



**General Accident Insurance  
Company Jamaica Limited**

**Financial Statements  
31 December 2019**

# General Accident Insurance Company Jamaica Limited

Index

31 December 2019

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# MID ATLANTIC

## ACTUARIAL

### 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, 2019 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:	2,260,567	2,261,419
Assumed unpaid claims and adjustment expenses:	0	0
Gross unpaid claims and adjustment expenses:	2,260,567	2,261,419
Ceded unpaid claims and adjustment expenses:	692,217	692,096
Other amounts to recover:	0	0
Other net liabilities:	0	0
Net unpaid claims and adjustment expenses:	1,568,350	1,569,323

Policy Liabilities (J\$000)	Carried in Annual Return	Actuary's Estimate
Gross policy liabilities in connection with unearned premiums:		1,247,682
Net policy liabilities in connection with unearned premiums:		960,471
Gross unearned premiums:	2,270,602	
Net unearned premiums:	1,215,151	
Premium deficiency:	0	
Other net liabilities:	0	



In my opinion:

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

Josh Worsham, FCAS, MAAA

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

A handwritten signature in black ink that reads "Josh Worsham". The signature is written in a cursive style with a large, sweeping initial "J".

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

April 30, 2020

Date



## *Independent auditor's report*

To the Members of General Accident Insurance Company Jamaica Limited

### *Report on the audit of the consolidated and stand-alone financial statements*

#### *Our opinion*

In our opinion, the consolidated financial statements and the stand-alone financial statements give a true and fair view of the consolidated financial position of General Accident Insurance Company Jamaica Limited (the Company) and its subsidiaries (together 'the Group') and the stand-alone financial position of the Company as at 31 December 2019, and of their consolidated and stand-alone financial performance and their consolidated and stand-alone 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 consolidated and stand-alone financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the statement of financial position as at 31 December 2019;
- 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 consolidated and stand-alone 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 consolidated and stand-alone 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 Group 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.

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## Our audit approach

### Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and stand-alone 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.

### How we tailored our group audit scope

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

The context of our audit is set by the Group's significant activities for the year ended 31 December 2019. These include the purchase of a majority stake in Motor One Insurance Company Limited (Motor One). As a result of the acquisition of Motor One, the Group now prepares consolidated financial statements. This was included as a new key audit matter for the current year.

Our 2019 audit was planned and executed having regard to the fact that the operations of the Group included Motor One, which is domiciled in Trinidad and Tobago.

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## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and stand-alone financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and stand-alone 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
<p><b>Business combination</b></p> <p><i>Refer to notes 2 (b), 7 and 38 to the consolidated financial statements for disclosures of related accounting policies, judgements and estimates.</i></p> <p>The Group acquired 55% of the issued share capital of Motor One for a total consideration of \$349 million. As a result of the transaction and certain changes to the composition of Motor One's board, management concluded that it obtained control of Motor One, and consequently, that Motor One became a subsidiary of the Group.</p>	<p>We were assisted by our valuation expert in aspects of our work. We tested the fair values of the intangible assets recognized, as follows:</p> <ul style="list-style-type: none"><li>• Evaluated the application of valuation methodology utilised to derive the fair value of the identified intangible assets.</li><li>• Tested the reasonableness of valuation assumptions and inputs by:</li></ul>



#### Key audit matter

The accounting for the acquisition was a key audit matter because it was a significant transaction for the year, given the financial and operational impacts on the Group. We focused on this area due to the nature of business combinations, the requirements of which can be complex and require management to exercise judgement in determining certain estimates. The complex judgements include identifying and estimating the fair value of the intangible assets acquired. The Group was assisted by an external valuation expert in this process.

#### How our audit addressed the key audit matter

- Referencing historical information in management's cash flow projections to supporting documents and information;
- Corroborating the revenue forecasts, retention ratio, claims ratio, expense forecasts, capital and growth rates by comparison to independent economic and statistical data;
- Comparing the discount rate to that used by other market participants; and
- Agreeing the remaining useful lives of each intangible asset identified to the period over which the cash flows are expected to be generated.
- Tested the mathematical accuracy of management's discounted cash flow by reperforming the underlying calculations.
- We performed sensitivity analyses on certain of management's assumptions and inputs.
- Assessed the competence and capability of management's valuation expert.

Based on the procedures performed, no adjustments were considered necessary.

#### *Valuation of claims liabilities for general insurance contracts*

*Refer to notes 2 (r) and 32 to the consolidated and stand-alone financial statements for disclosures of related accounting policies, judgements and estimates*

As at year end, the total reserves set aside in relation to the claims liabilities amount to \$3.84 billion for the Group and \$2.26 billion for the Company. This represented 47% and 37% of total liabilities for the Group and Company, respectively.

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 application of actuarial methodologies.

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 to underlying source documentation.



#### Key audit matter

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 2019. 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 consolidated and stand-alone statement of financial position.

#### How our audit addressed the key audit matter

- 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 used by management 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 consolidated and stand-alone 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 consolidated and stand-alone 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 consolidated and stand-alone 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 consolidated and stand-alone 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 consolidated and stand-alone financial statements*

Management is responsible for the preparation of the consolidated and stand-alone 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 consolidated and stand-alone financial statements that are free from material misstatement, whether due to fraud or error.





In preparing the consolidated and stand-alone financial statements, management is responsible for assessing the Group and 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 Group or the Company or to cease operations, or has no realistic alternative but to do so.

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

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### *Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated and stand-alone 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 consolidated and stand-alone 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 consolidated and stand-alone 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 Group and 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 Group or 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 consolidated and stand-alone 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 Group or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and stand-alone financial statements, including the disclosures, and whether the consolidated and stand-alone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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 consolidated and stand-alone 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.

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*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 consolidated and stand-alone financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

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

*PricewaterhouseCoopers*

Chartered Accountants  
7 May 2020  
Kingston, Jamaica

# General Accident Insurance Company Jamaica Limited

Consolidated Statement of Comprehensive Income

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 \$'000	2018 \$'000
<b>Gross Premiums Written</b>		10,727,828	8,735,797
Reinsurance ceded		(8,151,493)	(6,745,749)
Excess of loss reinsurance cost		(130,176)	(127,754)
Net premiums written		2,446,159	1,862,294
Changes in unearned premiums, net		(212,387)	(231,864)
<b>Net Premiums Earned</b>		2,233,772	1,630,430
Commission income		857,540	695,668
Commission expense		(451,857)	(334,247)
Claims expense	10	(1,205,328)	(1,023,022)
Management expenses	13	(991,991)	(794,061)
<b>Underwriting Profit</b>		442,136	174,768
Investment income	11	229,885	174,675
Finance charge		(7,568)	-
Other income	12	202,175	47,041
Other operating expenses	13	(96,474)	(43,915)
<b>Profit before Taxation</b>		770,154	352,569
Taxation	15	(118,596)	(67,199)
<b>Net Profit for the Year</b>		651,558	285,370
<b>Attributable to:</b>			
Owners of General Accident Insurance Company Jamaica Limited		558,760	285,370
Non-controlling interests	37	92,798	-
		651,558	285,370
<b>EARNINGS PER SHARE</b>	16	\$0.54	\$0.28
<b>Other Comprehensive Income, net of tax:</b>			
<b>Items that may not be subsequently reclassified to profit or loss</b>			
Unrealised gains on FVOCI investments		64,330	2,643
Unrealised gains on revaluation of real estate property		25,134	3,933
Foreign currency translation reserve		(40,067)	-
<b>Total Other Comprehensive Income</b>		49,397	6,576
<b>TOTAL COMPREHENSIVE INCOME</b>		700,955	291,946
<b>Total Comprehensive Income Attributable to:</b>			
Owners of General Accident Insurance Company Jamaica Limited		618,930	291,946
Non-controlling interests	37	82,025	-
		700,955	291,946

# General Accident Insurance Company Jamaica Limited

Consolidated Statement of Financial Position

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 \$'000	2018 \$'000
<b>ASSETS</b>			
Cash and short-term investments	18	642,329	656,143
Taxation recoverable		80,468	137,962
Due from policyholders, brokers and agents		1,116,972	920,191
Due from reinsurers and coinsurers	19	2,220,132	1,644,177
Deferred policy acquisition cost		473,244	416,235
Other receivables	20	167,408	159,747
Due from related parties	9	11,656	4,108
Loans receivable	21	-	28,964
Right of use assets	30	92,157	-
Investment securities	22	4,752,243	2,470,527
Investment property	24	519,216	206,655
Real estate investment	25	193,633	184,367
Property, plant and equipment	26	574,434	230,763
Intangible assets	27	196,174	2,325
<b>Total assets</b>		<b>11,040,066</b>	<b>7,062,164</b>
<b>LIABILITIES</b>			
Taxation payable		4,426	-
Due to reinsurers and coinsurers	28	961,524	706,156
Other liabilities	29	406,205	316,303
Due to related parties	9	17,130	-
Lease liabilities	30	98,015	-
Deferred tax liabilities	31	44,933	7,144
Insurance reserves	32	6,504,268	3,975,949
<b>Total liabilities</b>		<b>8,036,501</b>	<b>5,005,552</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	33	470,358	470,358
Capital reserves	34	152,030	152,030
Property revaluation reserve	35	58,812	40,819
Fair value reserve	36	79,112	14,898
Translation reserve		(22,037)	-
Retained earnings		1,791,743	1,378,507
		2,530,018	2,056,612
<b>Non-Controlling Interest</b>	37	473,547	-
<b>Total shareholders' equity</b>		<b>3,003,565</b>	<b>2,056,612</b>
<b>Total liabilities and shareholders' equity</b>		<b>11,040,066</b>	<b>7,062,164</b>

Approved by the Board of Directors on 4 May 2020 and signed on its behalf by:

Paul B. Scott

Chairman

Sharon Donaldson-Levine

Director

**General Accident Insurance Company Jamaica Limited**  
**Consolidated Statement of Changes in Equity**  
**Year ended 31 December 2019**  
(expressed in Jamaican dollars unless otherwise stated)

	Note	Share Capital \$'000	Capital Reserves \$'000	Property Revaluation Reserve \$'000	Fair Value Reserve \$'000	Translation Reserve \$'000	Retained Earnings \$'000	Non- Controlling Interest \$'000	Total \$'000
Balance at 1 January 2018		470,358	152,030	36,886	12,255	-	1,243,184	-	1,914,713
<b>Comprehensive income:</b>									
Net profit for the year		-	-	-	-	-	285,370	-	285,370
Other comprehensive income		-	-	3,933	2,643	-	-	-	6,576
<b>Total comprehensive income</b>		-	-	3,933	2,643	-	285,370	-	291,946
<b>Transactions with owners</b>									
Dividends	17	-	-	-	-	-	(150,047)	-	(150,047)
<b>Balance at 31 December 2018</b>		470,358	152,030	40,819	14,898	-	1,378,507	-	2,056,612
Effect of adoption of IFRS 16	41	-	-	-	-	-	(2,840)	-	(2,840)
<b>As restated at 1 January 2019</b>		470,358	152,030	40,819	14,898	-	1,375,667	-	2,053,772
<b>Comprehensive income:</b>									
Net profit for the year		-	-	-	-	-	558,760	92,798	651,558
Other comprehensive income		-	-	17,993	64,214	(22,037)	-	(10,773)	49,397
<b>Total comprehensive income</b>		-	-	17,993	64,214	(22,037)	558,760	82,025	700,955
Non-controlling interest on acquisition of subsidiary	37	-	-	-	-	-	-	391,522	391,522
<b>Transactions with owners</b>									
Dividends	17	-	-	-	-	-	(142,684)	-	(142,684)
<b>Balance at 31 December 2019</b>		470,358	152,030	58,812	79,112	(22,037)	1,791,743	473,547	3,003,565

# General Accident Insurance Company Jamaica Limited

## Consolidated Statement of Cash Flows

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 \$'000	2018 \$'000
<b>Cash Flows from Operating Activities</b>			
Net profit		651,558	285,370
Adjustments for items not affecting cash:			
Depreciation	26,30	84,639	41,827
Amortisation of intangible assets	27	11,835	2,075
Amortisation of investment premium		(6,188)	4,822
Gains on revaluation of investment property	11	(19,346)	(9,800)
Adjustment to intangible assets		-	(223)
ECL on debt investments		(6,697)	(6,720)
Gain on disposal of property, plant and equipment	12	(1,758)	(2,663)
Finance charge		7,568	-
Interest income	11	(148,721)	(140,742)
Dividend income	11	(18,172)	(109)
Current taxation	15	80,807	62,348
Deferred taxation	15	37,789	4,851
Foreign exchange gains		(57,515)	(10,261)
Increase in deferred policy acquisition cost		(57,009)	(81,692)
(Decrease)/increase in insurance reserves		(100,574)	783,171
		<u>458,216</u>	<u>932,254</u>
Changes in operating assets and liabilities:			
Due from policyholders, brokers and agents		(212,805)	(312,238)
Other receivables		(7,661)	(85,268)
Other liabilities		48,349	28,002
Due from related parties		9,582	(2,960)
Due from reinsurers and coinsurers, net		(320,587)	(279,496)
		<u>(24,906)</u>	<u>280,294</u>
Tax deducted at source		<u>(27,791)</u>	<u>(26,288)</u>
Net cash (used in)/provided by operating activities		<u>(52,697)</u>	<u>254,006</u>
<b>Cash Flows from Investing Activities</b>			
Investments, net		127,395	(621,149)
Loans receivable		28,964	35,421
Net cash outflow from acquisition of subsidiary	38	(198,730)	-
Acquisition of investment property		(5,118)	(41,855)
Acquisition of property, plant and equipment	26	(54,904)	(111,053)
Acquisition of intangible asset	27	(3,105)	-
Proceeds from disposal of property, plant and equipment		1,908	6,256
Proceeds from disposal of investment property		293,377	-
Dividend received		18,172	109
Interest received		140,469	146,197
Net cash provided by/(used in) investing activities		<u>348,428</u>	<u>(586,074)</u>
<b>Sub-total c/f</b>		<u>295,731</u>	<u>(332,068)</u>

# General Accident Insurance Company Jamaica Limited

Consolidated Statement of Cash Flows (Continued)

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise stated)

	Note	2019 \$'000	2018 \$'000
<b>Sub-total b/f</b>		<u>295,731</u>	<u>(332,068)</u>
<b>Cash Flows from Financing Activities</b>			
Lease payments	30	(47,268)	-
Dividends paid	17	<u>(292,731)</u>	<u>-</u>
Net cash used in by financing activities		<u>(339,999)</u>	<u>-</u>
Decrease in cash and cash equivalents		(44,268)	(332,068)
Effect of exchange rate changes on cash and cash equivalents		30,454	4,175
Cash and cash equivalents at beginning of year		<u>656,143</u>	<u>984,036</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR (NOTE 18)</b>		<u><u>642,329</u></u>	<u><u>656,143</u></u>

