243
Tax calculated at a rate of 33 ⅓%	78,692	134,748
Adjusted for the effects of:		
Income tax remission	(13,528)	(77,614)
Income not subject to tax	(51,728)	(61,964)
Expenses not deductible for tax	804	30,309
Net effect of other charges and allowances	601	(8,115)
	14,841	17,364

16. Earnings Per Share

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

	2017	2016
Net profit from continuing operations ($'000)	221,236	386,879
Weighted average number of ordinary shares in issue ('000)	1,031,250	1,031,250
Earnings per share ($)	0.21	0.38

17. Dividends per Share

The dividends paid in 2017 and 2016 were as follows:

	2017 $'000	2016 $'000
Interim dividends:-		
19.34 cents per stock unit – July 2017	200,001	-
9.7 cents per stock unit – August 2016	-	100,031
7.27 cents per stock unit – December 2016	-	74,972
	200,001	175,003

18. Cash and Cash Equivalents

	2017 $'000	2016 $'000
Cash and bank balances	747,064	466,571
Short term deposits	236,972	613,452
	984,036	1,080,023

Short term deposits comprise term deposits and repurchase agreements with an average maturity of 86 days (2016 – 75 days), and include interest receivable of $898,000 (2016 – $4,350,000).

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

	2017 %	2016 %
J$	4.6	5.9
US$	1.6	-

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

	2017 %	2016 %
J$	1.0	1.0
US$	0.1	0.1
GBP	0.1	0.1

19. Due from Reinsurers and Coinsurers

	2017 $'000	2016 $'000
Reinsurers' portion of unearned premium (Note 31)	612,558	459,493
Reinsurers' portion of claims liabilities (Note 31)	292,203	177,146
Other amounts recoverable from reinsurers and coinsurers	182,760	123,300
	1,087,521	759,939

20. Other Receivables

	2017 $'000	2016 $'000
Prepayments	12,223	21,592
Other receivables	62,256	56,658
	74,479	78,250

21. Loans Receivable

	2017 $'000	2016 $'000
Short-term loan receivable from parent (a)	53,385	-
Short-term loan receivable from affiliate (b)	36,000	-
Short-term loan receivable from parent (c)	-	100,000
Long term loan receivable from parent (d)	-	80,385
Total at 31 December (Note 9(b))	89,385	180,385

(a) Short-term loan represents loan extended by the company to the parent at a rate of 12.25% for 1 year maturing in December 2018.
(b) This represents loans extended by the company to an affiliated company at a rate of 12.0% for 1 year maturing in December 2018.
(c) Short-term loan represented loans extended by the company to its parent company at rate of 12.25% for 6 months which matured in 2017.
(d) Long- term loan represented loan extended by the company to parent company at rate of 12.0% for 2 years to mature in 2018. The loan was however repaid in 2017.

22. Lease Receivables

	2017 $'000	2016 $'000
Gross investment in finance leases –		
Not later than one year	-	63
Later than one year and not later than five years	-	-
	-	63
Less: Unearned income	-	-
	-	63
Net investment in finance leases may be classified as follows:		
Not later than one year	-	63
Later than one year and not later than five years	-	-
	-	63

23. Investment Securities

	2017 $'000	2016 $'000
Debt securities -		
Available for sale – at fair value		
Government of Jamaica Securities		
Benchmark Investment Notes	328,718	329,582
United States Dollar Benchmark Notes	-	4,315
Certificate of Deposits	1,118,661	841,447
	1,447,379	1,175,344
United States Dollar Corporate Bonds	247,216	43,343
Other Government Securities	96,978	148,646
Interest receivable	47,070	35,242
	1,838,643	1,402,575
Equity securities -		
Available for sale, at fair value –		
Quoted shares	24,187	219,320
Available for sale, at cost –		
Unquoted shares	105	105
Less: Provision for diminution in value	(105)	(105)
	-	-
	24,187	219,320
	1,862,830	1,621,895

Weighted average effective interest rate:

	2017 %	2016 %
Government of Jamaica Securities –		
Benchmark Investment Notes	6.82	7.18
United States Dollars Benchmark Notes	-	5.25
United States Dollar Corporate Bonds	5.86	3.75
Other Government Securities	6.20	6.12

Included in investments are Government of Jamaica Benchmark Investment Notes valued at $48,000,000 (2016 - $48,000,000) which have been pledged with the FSC, pursuant to Section 8(1)(b) of the Insurance Regulations, 2001.

The company's holdings in quoted shares includes investment in an affiliated company (Note 9).

24. Investment Property

	2017 $'000	2016 $'000
At 1 January	-	-
Acquisition	127,000	-
Revaluation (charged to profit or loss)	3,000	-
Closing	130,000	-

The properties were valued at current market value as at November 2017 by NAI Jamaica Langford and Brown, independent qualified property appraisers and valuators. The values for the properties have been established using the sales comparison method, which considers the values of similar properties in and around surrounding areas.

