



UNAUDITED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

General Accident Insurance Company Jamaica Limited

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Year Ended 31 December 2018

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GENERAL ACCIDENT INSURANCE COMPANY (JAMAICA) LIMITED



Report to Stockholders

For the year ended 31 December 2018

We are pleased to present the unaudited financial statements of General Accident Insurance Company Jamaica Limited (“General Accident”) for the year ended 31st December 2018. The company posted a profit before tax of \$354.41 million compared to prior year of \$221.23 million.

The highlights are as follows:

Net profit after tax of \$295.33 million, (2017: \$221.23 million)

Earnings per share of \$0.21 (2017: \$0.06)

Book value of \$2.07 billion (2017: \$1.92 billion)

Annualized return on average equity of 14.57% (2017: 12.3%)

Underwriting Performance

For the year, gross written premium grew to \$8.73 billion, an increase of 23% over the same period last year. The development of our premium volume was driven by strong growth in the motor product. Net earned premiums grew by 23% to \$1.63 billion while net claims charges fell by 5.47% to \$1.028 billion. Administrative expenses increased by 33% when compared to the same period prior year. Continues investments to recruit and retain talent and a new campaign to promote our motor offerings, accounted for most of the increase.

The company enjoyed improved technical results; underwriting profit of \$181.92 million represents positive growth over the prior period’s underwriting loss of \$35.53 million.

Our combined ratio for 2018 was 95% compared to 106% for 2017.

Investment Performance

Our investment income (inclusive of foreign exchange gains) for the year 2018 was \$216.4 million, 28% below prior year of \$302.5 million. This represents an annualized return 9.62%.



Report to Stockholders

For the year ended 31 December 2018

Summary

General Accident ended the year with a book value of \$2.07 billion and generated annualized return on average equity for shareholders of 14.57%

As at 31 December 2018, we remain in compliance with the capital adequacy and liquidity metrics prescribed by the Financial Services Commission. The Company has also renewed its treaties with its reinsurance partners for 2019.

Despite, low interest rates and increased competition in a very challenging operating environment, we were able to end the year with an underwriting profit and increased income over 2017. In December, we declared dividend of \$0.1455 per share in accordance with our dividend policy. The board and management of the company is still committed to ensuring that the company continue on its growth path for the year ahead.

On behalf of the Board of Directors

A handwritten signature in black ink, appearing to read "P.B. Scott".

P.B. Scott
Chairman

A handwritten signature in black ink, appearing to read "Sharon Donaldson".

Sharon Donaldson
Managing Director

General Accident Insurance Company Jamaica Limited

Statement of Comprehensive Income

Year Ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Unaudited Year ended	Audited Year ended	Quarter Ended	Quarter Ended
	31 December 2018 \$'000	31 December 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000
Gross Premiums Written	8,735,797	7,106,254	1,335,127	926,714
Reinsurance ceded	(6,745,749)	(5,555,551)	(734,080)	(489,694)
Excess of loss reinsurance cost	(127,754)	(91,359)	(57,375)	(20,980)
Net premiums written	1,862,294	1,459,344	543,672	416,040
Changes in unearned premiums, net	(231,864)	(129,444)	(111,414)	(51,263)
Net Premiums Earned	1,630,430	1,329,900	432,258	364,777
Commission income	747,326	492,462	252,356	128,740
Commission expense	(415,938)	(310,725)	(103,662)	(74,683)
Changes in commission, net	51,342	112,709	40,086	30,376
Claims expense	(1,028,152)	(1,087,590)	(162,216)	(271,014)
Management expenses	(803,088)	(572,287)	(249,207)	(167,289)
Underwriting Loss	181,920	(35,531)	209,615	10,907
Investment income	199,215	328,382	(29,513)	188,656
Other income/(expense)	17,223	(25,827)	12,790	(28,985)
Other operating expenses	(43,885)	(30,946)	(11,428)	(8,536)
Profit before Taxation	354,473	236,078	181,464	162,042
Taxation	(59,139)	(14,841)	(30,244)	-
Net Profit for the Year	295,334	221,237	151,220	162,042
Other Comprehensive Income:				
Items that may be subsequently reclassified to profit or loss				
Unrealised gains on available-for-sale investments	3,998	68,390	21,955	(22,922)
Gains recycled to profit or loss on disposal and maturity of available-for-sale investments		(151,899)		
Tax charge		(1,261)		
	3,998	(84,770)	21,955	(22,922)
Items that may not be subsequently reclassified to profit or loss				
Unrealised gains on revaluation of pooled real	3,933	36,886		
Total Other Comprehensive Income	7,931	(47,884)	21,955	(22,922)
TOTAL COMPREHENSIVE INCOME	303,265	173,353	173,175	139,120
EARNINGS PER SHARE	\$0.29	\$0.21	\$0.15	\$0.16