# General Accident Insurance Company Jamaica Limited

Company Statement of Comprehensive Income

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 \$'000	2018 \$'000
<b>Gross Premiums Written</b>		10,615,009	8,735,797
Reinsurance ceded		(8,151,493)	(6,745,749)
Excess of loss reinsurance cost		(121,743)	(127,754)
Net premiums written		2,341,773	1,862,294
Changes in unearned premiums, net		(225,590)	(231,864)
<b>Net Premiums Earned</b>		2,116,183	1,630,430
Commission income		857,540	695,668
Commission expense		(452,506)	(334,247)
Claims expense	10	(1,206,670)	(1,023,022)
Management expenses	13	(937,561)	(794,061)
<b>Underwriting Profit</b>		376,986	174,768
Investment income	11	174,286	174,675
Finance charge		(6,601)	-
Other income	12	66,512	47,041
Other operating expenses	13	(75,347)	(43,915)
<b>Profit before Taxation</b>		535,836	352,569
Taxation	15	(90,495)	(67,199)
<b>Net Profit for the Year</b>		445,341	285,370
<b>Other Comprehensive Income, net of tax:</b>			
<b>Items that may not be subsequently reclassified to profit or loss</b>			
Changes in fair value of equity investments at fair value through other comprehensive income		64,072	2,643
Unrealised gains on revaluation of real estate investment		9,265	3,933
<b>Total Other Comprehensive Income</b>		73,337	6,576
<b>TOTAL COMPREHENSIVE INCOME</b>		518,678	291,946



# General Accident Insurance Company Jamaica Limited

Company Statement of Financial Position

31 December 2019

(expressed in Jamaican dollars unless otherwise stated)

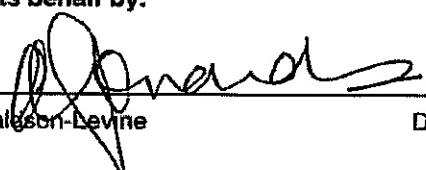
	Note	2019 \$'000	2018 \$'000
<b>ASSETS</b>			
Cash and short-term investments	18	403,206	656,143
Taxation recoverable		80,468	137,962
Due from policyholders, brokers and agents		1,115,478	920,191
Due from reinsurers and coinsurers	19	2,215,149	1,644,177
Deferred policy acquisition cost		468,651	416,235
Other receivables	20	166,072	159,747
Due from related parties	9	22,406	4,108
Loans receivable	21	-	28,964
Right of use assets	30	86,499	-
Investment securities	22	3,011,328	2,470,527
Investment in subsidiary	23	348,735	-
Investment property	24	229,800	206,655
Pooled real estate investment	25	193,633	184,367
Property, plant and equipment	26	227,596	230,763
Intangible assets	27	12,210	2,325
<b>Total assets</b>		<b>8,581,231</b>	<b>7,062,164</b>
<b>LIABILITIES</b>			
Due to reinsurers and coinsurers	28	961,524	706,156
Other liabilities	29	350,274	316,303
Lease liabilities	30	92,148	-
Deferred tax liabilities	31	14,275	7,144
Insurance reserves	32	4,733,244	3,975,949
<b>Total liabilities</b>		<b>6,151,465</b>	<b>5,005,552</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	33	470,358	470,358
Capital reserves	34	152,030	152,030
Property revaluation reserve	35	50,084	40,819
Fair value reserve	36	78,970	14,898
Retained earnings		1,678,324	1,378,507
<b>Total shareholders' equity</b>		<b>2,429,766</b>	<b>2,056,612</b>
<b>Total liabilities and shareholders' equity</b>		<b>8,581,231</b>	<b>7,062,164</b>

Approved by the Board of Directors on 4 May 2020 and signed on its behalf by:



Paul B. Scott

Chairman



Sharon Donaldson-Levine

Director

# General Accident Insurance Company Jamaica Limited

## Company Statement of Changes in Equity

Year ended 31 December 2019

(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 1 January 2018		470,358	152,030	36,886	12,255	1,243,184	1,914,713
<b>Comprehensive income:</b>							
Net profit for the year		-	-	-	-	285,370	285,370
Other comprehensive income		-	-	3,933	2,643	-	6,576
<b>Total comprehensive income</b>		-	-	3,933	2,643	285,370	291,946
<b>Transactions with owners</b>							
Dividends	17	-	-	-	-	(150,047)	(150,047)
<b>Balance at 31 December 2018</b>		470,358	152,030	40,819	14,898	1,378,507	2,056,612
Effect of adopting IFRS 16	41	-	-	-	-	(2,840)	(2,840)
<b>Restated at 1 January 2019</b>		470,358	152,030	40,819	14,898	1,375,667	2,053,772
<b>Comprehensive income:</b>							
Net profit for the year		-	-	-	-	445,341	445,341
Other comprehensive income		-	-	9,265	64,072	-	73,337
<b>Total comprehensive income</b>		-	-	9,265	64,072	445,341	518,678
<b>Transactions with owners</b>							
Dividends	17	-	-	-	-	(142,684)	(142,684)
<b>Balance at 31 December 2019</b>		470,358	152,030	50,084	78,970	1,678,324	2,429,766

# General Accident Insurance Company Jamaica Limited

## Company Statement of Cash Flows

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise stated)

	Note	2019 \$'000	2018 \$'000
<b>Cash Flows from Operating Activities</b>			
Net profit		445,341	285,370
Adjustments for items not affecting cash:			
Depreciation	26,30	72,665	41,827
Interest expense		6,468	
Amortisation of intangible assets	27	2,682	2,075
Amortisation of investment premium		3,327	4,654
Gains on revaluation of investment property		(18,027)	(9,800)
Adjustment to intangible assets		-	(223)
ECL on debt investments		(6,027)	(6,720)
Gain on disposal of property, plant and equipment	12	(1,758)	(2,663)
Interest income	11	(109,568)	(140,742)
Dividend income	11	(18,076)	(109)
Current taxation	15	83,364	62,348
Deferred taxation	15	7,131	4,851
Foreign exchange (gains)/losses		(29,034)	(10,093)
Increase in deferred policy acquisition cost		(52,416)	(81,692)
Increase in insurance reserves		757,295	783,171
		<u>1,143,367</u>	<u>932,254</u>
Changes in operating assets and liabilities:			
Due from policyholders, brokers and agents		(195,287)	(312,238)
Other receivables		(6,325)	(85,268)
Other liabilities		73,392	28,002
Due from related parties		(18,298)	(2,960)
Due from reinsurers and coinsurers, net		(315,604)	(279,496)
		<u>681,245</u>	<u>280,294</u>
Tax deducted at source		(25,870)	(26,288)
Net cash provided by operating activities		<u>655,375</u>	<u>254,006</u>
<b>Cash Flows from Investing Activities</b>			
Investments, net		(464,575)	(621,149)
Loans receivable		28,964	35,421
Acquisition of investment property		(5,118)	(41,855)
Acquisition of property, plant and equipment	26	(49,598)	(111,053)
Acquisition of intangible assets		(3,105)	-
Acquisition of subsidiary	38	(238,107)	-
Proceeds from disposal of property, plant and equipment		1,908	6,256
Dividend received		18,076	109
Interest received		101,316	146,197
Net cash used in investing activities		<u>(610,239)</u>	<u>(586,074)</u>
<b>Sub-total c/f</b>		<u>45,136</u>	<u>(332,068)</u>

# General Accident Insurance Company Jamaica Limited

Company Statement of Cash Flows (Continued)

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise stated)

	Note	2019 \$'000	2018 \$'000
<b>Sub-total b/f</b>		<u>45,136</u>	<u>(332,068)</u>
<b>Cash Flows from Financing Activities</b>			
Lease payments		(34,186)	-
Dividends paid	17	<u>(292,731)</u>	<u>-</u>
Net cash used in by financing activities		<u>(326,917)</u>	<u>-</u>
Decrease in cash and cash equivalents		(281,781)	(332,068)
Effect of exchange rate changes on cash and cash equivalents		28,844	4,175
Cash and cash equivalents at beginning of year		<u>656,143</u>	<u>984,036</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR (NOTE 18)</b>		<u><u>403,206</u></u>	<u><u>656,143</u></u>

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

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### 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.

The company acquired a motor insurance company during the current year (Note 38). It also acquired a licence to start operations for a recently formed subsidiary (Note 2(b)). The company together with its subsidiaries are referred to as 'the Group'.

### 2. Summary of Significant Accounting Policies

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

#### (a) Basis of preparation

These financial statements have been prepared in 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 Group'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 2019 which are relevant to the Group's operations***

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

- **IFRS 16, 'Leases' (effective for annual periods beginning on or after 1 January 2019).** This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. It replaces the guidance in IAS 17, which made a distinction in classification between leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset (finance leases) and those that do not (operating leases). For a lessee, finance leases were recognised as an asset that was depreciated over the lease term and the amount due to the lessor recognised as borrowings; while operating leases were recognised as a periodic rental payment that was treated as a current expense in the income statement.

IFRS 16 introduces a single lease accounting model for lessees. It requires lessees to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The standard includes an optional exemption for certain short-term leases and leases of low-value assets. For lessors, the accounting stays almost the same.

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

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

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

##### *Accounting pronouncements effective in 2019 which are relevant to the Group's operations*

The adoption of IFRS 16 from 1 January 2019 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in IFRS 16 [C7], comparative figures have not been restated. Details of the new accounting policy in relation to IFRS 16 are outlined in Note 2 (i) and the impact on the financial statements on adoption of the new standard is disclosed in Note 41.

- **Amendment to IFRS 9, 'Financial instruments on prepayment features with negative compensation'** (effective for annual periods beginning on or after 1 January 2019). This amendment confirms that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. There was no impact from the adoption of this amendment.
- **Amendment to IAS 28, 'Investments in associates and joint ventures' (effective for annual periods beginning on or after 1 January 2019)**. This amendment clarifies that companies account for long term interests in an associate or joint venture to which the equity method is not applied using IFRS 9. There was no impact from the adoption of this amendment.
- **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. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether the treatment will be accepted by the tax authority. There was no impact from the adoption of this amendment.
- Annual improvements to IFRSs 2015 – 2017 cycles. These amendments include minor changes to the following standards:
  - IFRS 3, 'Business combinations', (effective for annual periods beginning on or after 1 January 2019). This amendment clarifies that an entity should re-measure its previously held interest in a joint operation at fair value when it obtains control of the business.
  - IFRS 11, 'Joint arrangements', (effective for annual periods beginning on or after 1 January 2019). This amendment clarifies that an entity should not re-measure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12, 'Income taxes', (effective for annual periods beginning on or after 1 January 2019). This amendment clarifies that the income tax consequences of dividend payments should be recognised according to where the past transactions or events that generated distributable profits were recognised.
  - IAS 23, 'Borrowing costs' (effective for annual periods beginning on or after 1 January 2019). This amendment clarifies that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes a part of general borrowings.

There was no impact from the adoption of these amendments.

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

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## 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 2020 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 17, 'Insurance contracts'**, (effective for annual periods beginning on or after 1 January 2023). 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. The Group is currently assessing the impact of this standard.
- **Amendments to IAS 1 'Presentation of financial statements' and IAS 8 'Accounting policies, changes in accounting estimates and errors' (effective for annual periods beginning on or after 1 January 2020)**. These amendments clarify the definition of materiality and the meaning of primary users of general purpose financial statements by defining them as existing and potential investors, lenders and other creditors. The Group is currently assessing the impact of this standard.
- **Amendment to IFRS 3 'Business combinations' (effective for annual periods beginning on or after 1 January 2020)**. This amendment revises the definition of a business which requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term outputs is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The Group will apply this amendment to future transactions.
- **Amendments to IFRS 10, 'Consolidated financial statements' and 'IAS 28 Investments in associates and joint ventures'**. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the nonmonetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investment in the associate or joint venture. The amendments apply prospectively
- **Revised Conceptual Framework for Financial Reporting (effective for annual periods beginning on or after 1 January 2020)**. The revised Conceptual Framework will be used in standard-setting decisions with immediate effect, however no changes will be made to any of the current accounting standards. Entities that apply the Conceptual Framework in determining accounting policies will need to consider whether their accounting policies are still appropriate under the revised Framework. The Group is currently assessing the impact of this revision.

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

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

### (b) Basis of consolidation

Subsidiaries are those entities which the Group controls because the Group (i) has power to direct relevant activities of the entities that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the entities, and (iii) has the ability to use its power over the entities to affect the amount of the entities' returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the entities need to be made. The Group may have power over an entity even when it holds no ownership interests in the entity, or when it holds less than majority of voting power in an entity. In such cases, the Group exercises judgement and assesses its power to direct the relevant activities of the entity, as well as its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest over the fair value of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.



# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

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

### (b) Basis of consolidation (continued)

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

The company's subsidiaries are listed below, which together with the company are referred to as 'the Group'

Entity	Country of Incorporation and place of business	Nature of business	Proportion of ordinary shares held by the Group %	Proportion of ordinary shares held by non-controlling interests%
Motor One Insurance Company Limited	Trinidad and Tobago	General Insurance Services	55	45
General Accident Insurance Company (Barbados) Limited*	Barbados	General Insurance Services	*	*

\*The company was incorporated at year end but was not capitalised until February 2020. The company is yet to commence operations.

### (c) 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 Group'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(s)(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 Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

#### **Dividend**

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

#### **Rental income**

Rental income is recognised on an accrual basis.

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

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

### (d) Cash and cash equivalents

Cash and cash equivalents are stated at amortised 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 that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

### (e) Foreign currency translation

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

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

Changes in the fair value of monetary assets denominated in foreign currencies and classified at amortised cost are analysed between translation differences resulting from changes in the amortised cost of the asset and other changes. Translation differences resulting from the changes in amortised cost are recognised in the profit or loss, and other changes are recognised in other comprehensive income.

### (f) 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 Group's financial instruments are discussed in Note 6.

### (g) Financial assets

#### (i) *Classification*

The Group classifies its financial assets in the following measurement categories:

- At fair value (either through OCI or through profit or loss); and
- At amortised cost.

The classification is based on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are recorded in profit or loss or OCI.

The Group will reclassify debt investments when and only when its business model for managing those assets changes.

#### (ii) *Recognition and derecognition*

Purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

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

### (g) Financial assets (continued)

#### (iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus transaction cost directly attributable to the acquisition of the financial asset in the case of a financial asset not at fair value through profit or loss (FVPL). Transaction costs that are directly attributable to the acquisition of the financial asset carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### *Debt instruments*

Subsequent measurement of debt instruments is based on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost** - Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets are included in investment income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in gains/(losses). Impairment losses are presented as separate line item in profit or loss.
- **FVOCI** – Financial assets that are held for collection of contractual cash flows and for selling, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in investment income using the effective interest rate method. Foreign exchange gains and losses are presented in gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL** - Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. Gains or losses on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

#### *Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the Group's right to receive payment is established.

Changes in the fair value of financial assets at FVPL are recognised in gains/(losses) in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

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

### (g) Financial Assets (continued)

#### (iii) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost (include cash and cash equivalent, excluding bank balances) and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 4 for further details.