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

There were no rental income or direct costs recognised in the profit or loss for the year.

25. Pooled Real Estate Investment

	2017 $'000	2016 $'000
At 1 January	143,549	143,549
Revaluation (charged to other comprehensive income)	36,886	-
Closing	180,435	143,549

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 $12,578,000 (2016 - $11,617,000).

The property was last valued at current market value in May 2016 by NAI Jamaica Langford and Brown, independent qualified property appraisers and valuators.

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

26. Property, Plant and Equipment

	Buildings $'000	Furniture, Fixtures & Equipment $'000	Motor Vehicles $'000	Work-In-Progress $'000	Total $'000
At Cost -					
At 1 January 2016	73,245	106,883	69,911	5,580	255,619
Additions	5,268	17,688	6,002	2,737	31,695
Disposals	-	(151)	-	-	(151)
Transfer	-	-	-	(147)	(147)
At 31 December 2016	78,513	124,420	75,913	8,170	287,016
Additions	9,410	21,767	25,440	700	57,317
Disposals		(614)	(7,097)	-	(7,711)
Transfer from Intangible Assets	-	-	-	1,457	1,457
At 31 December 2017	87,923	145,573	94,256	10,327	338,079
Depreciation -					
At 1 January 2016	14,428	62,578	52,342	-	129,348
Charge for the year	3,942	13,006	4,095	-	21,043
On disposals	-	(147)	-	-	(147)
At 31 December 2016	18,370	75,437	56,437	-	150,244
Charge for the year	4,524	13,358	11,696	-	29,578
On disposals	-	(426)	(6,447)	-	(6,873)
At 31 December 2017	22,894	88,369	61,686	-	172,949
Net Book Value -					
31 December 2017	65,029	57,204	32,570	10,327	165,130
31 December 2016	60,143	48,983	19,476	8,170	136,772

27. Intangible Assets

	Computer Software $'000
At Cost -	
At 1 January 2016	78,132
Additions	5,136
Transfer	147
At 31 December 2016	83,415
Additions	1,245
Transfer to Property, Plant and Equipment	(1,457)
Adjustments	(158)
At 31 December 2017	83,045
Amortisation -	
At 1 January 2016	74,545
Charge for the year	3,500
At 31 December 2016	78,045
Charge for the year	1,366
Adjustments	(543)
At 31 December 2017	78,868
Net Book Value -	
31 December 2017	4,177
31 December 2016	5,370

28. Due to Reinsurers and Coinsurers

	2017 $'000	2016 $'000
Local reinsurers	50,629	24,518
Overseas reinsures	378,367	260,387
	428,996	284,905

29. Other Liabilities

	2017 $'000	2016 $'000
Statutory contributions payable	4,806	4,169
Accrued expenses	47,183	67,302
General consumption tax	48,249	36,918
Other payables	38,016	61,019
	138,254	169,408

30. Deferred Income Taxes

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

	2017 $'000	2016 $'000
Deferred income tax assets	5,851	6,394
Deferred income tax liabilities	(7,844)	(5,873)
Net (liabilities)/assets	(1,993)	521

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

	2017 $'000	2016 $'000
Balance as at 1 January	521	3,897
Profit or loss (Note 15)	(1,253)	(2,766)
Other comprehensive income	(1,261)	(610)
Balance as at 31 December	(1,993)	521

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

	2017 $'000	2016 $'000
Deferred income tax assets		
Accelerated depreciaton	5,232	4,484
Unrealised fair value losses	300	1,561
Accrued vacation	319	349
	5,851	6,394
Deferred income tax liabilities		
Interest receivable	7,844	5,873

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

	2017 $'000	2016 $'000
Accelerated depreciaton	748	2,758
Accrued vacation	(30)	349
Interest receivable	(1,971)	(5,873)
	(1,253)	(2,766)

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

	2017 $'000	2016 $'000
Unrealised fair value losses	(1,261)	(610)

31. Insurance Reserves

(a) These reserves are as follows:

	2017 $'000	2016 $'000
Gross -		
Unearned premiums	1,369,500	1,086,991
Claims liabilities	1,695,902	1,302,630
Unearned commission	127,376	118,334
	3,192,778	2,507,955
Recoverable from reinsurers -		
Reinsurers' portion of unearned premiums (Note 19)	(612,558)	(459,493)
Reinsurers' portion of claims liabilities (Note 19)	(292,203)	(177,146)
	(904,761)	(636,639)
Net -		
Unearned premiums	756,942	627,498
Claims liabilities	1,403,699	1,125,484
Unearned commission	127,376	118,334
	2,288,017	1,871,316

(b) Claims liabilities comprise:

	2017 $'000	2016 $'000
Gross -		
Outstanding claims	1,354,710	1,083,666
IBNR	325,326	206,488
Unallocated loss adjustment expense	15,866	12,476
	1,695,902	1,302,630
Recoverable from reinsurers -		
Outstanding claims	169,524	118,468
IBNR	122,679	58,678
	292,203	177,146
Net -		
Outstanding claims	1,185,186	965,198
IBNR	202,647	147,810
Unallocated loss adjustment expense	15,866	12,476
	1,403,699	1,125,484

(expressed in Jamaican dollars unless otherwise indicated)

31. Insurance Reserves (Continued)

An actuarial valuation was performed to value the policy and claims liabilities of the company as at 31 December 2017 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 29 March 2018, the actuary found that the amount of policy and claims liabilities represented in the statement of financial position at 31 December 2017 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:

Net reserves for claims outstanding at beginning of year –		
Gross reserves for claims outstanding	1,302,630	1,128,221
Reinsurance ceded	(177,146)	(71,915)
	1,125,484	1,056,306
Movement during the year –		
Claims incurred, including IBNR	1,087,811	746,073
Claims paid	(970,743)	(686,604)
Recovery from reinsurers	161,936	8,360
Translation differences on foreign currency claims	(789)	1,349
	278,215	69,178
Net reserves for claims outstanding at end of year	1,403,699	1,125,484
Reinsurance ceded	292,203	177,146
Gross reserves for claims outstanding at end of year	1,695,902	1,302,630

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.

31. Insurance Reserves (Continued)

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

	2017			2016		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January	1,086,991	(459,493)	627,498	943,168	(400,558)	542,610
Premiums written during the year	7,106,254	(5,555,551)	1,550,703	5,649,097	(4,331,167)	1,317,930
Premiums earned during the year	(6,823,745)	5,402,486	(1,421,259)	(5,505,274)	4,272,232	(1,233,042)
	282,509	(153,065)	129,444	143,823	(58,935)	84,888
Balance at 31 December	1,369,500	(612,558)	756,942	1,086,991	(459,493)	627,498

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

	2017	2016
	$'000	$'000
Fire, consequential loss and liability	441,239	430,114
Motor	801,979	549,590
Other	126,282	107,287
	1,369,500	1,086,991

32. Share Capital

	2017	2016
	$'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

33. Capital Reserves

	2017	2016
	$'000	$'000
At beginning of and end of year	152,030	152,030

The capital reserves at year end represent realised surpluses.

34. Property Revaluation Reserve

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

35. Fair Value Reserve

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

36. Pension Scheme

Employees participate in a defined contribution pension scheme operated by a related company, T. Geddes Grant (Distributors) Limited. The scheme is open to all permanent employees, as well as the employees of certain related companies. The scheme is funded by employees' compulsory contribution of 5% of earnings and voluntary contributions up to a further 5%, as well as employer's contribution of 5% of employees' earnings. The scheme is valued triennially by independent actuaries. The results of the most recent actuarial valuation, as at 31 December 2014, indicated that the scheme was adequately funded at that date.

Pension contributions for the period totalled $5,559,000 (2016 – $4,362,000) and are included in staff costs (Note 14).

37. 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.

Form of Proxy

" I/We ____(insert name) of ________________________________

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

appoint: ____(proxy name) of ______________________

___________________________(address) or failing him, ____..

_________________________(alternate proxy) of ____

____(address)

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at *10 am on June 1, 2018, at 58 Half Way Tree Road* and at any adjournment thereof. I desire this form to be used for/against the resolutions as follows (unless directed the proxy will vote as he sees fit):

No. Resolution details (tick as appropriate) **ORDINARY RESOLUTIONS**	Vote for or against
1. To receive the report of the Board of Directors and the audited accounts of the Company for the year ended December 31, 2017.	For ◯ Against ◯
2. To authorize the Board of Directors to re-appoint PwC as the Auditors of the Company and to fix their remuneration.	For ◯ Against ◯
To re-appoint the following Directors of the Board, who have resigned by rotation in accordance with the Articles of Incorporation of the Company and, being eligible, have consented to act on re-appointment. 3. (a) To re-appoint Geoffrey Messado a Director of the Board of the Company.	
3.(b) To re-appoint Duncan Stewart as a Director of the Board of the Company.	For ◯ Against ◯
3.(c) To re-appoint Matthew Lyn as a Director of the Board of the company.	For ◯ Against ◯
4.(a) To Authorise the Board of Directors to fix the remuneration of the Directors.	For ◯ Against ◯
5. To approve the aggregated amount of interim dividends declared by the Board during the financial year ended 31st December 2017, being $200,000,625 or 19.394 cent per ordinary share, as the final dividend for the year.	For ◯ Against ◯

Signed this day of 2018:

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

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

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

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

Notes

Notes