General Accident Insurance Company Jamaica Limited

Statement of Financial Position

As at 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	December 2018 \$'000	December 2017 \$,000
ASSETS		
Cash and short-term investments	668,362	984,036
Taxation recoverable	141,172	174,022
Due from policyholders, brokers and agents	920,488	607,953
Due from reinsurers and coinsurers	1,525,228	1,087,521
Deferred policy acquisition cost	438,116	334,543
Other receivables	150,220	74,479
Due from related parties	3,946	5,161
Loans receivable	28,385	89,385
Investment securities	2,445,780	1,850,678
Investment property	196,086	130,000
Pooled real estate investment	184,368	180,435
Property, plant and equipment	217,054	165,130
Intangible assets	12,662	4,177
Deferred tax assets	-	-
Total assets	<u>6,931,867</u>	<u>5,687,520</u>
LIABILITIES		
Due to reinsurers and coinsurers	371,922	428,996
Due to related parties	293,608	4,013
Other liabilities	0	138,254
Deferred tax liabilities	1,993	2,293
Insurance reserves	4,189,940	3,192,778
Total liabilities	<u>4,857,463</u>	<u>3,766,334</u>
SHAREHOLDERS' EQUITY		
Share capital	470,358	470,358
Capital reserves	152,030	152,030
Property revaluation reserve	40,819	36,886
Fair value reserve	16,253	12,255
Retained earnings	1,394,944	1,249,657
Total shareholders' equity	<u>2,074,404</u>	<u>1,921,186</u>
Total liabilities and shareholders' equity	<u>6,931,867</u>	<u>5,687,520</u>

Approved by the Board of Directors on 28 January 2019 and signed on its behalf by:



P.B. Scott
Chairman



Sharon Donaldson
Managing Director

General Accident Insurance Company Jamaica Limited

Statement of Changes in Equity

Period ended 31 December 2018

(expressed in Jamaican dollars unless otherwise stated)

	Share Capital \$'000	Capital Reserves \$'000	Property Revaluation Reserve \$'000	Fair Value Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 31 December 2016	470,358	152,030	-	95,524	1,246,508	1,964,420
Comprehensive income:						
Net profit for the year	-	-	-	-	221,236	221,236
Other comprehensive income	-	-	36,886	67,129	-	104,015
Gains realised				(151,899)		(151,899)
Total comprehensive income	-	-		(84,770)	221,236	173,352
Dividends					(200,001)	(200,001)
Balance as at 31 December 2017	470,358	152,030	36,886	10,754	1,267,743	1,937,771
Balance at 31 December 2017, as previously reported	470,358	152,030	36,886	10,754	1,267,743	1,937,771
Effect of adopting new standards				1,501	(18,086)	(16,585)
Comprehensive income:						
Net profit for the year	-	-	-	-	295,334	295,334
Other comprehensive income	-	-	3,933	3,998	-	7,931
Total comprehensive income	-	-	3,933	3,998	295,334	303,265
Dividend					(150,047)	(150,047)
Balance at 31 December 2018	470,358	152,030	40,819	16,253	1,394,944	2,074,404

General Accident Insurance Company Jamaica Limited

Statement of Cash Flows

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	December 2018 \$'000	December 2017 \$'000
Cash Flows from Operating Activities		
Net profit	295,334	221,236
Adjustments for items not affecting cash:		
Depreciation	42,534	29,578
Amortisation of intangible assets	1,351	1,366
Amortisation of investment premium	4,821	7,915
Gains on revaluation of investment property		(3,000)
Adjustment to intangible assets		(385)
Gain on sale of investments	-	(151,899)
Gain on disposal of property, plant and equipment	(65,282)	(2,732)
Interest income	(108)	(162,260)
Dividend income	59,151	(6,560)
Current taxation		13,588
Deferred taxation	(42,449)	1,253
Foreign exchange gains	(103,573)	34,545
Increase in deferred policy acquisition cost	997,162	(37,133)
Increase in insurance reserves	295,397	684,823
	1,188,929	630,335
Changes in operating assets and liabilities:		
Due from policyholders, brokers and agents	(312,535)	(159,882)
Other receivables	(75,740)	3,770
Loans receivable	61,000	(36,000)
Other liabilities	155,354	(31,155)
Due from related parties	(2,798)	(7,470)
Due from reinsurers and coinsurers, net	(494,781)	(181,444)
	519,429	218,154
Tax deducted at source	(26,229)	(25,561)
Net cash provided by operating activities	493,200	192,593
Cash Flows from Investing Activities		
Acquisition of investments	(1,832,187)	(744,336)
Leases receivable repaid	-	63
Acquisition of property, plant and equipment	(98,291)	(57,317)
Acquisition of investment property	(66,086)	
Acquisition of intangible asset	(224)	(1,245)
Proceeds from disposal of property, plant and equipment		3,570
Proceeds from disposal and maturity of investments	1,121,706	555,853
Dividend received	925	6,560
Interest received	65,282	150,323
Net cash used in investing activities c/f	(808,874)	(86,529)