### (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.

### (i) Leases

The Group's leases originates from the rental agreements for various office buildings.

As of 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leases asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- i) Fixed payments (including in-substance fixed payments), less any lease incentives receivables
- ii) Variable lease payments that are based on an index or a rate
- iii) Amounts expected to be payable by the lessee under residual value guarantees
- iv) The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- v) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. To determine the incremental borrowing rate, the Group uses existing borrowing rates from our existing banks, as no entity within the Group have existing borrowings.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or a rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

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

#### (i) Leases (continued)

Right-of-use assets are measured at cost comprising the following:

- The amount of initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The lease term is determined as the non-cancellable period of the lease and takes account of extension and termination options if it is reasonably certain to be exercised. Majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

#### (j) Insurance contracts

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

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

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

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

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

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

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

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

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

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

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

#### (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 Group. Major renovations are depreciated over the remaining useful life of the related asset.

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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## 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.

#### *Renewal rights*

Renewal rights are recorded at cost and represent the value of consideration paid to acquire policies in force with high renewal probability. These costs are amortised over the estimated useful life of the rights, which ranges from 4- 5 years.

#### *Distribution relationships*

Distribution relationships are recorded at cost and represent the value of consideration paid to acquire existing intermediary distribution channels. These costs are amortised over the estimated useful life these relationships which is approximately 8 years.

#### *Licence*

Licence are recorded at cost and represent the value of consideration paid to acquire regulatory licence to operate in a regulatory environment. Licence have an indefinite useful life and is assessed annually for impairment and are carried at cost less accumulated impairment losses.

### (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) Real estate investment

Real estate investment represents the Group'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 Group 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 valuers from time to time. The Group's share of lease income is recorded in the statement of comprehensive income. The appreciation is recorded in OCI.

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

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

#### (r) Insurance reserves

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

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

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

##### (ii) Unearned commission

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

##### (iii) Claims outstanding

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

##### (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 32). 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.



# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

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

**(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.

**(u) Employee benefits**

*(i) Pension obligations*

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

*(ii) Accrued vacation*

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

*(iii) Termination benefits*

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

*(iv) Profit-sharing and bonus plan*

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

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

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

### (v) Dividend distribution

Dividend distribution to the company's shareholders is recognised as an appropriation in the Group'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 Group's claims liabilities and insurance reserves in accordance with accepted actuarial practice and regulatory requirements and report thereon to the shareholders. In performing the valuation, the Actuary analyses past experience with respect to number of claims, claims payment and changes in estimates of outstanding liabilities.

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

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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### 4. Insurance and Financial Risk Management

#### (a) Insurance risk

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

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

(i) Investment and Loan Committee

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

(ii) Finance Department

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

(iii) Conduct Review Committee

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

(iv) Audit Committee

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

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

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

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

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

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

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

Management maintains an appropriate balance between commercial and personal policies and type of policies based on guidelines set by the Board of Directors. Insurance risk arising from the Group's insurance contracts are concentrated within Jamaica and Trinidad and Tobago (2018 – Jamaica).

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

Claims on insurance contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. This is 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 Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing the claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks at the date of financial position. The amount of casualty claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. Casualty contracts are also subject to the emergence of new types of latent claims, but no allowance is included for this at the date of the statement of financial position.

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

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

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

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

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

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

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

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

	2019		2018	
	Policy Limit '000	Maximum Net Retention '000	Policy Limit '000	Maximum Net Retention '000
<i>Jamaica</i>				
Commercial property –				
Fire and consequential loss	US\$8,000	US\$800	US\$8,000	US\$800
Personal property	US\$8,000	US\$800	US\$8,000	US\$800
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\$20,000	J\$7,500	J\$20,000	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\$60,000	J\$12,000	J\$60,000	J\$12,000
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
<i>Trinidad and Tobago</i>				
Motor	TT\$800	TT\$800	-	-

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

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

### (a) Insurance risk (continued)

#### ***Sensitivity Analysis of Actuarial Liabilities***

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

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

- (i) Claims inflation has remained relatively constant and there have been no material legislative changes in the Jamaican civil justice system that would cause claim inflation to increase dramatically.
- (ii) There is no latent environmental or asbestos exposure embedded in the Group's loss history.
- (iii) The Group's case reserving and claim payments rates have remained, and will remain, relatively constant.
- (iv) The overall development of claims costs gross of reinsurance is not materially different from the development of claims costs net of reinsurance. This assumption is supported by the following:
  - The majority of the Group's reinsurance program consists of proportional reinsurance agreements; and
  - The Group'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.

#### ***Scenario Testing:***

The two major assumptions that determine reserve levels are:

- The selection of a-priori loss ratios within the Bornhuetter-Ferguson methods; and
- 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 claims liability (including IBNR) of \$3,149,048,000 for the Group and \$1,568,329,000 for the company (Note 32) were determined at the 50% confidence interval. Had the confidence interval increased/(decreased) by 10%, the net reserves would increase/(decrease) by \$204,803,000/ (\$132,950,000) for the Group and \$62,734,000/ (\$78,418,000) for the company.

#### **Provision for adverse deviation assumptions**

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

**General Accident Insurance Company Jamaica Limited**

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

4. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

**Development Claim Liabilities**

In addition to sensitivity analysis, the development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The table below illustrates how the Group's estimate of the ultimate claims liability for accident years 2012 - 2019 has changed at successive year-ends, up to 2019. Updated unpaid claims and adjustment expenses (UCAE) and IBNR estimates in each successive year, as well as amounts paid to date are used to derive the revised amounts for the ultimate claims liability for each accident year, used in the development calculations.

	The Group															
	2012	2012 and prior	2013	2013 and prior	2014	2014 And Prior	2015	2015 and prior	2016	2016 and prior	2017	2017 and prior	2018	2018 and prior	2019	2019 and prior
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2012</b>																
Paid during year	427,197	1,126,482														
UCAE, end of year	370,140	1,195,227														
IBNR, end of year																
Ratio: excess																
<b>2013</b>																
Paid during year	282,471	1,019,269	327,398	1,346,686												
UCAE, end of year	289,380	883,401	427,007	1,310,408												
IBNR, end of year	245,164	850,216	282,354	1,132,570												
Ratio: excess	-3.72%	-18.57%														
<b>2014</b>																
Paid during year	167,877	683,622	257,199	850,821	314,016	1,265,108										
UCAE, end of year	239,634	741,068	314,679	1,055,745	514,158	1,569,903										
IBNR, end of year	222,841	828,518	284,670	1,093,180	432,663	1,525,849										
Ratio: excess	-14.51%	-41.35%	-17.83%	-20.89%												
<b>2015</b>																
Paid during year	166,519	652,185	183,900	839,095	303,654	1,139,749	348,094	1,485,852								
UCAE, end of year	265,625	1,230,181	322,890	1,553,051	350,280	1,903,341	515,330	2,418,670								
IBNR, end of year	168,811	905,083	178,024	1,083,087	158,241	1,238,328	241,848	1,480,878								
Ratio: excess	-30.38%	-93.84%	-32.80%	-81.05%	14.43%	-35.33%										
<b>2016</b>																
Paid during year	86,108	372,351	112,288	484,639	87,621	582,265	265,488	877,728	379,721	1,267,450						
UCAE, end of year	283,282	820,985	278,328	1,099,312	403,168	1,502,479	456,157	1,958,638	560,051	2,508,687						
IBNR, end of year	172,615	490,354	129,348	618,702	185,802	815,504	218,220	1,033,724	200,068	1,233,790						
Ratio: excess	-45.36%	-74.39%	-35.48%	-63.35%	-5.64%	-30.50%	-28.12%	-10.06%								
<b>2017</b>																
Paid during year	68,501	228,843	39,687	288,529	107,645	378,174	132,879	509,153	411,945	921,097	407,102	1,328,199				
UCAE, end of year	259,969	685,576	262,394	847,959	399,848	1,247,817	430,798	1,678,615	424,106	2,102,720	658,944	2,761,684				
IBNR, end of year	42,265	81,148	92,298	173,448	214,585	388,041	322,845	710,985	384,889	1,095,774	426,773	1,522,547				
Ratio: excess	-53.42%	-58.49%	-33.61%	-45.79%	-18.65%	-20.62%	-56.16%	-3.16%	-62.77%	-10.06%						
<b>2018</b>																
Paid during year	50,237	124,971	66,238	191,208	76,584	257,793	65,710	333,503	84,396	417,899	419,091	836,960	704,080	1,544,060		
UCAE, end of year	168,448	436,475	185,690	632,154	301,702	933,657	414,858	1,348,714	364,668	1,713,283	403,829	2,117,111	702,263	2,819,374		
IBNR, end of year	22,819	40,087	35,958	76,043	73,834	149,877	140,874	290,851	200,408	481,259	251,701	742,680	361,653	1,104,913		
Ratio: excess	-25.78%	-53.57%	-25.60%	-40.79%	-1.50%	-11.43%	-33.71%	-13.84%	-41.48%	5.32%	1.02%	13.70%				
<b>2019</b>																
Paid during year	87,658	218,728	87,888	304,616	194,470	499,088	249,011	748,097	149,921	897,118	158,282	1,055,390	495,888	1,551,248	642,092	2,193,341
UCAE, end of year	52,428	148,001	98,144	247,145	102,272	349,418	234,430	689,656	211,253	780,949	250,251	1,039,200	387,971	1,407,171	724,959	2,132,130
IBNR, end of year	5,160	8,694	6,262	15,946	35,327	51,272	84,726	135,998	138,151	274,160	172,455	448,604	217,437	684,041	362,877	1,016,918
Ratio: excess	-20.08%	-48.27%	-20.19%	-35.04%	3.99%	-5.48%	-38.46%	-18.60%	-32.82%	12.08%	7.15%	21.15%	-1.65%	7.85%		

**General Accident Insurance Company Jamaica Limited**

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4. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

**Development Claim Liabilities**

In addition to sensitivity analysis, the development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The table below illustrates how the Group's estimate of the ultimate claims liability for accident years 2012 - 2019 has changed at successive year-ends, up to 2019. Updated unpaid claims and adjustment expenses (UCAE) and IBNR estimates in each successive year, as well as amounts paid to date are used to derive the revised amounts for the ultimate claims liability for each accident year, used in the development calculations.

	The Company															
	2012	2012	2013	2013	2014	2014	2015	2015	2016	2016	2017	2017	2018	2018	2019	2019
	\$'000	and prior	\$'000	and prior	\$'000	and prior	\$'000	and prior	\$'000	and prior	\$'000	and prior	\$'000	and prior	\$'000	and prior
2012																
Paid during year	210,953															
UCAE, end of year	272,082	210,953														
IBNR, end of year	60,864	575,987														
Ratio: excess		97.263														
2013																
Paid during year	156,076	284,026	239,700	523,726												
UCAE, end of year	161,264	381,738	291,189	672,836												
IBNR, end of year	25,397	46,347	70,085	116,433												
Ratio: excess	(3.91%)	(5.02%)														
2014																
Paid during year	54,090	128,563	152,205	280,768	222,509	503,277										
UCAE, end of year	129,287	314,264	190,624	322,488	627,396											
IBNR, end of year	17,729	34,833	33,985	65,798	76,216	145,014										
Ratio: excess	(7.55%)	(6.29%)	(2.97%)	(0.95%)												
2015																
Paid during year	49,137	86,383	60,574	158,837	185,354	344,291	289,589	613,880								
UCAE, end of year	83,182	217,469	139,704	357,173	207,184	564,387	334,705	899,072								
IBNR, end of year	7,899	22,933	18,455	41,388	31,584	72,882	84,310	157,292								
Ratio: excess	(5.51%)	(30.45%)	(4.37%)	(5.14%)	(6.36%)	(4.37%)										
2016																
Paid during year	20,503	50,569	42,773	83,342	65,100	159,443	211,295	316,897	699,804							
UCAE, end of year	51,690	142,903	100,294	243,187	148,774	391,961	190,777	582,738	899,072							
IBNR, end of year	1,379	9,331	3,047	12,378	15,338	27,716	25,963	57,078	90,131	147,810						
Ratio: excess	(0.31%)	(6.02%)	(7.25%)	(1.69%)	(5.00%)	(4.22%)	(9.98%)	(12.36%)								
2017																
Paid during year	18,264	57,883	19,437	77,320	60,515	137,635	102,601	240,436	354,039	594,475	376,288	970,743				
UCAE, end of year	61,158	135,557	90,733	226,250	119,584	345,874	132,225	479,099	231,063	709,192	491,870	1,201,062				
IBNR, end of year	4,126	12,175	3,372	15,947	4,937	20,484	17,247	37,791	34,818	72,549	128,131	200,680				
Ratio: excess	(9.40%)	(13.98%)	(0.87%)	(6.67%)	(9.23%)	(3.55%)	(10.59%)	(6.59%)	(27.77%)	(22.26%)						
2018																
Paid during year	20,463	35,249	38,401	73,650	31,262	104,932	33,231	138,163	64,897	203,060	357,070	660,130	667,745	1,217,875		
UCAE, end of year	41,045	66,152	48,113	134,265	77,816	212,081	77,148	289,229	151,792	441,021	217,188	669,207	610,708	1,268,913		
IBNR, end of year	5,172	11,313	5,960	17,193	6,978	24,172	6,642	30,814	16,902	47,716	39,187	86,903	112,632	189,535		
Ratio: excess	(9.65%)	(12.03%)	(0.40%)	(4.89%)	(6.47%)	(0.95%)	(2.84%)	(1.14%)	(21.11%)	(14.27%)	1.06%	6.86%				
2019																
Paid during year	4105	20,294	11,659	31,953	42,867	74,820	22,270	87,090	30,938	128,028	70,861	186,899	361,238	589,828	1,183,861	
UCAE, end of year	26,478	53,374	26,162	79,556	32,278	111,934	52,473	164,307	89,194	253,901	122,968	376,469	264,615	671,192	965,840	1,364,942
IBNR, end of year	1,069	1,768	2,347	4,133	807	4,740	871	5,611	(863)	4,748	7,542	12,290	24,022	36,312	168,069	204,361
Ratio: excess	(5.46%)	(8.76%)	3.37%	(0.41%)	(4.21%)	3.65%	(0.89%)	3.88%	(10.92%)	(5.17%)	9.99%	18.13%	1.89%	11.68%		



# General Accident Insurance Company Jamaica Limited

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(expressed in Jamaican dollars unless otherwise indicated)

## 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.

<b>Group</b>				
<b>31 December 2019</b>				
<b>Territory</b>	<b>Motor</b>	<b>Property</b>	<b>Other types of risk</b>	<b>Total</b>
	<b>\$Millions</b>	<b>\$Millions</b>	<b>\$Millions</b>	<b>\$Millions</b>
Jamaica: Gross	58,672	169,601	132,569	360,842
Net	50,785	12,835	30,494	94,114
<b>Company</b>				
<b>31 December 2019</b>				
<b>Territory</b>	<b>Motor</b>	<b>Property</b>	<b>Other types of risk</b>	<b>Total</b>
	<b>\$Millions</b>	<b>\$Millions</b>	<b>\$Millions</b>	<b>\$Millions</b>
Jamaica: Gross	58,330	169,601	132,569	360,500
Net	50,443	12,835	30,494	93,772
<b>Group and Company</b>				
<b>31 December 2018</b>				
<b>Territory</b>	<b>Motor</b>	<b>Property</b>	<b>Other types of risk</b>	<b>Total</b>
	<b>\$Millions</b>	<b>\$Millions</b>	<b>\$Millions</b>	<b>\$Millions</b>
Jamaica: Gross	48,981	165,579	113,466	328,026
Net	43,359	12,369	35,173	90,901

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

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

#### (b) Reinsurance risk

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

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

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

(b) The group has treaty arrangements as follows:

- (i) Property and allied perils 90%:10% Quota Share of premiums i.e. 90% ceded premiums and 10% retention.
- (ii) Motor 75%:25% Quota Share of premiums i.e 75% ceded premiums and 25% retained
- (iii) Excess of loss treaty for motor and third-party liability, which covers losses in excess of J\$7,500,000 for any one loss or event.
- (iv) Excess of loss treaty for motor and third-party liability, which covers losses in excess of TT\$800,000 for any one loss or event.
- (v) First surplus and a quota share treaty for engineering business with retention of US\$75,000.
- (vi) First surplus treaty for miscellaneous accident, losses covered in excess of J\$2,000,000.
- (vii) Catastrophe excess of loss treaty which covers losses in excess of J\$125,000,000 for any one catastrophic event as defined.