General Accident Insurance Company Jamaica Limited

Statement of Cash Flows (Continued)

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	December 2018 \$'000	December 2017 \$'000
Net cash used in investing activities Sub-total b/f	(808,874)	(86,529))
Cash Flows from Financing Activities		
Dividends paid	-	(200,001)
Net cash used in by financing activities	-	(200,001)
Decrease in cash and cash equivalents	(315,674)	(93,937)
Effect of exchange rate changes on cash and cash equivalents	-	(2,050)
Cash and cash equivalents at beginning of year	984,036	1,080,023
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (NOTE 18)	<u>668,362</u>	<u>984,036</u>

General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

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. Statement of Compliance and Basis of Preparation

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

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

The accounting policies and method of computation are consistent with the audited financial statements for year ended December 31, 2017. These financial statements are expressed in Jamaican dollars which is the currency of the primary economic environment in which the company operates.

General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

3. 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) Miscellaneous 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.

General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

3. Segment Information (Continued)

The segment information provided to the board of directors for the reportable segments for the year ending 31 December 2017

Year ended 31 Dec 2017	Fire \$'000	Motor \$'000	Marine \$'000	Liability \$'000	Homeowner & Burglary \$'000	Engineering & Miscellaneous Accident \$'000	Total \$'000
Gross Premiums Written	4,079,260	1,536,304	151,38	555,193	138,813	645,302	7,106,254
Reinsurance ceded	(4,028,761)	(307,133)	(133,111)	(396,814)	(122,925)	(569,595)	(5,558,339)
Excess of loss reinsurance cost	(46,181)	(29,798)	0	(5,779)	(9,601)	0	(91,359)
Net premiums written	4,317	1,199,374	18,272	152,599	6,288	75,707	1,456,556
Changes in unearned premiums, net	(79)	(122,840)	1,248	(5,525)	367	172	(126,657)
Net Premiums Earned	4,238	1,076,534	19,520	147,074	6,655	75,879	1,329,900
Commission income	221,232	200,580	19,703	22,716	47,040	56,769	568,039
Commission expense	(80,075)	(127,647)	(1,918)	(17,719)	(17,441)	(28,792)	(273,592)
Claims expense	(27,511)	(888,784)	(1,032)	(163,016)	(552)	(6,695)	(1,087,590)
Management expenses	(18,928)	(452,813)	(6,849)	(59,365)	(5,955)	(28,377)	(572,287)
Segment results	98,956	(192,131)	29,423	(70,309)	29,747	68,783	(35,531)
Unallocated income -							
Investment income							296,085
Other expense							-
							<u>267,024</u>
Depreciation and amortisation							<u>(30,946)</u>
Profit before tax							236,078
Taxation							<u>(14,841)</u>
Net profit							<u>221,237</u>

General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

4. Effect of new standard

A new accounting standard was adopted and applied as of 1 January 2018. The financial statements have been restated at that date to reflect the effect of adoption of IFRS 9 'Financial Instruments'.

Effect on statement of financial positioning as at 1 January 2018

	December 31 2017 as previously Reported \$'000	Effects of IFRS 9 \$'000	January 1 2018 as restated \$'000
ASSETS			
Due from policyholders, brokers and agents	612,086	(4,133)	607,953
Investment securities	1,862,830	(12,152)	1,850,678
Other assets unaffected by adoption of new standards	3,228,889	-	3,228,889
Total assets	<u>5,703,805</u>	<u>(16,285)</u>	<u>5,687,520</u>
LIABILITIES			
Deferred tax liabilities	1,993	300	2,293
Other assets unaffected by adoption of new	3,764,041	-	3,764,041
Total liabilities	<u>3,766,034</u>	<u>300</u>	<u>3,766,334</u>
EQUITY			
Share capital	470,358	-	470,358
Capital reserves	152,030	-	152,030
Property revaluation reserve	36,886	-	36,886
Fair value reserve	10,754	1,501	12,255
Retained earnings	1,267,743	(18,086)	1,249,657
	<u>1,937,771</u>	<u>(16,585)</u>	<u>1,921,186</u>
	<u>5,703,805</u>	<u>(16,285)</u>	<u>5,687,520</u>

General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

4. Effect of new standard (continued)

Effect on equity components as at 1 January 2018

	Fair Value Reserve	Retained Earnings
	\$'000	\$'000
Closing equity components as at 31 December 2017	10,754	1,267,743
IFRS 9 impact:		
Increase in provision for Due from policyholders, brokers and		(4,133)
Increase in provision for debt investment at amortised cost		(13,953)
Reclassifying investments from AFS to amortised cost	1,801	-
Decrease in deferred tax assets relating to reclassification of investments from AFS to amortised cost.	(300)	-
	<u>(1,501)</u>	<u>(18,086)</u>