(c) The Group 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 Group's business model supports the placement of specialty risk directly in the overseas market on a per risk basis. In keeping with the Group's risk policy, placement of these risks are with several reinsurers. A.M Best (Best) and Standard & Poor's (S & P) ratings for the major reinsurers are as follows:

	A.M Best		S & P	
	2019	2018	2019	2018
Munich Reinsurance Company	A+	A+	AA-	AA-
R & V Reinsurance	-	-	AA-	AA-
Scor Reinsurance Company	A+	A+	AA-	AA-
Swiss Reinsurance Company	A+	A+	AA-	AA-

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

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Property	75,527	86,712	75,527	86,712
Motor	234,623	86,708	237,828	86,708
Marine	-	358	-	358
Liability	5,382	3,799	5,382	3,799
Engineering	14,983	3,395	14,983	3,395
Miscellaneous Accidents	9,351	39,603	9,351	39,603
	<u>339,866</u>	<u>220,575</u>	<u>343,071</u>	<u>220,575</u>

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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

### (c) Financial risk

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

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

### (i) Credit risk

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

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

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

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

### (i) Reinsurance

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

### (ii) Premium receivables

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

### (iii) Loans and leases receivable

The Group'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 Group offering credit facilities. Customers are required to provide a letter of guarantee and proof of collateral to be held as security.

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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

### (c) Financial risk (continued)

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

##### *Credit review process (continued)*

#### (iv) Investments

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

##### **Impairment of Financial Assets**

The Group has two types of financial assets that are subject to expected credit loss model:

- Premium receivables
- Debt investments carried at amortised cost.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, all bank balances are assessed to have low credit risk at each reporting date as they are held with reputable banking institutions and the identified impairment loss was immaterial.

##### **Premium receivables**

The Group applies the IFRS 9 simplified approach to measuring expected credit losses (ECL), which uses a lifetime expected loss allowance for these assets.

To measure the ECLs, premium receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of premium over a period of 24 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of Jamaica to be most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors

In determining the classification of our brokers, we considered the payment pattern for the past 24 months.

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

The following table contains an analysis of the credit risk exposure of premium receivables for which an ECL is recognized. The gross carrying amount of premium receivables below also represents the Group's maximum exposure to credit risk on these assets.

	<b>The Group and Company</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Low risk	159,789	110,380
Standard risk	962,649	814,127
<b>Gross carrying amount</b>	<b>1,122,438</b>	<b>924,507</b>
Loss allowance	(6,960)	(4,316)
Carrying amount	<b>1,115,478</b>	<b>920,191</b>

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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

### (c) Financial risk (continued)

#### Loss allowance

The movement on the loss allowance for insurance receivables was as follows:

	<u>The Group and Company</u>	
	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Opening loss allowance as at 1 January	4,316	4,133
Increase in allowance recognised in profit or loss during the period	2,644	183
<b>Closing loss allowance as at 31 December 2019</b>	<b>6,960</b>	<b>4,316</b>

The loss allowance as at 31 December 2019 and 31 December 2018 was determined as follows for premium receivables:

	<u>The Group and Company</u>					
	<u>2019</u>	<u>Expected</u>	<u>Loss</u>	<u>2018</u>	<u>Expected</u>	<u>Loss</u>
	<u>\$'000</u>	<u>loss rate</u>	<u>allowance</u>	<u>\$'000</u>	<u>loss rate</u>	<u>allowance</u>
Less than 45 days	430,785	0.015%	64	455,086	0.07%	319
Within 45 days to 3 months	237,700	0.037%	87	223,525	0.44%	984
Over 3 months	453,953	1.500%	6,809	245,896	1.23%	3,013
<b>Gross amount</b>	<b>1,122,438</b>		<b>6,960</b>	<b>924,507</b>		<b>4,316</b>

Loss allowance for receivables have not been accounted for within the subsidiary as the entity operates primarily on a cash basis.

#### Premium receivables

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Brokers and Insurance Companies	837,674	642,195	837,325	642,195
Direct	279,298	277,996	278,153	277,996
	<u>1,116,972</u>	<u>920,191</u>	<u>1,115,478</u>	<u>920,191</u>

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

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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

### (c) Financial risk (continued)

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

##### *Debt securities*

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

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Government of Jamaica	61,414	172,662	61,414	172,662
Government of Trinidad and Tobago	1,494,785	-	-	-
Other government	57,787	96,604	57,787	96,604
Certificate of Deposits	2,464,034	1,497,792	2,269,740	1,497,792
Corporate	90,849	244,255	90,849	244,255
	<u>4,168,869</u>	<u>2,011,313</u>	<u>2,479,790</u>	<u>2,011,313</u>

##### *Significant increase in credit risk*

- Qualitative assessment – Credit ratings are associated with ranges of default probabilities based on historical information. Rating outlooks, which are inherently forward-looking, are used to determine the probability of default to be applied to a specific security within its respective range. Issuer-specific default risk estimates incorporate forward-looking information directly. In calculating the probability of default, the Group uses credit ratings along with rating outlooks from recognised rating agencies, as well as issuer-specific default risk estimates where available and appropriate. The ratings and risk estimates are mapped to an internal credit risk grading model in order to standardise across different rating systems and to clearly demarcate significant changes in credit risk over time.

A qualitative assessment is done at initial recognition and subsequently at each statement of financial position date and where it is determined that there is a significant increase in the probability of default the security is categorised as stage 2 for the purpose of calculating the ECL. If the financial instrument is credit impaired, the financial instrument is then moved to 'Stage 3. Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

- Quantitative assessment - Investment securities considered to have experienced a significant increase in credit risk if it is more than 30 days past due on its contractual payments.

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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

### (c) Financial risk (continued)

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

##### *Expected credit loss measurement*

The Group assesses on a forward-looking basis the ECL associated with debt investments. The ECL recognised by the Group reflects an unbiased and probability weighted amounts that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost at the reporting date. The ECL is the product of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

The PD presents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months or over the remaining lifetime of the obligation.

EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD is calculated on a 12 month or a lifetime basis, where 12 month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime LGD is a percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

All of the Group's debt investments at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses (Stage 1). Management considers 'low credit risk' for bonds to be those with an investment grade or high credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. There were no transfers between stages from the date of adoption to the reporting date.

The loss allowance for debt investments at amortised cost as at 31 December 2019 reconciles to the opening loss allowance on 1 January 2019 and to the closing loss allowance as at 31 December 2019 as follows:

	The Group		The Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Opening loss allowance as at 1 January	13,706	20,426	13,706	20,426
ECL on acquisition	5,317	-	-	-
Decrease in loss allowance recognised in profit or loss in the statement of comprehensive income during the year	(6,697)	(6,720)	(6,027)	(6,720)
Closing loss allowance as at 31 December	12,326	13,706	7,679	13,706

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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

### (c) Financial risk (continued)

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

Total loss allowance on financial assets at 31 December 2019 total \$19,286,000 (investment securities, \$12,326,000 and trade receivable, \$6,960,000).

#### *Sensitivity analysis*

Set out below are the changes in ECL as at 31 December 2019 that would result from a reasonably possible change in the PDs used by the Group:

	Impact on ECL					
	The Group				The Company	
	Actual PD ranges applied	% Change in PD	Higher threshold	Lower threshold	Higher threshold	Lower threshold
<b>Financial Assets</b>					<b>\$'000</b>	<b>\$'000</b>
Debt instruments at amortised cost	1% - 4%	+/- 20%	8,713	(13,070)	2,742	(2,742)
Trade receivables and other receivables	0.1% -3%	+/- 20%	1,391	(1,391)	863	(863)
<b>Total</b>			<b>10,104</b>	<b>(14,461)</b>	<b>3,605</b>	<b>(3,605)</b>

#### (ii) Liquidity risk

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

#### *Liquidity risk management process*

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

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



# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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

### (c) Financial risk (continued)

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

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

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

Financial assets and financial liabilities cash flows

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

#### Liquidity risk management process (continued)

	Group						Total \$'000
	Within 1 Month \$'000	Within 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	No Specific Maturity \$'000	
	<b>At 31 December 2019:</b>						
Cash and short-term investments	642,216	-	-	-	-	-	642,216
Due from policyholders, brokers and agents	786,742	330,230	-	-	-	-	1,116,972
Due from reinsurers and coinsurers	1,037,257	586,116	314,882	276,894	-	-	2,215,149
Other receivables	-	-	-	-	-	473,244	473,244
Deferred policy acquisition cost	2,246	24,937	-	-	-	75,356	102,539
Due from related parties	-	-	-	-	-	11,656	11,656
Investment securities	373,754	433,987	2,128,719	1,276,992	56,414	481,671	4,751,537
<b>Total financial assets</b>	<b>2,842,215</b>	<b>1,375,270</b>	<b>2,443,601</b>	<b>1,553,886</b>	<b>56,414</b>	<b>1,041,927</b>	<b>9,313,313</b>
Due to reinsurers and coinsurers	452,779	508,745	-	-	-	-	961,524
Other liabilities	128,708	10,487	156,382	110,628	-	-	406,205
Due to related parties	-	17,130	-	-	-	-	17,130
Lease liabilities	4,053	8,106	26,956	68,079	-	-	107,194
Claims liabilities	3,258,693	295,038	1,578,522	1,372,015	-	-	6,504,268
<b>Total financial liabilities</b>	<b>3,844,233</b>	<b>839,506</b>	<b>1,761,860</b>	<b>1,550,722</b>	<b>-</b>	<b>-</b>	<b>7,996,321</b>
<b>Net Liquidity Gap</b>	<b>(1,002,018)</b>	<b>535,764</b>	<b>681,741</b>	<b>3,164</b>	<b>56,414</b>	<b>1,041,927</b>	<b>1,316,992</b>
<b>Cumulative gap</b>	<b>(1,002,018)</b>	<b>(466,254)</b>	<b>215,487</b>	<b>218,651</b>	<b>275,065</b>	<b>1,316,992</b>	

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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

### (c) Financial risk (continued)

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

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

	Company						Total \$'000
	Within 1 Month	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No Specific Maturity	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>At 31 December 2019:</b>							
Cash and short-term investments	403,093	-	-	-	-	-	403,093
Due from policyholders, brokers and agents	785,248	330,230	-	-	-	-	1,115,478
Due from reinsurers and coinsurers	1,213,691	586,116	138,448	276,894	-	-	2,215,149
Deferred policy acquisition cost	-	-	-	-	-	473,244	473,244
Other receivables	2,246	24,937	-	-	-	75,356	102,539
Due from related parties	-	-	-	-	-	22,406	22,406
Investment securities	347,116	433,987	1,546,623	199,367	22,182	481,671	3,030,946
<b>Total financial assets</b>	<b>2,751,394</b>	<b>1,375,270</b>	<b>1,685,071</b>	<b>476,261</b>	<b>22,182</b>	<b>1,052,677</b>	<b>7,362,855</b>
Due to reinsurers and coinsurers	452,779	508,745	-	-	-	-	961,524
Other liabilities	102,848	10,487	126,311	110,628	-	-	350,274
Lease liabilities	2,853	5,706	25,841	68,079	-	-	102,479
Claims liabilities	2,953,161	277,754	761,654	740,675	-	-	4,733,244
<b>Total financial liabilities</b>	<b>3,511,641</b>	<b>802,692</b>	<b>913,806</b>	<b>919,382</b>	<b>-</b>	<b>-</b>	<b>6,147,521</b>
<b>Net Liquidity Gap</b>	<b>(760,247)</b>	<b>572,578</b>	<b>771,265</b>	<b>(443,121)</b>	<b>22,182</b>	<b>1,052,677</b>	<b>1,215,334</b>
<b>Cumulative gap</b>	<b>(760,247)</b>	<b>(187,669)</b>	<b>583,596</b>	<b>140,475</b>	<b>162,657</b>	<b>1,215,334</b>	

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

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

### (c) Financial risk (continued)

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

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

	Group and Company						Total \$'000
	Within 1 Month \$'000	Within 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	No Specific Maturity \$'000	
	<b>At 31 December 2018:</b>						
Cash and short-term investments	403,093	-	-	-	-	-	403,093
Due from policyholders, brokers and agents	225,019	695,172	-	-	-	-	920,191
Due from reinsurers and coinsurers	973,100	378,441	97,546	195,090	-	-	1,644,177
Deferred policy acquisition cost	-	-	-	-	-	416,235	416,235
Other receivables	5,481	24,445	-	-	-	77,428	107,354
Due from related parties	-	-	31,837	-	-	-	31,837
Loans receivable	-	-	-	-	-	4,108	4,108
Investment securities	226,296	201,886	1,547,901	128,330	23,730	417,599	2,545,742
<b>Total financial assets</b>	<b>1,832,989</b>	<b>1,299,944</b>	<b>1,677,284</b>	<b>323,420</b>	<b>23,730</b>	<b>915,370</b>	<b>6,072,737</b>
Due to reinsurers and coinsurers	-	706,156	-	-	-	-	706,156
Other liabilities	189,471	55,506	71,326	-	-	-	316,303
Claims liabilities	2,433,796	238,621	667,210	636,322	-	-	3,975,949
<b>Total financial liabilities</b>	<b>2,623,267</b>	<b>1,000,283</b>	<b>738,536</b>	<b>636,322</b>	<b>-</b>	<b>-</b>	<b>4,998,408</b>
<b>Net Liquidity Gap</b>	<b>(790,278)</b>	<b>299,661</b>	<b>938,748</b>	<b>(312,902)</b>	<b>23,730</b>	<b>915,370</b>	<b>1,074,329</b>
<b>Cumulative gap</b>	<b>(790,278)</b>	<b>(490,617)</b>	<b>448,131</b>	<b>135,229</b>	<b>158,959</b>	<b>1,074,329</b>	

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

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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

#### (c) Financial risk (continued)

##### (iii) Market risk

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

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

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

##### Concentrations of currency risk

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

	The Group				
	Jamaican\$ J\$'000	TTD J\$'000	US\$ J\$'000	GBP J\$'000	Total J\$'000
<b>At 31 December 2019:</b>					
<b>Financial Assets</b>					
Cash and short term investments	272,673	239,123	130,412	121	642,329
Due from policyholders, brokers and	910,840	1,494	204,638	-	1,116,972
Due from reinsurers and coinsurers	2,169,540	-	45,609	-	2,215,149
Deferred policy acquisition cost	468,651	4,593	-	-	473,244
Other receivables	102,539	773	-	-	103,312
Due from related parties	11,656	-	-	-	11,656
Investment securities	2,705,293	1,740,915	306,035	-	4,752,243
<b>Total financial assets</b>	<b>6,641,192</b>	<b>1,986,898</b>	<b>686,694</b>	<b>121</b>	<b>9,314,905</b>
<b>Financial Liabilities</b>					
Due to reinsurers and coinsurers	762,539	-	198,985	-	961,524
Other liabilities	345,717	55,931	4,557	-	406,205
Due to related parties	-	17,130	-	-	17,130
Lease liabilities	-	5,867	92,148	-	98,015
Claims liabilities	4,659,108	1,771,024	74,136	-	6,504,268
<b>Total financial liabilities</b>	<b>5,767,364</b>	<b>1,849,952</b>	<b>369,826</b>	<b>-</b>	<b>7,987,142</b>
<b>Net financial position</b>	<b>873,828</b>	<b>136,946</b>	<b>316,868</b>	<b>121</b>	<b>1,327,763</b>

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

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

### (c) Financial risk (continued)

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

##### Currency risk (continued)

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

	The Company			Total J\$'000
	Jamaican\$ J\$'000	US\$ J\$'000	GBP J\$'000	
<b>At 31 December 2019:</b>				
<b>Financial Assets</b>				
Cash and short-term investments	272,673	130,412	121	403,206
Due from policyholders, brokers and agents	910,840	204,638	-	1,115,478
Due from reinsurers and coinsurers	2,169,540	45,609	-	2,215,149
Deferred policy acquisition cost	468,651	-	-	468,651
Other receivables	102,539	-	-	102,539
Due from related parties	22,406	-	-	22,406
Investment securities	2,705,293	306,035	-	3,011,328
<b>Total financial assets</b>	<b>6,651,942</b>	<b>686,694</b>	<b>121</b>	<b>7,338,757</b>
<b>Financial Liabilities</b>				
Due to reinsurers and coinsurers	762,539	198,985	-	961,524
Lease liabilities	-	92,148	-	92,148
Other liabilities	345,717	4,557	-	350,274
Claims liabilities	4,659,108	74,136	-	4,733,244
<b>Total financial liabilities</b>	<b>5,767,364</b>	<b>369,826</b>	<b>-</b>	<b>6,137,190</b>
<b>Net financial position</b>	<b>884,578</b>	<b>316,868</b>	<b>121</b>	<b>1,201,567</b>

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

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

### (c) Financial risk (continued)

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

#### Currency risk (continued)

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

	Group and Company			
	Jamaican\$ J\$'000	US\$ J\$'000	GBP J\$'000	Total J\$'000
<b>At 31 December 2018:</b>				
<b>Financial Assets</b>				
Cash and short-term investments	253,659	402,440	44	656,143
Due from policyholders, brokers and agents	727,417	192,774	-	920,191
Due from reinsurers and coinsurers	1,610,125	34,052	-	1,644,177
Deferred policy acquisition cost	416,235	-	-	416,235
Other receivables	107,354	-	-	107,354
Due from related parties	4,108	-	-	4,108
Loans receivable	28,964	-	-	28,964
Investment securities	1,791,019	679,508	-	2,470,527
<b>Total financial assets</b>	<b>4,938,881</b>	<b>1,308,774</b>	<b>44</b>	<b>6,247,699</b>
<b>Financial Liabilities</b>				
Due to reinsurers and coinsurers	525,389	180,767	-	706,156
Other liabilities	311,906	4,397	-	316,303
Claims liabilities	3,862,033	113,916	-	3,975,949
<b>Total financial liabilities</b>	<b>4,699,328</b>	<b>299,080</b>	<b>-</b>	<b>4,998,408</b>
<b>Net financial position</b>	<b>239,553</b>	<b>1,009,694</b>	<b>44</b>	<b>1,249,291</b>

The following tables indicate the currencies to which the Group 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.

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

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

### (c) Financial risk (continued)

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

##### Foreign currency sensitivity

	The Group			
	% Change in Currency Rate	Increase/ (decrease) in Pre-tax Profit 2019	% Change in Currency Rate	Increase/ (decrease) in Pre-tax Profit 2018
	2019	\$'000	2018	\$'000
USD – J\$ Revaluation	4%	(12,675)	2%	(20,194)
USD – J\$ Devaluation	6%	19,012	4%	40,388
TT – J\$ Revaluation	4%	-	2%	-
TT – J\$ Devaluation	6%	-	4%	-

	The Company			
	% Change in Currency Rate	Increase/ (decrease) in Pre-tax Profit 2019	% Change in Currency Rate	Increase/ (decrease) in Pre-tax Profit 2018
	2019	\$'000	2018	\$'000
USD – J\$ Revaluation	4%	(12,675)	2%	(20,194)
USD – J\$ Devaluation	6%	19,012	4%	40,388

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

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

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

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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

### (c) Financial risk (continued)

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

##### Interest rate risk (continued)

	The Group						Total \$'000
	Within 1 Month \$'000	Within 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non-Interest Bearing \$'000	
<b>At 31 December 2019:</b>							
Cash and short term investments	642,329	-	-	-	-	-	642,329
Due from policyholders, brokers and agents	-	-	-	-	-	1,116,972	1,116,972
Due from reinsurers and coinsurers	-	-	-	-	-	2,215,149	2,215,149
Deferred policy acquisition cost	-	-	-	-	-	473,244	473,244
Other receivables	2,246	24,937	-	-	-	76,129	103,312
Due from related parties	-	-	-	-	-	11,656	11,656
Investment securities	471,520	430,770	2,071,009	1,249,837	43,919	485,188	4,752,243
<b>Total financial assets</b>	<b>1,116,095</b>	<b>455,707</b>	<b>2,071,009</b>	<b>1,249,837</b>	<b>43,919</b>	<b>4,378,338</b>	<b>9,314,905</b>
Due to reinsurers and coinsurers	-	-	-	-	-	961,524	961,524
Other liabilities	-	-	-	-	-	406,205	406,205
Lease liabilities	3,532	6,892	22,154	65,437	-	-	98,015
Due to related parties	-	-	-	-	-	17,130	17,130
Claims liabilities	-	-	-	-	-	6,504,268	6,504,268
<b>Total financial liabilities</b>	<b>3,532</b>	<b>6,892</b>	<b>22,154</b>	<b>65,437</b>	<b>-</b>	<b>7,889,127</b>	<b>7,987,142</b>
<b>Total interest repricing gap</b>	<b>1,112,563</b>	<b>448,815</b>	<b>2,048,855</b>	<b>1,184,400</b>	<b>43,919</b>	<b>(3,510,789)</b>	<b>1,327,763</b>
<b>Cumulative gap</b>	<b>1,112,563</b>	<b>1,561,378</b>	<b>3,610,233</b>	<b>4,794,633</b>	<b>4,838,552</b>	<b>1,327,763</b>	



# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

31 December 2019

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

### (c) Financial risk (continued)

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

##### Interest rate risk (continued)

	The Company						Total
	Within 1	Within 3	3 to 12	1 to 5	Over	Non-Interest	
	Month	Months	Months	Years	5 Years	Bearing	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 31 December 2019:</b>							
Cash and short term investments	403,206	-	-	-	-	-	403,206
Due from policyholders, brokers and agents	-	-	-	-	-	1,115,478	1,115,478
Due from reinsurers and coinsurers	-	-	-	-	-	2,215,149	2,215,149
Deferred policy acquisition cost	-	-	-	-	-	468,651	468,651
Other receivables	2,246	24,937	-	-	-	75,356	102,539
Due from related parties	-	-	-	-	-	22,406	22,406
Investment securities	446,490	430,770	1,488,913	153,797	9,687	481,671	3,011,328
<b>Total financial assets</b>	<b>851,942</b>	<b>455,707</b>	<b>1,488,913</b>	<b>153,797</b>	<b>9,687</b>	<b>4,378,711</b>	<b>7,338,757</b>
Due to reinsurers and coinsurers	-	-	-	-	-	961,524	961,524
Other liabilities	-	-	-	-	-	350,274	350,274
Lease liabilities	2,416	4,660	19,635	65,437	-	-	92,148
Claims liabilities	-	-	-	-	-	4,733,244	4,733,244
<b>Total financial liabilities</b>	<b>2,416</b>	<b>4,660</b>	<b>19,635</b>	<b>65,437</b>	<b>-</b>	<b>6,045,042</b>	<b>6,137,190</b>
<b>Total interest repricing gap</b>	<b>849,526</b>	<b>451,047</b>	<b>1,469,278</b>	<b>88,360</b>	<b>9,687</b>	<b>(1,666,331)</b>	<b>1,201,567</b>
<b>Cumulative gap</b>	<b>849,526</b>	<b>1,300,573</b>	<b>2,769,851</b>	<b>2,858,211</b>	<b>2,867,898</b>	<b>1,201,567</b>	<b>-</b>
<b>Group and Company</b>							
<b>At 31 December 2018:</b>							
Cash and short-term investments	619,036	37,069	-	-	-	38	656,143
Due from policyholders, brokers and agents	-	-	-	-	-	920,191	920,191
Due from reinsurers and coinsurers	-	-	-	-	-	1,644,177	1,644,177
Deferred policy acquisition cost	-	-	-	-	-	416,235	416,235
Other receivables	5,481	3,857	20,588	-	-	77,428	107,354
Due from related parties	-	-	-	-	-	4,108	4,108
Loans receivable	-	-	28,964	-	-	-	28,964
Investment securities	274,821	198,421	1,513,197	63,993	2,496	417,599	2,470,527
<b>Total financial assets</b>	<b>899,338</b>	<b>239,347</b>	<b>1,562,749</b>	<b>63,993</b>	<b>2,496</b>	<b>3,479,776</b>	<b>6,247,699</b>
Due to reinsurers and coinsurers	-	-	-	-	-	706,156	706,156
Other liabilities	-	-	-	-	-	316,303	316,303
Claims liabilities	-	-	-	-	-	3,975,949	3,975,949
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,998,408</b>	<b>4,998,408</b>
<b>Total interest repricing gap</b>	<b>899,338</b>	<b>239,347</b>	<b>1,562,749</b>	<b>63,993</b>	<b>2,496</b>	<b>(1,518,632)</b>	<b>1,249,291</b>
<b>Cumulative gap</b>	<b>899,338</b>	<b>1,138,685</b>	<b>2,701,434</b>	<b>2,765,427</b>	<b>2,767,923</b>	<b>1,249,291</b>	<b>-</b>

# General Accident Insurance Company Jamaica Limited

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

### (c) Financial risk (continued)

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

##### Interest rate risk (continued)

##### *Interest rate sensitivity*

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

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

The Group						
Change in Basis points:	Increase/(decrease) in Profit before Taxation	Increase/(decrease) in Other Components of Equity	Change in Basis points:	Increase/(decrease) in Profit before Taxation	Increase/(decrease) in Other Components of Equity	
2019	2019	2019	2018	2018	2018	2018
JMD/USD	\$'000	\$'000	JMD/USD	\$'000	\$'000	\$'000
-100/-100	(7,013)	-	-100/-100	(480)	-	-
100/100	7,013	-	100/100	480	-	-

The Company						
Change in Basis points:	Increase/(decrease) in Profit before Taxation	Increase/(decrease) in Other Components of Equity	Change in Basis points:	Increase/(decrease) in Profit before Taxation	Increase/(decrease) in Other Components of Equity	
2019	2019	2019	2018	2018	2018	2018
JMD/USD	\$'000	\$'000	JMD/USD	\$'000	\$'000	\$'000
-100/-100	(480)	-	-100/-100	(480)	-	-
100/100	480	-	100/100	480	-	-

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

31 December 2019

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

#### (c) Financial risk (continued)

##### Price risk

The Group is exposed to equity securities and real estate price risk because of investments held by the Group. 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 Group's pre-tax profit for the year and on equity. The analysis is based on the assumption that the equity prices had increased/decreased by 10% (2018 - 10%) with all other variables held constant.

The Group						
	Equity Securities				Real estate investment	
	Increase/ (decrease) in Profit before Taxation	Increase/ (decrease) in Profit before Taxation	Effect on Other Components of Equity:	Effect on Other Components of Equity	Effect on Other Components of Equity	Effect on Other Components of Equity
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	JMD/USD	\$'000	\$'000	\$'000
Change in index:						
-10% (2018 – 10%)	-	-	(48,519)	(41,760)	(19,363)	(18,437)
+10% (2018 – 10%)	-	-	48,519	41,760	19,363	18,437

The Company						
	Equity Securities				Real estate investment	
	Increase/ (decrease) in Profit before Taxation	Increase/ (decrease) in Profit before Taxation	Effect on Other Components of Equity:	Effect on Other Components of Equity	Effect on Other Components of Equity	Effect on Other Components of Equity
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	JMD/USD	\$'000	\$'000	\$'000
Change in index:						
-10% (2018 – 10%)	-	-	(48,167)	(41,760)	(19,363)	(18,437)
+10% (2018 – 10%)	-	-	48,167	41,760	19,363	18,437

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

### 5. Capital Management

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

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

#### Regulations in Jamaica

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 Jamaican regulator, the Financial Services Commission (FSC). The MCT is calculated by management. This information is required to be filed with the FSC on a monthly, quarterly and annual basis. The required MCT ratio is 250%.

In January 2018, the FSC announced a measure to allow for the relaxation of the MCT ratio of 250% to 150% for a period of two years. The measure will reduce the amount of capital that the general insurance industry would need to hold for the purpose of meeting capital adequacy requirements. During this period of regulatory forbearance, the FSC will carry out a Quantitative Impact Study (QIS) to determine the optimal position for the MCT that balances growth and stability of the insurance industry. In this period, the amount of dividends paid to shareholders of the company should not exceed 50% of profit that was achieved for the previous year.

To qualify for the special provisions for relaxed MCT ratio, investment proposals must be approved by the FSC and commence within the 2-year window provided for in the January 2018 advisory. The company took advantage of this relaxation through a strategic investment, and as such, the FSC has granted forbearance on the MCT ratio requirement allowing the company to maintain a minimum MCT ratio of 200.8%.

The MCT ratio for the company for the years ended 31 December 2019 and 2018 are as follows:

	<b>2019</b>	<b>2018</b>
Actual MCT ratio	225.2%	211.6%
Minimum Required MCT ratio	<u>200.8%</u>	<u>200.8%</u>

#### Regulations in Trinidad and Tobago

Motor One Limited is regulated by The Central Bank of Trinidad and Tobago under the Insurance Act (the Act). Under Section 77 of the Act, Motor One is required to have a margin of solvency determined as the greater of TTD250,000 or 20% of its net written premium for the financial year. Based on the net admissible assets as at the financial year end, the Motor One is deemed solvent by a margin of TTD 48.8 million.

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

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### 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 Group 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:

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

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

		<b>Group</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>balance</b>
		<b>\$'000</b>			
<b>At 31 December 2019</b>					
<b>Assets</b>					
Equity securities		524,162	-	-	524,162
Investment property		-	-	519,216	519,216
Real estate investment		-	-	193,633	193,633
<b>Total assets measured at fair value</b>		<b>524,162</b>	<b>-</b>	<b>712,849</b>	<b>1,237,011</b>
		<b>Company</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>At 31 December 2019</b>					
<b>Assets</b>					
Equity securities		481,671	-	-	481,671
Investment property		-	-	229,800	229,800
Real estate investment		-	-	193,633	193,633
<b>Total assets measured at fair value</b>		<b>481,671</b>	<b>-</b>	<b>423,433</b>	<b>905,104</b>

# General Accident Insurance Company Jamaica Limited

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## 6. Fair Value Estimation (Continued)

	Group and Company			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	balance
<b>At 31 December 2018</b>				
<b>Assets</b>				
Equity securities	417,599	-	-	417,599
Investment property	-	92,909	113,746	206,655
Real estate investment	-	-	184,367	184,367
Total assets measured at fair value	417,599	92,909	298,113	808,621

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

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

The following methods have been used to value financial instruments:

- Investment securities classified as fair value through other comprehensive income 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;
- 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;
- 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;
- Financial assets at amortised cost are assumed to approximate fair value as these are issued at terms and conditions available in the market for similar transactions.

### Fair Value of Investment Properties and Real Estate Fund

An independent valuation of the Group's Investment Properties and Real Estate Fund was performed by valuers to determine the fair value as at 31 December 2019. The revaluation surplus has been credited to other comprehensive income.

Valuation process of the Group On an annual basis the Group engages external, independent and qualified valuers to determine the fair value of its Investment Properties and Real Estate Fund.

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

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### 6. Fair Value Estimation (Continued)

#### *Sales Comparison Approach*

The comparison method of valuation was taken in account by examining values of similar properties in and around surrounding areas. This approach incorporates unobservable inputs which in the valuer's judgement reflects suitable adjustments regarding size, age, condition, time of sale, quality of land and buildings and improvements. The higher the price per square foot the higher the fair value.

#### *Income Approach*

The projected net income of the subject properties is discounted using an appropriate capitalisation rate. The most significant inputs to this valuation are the rental rate per square foot and the capitalisation rate. Rental rates of the subject properties are adjusted to reflect the market rent for properties of similar size, location and condition. The higher rental rate per square foot the higher the fair value. The higher the capitalisation rate the lower the fair value. The average rent per square foot ranges between \$US8 - \$US14.

#### Sensitivity Analysis

Some of the investment properties and real estate investments held by the Group are measured using an income approach which considers rental rates and a capitalization rate. The capitalization factor is largely an unobservable input that have the greatest potential for volatility and have resulted in the classification of the investments in level 3. The capitalization rates used in the valuations range from 6% to 9%.

Should the capitalization factors increase/decrease by 1 percentage point, it would result in decrease/increase in the carrying value of investment properties and real estate investments, with all other factors remaining constant, of \$52,462,000 and \$54,090,000 (2018 - \$34,268,000 and \$24,981,000) for the Group and company, respectively.

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

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

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

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

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

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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

### (b) *Income taxes*

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

### (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.

### (d) *Measurement of expected credit loss allowance*

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI requires that use of complex models and significant assumptions about future economic conditions and credit behaviour such as the likelihood of customers defaulting and the resulting losses.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as

- i) Determining criteria for significant increase in credit risk
- ii) Choosing appropriate models and assumptions for the measurement of ECL
- iii) Establishing the number and relative weightings of forward-looking scenarios

Further details about judgements and estimates by the Group are set out in 4 (c)

### (e) *Business combinations*

Business combinations are accounted for using the acquisition method. The Group determines the identifiable assets and liabilities using the Purchase Price Allocation method. Under this method, the Group determines the fair values of the identifiable intangible assets. In doing so, the Group makes estimates about future cash flows which are derived based on factors such as revenue growth, attrition rates, and discount rates.



# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

31 December 2019

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### 8. Segment Information

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

The Group 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 and Trinidad and Tobago. 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

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### 8. Segment Information (Continued)

	Group						Total \$'000
	Fire \$'000	Motor \$'000	Marine \$'000	Liability \$'000	Homeowners & Burglary \$'000	Engineering & Miscellaneous Accident \$'000	
<b>2018</b>							
<b>Gross Premiums Written</b>	5,169,027	2,130,860	106,395	646,520	201,635	481,360	8,735,797
Reinsurance ceded	(5,102,386)	(529,810)	(89,292)	(460,818)	(181,332)	(382,111)	(6,745,749)
Excess of loss reinsurance cost	(56,181)	(46,104)	-	(5,868)	(19,601)	-	(127,754)
Net premiums written	10,460	1,554,946	17,103	179,834	702	99,249	1,862,294
Changes in unearned premiums, net	(6,040)	(200,118)	(239)	(11,770)	(2,769)	(10,928)	(231,864)
<b>Net Premiums Earned</b>	4,420	1,354,828	16,864	168,064	(2,067)	88,321	1,630,430
Commission income	258,203	245,135	17,204	33,353	62,750	79,023	695,668
Commission expense	(108,798)	(149,736)	(2,426)	(15,365)	(21,892)	(36,030)	(334,247)
Claims expense	(8,516)	(955,062)	(550)	(30,184)	(2,959)	(25,751)	(1,023,022)
Management expenses	(26,752)	(642,724)	(6,866)	(74,549)	(8,151)	(35,019)	(794,061)
<b>Segment results</b>	118,557	(147,559)	24,226	81,319	27,681	70,544	174,768
Unallocated income -							
Investment income							174,675
Other income							47,041
							221,716
Depreciation and amortisation-							(43,915)
Profit before tax							352,569
Taxation							(67,199)
Net profit							285,370

Total capital expenditure was as follows:

	2019 \$'000	2018 \$'000
Property, plant and equipment	54,904	111,053
Intangible assets	3,105	-
	<u>58,009</u>	<u>111,053</u>

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

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

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### 9. Related Party Transactions and Balances

(a) Related party transactions are as follows:

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Interest income -				
Fellow subsidiary	6,766	21,586	6,766	21,586
Parent	419	15,355	419	15,355
	<u>7,185</u>	<u>36,941</u>	<u>7,185</u>	<u>36,941</u>
Dividend income				
Affiliated company	<u>18,172</u>	<u>109</u>	<u>18,076</u>	<u>109</u>
Rental and lease payments-				
Affiliated company	<u>34,186</u>	<u>34,753</u>	<u>34,186</u>	<u>34,753</u>
Gross premium written -				
Key management	2,797	2,244	2,797	2,244
Parent company	28,927	27,728	28,927	27,728
Fellow subsidiaries	478,578	184,826	478,578	184,826
Affiliates	75,193	19,601	75,193	19,601
	<u>585,495</u>	<u>234,399</u>	<u>585,495</u>	<u>234,399</u>
Claims expense -				
Parent company	1,348	8,126	1,348	8,126
Fellow subsidiaries	39,188	7,190	39,188	7,190
Affiliated company	-	220	-	220
	<u>40,536</u>	<u>15,536</u>	<u>40,536</u>	<u>15,536</u>
Dividends declared -				
Key management	1,516	1,881	1,516	1,881
Parent company	114,148	120,000	114,148	120,000
	<u>115,664</u>	<u>121,881</u>	<u>115,664</u>	<u>121,881</u>
Key management compensation -				
Salaries and other short-term benefits	<u>195,025</u>	<u>137,189</u>	<u>181,646</u>	<u>137,189</u>
Post employment benefits	<u>10,945</u>	<u>7,721</u>	<u>10,945</u>	<u>7,721</u>
Directors emoluments				
Directors' emoluments (included above)	<u>58,671</u>	<u>37,948</u>	<u>53,723</u>	<u>37,948</u>
Directors' fees (included above)	<u>3,755</u>	<u>2,100</u>	<u>2,100</u>	<u>2,100</u>

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

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

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

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Due from related parties -				
Affiliated company	<u>11,656</u>	<u>4,108</u>	<u>22,406</u>	<u>4,108</u>
Due to related parties				
Affiliated company	<u>17,130</u>	<u>-</u>	<u>-</u>	<u>-</u>
Due from policyholders, brokers and agents -				
Fellow subsidiary	88,798	91,727	88,798	91,727
Parent company	7	7	7	7
Affiliated company	<u>37,843</u>	<u>57,060</u>	<u>37,843</u>	<u>57,060</u>
	<u>126,648</u>	<u>148,794</u>	<u>126,648</u>	<u>148,794</u>
Loans receivable -				
Parent company (Note 21)	<u>-</u>	<u>28,964</u>	<u>-</u>	<u>28,964</u>
	<u>-</u>	<u>28,964</u>	<u>-</u>	<u>28,964</u>
Investment securities -				
Shares in affiliated entities (Note 22)	<u>460,909</u>	<u>396,839</u>	<u>460,909</u>	<u>396,839</u>
Claims liabilities				
Parent company	4,666	5,526	4,666	5,526
Affiliated company	5,895	39,070	5,895	39,070
Fellow subsidiary	<u>24,078</u>	<u>18,674</u>	<u>24,078</u>	<u>18,674</u>
	<u>34,639</u>	<u>63,270</u>	<u>34,639</u>	<u>63,270</u>

Included in the investments of the Group are shares in related parties. At 31 December 2019, these shares represented 5.37% of the total assets (2018 – 5.6%).

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

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

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

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## 10. Claims Expense

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Gross claims expense	1,545,194	1,243,597	1,549,741	1,243,597
Reinsurance share of claims (Note 4(b) (d))	(339,866)	(220,575)	(343,071)	(220,575)
Net claims expense	<u>1,205,328</u>	<u>1,023,022</u>	<u>1,206,670</u>	<u>1,023,022</u>

## 11. Investment Income

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Interest income				
Loan due from fellow subsidiary	6,766	21,586	6,766	21,586
Loan due from parent	419	15,355	419	15,355
Cash and deposits and investment securities	<u>141,536</u>	<u>103,801</u>	<u>102,383</u>	<u>103,801</u>
	148,721	140,742	109,568	140,742
Bond premium amortisation	<u>6,188</u>	<u>(4,822)</u>	<u>(3,327)</u>	<u>(4,822)</u>
	154,909	135,920	106,241	135,920
Dividend income	18,172	109	18,076	109
Real estate investment income	12,779	11,455	12,779	11,455
Rental income from investment property	17,982	12,210	13,136	12,210
Revaluation gains on investment property	19,346	9,800	18,027	9,800
Loss allowance reversed on investments	<u>6,697</u>	<u>5,181</u>	<u>6,027</u>	<u>5,181</u>
	<u>229,885</u>	<u>174,675</u>	<u>174,286</u>	<u>174,675</u>

## 12. Other Income

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Foreign exchange gains	57,688	34,886	57,688	34,886
Gain on disposal of property, plant and equipment	1,758	2,663	1,758	2,663
Roadside assistance	5,567	-	-	-
Gain on acquisition – negative goodwill recognized (Note 38)	129,791	-	-	-
Miscellaneous income	<u>7,371</u>	<u>9,492</u>	<u>7,066</u>	<u>9,492</u>
	<u>202,175</u>	<u>47,041</u>	<u>66,512</u>	<u>47,041</u>

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

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### 13. Expenses by Nature

Management and other expenses by nature are as follows:

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Advertising costs	68,097	44,445	67,931	44,445
Audit fees	11,918	6,613	9,000	6,613
Computer expenses	49,006	39,116	46,654	39,116
Directors fees	3,755	2,100	2,100	2,100
Depreciation and amortisation (Note (27,28,30))	96,474	43,915	75,347	43,915
Insurance	8,284	4,587	5,800	4,587
Other operating expenses	51,870	45,482	57,862	45,482
Professional fees	25,707	31,366	22,398	31,366
Printing and stationery	13,032	9,250	11,432	9,250
Registration fees	18,974	15,000	18,974	15,000
Rent	-	31,516	-	31,516
Repairs and maintenance	38,834	34,645	38,829	34,645
Roadside assistance	8,337	-	-	-
Staff costs (Note 8)	648,733	494,651	613,572	494,651
Transportation expenses	12,314	7,798	12,132	7,798
Utilities	33,130	27,492	30,877	27,492
	<u>1,088,465</u>	<u>837,976</u>	<u>1,012,908</u>	<u>837,976</u>

### 14. Staff Costs

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Wages and salaries	512,338	379,297	479,858	379,297
Statutory contributions	40,048	32,286	38,002	32,286
Pension costs	12,691	8,631	12,424	8,631
Other	83,656	74,437	83,288	74,437
	<u>648,733</u>	<u>494,651</u>	<u>613,572</u>	<u>494,651</u>

# General Accident Insurance Company Jamaica Limited

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### 15. Taxation

- (a) The company's shares were listed on the Junior Market of the Jamaica Stock Exchange, effective 21 September 2012. Consequently, the Group 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 Group 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 \$83,364,000 (2018 - \$62,348,000).

- (b) Taxation is based on the profit for the year adjusted for taxation purposes and represents income tax at 25% - 33 1/3%:

	The Group		The Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Current income tax	85,606	62,348	83,364	62,348
Prior year over accrual	(4,799)	-	-	-
Deferred income tax (Note 29)	37,789	4,851	7,131	4,851
	<u>118,596</u>	<u>67,199</u>	<u>90,495</u>	<u>67,199</u>

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

	The Group		The Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Profit before tax	<u>770,154</u>	<u>352,569</u>	<u>535,836</u>	<u>352,569</u>

	The Group		The Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Tax calculated at applicable tax rate	256,718	117,523	178,612	117,523
Adjusted for the effects of:				
Income tax remission	(83,364)	(62,348)	(83,364)	(62,348)
Income not subject to tax	(44,296)	(3,212)	(1,032)	(3,212)
Expenses not deductible for tax	3,763	4,100	3,763	4,100
Prior year over accrual	(4,799)	-	-	-
Adjustment to prior year deferred tax	2,134	4,866	2,134	4,866
Net effect of other charges and allowances	(11,560)	6,270	(9,618)	6,270
	<u>118,596</u>	<u>67,199</u>	<u>90,495</u>	<u>67,199</u>



# General Accident Insurance Company Jamaica Limited

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### 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.

	<b>2019</b>	<b>2018</b>
Net profit from continuing operations attributable to owners (\$'000)	558,760	285,370
Weighted average number of ordinary shares in issue ('000)	1,031,250	1,031,250
Earnings per share (\$)	<u>0.54</u>	<u>0.28</u>

The net profit and retained earnings of the Group are reflected in the accounts of the company and its subsidiaries as follows:

#### Net profit

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Company	445,341	285,370
Subsidiaries	<u>206,217</u>	<u>-</u>
	<u>651,558</u>	<u>285,370</u>

#### Retained earnings

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Company	1,678,324	1,378,507
Subsidiaries	<u>113,419</u>	<u>-</u>
	<u>1,791,743</u>	<u>1,378,507</u>

# General Accident Insurance Company Jamaica Limited

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## 17. Dividends per Share

The dividends paid in 2019 and 2018 were as follows:

	2019 \$'000	2018 \$'000
Interim dividends: -		
13.84 cents per stock unit – December 2019	142,684	-
14.55 cents per stock unit – December 2018	-	150,047
	<u>142,684</u>	<u>150,047</u>

Declared dividend for 2018 and 2019 were paid during the year 2019. There were no dividends approved and not paid post year end.

## 18. Cash and Cash Equivalents

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Cash and bank balances	527,099	421,460	287,976	421,460
Short-term deposits	115,230	234,683	115,230	234,683
	<u>642,329</u>	<u>656,143</u>	<u>403,206</u>	<u>656,143</u>

Short term deposits comprise term deposits and repurchase agreements with an average maturity of 90 days (2018 – 75 days) and include interest receivable of \$644,000 (2018 – \$282,000 ).

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

	The Group		The Company	
	2019 %	2018 %	2019 %	2018 %
J\$	2.5	2.2	2.5	2.2
TT\$	-	-	-	-
US\$	-	1.6	-	1.6

# General Accident Insurance Company Jamaica Limited

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## 18. Cash and Cash Equivalents (Continued)

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

	The Group		The Company	
	2019	2018	2019	2018
	%	%	%	%
J\$	1.0	1.0	1.0	1.0
US\$	0.1	0.1	0.1	0.1
GBP	0.1	0.1	0.1	0.1

## 19. Due from Reinsurers and Coinsurers

	The Group		The Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Reinsurers' portion of unearned premium	1,040,631	851,167	1,040,631	851,167
Reinsurers' portion of claims liabilities	692,238	487,730	692,238	487,730
Other amounts recoverable from reinsurers and coinsurers	487,263	305,280	482,280	305,280
	<u>2,220,132</u>	<u>1,644,177</u>	<u>2,215,149</u>	<u>1,644,177</u>

## 20. Other Receivables

	The Group		The Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Prepayments	64,096	52,393	63,533	52,393
Other receivables	103,312	107,354	102,539	107,354
	<u>167,408</u>	<u>159,747</u>	<u>166,072</u>	<u>159,747</u>

# General Accident Insurance Company Jamaica Limited

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### 21. Loans Receivable

	The Group and Company	
	2019	2018
	\$'000	\$'000
Short-term loan receivable from parent	-	28,964
	<u>-</u>	<u>28,964</u>

In the prior year, this represented a loan to the parent at a rate of 12.25%. It was repaid in November 2019.

### 22. Investment Securities

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Debt securities -</b>				
At amortised cost:				
Government Jamaica Securities	61,414	172,662	61,414	172,662
Government of Trinidad and Tobago	1,494,785	-	-	-
Certificate of Deposits	2,319,166	1,175,968	2,124,872	1,175,968
United States Dollar Long Term Deposits	144,868	321,824	144,868	321,824
United States Dollar Corporate Bonds	90,849	244,255	90,849	244,255
Other Government Securities	57,787	96,604	57,787	96,604
	<u>4,168,869</u>	<u>2,011,313</u>	<u>2,479,790</u>	<u>2,011,313</u>
Interest receivable	59,212	41,615	49,867	41,615
Equity investments at fair-value through OCI	524,162	417,599	481,671	417,599
	<u>4,752,243</u>	<u>2,470,527</u>	<u>3,011,328</u>	<u>2,470,527</u>

#### Weighted average effective interest rate:

	The Group		The Company	
	2019 %	2018 %	2019 %	2018 %
Government Jamaica Securities	4.11	7.34	4.11	7.34
Government of Trinidad and Tobago	5.25	-	-	-
Certificate of Deposits	3.54	4.20	3.54	4.20
United States Long Term Deposits	3.11	2.99	3.11	2.99
United States Dollar Corporate Bonds	7.10	5.86	7.10	5.86
Other Government Securities	4.43	6.2	4.43	6.2

# General Accident Insurance Company Jamaica Limited

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## 22. Investment Securities (Continued)

Included in investments are Government of Jamaica Benchmark Investment Notes valued at \$48,000,000 (2018 - \$48,000,000) which have been pledged with the FSC, pursuant to Section 8(1)(b) of the Insurance Regulations, 2001.

The Group's holdings in equity investments (2018 - quoted shares) includes investment in affiliated companies (Note 9).

## 23. Investment in Subsidiaries

	<u>The Company</u>	
	2019	2018
	\$'000	\$'000
Motor One Insurance Company Limited – 55%		
360,374 Ordinary shares	348,735	-

## 24. Investment Property

	<u>The Group</u>		<u>The Company</u>	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
At 1 January	206,655	130,000	206,655	130,000
Additions	5,118	28,219	5,118	28,219
Arising on acquisition of subsidiary (Note 38)	579,702	-	-	-
Disposal	(293,377)	-	-	-
Construction work-in-progress	-	38,636	-	38,636
Revaluation (charged to profit or loss)	19,346	9,800	18,027	9,800
Translation differences	1,772	-	-	-
At 31 December	<u>519,216</u>	<u>206,655</u>	<u>229,800</u>	<u>206,655</u>

Property income and direct expenses including repairs and maintenance in relation to investment properties are as follows:

	<u>The Group</u>		<u>The Company</u>	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Rental income	17,982	12,210	13,136	12,210
Direct costs	-	-	-	-

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## 24. Investment Property (Continued)

The properties were valued at current market value as at November 2019 by NAI Jamaica Langford and Brown for properties located in Jamaica and Linden Scott & Associates for properties located in Trinidad and Tobago. These experts are independent qualified property appraisers and valuers. 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 valuers' judgement regarding size, age, condition were utilised.

## 25. Real Estate Investment

	<b>The Group and Company</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
At 1 January	184,367	180,435
Revaluation (charged to other comprehensive income)	9,266	3,932
Closing	<u>193,633</u>	<u>184,367</u>

This represents the Group'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 real estate investment for the year was \$12,779,000 (2018 - \$11,455,000).

The property was last valued at current market value in November 2019 by NAI Jamaica Langford and Brown, independent qualified property appraisers and valuers.

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).

# General Accident Insurance Company Jamaica Limited

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## 26. Property, Plant and Equipment

	The Group				
	Land and Buildings	Furniture, Fixtures & Equipment	Motor Vehicles	Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Cost -					
At 1 January 2018	87,923	145,573	94,256	10,327	338,079
Additions	30,806	32,538	47,709	-	111,053
Disposals	-	(9,058)	(17,705)	-	(26,763)
At 31 December 2018	118,729	169,053	124,260	10,327	422,369
Acquisition of subsidiary (Note 38)	338,528	2,341	-	-	340,869
Additions	22,441	20,707	10,254	1,502	54,904
Transfers	301	(301)	-	(9,462)	(9,462)
Disposals	-	(253)	(5,563)	-	(5,816)
Translation differences	(7,212)	(2,649)	(69)	-	(9,930)
At 31 December 2019	472,787	188,898	128,882	2,367	792,934
Depreciation -					
At 1 January 2018	22,894	88,369	61,686	-	172,949
Charge for the year	6,442	15,611	19,774	-	41,827
Relieved on disposal	-	(5,439)	(17,645)	-	(23,084)
Adjustments	(86)	-	-	-	(86)
At 31 December 2018	29,250	98,541	63,815	-	191,606
Charge for the year	7,518	16,711	18,574	-	42,803
Relieved on disposal	-	(103)	(5,563)	-	(5,666)
Translation differences	(7,605)	(2,569)	(69)	-	(10,243)
At 31 December 2019	29,163	112,580	76,757	-	218,500
Net Book Value -					
31 December 2019	443,624	76,318	52,125	2,367	574,434
31 December 2018	89,479	70,512	60,445	10,327	230,763

# General Accident Insurance Company Jamaica Limited

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

	The Company				
	Land and Buildings	Furniture, Fixtures & Equipment	Motor Vehicles	Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Cost -					
At 1 January 2018	87,923	145,573	94,256	10,327	338,079
Additions	30,806	32,538	47,709	-	111,053
Disposals	-	(9,058)	(17,705)	-	(26,763)
At 31 December 2018	118,729	169,053	124,260	10,327	422,369
Additions	22,440	15,402	10,254	1,502	49,598
Transfers/Reclassification (Note 27)	301	(301)	-	(9,462)	(9,462)
Disposals/Adjustments	-	(253)	(5,563)	-	(5,816)
At 31 December 2019	141,470	183,901	128,951	2,367	456,689
Depreciation -					
At 1 January 2018	22,894	88,369	61,686	-	172,949
Charge for the year	6,442	15,611	19,774	-	41,827
Relieved on disposal	-	(5,439)	(17,645)	-	(23,084)
Adjustments	(86)	-	-	-	(86)
At 31 December 2018	29,250	98,541	63,815	-	191,606
Charge for the year	8,233	16,346	18,574	-	43,153
Relieved on disposal	-	(103)	(5,563)	-	(5,666)
At 31 December 2019	37,483	114,784	76,826	-	229,093
Net Book Value -					
31 December 2019	103,987	69,117	52,125	2,367	227,596
31 December 2018	89,479	70,512	60,445	10,327	230,763



# General Accident Insurance Company Jamaica Limited

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## 27. Intangible Assets

	Renewal Rights	Distribution Relationships	Licence	Website	Computer Software	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At Cost -						
At 1 January 2018	-	-	-	-	83,045	83,045
Adjustments	-	-	-	-	223	223
At 31 December 2018	-	-	-	-	83,268	83,268
Acquisition of subsidiary (Note 38)	38,221	12,070	142,826	-	-	193,117
Transfers	-	-	-	9,462	-	9,462
Additions	-	-	-	-	3,105	3,105
At 31 December 2019	38,221	12,070	142,826	9,462	86,373	288,952
Amortisation -						
At 1 January 2018	-	-	-	-	78,868	78,868
Charge for the year	-	-	-	-	2,075	2,075
At 31 December 2018	-	-	-	-	80,943	80,943
Charge for the year	7,644	1,509	-	1,192	1,490	11,835
At 31 December 2019	7,644	1,509	-	1,192	82,433	92,778
Net Book Value -						
31 December 2019	30,577	10,561	142,826	8,270	3,940	196,174
31 December 2018	-	-	-	-	2,325	2,325

# General Accident Insurance Company Jamaica Limited

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## 27. Intangible Assets (Continued)

	<b>The Company</b>		
	<b>Website \$'000</b>	<b>Computer Software \$'000</b>	<b>Total \$'000</b>
At Cost -			
At 1 January 2018	-	83,045	83,045
Adjustments	-	223	223
At 31 December 2018	-	83,268	83,268
Transfer from work-in-progress (Note 26)	9,462	-	9,462
42803 Additions	-	3,105	3,105
At 31 December 2019	9,462	86,373	95,835
Amortisation -			
At 1 January 2018	-	78,868	78,868
Charge for the year	-	2,075	2,075
At 31 December 2018	-	80,943	80,943
Charge for the year	1,192	1,490	2,682
At 31 December 2019	1,192	82,433	83,625
Net Book Value -			
31 December 2019	8,270	3,940	12,210
31 December 2018	-	2,325	2,325

## 28. Due to Reinsurers and Coinsurers

	<b>The Group and Company</b>	
	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Local reinsurers	103,514	53,186
Overseas reinsurers	858,010	652,970
	<u>961,524</u>	<u>706,156</u>

# General Accident Insurance Company Jamaica Limited

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### 29. Other Liabilities

	The Group		The Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Statutory contributions payable	9,726	6,082	7,064	6,082
Accrued expenses	141,571	63,304	120,044	63,304
Sales and premium tax payable	65,868	38,269	64,197	38,269
Other payables	78,378	58,601	48,307	58,601
Dividend payable	-	150,047	-	150,047
Deferred and contingent consideration	110,662	-	110,662	-
	<u>406,205</u>	<u>316,303</u>	<u>350,274</u>	<u>316,303</u>

### 30. Leases

This note provides information for leases where the Group is a lessee.

*Amounts recognised in the statement of financial position (IFRS 16)*

	The Group	The Company
	2019	2019
	\$'000	\$'000
Right-of-use assets		
Land and buildings	<u>92,157</u>	<u>86,499</u>
Lease liabilities		
Current	32,215	27,571
Non-current	65,800	64,577
	<u>98,015</u>	<u>92,148</u>

#### (a) Right of use assets

	Right of Use-Asset	
	The Group	The Company
	\$'000	\$'000
<b>Cost</b>		
1 January 2019 - Adoption of IFRS 16	136,413	136,413
Additions	22,414	4,432
31 December 2019	<u>158,827</u>	<u>140,845</u>
<b>Accumulated Depreciation</b>		
1 January 2019 - Adoption of IFRS 16	24,834	24,834
Charge for the year	41,836	29,512
31 December 2019	<u>66,670</u>	<u>54,346</u>
<b>Net Book Value</b>		
31 December 2019	<u>92,157</u>	<u>86,499</u>

# General Accident Insurance Company Jamaica Limited

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## 30. Leases (Continued)

### (b) Lease liabilities

	<u>The Group</u> <u>Lease</u> <u>liabilities</u> <u>\$'000</u>	<u>The Company</u> <u>Lease</u> <u>liabilities</u> <u>\$'000</u>
1 January 2019 - Adoption of IFRS 16	114,324	114,324
Additions	22,414	4,432
Lease payments	(47,268)	(34,186)
Interest on lease liability	7,568	6,601
Foreign exchange translation	977	977
31 December 2019	<u>98,015</u>	<u>92,148</u>

### (c) Amounts recognised in the statement of profit or loss IFRS16

The statement of profit or loss shows the following amounts relating to right-of-use assets:

	<u>The Group</u>		<u>The Company</u>	
	<u>2019</u>	<u>1 January</u>	<u>2019</u>	<u>1 January</u>
	<u>\$'000</u>	<u>2019</u>	<u>\$'000</u>	<u>2019</u>
		<u>\$'000</u>		<u>\$'000</u>
Depreciation charge of right-of-use assets				
Land and buildings	41,836	-	29,512	-
Interest expense	7,568	-	6,601	-

## 31. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 33.33%% (16.67%% restricted to 50% based on remission year 5 to 10).

	<u>The Group</u>		<u>The Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Deferred income tax assets	1,359	1,023	1,359	1,023
Deferred income tax liabilities	(46,292)	(8,167)	(15,634)	(8,167)
Net liabilities	<u>(44,933)</u>	<u>(7,144)</u>	<u>(14,275)</u>	<u>(7,144)</u>

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

# General Accident Insurance Company Jamaica Limited

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## 31. Deferred Income Taxes (Continued)

	The Group		The Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
At the beginning of the year	(7,144)	(1,993)	(7,144)	(1,993)
Amounts restated through opening equity	-	(300)	-	(300)
Profit or loss (Note 15)	(37,789)	(4,851)	(7,131)	(4,851)
At end of year	<u>(44,933)</u>	<u>(7,144)</u>	<u>(14,275)</u>	<u>(7,144)</u>

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

	The Group		The Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
<b>Deferred income tax assets</b>				
Accrued vacation	1,359	1,023	1,359	1,023
	<u>1,359</u>	<u>1,023</u>	<u>1,359</u>	<u>1,023</u>

	The Group		The Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Accelerated depreciation	7,324	2,254	7,324	2,254
Intangible assets	30,658	-	-	-
Interest receivable	8,310	5,913	8,310	5,913
	<u>46,292</u>	<u>8,167</u>	<u>15,634</u>	<u>8,167</u>

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

	The Group		The Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Accelerated depreciation	(5,070)	(7,486)	(5,070)	(7,486)
Intangible assets	(30,658)	-	-	-
Accrued vacation	336	705	336	705
Interest receivable	(2,397)	1,930	(2,397)	1,930
	<u>(37,789)</u>	<u>(4,851)</u>	<u>(7,131)</u>	<u>(4,851)</u>

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## 32. Insurance Reserves

(a) These reserves are as follows:

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Gross -				
Unearned premiums	2,431,720	1,839,972	2,258,707	1,839,972
Claims liabilities	3,841,286	1,956,370	2,260,567	1,956,370
Unexpired risk reserve	17,292	-	-	-
Unearned commission	213,970	179,607	213,970	179,607
	<u>6,504,268</u>	<u>3,975,949</u>	<u>4,733,244</u>	<u>3,975,949</u>
Recoverable from reinsurers -				
Reinsurers' portion of unearned premiums	(1,040,631)	(851,167)	(1,040,631)	(851,167)
Reinsurers' portion of claims liabilities	(692,238)	(487,730)	(692,238)	(487,730)
	<u>(1,732,869)</u>	<u>(1,338,897)</u>	<u>(1,732,869)</u>	<u>(1,338,897)</u>
Net -				
Unearned premiums	1,391,089	988,805	1,218,076	988,805
Claims liabilities	3,149,048	1,468,640	1,568,329	1,468,640
Unexpired risk reserve	17,292	-	-	-
Unearned commission	213,970	179,607	213,970	179,607
	<u>4,771,399</u>	<u>2,637,052</u>	<u>3,000,375</u>	<u>2,637,052</u>

(b) Claims liabilities comprise:

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Gross -				
Outstanding claims	2,619,872	1,590,807	1,851,690	1,590,807
IBNR	1,203,853	349,048	391,316	349,048
Unallocated loss adjustment expense	17,561	16,515	17,561	16,515
	<u>3,841,286</u>	<u>1,956,370</u>	<u>2,260,567</u>	<u>1,956,370</u>
Recoverable from reinsurers -				
Outstanding claims	505,303	338,217	505,303	338,217
IBNR	186,935	149,513	186,935	149,513
	<u>692,238</u>	<u>487,730</u>	<u>692,238</u>	<u>487,730</u>
Net -				
Outstanding claims	2,114,569	1,252,590	1,346,387	1,252,590
IBNR	1,016,918	199,535	204,381	199,535
Unallocated loss adjustment expense	17,561	16,515	17,561	16,515
	<u>3,149,048</u>	<u>1,468,640</u>	<u>1,568,329</u>	<u>1,468,640</u>

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

### 32. Insurance Reserves (Continued)

An actuarial valuation was performed to value the policy and claims liabilities of the Group as at 31 December 2019 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.

For consistency, the management also performed a valuation for the policy and claim liabilities of the subsidiary as at 31 December 2019 using the same appointed actuary.

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 30 April 2020, the actuary found that the amount of policy and claims liabilities represented in the statement of financial position at 31 December 2019 makes proper provision for the future payments under the Group'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:

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Net reserves for claims outstanding at beginning of year –				
Gross reserves for claims outstanding	1,956,370	1,695,902	1,956,370	1,695,902
Reinsurance ceded	(487,730)	(292,203)	(487,730)	(292,203)
	<u>1,468,640</u>	<u>1,403,699</u>	<u>1,468,640</u>	<u>1,403,699</u>
Movement during the year –				
Acquisition of outstanding claims (Note 38)	2,418,758	-	-	-
Claims incurred, including IBNR	1,158,372	1,062,241	1,306,359	1,062,241
Claims paid	(2,230,200)	(1,217,875)	(1,549,741)	(1,217,875)
Recovery from reinsurers	339,866	220,575	343,071	220,575
Translation differences on foreign currency claims	(6,388)	-	-	-
	<u>1,680,408</u>	<u>64,941</u>	<u>99,689</u>	<u>64,941</u>
Net reserves for claims outstanding at end of year	3,149,048	1,468,640	1,568,329	1,468,640
Reinsurance ceded	692,238	487,730	692,238	487,730
Gross reserves for claims outstanding at end of year	<u>3,841,286</u>	<u>1,956,370</u>	<u>2,260,567</u>	<u>1,956,370</u>

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

### 32. Insurance Reserves (Continued)

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.

(c) The movement in unearned premiums for the Group and company are as follows:

	The Group					
	2019			2018		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Balance at 1 January	1,839,972	(851,167)	988,805	1,369,500	(612,558)	756,942
Acquisition of subsidiary	210,135	-	210,135			
Premiums written during the year	10,727,828	(8,151,493)	2,576,335	8,735,797	(6,745,749)	1,990,048
Premiums earned during the year	(10,346,215)	7,962,029	(2,384,186)	(8,265,325)	6,507,140	(1,758,185)
	381,613	(189,464)	192,149	470,472	(238,609)	231,863
Balance at 31 December	2,431,720	(1,040,631)	1,391,089	1,839,972	(851,167)	988,805

	The Company					
	2019			2018		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Balance at 1 January	1,839,972	(851,167)	988,805	1,369,500	(612,558)	756,942
Premiums written during the year	10,615,009	(8,151,493)	2,463,516	8,735,797	(6,745,749)	1,990,048
Premiums earned during the year	(10,196,274)	7,962,029	(2,234,245)	(8,265,325)	6,507,140	(1,758,185)
	418,735	(189,464)	229,271	470,472	(238,609)	231,863
Balance at 31 December	2,258,707	(1,040,631)	1,218,076	1,839,972	(851,167)	988,805



# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

### 32. Insurance Reserves (Continued)

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

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Fire, consequential loss and liability	726,224	569,450	726,224	569,450
Motor	1,600,853	1,130,310	1,427,840	1,130,310
Other	104,643	140,212	104,643	140,212
	<u>2,431,720</u>	<u>1,839,972</u>	<u>2,258,707</u>	<u>1,839,972</u>

### 33. Share Capital

	2019 \$'000	2018 \$'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	<u>470,358</u>	<u>470,358</u>

### 34. Capital Reserves

	2019 \$'000	2018 \$'000
At beginning of and end of year	<u>152,030</u>	<u>152,030</u>

The capital reserves at year end represent realised surpluses.

### 35. Property Revaluation Reserve

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

### 36. Fair Value Reserve

This represents the unrealised surplus, net of tax, on the revaluation of investments classified as Fair Value through Other Comprehensive Income (FVOCI).

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

### 37. Non-Controlling Interest

	2019 \$'000	2018 \$'000
Beginning of year	-	-
Acquisition of subsidiary (Note 38)	391,522	-
NCI share of Total Comprehensive Income	<u>82,025</u>	<u>-</u>
	<u>473,547</u>	<u>-</u>

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

The total non-controlling interest at the end of the year was \$473,547,000, all of which relates to Motor One Limited.

#### Summarised financial information on subsidiary with material non-controlling interests.

##### (b) Summarised Statement of Financial Position – Motor One Limited

	31 December 2019 \$'000
Assets	<u>2,937,044</u>
Liabilities	<u>1,938,266</u>
Net Assets	<u>998,778</u>

##### (c) Summarised Statement of Comprehensive Income - Motor One Limited

	Three months ended 31 December 2019 \$'000
Revenue	<u>304,081</u>
Profit before taxation	234,319
Taxation	<u>(28,101)</u>
Profit after tax	206,218
Other comprehensive income	<u>(23,940)</u>
Total Comprehensive Income	<u>182,278</u>
Profit after tax allocated to non-controlling interest	<u>92,798</u>
Total comprehensive income allocated to non-controlling interest	<u>82,025</u>

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

### 37. Non-Controlling Interest (Continued)

(d) Summarised Statement of Cash Flows – Motor One Limited

	<b>31 December 2019 \$'000</b>
Cash flows from operating activities	
Cash used in operations	(774,569)
Income taxes	28,101
Net cash used in operating activities	(746,468)
Net cash generated from investing activities	957,695
Net cash used in financing activities	(1,215)
Net increase in cash and cash equivalents	210,012
Cash and cash equivalents at acquisition date	39,344
Exchange gains on cash and cash equivalents	(10,233)
	<u>239,123</u>

### 38. Business Combination and Asset Purchase

#### Acquisition of 55% interest in Motor One Limited

On 16 September 2019, the group acquired 55% of the share capital of Motor One Limited.

The acquired business contributed revenues of \$304,081,000 and net profits attributable to shareholders of \$130,282,000 for the year ended 31 December 2019. Had the entity been acquired at the beginning of the year, it would have contributed revenues of approximately \$373,577,000 and net profits of approximately \$100,541,000 for the Group for the year ended 31 December 2019.

Details of the net assets acquired, purchase consideration and negative goodwill, determined on a provisional basis, were as follows:

	<b>Fair Values \$'000</b>
Cash and short-term investments	39,344
Due from policyholders, brokers and agents	10,449
Investment securities	2,425,304
Investment property	579,702
Property, plant and equipment	340,869
Intangible assets	193,117
Taxation payable	(8,904)
Other liabilities	(80,939)
Unearned premium	(210,135)
Insurance reserves	(2,418,758)
	<u>870,049</u>

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

### 38. Business Combination and Asset Purchase (Continued)

#### Acquisition of 55% interest in Motor One Limited (continued)

	<b>\$'000</b>
Purchase consideration – Cash	238,074
Purchase consideration – Deferred	84,109
Purchase consideration - Contingent	26,553
NCI at acquisition (Note 37)	391,522
Net asset acquired	<u>(870,049)</u>
Bargain purchase	<u>(129,791)</u>
Cash paid	(238,074)
Cash and cash equivalent included in net assets	<u>39,344</u>
Net cash outflow on acquisition	<u>(198,730)</u>

### 39. 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 2017, indicated that the scheme was adequately funded at that date.

Pension contributions for the period totalled \$12,691,000 (2018 – \$8,631,000) and are included in staff costs (Note 14).

### 40. Contingency

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

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

31 December 2019

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### 41. Adoption of New Accounting Standard

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements.

As indicated in Note 2, the Group has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 2 (i) and Note 30.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.5%.

#### (a) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- (i) applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- (ii) relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- (iii) accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- (iv) excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and;
- (v) using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 - Determining whether an Arrangement contains a Lease.

#### (b) Measurement of lease liabilities

	<b>The Group and Company 2019 \$'000</b>
Operating lease commitments disclosed as at 31 December 2018	120,845
Discounted using the lessee's incremental borrowing rate at the date of initial application	114,324
<b>Lease liability recognised as at 1 January 2019</b>	<b>114,324</b>
Of which are:	
Current lease liabilities	34,186
Non-current lease liabilities	80,138
	<u>114,324</u>

# General Accident Insurance Company Jamaica Limited

## Notes to the Financial Statements

31 December 2019

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### 41. Adoption of New Accounting Standards (Continued)

(c) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied.

(d) Adjustments recognised in the statement of financial position on 1 January 2019

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

- (i) right-of-use assets – increase by \$111,484,000 for the Group and company.
- (ii) lease liabilities – increase by \$114,324,000 and for the Group and company.

### Impact of adopting IFRS 16 on Statement of financial position as at 1 January 2019

<b>Group and Company</b>			
	<b>31 December 2018 as previously reported \$'000</b>	<b>Effects of IFRS 16 \$'000</b>	<b>1 January 2019 as restated \$'000</b>
<b>ASSETS</b>			
Right of use assets	-	111,484	111,484
Other assets unaffected by adoption of new standards	7,062,164	-	7,062,164
<b>Total assets</b>	<b>7,062,164</b>	<b>111,484</b>	<b>7,173,648</b>
<b>LIABILITIES</b>			
Lease liabilities	-	114,324	114,324
Other liabilities unaffected by adoption of new standards	5,005,552	-	5,005,552
<b>Total liabilities</b>	<b>5,005,552</b>	<b>114,324</b>	<b>5,119,876</b>
<b>EQUITY</b>			
Share capital	470,358	-	470,358
Capital reserves	152,030	-	152,030
Property revaluation reserve	40,819	-	40,819
Fair value reserve	14,898	-	14,898
Retained earnings	1,378,507	(2,840)	1,375,667
	<b>2,056,612</b>	<b>(2,840)</b>	<b>2,053,772</b>
	<b>7,062,164</b>	<b>111,484</b>	<b>7,173,648</b>

# General Accident Insurance Company Jamaica Limited

Notes to the Financial Statements

**31 December 2019**

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## 42. Subsequent Events

- (a) In February 2020, the Group incorporated General Accident Insurance Company (Barbados) Limited a newly formed entity. In March 2020, The Financial Services Commission of Barbados issued General Accident Insurance Company (Barbados) Limited a license to operate as a registered Class 2 Insurer in Barbados.
- (b) Subsequent to the end of the financial year, the World Health Organization declared the Corona virus (COVID-19) to be a global pandemic. The pandemic has resulted in a significant downturn in commercial activity as there is currently no cure, and the means most recommended to manage contagion is social distancing. Reduction in economic activity will have negative global consequences. The extent and duration of the impact of COVID-19 on the global economy and the sectors in which the Group and its policyholders operate is uncertain at this time, but it has the potential to adversely affect the business.

There has not been a sufficient passage of time for the Group to quantify the impact of the foregoing on its financial results at the time of reporting.